



Telecom Egypt Company
Consolidated Interim Financial Statements
Prepared in Accordance with IFRSs
For The Nine Months Ended September 30, 2015
And Auditor's Review Report





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Review Report To the Board of Directors of Telecom Egypt Company

Introduction

We have reviewed the accompanying consolidated statement of financial position of Telecom Egypt Company and its subsidiaries ("the Group") as at September 30, 2015 and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine months period then ended, and a summary of significant accounting policies and other notes. Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with International Financial Reporting Standards. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standard on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not give a true and fair view of the financial position of the Group as at September 30, 2015, and of its consolidated financial performance and its consolidated cash flows for the nine months period then ended in accordance with International Financial Reporting Standards.

Emphasis of Matters

Without qualifying our conclusion, we draw attention to the following:

- 1- As explained in note no. (35-1) of the notes to the consolidated interim financial statements, which describes the dispute between the company and both companies Mobinil and Vodafone (Mobile Operators) in regards to the interconnection rates. Several resolutions were issued by the National Telecommunication Regulatory Authority (NTRA) determining the interconnection rates based on the complaint filed by the company. As a result, the Mobile Operators filed lawsuits and arbitral litigations for ceasing the implementation of the said resolutions. In addition, to the lawsuits and arbitral, litigations filed by or against the company and the dispute parties, several rulings were issued but were appealed before the relevant authorities. These litigations and appeals are still under deliberation before the court and the arbitral tribunals and the final ruling has not been issued yet.

According to the opinion of the company's legal consultant, the company has the right to apply the interconnection rates used between the Mobile Operators, and that the company's position is based on the relevant agreements and laws, and there are several arbitral and judicial stages to finalize this dispute. It is difficult, in the meantime to determine the outcome of the above mentioned lawsuits and arbitral litigations till the final ruling of the judicial and arbitral bodies is issued.

- 2- As explained in note no. (35-2) of the notes to the consolidated interim financial statements, which describes the dispute between the company and one of its investee in which Telecom Egypt company owns 25%, in regards to an agreement that is concluded between the company and the investee, the company has filed an arbitration case against the investee, claiming compensation and the termination of the agreement as the investee breached the obligations stated in the agreement. In addition to, the investee has filed a counter arbitration case against the company claiming compensation according to the obligations of the same agreement. The arbitral tribunal issued an award to depute an expert to express his technical opinion for all the financial claims submitted by the both parties. On August 31,2015 the arbitral tribunal issued it's award regarding the above mentioned arbitral litigations rejecting the company's claim for a compensation, accepting the arbitral litigation filed by the investee, terminating the agreement concluded with the company and it's amendments and awarded compensation to the investee. Telecom Egypt started to take the necessary legal actions to cease the implementation of the award and annulling it.

According to the opinion of the company's legal consultant, the company's management is of the opinion that it has sufficient legal corroboration which provide preponderance to its position before the legal bodies regarding ceasing the implementation of the award and annulling it, it's difficult, in the meantime to determine the final outcome of the above mentioned legal actions till the final ruling of the competent legal bodies is issued.



KPMG Hazem Hassan

Cairo, Egypt
February 8, 2016

KPMG Hazem Hassan
Public Accountants and Consultants

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Telecom Egypt Company
Consolidated statement of financial position

In thousands of Egyptian Pound	Note	30 September 2015	31 December 2014 Restated
Assets			
Property, plant and equipment	13,3c	12 692 478	12 169 940
Intangible assets	14,3d	971 286	1 045 662
Equity-accounted investees	15,3a	9 886 214	9 177 354
Available-for-sale investments	16,3f	98 639	99 014
Deferred tax assets	18,3q	345 964	374 890
Non-current assets		23 994 581	22 866 860
Inventories	19,3g	452 833	438 050
Held-to-maturity investment (treasury bills)		272 309	1 093 688
Trade and other receivables	20	5 470 337	5 049 366
Cash and cash equivalents	21	2 363 560	2 716 259
Current assets		8 559 039	9 297 363
Total assets		32 553 620	32 164 223
Equity			
Share capital	22	17 070 716	17 070 716
Reserves	22,3j	6 385 726	6 352 771
Retained earnings		3 908 231	3 171 505
Interim dividends		-	(668 258)
Equity attributable to owners of the company		27 364 673	25 926 734
Non-controlling interests	3a	9 663	16 623
Total equity		27 374 336	25 943 357
Liabilities			
Loans and borrowings	24	343 802	382 544
Other payables		265	515
Deferred income	26	-	2 438
Deferred tax liabilities	18,3q	377 739	1 005 536
Non-current liabilities		721 806	1 391 033
Loans and borrowings	24	74 524	83 574
Trade and other payables	25	3 154 800	4 070 571
Deferred income	26	250 743	117 347
Provisions	27,3n	977 411	558 341
Current liabilities		4 457 478	4 829 833
Total liabilities		5 179 284	6 220 866
Total equity and liabilities		32 553 620	32 164 223

Financial Director

on behalf
M. Shamroukh
Shaher Shokry

Financial Affairs Senior
Director

M. Shamroukh
Mohamed Shamroukh

Senior Vice President for
Financial Affairs

Hassan Helmy
Hassan Helmy

Chief Executive Officer
& Managing Director

Osama Yasin
Osama Yasin

Board of Directors' approval

Chairman

Waleed Gad
Waleed Gad

Auditor's review report " attached "

The notes on pages 7 to 40 are an integral part of these consolidated interim financial statements.



Telecom Egypt Company
Consolidated statement of profit or loss and other comprehensive income

For the nine months ended 30 September For the three months ended 30 September

In thousands of Egyptian Pound	Note	2015	2014 Restated	2015	2014 Restated
Continuing operations					
Revenue	4,30	8 719 617	9 148 815	2 933 363	2 716 648
Operating costs	5	(5 301 348)	(5 079 911)	(1 769 576)	(1 774 358)
Gross profit		3 418 269	4 068 904	1 163 787	942 290
Other income	6	125 615	102 925	39 955	21 330
Selling and distribution expenses	7	(1 095 911)	(1 047 646)	(385 495)	(373 607)
Administrative expenses	8	(1 501 825)	(1 417 716)	(493 754)	(453 430)
Other expenses	9	(369 428)	(353 485)	(31 288)	(3 005)
Operating profit		576 720	1 352 982	293 205	133 578
Finance income	11	320 280	331 868	97 726	49 279
Finance costs	11	(81 003)	(130 480)	(71 280)	(82 684)
Net finance income	11	239 277	201 388	26 446	(33 405)
Share of profit of equity-accounted investees, net of tax		735 824	622 499	295 168	213 942
Profit before tax		1 551 821	2 176 869	614 819	314 115
Income tax	12	227 873	(1 582 709)	609 380	(151 482)
Profit		1 779 694	594 160	1 224 199	162 633
Other comprehensive income					
Foreign operations - foreign currency translation differences		3 208	(3 737)	3 655	(5 775)
Other comprehensive income, net of tax		3 208	(3 737)	3 655	(5 775)
Total comprehensive income		1 782 902	590 423	1 227 854	156 858
Profit attributable to:					
Owners of the company		1 778 311	591 673	1 223 696	161 713
Non - controlling interests		1 383	2 487	503	920
		1 779 694	594 160	1 224 199	162 633
Total comprehensive income attributable to:					
Owners of the company		1 781 519	587 956	1 227 351	155 973
Non - controlling interests		1 383	2 467	503	885
		1 782 902	590 423	1 227 854	156 858
Earning per share					
Basic earnings per share (LE)	23	1.04	0.35	0.72	0.09

The notes on pages 7 to 40 are an integral part of these consolidated interim financial statements.

Telecom Egypt Company
Consolidated statement of changes in equity
For the nine months ended 30 September 2015

Attributable to owners of the company

In thousands of Egyptian Pound	Share capital	Legal reserve	Translation reserve	Other reserve	Retained Earnings	Interim dividends	Total equity attributable to equity holders of the company	Non-controlling interest	Total equity
Balance at 1 January 2015 (restated)	17 070 716	1 553 184	3 009	4 796 578	3 171 505	(668 258)	25 926 734	16 623	25 943 357
Total comprehensive income for the period									
Profit for the period	-	-	-	-	1 778 311	-	1 778 311	1 383	1 779 694
Other comprehensive income	-	-	3 208	-	-	-	3 208	-	3 208
Total comprehensive income for the period	-	-	3 208	-	1 778 311	-	1 781 519	1 383	1 782 902
Transactions with owners of the company									
Transferred to reserves	-	28 600	-	-	(85 295)	56 695	-	-	-
Dividends of 2014	-	-	-	-	(952 977)	611 563	(341 414)	(1 660)	(343 074)
Acquisition of non-controlling interest	-	1 136	11	-	(3 313)	-	(2 166)	(6 683)	(8 849)
Total transactions with owners of the company	-	29 736	11	-	(1 041 585)	668 258	(343 580)	(8 343)	(351 923)
Balance as at 30 September 2015	17 070 716	1 582 920	6 228	4 796 578	3 908 231	-	27 364 673	9 663	27 374 336
Balance as at 1 January 2014	17 070 716	1 377 564	10 088	4 810 362	4 150 298	-	27 419 028	16 493	27 435 521
Total comprehensive income for the period									
Profit for the period (restated)	-	-	-	-	591 673	-	591 673	2 487	594 160
Other comprehensive income	-	-	(3 717)	-	-	-	(3 717)	(20)	(3 737)
Total comprehensive income for the period (restated)	-	-	(3 717)	-	591 673	-	587 956	2 467	590 423
Transactions with owners of the company									
Transferred to reserves	-	118 925	-	-	(118 925)	-	-	-	-
Dividends of 2013	-	-	-	-	(1 707 072)	-	(1 707 072)	(2 118)	(1 709 190)
Interim dividends of 2014	-	56 695	-	-	(56 695)	(611 563)	(611 563)	-	(611 563)
Total transactions with owners of the company	-	175 620	-	-	(1 882 692)	(611 563)	(2 318 635)	(2 118)	(2 320 753)
Balance as at 30 September 2014 (restated)	17 070 716	1 553 184	6 371	4 810 362	2 859 279	(611 563)	25 688 349	16 842	25 705 191

The notes on pages 7 to 40 are an integral part of these consolidated interim financial statements.



Telecom Egypt Company
Consolidated statement of cash flows

In thousands of Egyptian Pound	Note	For the nine months ended 30 September	
		2015	2014 Reclassified
Cash flows from operating activities			
Cash receipts from customers		6 487 248	6 265 395
Sales tax collected from customers		169 237	192 387
Stamp tax and fees collected (from third party)		30 095	30 486
Deposits Returned to customers		(2 197)	(3 412)
Cash paid to suppliers		(601 152)	(351 790)
Payments of NTRA licence fees		(416 203)	(150 485)
Cash paid to employees		(2 777 216)	(2 508 106)
Cash paid on behalf of employees to third party		(408 555)	(328 835)
Interest paid		(5 984)	(7 443)
Payments to Tax Authority - income tax		(683 436)	(744 843)
Payments to Tax Authority - sales tax		(425 025)	(558 907)
Payments to Tax Authority - other taxes		(393 357)	(322 008)
Other payments		(44 726)	(309 349)
Net cash from operating activities		928 729	1 203 090
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(1 882 523)	(927 960)
Proceeds from sale of property, plant and equipment		210	522
Acquisition of Investments		(8 849)	-
Payments for purchase of held to maturity investments - treasury bills		(480 429)	(1 412 036)
Interest received		25 507	29 018
Dividends collected from investments		32 516	38 505
Proceeds from sale of held-to-maturity investment - treasury bills		1 290 812	-
Proceeds from securities (treasury bills - mutual fund)		160 573	496 170
Net cash used in investing activities		(862 183)	(1 775 781)
Cash flows from financing activities			
Payments of loans and other facilities		(56 816)	(60 168)
Payments of finance lease liabilities		-	(15)
Dividends paid to shareholders		(357 410)	(2 283 897)
Net cash used in financing activities		(414 226)	(2 344 080)
Net change in cash and cash equivalents		(347 680)	(2 916 771)
Cash and cash equivalents at 1 January		2 698 964	5 644 304
Effect of movements in exchange rate on cash held		2 835	(1 432)
Cash and cash equivalents at 30 September	(21)	2 354 119	2 726 101

The notes on pages 7 to 40 are an integral part of these consolidated interim financial statements.



Notes to the consolidated interim financial statements Prepared in accordance with (IFRSs)
For the nine months ended September 30, 2015

1. Reporting entity

Telecom Egypt Company (the "Company") is an Egyptian Joint Stock Company registered in the Arab Republic of Egypt and is engaged in the provision of public communications and associated products and services. The consolidated interim financial statements of the Company for the nine months ended September 30, 2015 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

The main purpose of the company represents in the following:

- Owning, setting up, operating, maintenance and development of telecommunication networks and infrastructure necessary for communication services for using and / or managing and / or leasing to others and / or dealing on them.
- Providing voice, video and data transmission telecommunication services to subscribers and / or managing and / or leasing to others and / or dealing on them.
- Participating or contributing to global communication systems, such as: - submarine cables and satellites and obtaining capacities or circuits for using and / or managing and / or leasing to others and / or dealing on them.
- Dealing or contracting or Participating with authorities , agencies, companies , organizations or any entity exercising an activity similar to or identical to the company's activities or relates or assists the company to achieve its purposes either in Arab Republic of Egypt or abroad.
- Managing, selling, leasing, purchasing, possessing, renting and dealing on any property and rights or benefit or right in any property. Including the movable and immovable property which could be acquired or owned by the company.
- Selling, purchasing and distributing of fixed line sets, mobile phones and computers, its peripherals, accessories and supplies, complementary devices and necessary spare parts and related maintenance works.
- Setting up voice, video and written data transmission networks and providing value-added services, content services, marketing, electronic signature and online money transfer.
- Real estate investment for serving its purposes and executing its projects.

The registered office of the Company is 26 Ramses Street, Cairo, Egypt.

2. Basis of preparation

a. Basis of accounting

These consolidated interim financial statements have been prepared in accordance with IFRS. It was authorized for issuance by the company's Board of Directors on February 8, 2016.

b. Basis of measurement

The consolidated interim financial statements have been prepared under the historical cost basis except for the following:

- Financial instruments at fair value through profit or loss are measured at fair value.
- Available-for-sale financial assets are measured at fair value.

For presentational purposes, the current/non-current distinction has been used for the financial position, while expenses are analyzed in the profit or loss using a classification based on their function. The direct method has been selected to present the cash flow statement.

c. Functional and presentation currency

These consolidated interim financial statements are presented in Egyptian Pound (LE), which is the Company's functional currency. All amounts have has been rounded to the nearest thousand, unless otherwise indicated.



Notes to the consolidated interim financial statements Prepared in accordance with (IFRSs)
For the nine months ended September 30, 2015 (continued)

d. Use of judgements and estimates

In preparing these consolidated interim financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about significant areas of assumptions and estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated interim financial statements is included in the following notes:

- Impairment of non-financial and financial assets.
- Provisions and contingencies.
- Deferred tax assets.
- Useful life of property, plant & equipment.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated interim financial statements and material amounts in the financial statements.

Certain comparative amounts have been restated and reclassified to conform with the current period's presentation (see note 36).

a. Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated interim financial statements from the date on which control commences until the date on which control ceases.

(iii) Non-controlling interests

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions



*Notes to the consolidated interim financial statements Prepared in accordance with (IFRSs)
For the nine months ended September 30, 2015 (continued)*

(iv) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated interim financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b. Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group companies at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

Available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into euro at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into euro at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.



Notes to the consolidated interim financial statements Prepared in accordance with (IFRSs)
For the nine months ended September 30, 2015 (continued)

c. Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost or deemed cost less accumulated depreciation (see below) and accumulated impairment losses (see accounting policy i).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and they are recognised in profit or loss and are recognized within other income/expenses in profit or loss.

(ii) Subsequent expenditure

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

	Estimated useful life/years
• Buildings and infrastructure	10 - 50
• Technical equipment & Information technologies equipment	5 - 20
• Vehicles	5 - 10
• Furniture and fixtures	3 - 16.67
• Tools and other equipment	1 - 8

d. Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance which can be controlled and which are capable of generating future economic benefits. Intangible assets are stated at purchased cost including any expenses that are directly attributable to preparing the asset for its intended use, net of accumulated amortization and impairment losses. Amortization is recognized in profit and loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this mostly reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

(i) Licenses

Licenses are measured initially at cost. Amortization is charged to the profit or loss on a straight-line basis over the period of its expected use or the term of the underlying agreement, whichever is shorter.

(ii) Right of way and Right of use

The Group recognises an intangible asset arising from a Right of Way and Right of Use of an assets when it has the exclusive right for using that asset and deriving the benefits of that uses. An intangible asset is measured initially at cost upon initial recognition. Subsequent to initial recognition the intangible asset is measured at cost, less accumulated amortisation and accumulated impairment losses. Amortization is charged on a straight-line basis over the shorter of the period of its expected use which ranges from 10 to 20 years and the term of the underlying agreement, starting from the date of the acquisition of the right.

(iii) Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.



*Notes to the consolidated interim financial statements Prepared in accordance with (IFRSs)
For the nine months ended September 30, 2015 (continued)*

e. Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognized on the Group's financial position.

f. Financial Instruments

Financial instruments consist of financial assets and liabilities whose classification is determined on their initial recognition and on the basis of the purpose for which they were acquired / incurred. Purchases and sales of financial instruments are recognized at their settlement date. Financial assets are derecognized when the right to receive cash flows from them ceases and the Group has effectively transferred all risks and rewards related to the instrument and its control.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities unless its fair value cannot be reliably determined), the Group establishes fair value by using valuation models based primarily on objective financial variables and, where possible, prices in recent transactions and market prices for similar financial instruments.

(i) Financial Assets

Financial assets are initially recognized at fair value and classified in one of the following categories and subsequently measured as described:

• **Financial receivables**

Financial receivables are non-derivative financial instruments which are not traded on an active market and which are expected to generate fixed or determinable repayments. They are included as current assets unless they are contractually due over more than twelve months after the financial position date in which case they are classified as non-current assets. (These assets are measured at amortized cost using the effective interest method). If there is objective evidence of factors which indicate impairment, the asset is reduced to the present value of future cash flows. The impairment loss is recognized in the profit or loss. If, in future years, the factors which caused the impairment cease to exist, the carrying amount of the asset are reinstated up to the amount that would have been obtained had amortized cost been applied.

(ii) Non-derivative financial liabilities

Financial liabilities consisting of borrowings, trade payables and other obligations, such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. When there is a change in cash flows which can be reliably estimated, the value of the financial liability is recalculated to reflect such change based on the present value of expected cash flows and the originally determined internal rate of return. Financial liabilities are classified as current liabilities except where the Group has an unconditional right to defer payment until at least twelve months after the financial position date.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(iii) Financial assets available-for-sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognised in other comprehensive income and presented within equity in fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.



Notes to the consolidated interim financial statements Prepared in accordance with (IFRSs)
For the nine months ended September 30, 2015 (continued)

(iv) Financial asset at fair value through profit or loss (Investment- held for trading)

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

(v) Investment-held-to-maturity (Treasury bills)

When the Group has the positive intent and ability to hold debt securities (Treasury bills) to maturity, then such financial assets are classified as held to maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured amortised cost using the effective interest method, less any impairment losses. Treasury bills are shown in the balance sheet at their nominal value unearned interests.

(vi) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, from proceeds.

g. Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses

The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Work in progress is valued at cost at the latest production process reached. Finished goods are valued at the manufacturing cost.

h. Cash and cash equivalent

Cash and cash equivalent comprise cash balances, banks current accounts, treasury bills, time deposits which do not exceed three months, money market funds and bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

i. Impairment

(i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.



*Notes to the consolidated interim financial statements Prepared in accordance with (IFRSs)
For the nine months ended September 30, 2015 (continued)*

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in other reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment attributable to time value are reflected as a component of interest income.

Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives, the recoverable amount is estimated each period at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss in respect of non-financial assets or cash-generating units, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

j. Reserves

(i) Legal Reserves

As per the Company's statutes 5% of net profit for the year is set aside to form a legal reserve, the transfer to such reserve ceases once it reaches 50% of the Company's paid in share capital. The reserve can be utilized for covering losses or for increasing the Company's share capital. If the reserve falls below the said 50%, the Company should resume setting aside 5% of its annual net profit until the reserve reaches 50% of the Company's paid in share capital.

(ii) Other Reserves

The General Assembly may form other reserves based on the Board of Directors' recommendation.

k. Employee benefits

Pension

The Group contributes to the government social insurance system for the benefits of its personnel in accordance with the social insurance law. Under this law, the employees and the employers contribute into the system on a fixed percentage - of - salaries basis. The Group's liability is confined to the amount of its contribution. Contributions are charged to profit or loss using accrual basis of accounting.



*Notes to the consolidated interim financial statements Prepared in accordance with (IFRSs)
For the nine months ended September 30, 2015 (continued)*

l. Grants

Grants are recognized initially as deferred income at fair value when there is reasonable assurance that it will be received and that the Group will comply with the associated conditions. Grants that compensate the Group for expenses incurred are recognized in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognized. Grants that compensate the Group for the cost of an asset are recognized in profit or loss on a systematic basis over the useful life of the asset.

m. Dividends

Dividends recognized as a liability in the statement of financial position in the financial period in which the dividends are approved for distribution by the ordinary meeting of the shareholders.

n. Provisions

A provision is recognized if as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

o. Revenue

Revenue represents the value of services provided, equipment sold, investments income and interest income. It includes revenue received and receivable from revenue sharing agreements entered into with national and international telecommunication operators in respect of traffic exchange. Revenue is recognized as set below:

- **Voice services:** revenues are measured in terms of traffic minutes processed or transmission capacity provided and is recognized in the period in which the connection is provided.
- **Value added services:** these services include call waiting and divert, callers ID and hotline are recognized in the period in which the service is provided.
- **Data services:** revenue from the provision of managed bandwidth to business customers is recognized over the period in which the bandwidth is provided.
- **Other services:** revenue from web hosting and internet access is recognized over the life of the contract and over the period that the service is provided respectively.
- **Sale of goods:** revenue from sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer and when there is adequate emphasis to recover for them.
- **Investments:** The Dividend income is recognized after the date of acquisition and according to dividends declaration by General Assembly of the investee, within the company's share in the investee.
- The income from deposit interest and returns of securities according to accrual basis with considering the targeted rate of return from the asset.

p. Expenses

(i) Operating lease payments

Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

(ii) Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(iii) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, impairment losses recognized on financial assets, change in the fair value of financial assets at fair value through profit or loss. Interest income includes, interest receivable on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss.

Foreign currency gains or losses are reported on a net basis.



Notes to the consolidated interim financial statements Prepared in accordance with (IFRSs)
For the nine months ended September 30, 2015 (continued)

Interest income is recognized in the profit or loss as it occurs, using the effective interest method. Dividend income is recognized in the profit or loss on the date the entity's right to receive payments is established. The interest expense component of finance lease payments is recognized in the profit or loss using the effective interest rate method.

q. Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the profit or loss except to the extent that it relates to business combination, or items recognized directly in equity, or other comprehensive income.

Current tax is the expected tax payable or the taxable income for the period, using tax rates enacted or substantially enacted at the financial position date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided using the financial position asset & liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantively enacted at the financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

r. Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for owned shares held.

s. New and amended IFRSs and Interpretations:

The Group has adopted the new and amended IFRSs and IFRIC interpretations that are effective for the financial year beginning on or after January 1, 2015, with no material impact on these consolidated interim financial statement.

t. Standards issued but not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2015 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these consolidated interim financial statements:

New or amended standards	Summary of the requirements	Possible impact on consolidated financial statements
IFRS 9 <i>Financial Instruments</i>	IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 <i>Financial Instruments: Recognition and Measurement</i> . IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.
IFRS 15 <i>Revenue from Contracts with Customers</i>	IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 <i>Revenue</i> , IAS 11 <i>Construction Contracts</i> and IFRIC 13 <i>Customer Loyalty Programmes</i> . IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.



Notes to the consolidated interim financial statements Prepared in accordance with (IFRSs)
For the nine months ended September 30, 2015 (continued)

u. Financial risk management

The Group is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group objectives, policies and processes for measuring and managing risk, and the Group management of capital. Further quantitative disclosures are included throughout these consolidated interim financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group risk management framework.

The Group risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(i) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

In general Trade & other receivables included in current assets relate to a variety of smaller amounts due from a wide range of counterparties, therefore, the Group does not consider that it has a significant concentration of credit risk.

Cash and cash equivalents

Credit risk relating to cash and cash equivalents and financial deposits arises from the risk that the counterparty becomes insolvent and accordingly is unable to return the deposited funds. To mitigate this risk, wherever possible the Group conducts transactions and deposits funds with financial institutions with high investment grade.

The maximum exposure to credit risk is disclosed in note (28-i).

(ii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group reputation.

The Group monitors and mitigates liquidity risk arising from the uncertainty of cash inflows and outflows by maintaining sufficient liquidity of cash balances as well as undrawn credit lines and by diversifying its sources of finance. In general, liquidity risk is monitored at entity level whereby each subsidiary is responsible for managing and monitoring its cash flows and rolling liquidity reserve forecast in order to ensure that it has sufficient committed facilities to meet its liquidity needs.

The table included in note (28-ii) analyzes the group's financial liabilities into relevant maturity groupings based on the remaining period at the financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.



*Notes to the consolidated interim financial statements Prepared in accordance with (IFRSs)
For the nine months ended September 30, 2015 (continued)*

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the group income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

The Group is exposed to currency risk on transactions that are denominated in a currency other than the respective functional currencies of the Group, primarily the U.S. Dollars (USD) and Euro.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level through purchase or sale of the foreign currencies with current prices when that is necessary to match non long term balance.

Interest rate risk

The Group is exposed to market risks as a result of changes in interest rates particularly in relation to borrowings. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The basic strategy of interest rate risk management is to balance the debt structure with an appropriate mix of fixed and floating interest rate borrowings based on the Group's perception of future interest rate movements. In particular, the risk monitored relates to the impact of movements in floating rate indices on the Group's finance costs.

Other market prices risk

Market risk is the risk that changes in market prices, such as foreign currency exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

v. Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net profit from operating activities divided by total shareholders' equity, excluding non-controlling interests. The Board of Directors also monitors the level of dividends to shareholders. There were no changes in the Group's approach to capital management during the period. The Group is not subject to externally imposed capital requirements.

w. Segment reporting

The Group's operations fall into one broad class of business which is telecommunication and information services and hence, segmental analysis of revenue, expenses, assets and liabilities is not considered meaningful.



Notes to the consolidated interim financial statements prepared in accordance with (IFRSs)
For the nine months ended September 30, 2015 (continued)

4. Revenue

In thousands of Egyptian Pound	For the nine months ended 30 September		For the three months ended 30 September	
	2015	2014	2015	2014
Home	2 619 136	2 335 417	901 230	792 237
Enterprise	1 346 975	1 394 453	456 498	455 655
Domestic wholesale	2 038 364	1 833 757	699 439	595 556
International carrier	2 263 916	2 302 464	729 005	750 951
International cables and networks	451 226	1 282 724	147 191	122 249
	8 719 617	9 148 815	2 933 363	2 716 648

5. Operating costs

In thousands of Egyptian Pound	Note	For the nine months ended 30 September		For the three months ended 30 September	
		2015	2014 Reclassified	2015	2014 Reclassified
Interconnection cost		1 842 043	1 764 877	614 292	570 567
Fuel		166 809	100 571	65 911	46 952
Spare parts*		53 011	49 108	21 637	13 629
Maintenance		202 418	196 716	67 769	61 178
Leased circuits & satellite subscriptions		101 801	67 703	33 308	24 605
Property, plant and equipment depreciation*	13	1 046 188	1 064 074	341 308	337 327
Amortization of intangible assets	14	59 462	69 777	19 708	46 158
Salaries and wages	10	894 538	849 284	300 019	264 364
Company's social insurance contribution		96 424	94 569	33 235	31 225
Employee's compensated absence		4 208	5 794	1 403	-
Employees' share in profit		145 746	147 410	52 751	46 902
Frequencies and licenses		273 721	338 347	92 861	206 714
Other operating costs*		414 979	331 681	125 374	124 737
		5 301 348	5 079 911	1 769 576	1 774 358

*Reclassification was made on operating costs, Property, plant and equipment depreciation, spare parts, and other operating costs items as shown in Note no. (36 - 2)



Notes to the consolidated interim financial statements prepared in accordance with (IFRSs)
For the nine months ended September 30, 2015 (continued)

6. Other income

In thousands of Egyptian Pound	For the nine months ended 30 September		For the three months ended 30 September	
	2015	2014 Reclassified	2015	2014 Reclassified
Grants*	6 691	6 691	2 230	2 230
Fines and delay interest collected	82 297	46 197	25 863	8 292
Provisions no longer required	-	436	-	436
Others**	36 627	49 601	11 862	10 372
	125 615	102 925	39 955	21 330

* The amount represents amortization of the grants awarded by the USAID to finance some of the Company's projects, as well as the grants awarded by the projects' management of Marine Cables for the construction of a building in Alexandria and the right of way for Marine Cables.

**Reclassification was made on others item as shown in Note no. (36 - 2)

7. Selling and distribution expenses

In thousands of Egyptian Pound	Note	For the nine months ended 30 September		For the three months ended 30 September	
		2015	2014 Reclassified	2015	2014 Reclassified
Salaries & wages	10	593 102	565 603	191 255	166 395
Company's social insurance contribution		67 620	62 384	22 740	20 471
Employees' compensated absence		2 875	3 979	958	-
Employees' share in profit		96 633	96 774	34 520	29 623
Property, plant & equipment depreciation	13	6 321	6 901	2 010	2 255
Amortization of intangible assets*	14	21	20	8	7
Tax & fees		11 722	10 652	7 721	6 636
Rent		15 110	17 103	3 947	6 345
Advertisements		90 524	101 758	52 335	77 843
Discount		150 403	133 668	48 605	56 148
Others selling and distribution expenses*		61 580	48 804	21 396	7 884
		1 095 911	1 047 646	385 495	373 607

*Reclassification was made on selling and distribution expenses, amortization of intangible assets and others selling and distribution expenses items as shown in Note no. (36 - 2)

8. Administrative expenses

In thousands of Egyptian Pound	Note	For the nine months ended 30 September		For the three months ended 30 September	
		2015	2014 Reclassified	2015	2014 Reclassified
Salaries & wages	10	844 534	757 863	279 750	267 665
Company's social insurance contribution		76 686	59 378	27 340	20 206
Employees' compensated absence		4 821	6 100	1 607	-
Early retirement compensations	10	1 224	1 414	348	608
End of service benefits	10	141 477	128 615	47 159	42 871
Employees' & BOD share in profit		144 400	150 308	41 630	54 972
Property, plant & equipment depreciation	13	45 909	40 798	16 195	14 175
Amortization of intangible assets*	14	21	20	6	7
Tax & customs fees		80 451	140 563	24 516	8 712
Bad debts		2 199	2 844	858	2 346
Bank charges		4 682	3 841	1 720	1 883
Other administration expenses*		155 421	125 972	52 625	39 985
		1 501 825	1 417 716	493 754	453 430

*Reclassification and adjustment were made on administrative expenses, amortization of intangible assets and other administration expenses items as shown in Note no. (36 - 2)



Notes to the consolidated interim financial statements prepared in accordance with (IFRSs)
For the nine months ended September 30, 2015 (continued)

9. Other expenses

In thousands of Egyptian Pound	Note	For the nine months ended 30 September		For the three months ended 30 September	
		2015	2014	2015	2014
Provisions formed	27	356 625	334 123	28 030	1 752
Net loss on disposal of property plant & equipment		1 838	1 033	(433)	1 033
Donations		5 415	16 546	404	(1 563)
Others		5 550	1 783	3 287	1 783
		369 428	353 485	31 288	3 005

10. Personnel expenses

In thousands of Egyptian Pound	Note	For the nine months ended 30 September		For the three months ended 30 September	
		2015	2014	2015	2014
Salaries and wages:					
Operating cost	5	894 538	849 284	300 019	264 364
Selling and distribution expenses	7	593 102	565 603	191 255	166 395
Administrative expenses	8	844 534	757 863	279 750	267 665
		2 332 174	2 172 750	771 024	698 424
Compulsory social security contributions	3k	240 730	216 331	83 315	71 902
Early retirement compensations	8	1 224	1 414	348	608
End of service benefits	8	141 477	128 615	47 159	42 871
Employees compensated absence		11 904	15 873	3 968	-
Employees' & BOD share in profit		386 779	394 492	128 901	131 497
		3 114 288	2 929 475	1 034 715	945 302

Employees' Benefits

(i) Early Retirement Scheme

The Company has an early retirement scheme whereby employees who wish to retire, prior to the legal retirement age, are entitled to receive a compensation amounting to 75% of their latest basic salary for the remaining service period up to the retirement age with a maximum of 10 years for men and 15 years for women. Compensations relating to early retirement amounted to L.E. 1 224 K for the financial period ending September 30, 2015 (against LE 1 414 K for the same period of year 2014) are included in general and administrative expenses.

(ii) End of service Benefits

The employees are granted an end of service benefits through a Loyalty & belonging Fund established in January 2004. Employees' benefit are based on the employees' basic salary in January 1, 2005 increasing at a compound rate of 5%. The subscription for employees hired after January 1, 2005, is calculated according to a subscription schedule for new hires and increasing at a compound rate of 5% starting from the next year from the hiring date. The employees share in loyalty & belonging fund according to constant subscription are based on the same employees' basic salary where the end of service benefit calculated. The Company's contribution for the period ended September 30, 2015 amounted to L.E. 141 477 K (against L.E. 128 615 K for the same period of year 2014). The Company's contribution is included in general and administrative expenses.



Notes to the consolidated interim financial statements prepared in accordance with (IFRSs)
For the nine months ended September 30, 2015 (continued)

11. Net finance income

In thousands of Egyptian Pound	Note	For the nine months ended 30 September		For the three months ended 30 September	
		2015	2014	2015	2014
Interest income		180 873	249 386	43 015	66 146
Revenues from available for sale investment		6 726	5 766	15	1 385
Net foreign exchange gain		132 681	76 716	54 696	(18 252)
Finance income		320 280	331 868	97 726	49 279
Interest expense		(6 283)	(7 068)	(2 078)	(2 309)
Impairment loss on available-for-sale investments		(375)	-	(375)	-
Impairment in financial assets	(28)	(74 345)	(123 412)	(68 827)	(80 375)
Finance costs		(81 003)	(130 480)	(71 280)	(82 684)
Net finance income		239 277	201 388	26 446	(33 405)

12. Income taxes

In thousands of Egyptian Pound	For the nine months ended 30 September		For the three months ended 30 September	
	2015	2014 Restated	2015	2014 Restated
Amounts recognised in profit or loss				
Current tax expense				
Current period	(370 998)	(675 631)	(43 580)	(95 196)
Deferred tax				
Origination and reversal of temporary differences	598 871	(907 078)	652 960	(56 286)
Tax expense	227 873	(1 582 709)	609 380	(151 482)

Notes to the consolidated interim financial statements prepared in accordance with (IFRSs)
For the nine months ended September 30, 2015 (continued)

13. Property, plant and equipment

In thousands of Egyptian Pound	Land, buildings & infrastructure	Technical equipments & information technologies & fixtures on trunk radio network	Vehicles	Office furniture & fixtures	Tools & supplies	Under construction	Total
Cost							
Balance at 1 January 2014 (Reclassified)	21 248 857	20 438 517	157 587	657 393	71 765	486 258	43 060 377
Acquisitions	476 653	274 074	13 004	29 271	11 208	809 880	1 614 090
Disposals	(32 218)	(425 654)	(2 454)	(7 239)	(94)	-	(467 659)
Transfer to assets	-	-	-	-	-	(593 079)	(593 079)
Effect of movements in foreign exchange	-	(1 753)	(8)	(153)	-	-	(1 914)
Balance at 30 September 2014 (Reclassified)	21 693 292	20 285 184	168 129	679 272	82 879	703 059	43 611 815
Balance at 1 January 2015	22 093 697	20 371 200	171 828	698 207	84 444	1 210 051	44 629 427
Classification	(417)	(30 196)	-	(2 737)	-	-	(33 350)
Acquisitions	749 115	467 513	4 136	43 983	1 190	1 715 872	2 981 809
Disposals	(2 768)	(4 428)	(2 136)	(9 214)	(3)	(91 126)	(109 675)
Transfer to assets	-	-	-	-	-	(1 265 937)	(1 265 937)
Effect of movements in foreign exchange	-	680	5	293	-	-	978
Balance at 30 September 2015	22 839 627	20 804 769	173 833	730 532	85 631	1 568 860	46 203 252



Notes to the consolidated interim financial statements prepared in accordance with (IFRSs)
For the nine months ended September 30, 2015 (continued)

13. Property, plant and equipment (continued)

	Land, buildings & infrastructure	Technical equipments & information technologies & fixtures on trunk radio network	Vehicles	Office furniture & fixtures	Tools & supplies	Under construction	Total
In thousands of Egyptian Pound							
Depreciation							
Balance at 1 January 2014	12 486 971	18 316 542	148 178	542 577	56 876	-	31 551 144
Depreciation charge for the period (Reclassified)	594 915	475 619	4 192	34 196	2 851	-	1 111 773
Disposals	(1 616)	(419 048)	(2 327)	(7 103)	(94)	-	(430 188)
Effect of movements in foreign exchange	-	(187)	(7)	(52)	-	-	(246)
Balance at 30 September 2014 (Reclassified)	13 080 270	18 372 926	150 036	569 618	59 633	-	32 232 483
Balance at 1 January 2015	13 255 264	18 417 150	149 696	577 592	59 785	-	32 459 487
Reclass	(417)	(30 553)	-	(2 380)	-	-	(33 350)
Depreciation charge for the period	605 011	452 368	5 141	32 659	3 239	-	1 098 418
Disposals	(560)	(4 420)	(2 032)	(7 392)	(3)	-	(14 407)
Effect of movements in foreign exchange	-	456	1	169	-	-	626
Balance at 30 September 2015	13 859 298	18 835 001	152 806	600 648	63 021	-	33 510 774
Carrying amounts							
At 1 January 2014 (Reclassified)	8 761 886	2 121 975	9 409	114 816	14 889	486 258	11 509 233
At 30 September 2014 (Reclassified)	8 613 022	1 912 258	18 093	109 654	23 246	703 059	11 379 332
At 31 December 2014	8 838 433	1 954 050	22 132	120 615	24 659	1 210 051	12 169 940
At 30 September 2015	8 980 329	1 969 768	21 027	129 884	22 610	1 568 860	12 692 478



Notes to the consolidated interim financial statements prepared in accordance with (IFRSs)
For the nine months ended September 30, 2015 (continued)

13. Property, plant and equipment (continued)

Fully depreciated property, plant and equipment (PPE)

PPE cost includes 22 559 million relating to fully depreciated PPE that are still in use.

Depreciation

The depreciation charge is recognized in the following line items in the profit or loss:

In thousands of Egyptian Pound	Note	For the nine months ended 30 September	
		2015	2014 Reclassified
Operating costs	5	1 046 188	1 064 074
Selling and distribution expenses	7	6 321	6 901
Administrative expenses	8	45 909	40 798
		1 098 418	1 111 773

14. Intangible assets

In thousands of Egyptian Pound	Right of way	Right of using ROU	soft ware license	Internet service license	Land possession	Land usufruct	Total
Cost							
Balance at 1 January 2014 (Reclassified)	737 238	147 598	-	21 469	445 268	1	1 351 574
Additions	-	345	69 092	-	-	-	69 437
Disposals	(14 716)	-	-	-	-	-	(14 716)
Effects of movements in foreign exchange	-	78	-	26	-	-	104
Balance at 30 September 2014 (Reclassified)	722 522	148 021	69 092	21 495	445 268	1	1 406 399
Balance at 1 January 2015	844 118	148 026	69 092	21 497	440 683	1	1 523 417
Additions	185	3 063	1 917	-	-	-	5 165
Disposal	(36 151)	(3 282)	-	-	-	-	(39 433)
Effects of movements in foreign exchange	-	258	-	86	-	-	344
Balance at 30 September 2015	808 152	148 065	71 009	21 583	440 683	1	1 489 493
Amortization							
Balance at 1 January 2014	266 056	111 096	-	20 594	-	-	397 746
Amortization for the period (Reclassified)	31 050	4 056	34 586	125	-	-	69 817
Disposal	(6 735)	-	-	-	-	-	(6 735)
Effects of movements in foreign exchange	-	69	-	7	-	-	76
Balance at 30 September 2014 (Reclassified)	290 371	115 221	34 586	20 726	-	-	460 904
Balance at 1 January 2015	300 102	116 582	40 304	20 767	-	-	477 755
Amortization for the period	37 396	4 110	17 912	86	-	-	59 504
Disposal	(15 951)	(3 282)	-	-	-	-	(19 233)
Effect of movements in foreign exchange	-	152	-	29	-	-	181
Balance at 30 September 2015	321 547	117 562	58 216	20 882	-	-	518 207
Carrying amounts							
At 1 January 2014 (Reclassified)	471 182	36 502	-	875	445 268	1	953 828
At 30 September 2014 (Reclassified)	432 151	32 800	34 506	769	445 268	1	945 495
At 31 December 2014	544 016	31 444	28 788	730	440 683	1	1 045 662
At 30 September 2015	486 605	30 503	12 793	701	440 683	1	971 286



Notes to the consolidated interim financial statements prepared in accordance with (IFRSs)
For the nine months ended September 30, 2015 (continued)

14. Intangible assets (continued)

- Accumulated amortization and impairment loss as at September 30, 2015 include an amount of LE 79 825 K represented in impairment loss on Right of Use (ROU) and Internet Services Licensing in one of the subsidiaries

Amortization charge

The amortization charge is recognized in the following line items in the profit or loss:

In thousands of Egyptian Pound	Note	For the nine months ended 30 September	
		2015	2014 Reclassified
Operating costs	5	59 462	69 777
Selling and distribution expenses	7	21	20
Administrative expenses	8	21	20
		59 504	69 817

15. Equity-accounted investees

The Group has the following investment in associates:

In thousands of Egyptian Pound	Ownership		Carrying amount	
	30 September 2015	31 December 2014	30 September 2015	31 December 2014
Wataneya for Telecommunication	50.00%	50.00%	-	-
International Telecommunication Consortium Limited. (ITCL)	50.00%	50.00%	-	-
Vodafone Egypt. (SAE)*	44.95%	44.95%	9 885 445	9 176 421
Egypt Trust	35.71%	35.71%	-	-
Consortium Algérien de Télé – communications (CAT)	33.00%	33.00%	-	-
Sofisat	25.00%	25.00%	-	-
Payments for investments purchase				
Egypt Trust**			769	933
Total			9 886 214	9 177 354

- Investment in Wataneya for Telecommunication amounted to LE 125 K is fully impaired.
- Investment in International Telecommunication Consortium Limited (ITCL) amounted to LE 54 K is fully impaired.
- Investment in Egypt Trust amounted to LE 7 500 k is fully impaired.
- Investment in Consortium Algerien de Telecommunications (CAT) amounted to LE 133 K is shown a nil balance as the Company sustained losses that exceed the investment's carrying amount.

* Investment in Vodafone – Egypt

The financial year of Vodafone Egypt ends on March 31, of each year the equity method was applied in recognizing the investment in Vodafone Egypt when preparing the Consolidated Interim Financial Statements as of September 30, 2015 by using the financial statements of Vodafone Egypt for the financial year ended in March 31, 2015 which presents the 12 months from the 1st of April 2014 till March 31, 2015, deduct the movements of the period from April 1, 2014 till December 31, 2014 from the interim financial statements of Vodafone Egypt as of December 31, 2014 and add the movements of the period from April 1, 2015 till September 30, 2015 from interim financial statements of Vodafone Egypt as of September 30, 2015 to determine the share of financial period from January 1, 2015 to September 30, 2015 of business results.

** Egypt Trust

The balance is represented in Subscription of the remaining 25% of the company's share in Egypt Trust capital after deducting the company's share in the associate accumulated losses, the commercial registration related to it is in process.



Notes to the consolidated interim financial statements prepared in accordance with (IFRSs)
For the nine months ended September 30, 2015 (continued)

Summary of financial information for equity accounted investees, not adjusted by the percentage of ownership held by the group:

In million of Egyptian Pound

	<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Revenues</u>	<u>Profit</u>
31-12-2014:					(For 9 months)
Vodafone Egypt	18 529	8 278	10 251	10 170	1 398
31-3-2015:					(For the financial year)
Vodafone Egypt	19 551	8 744	10 807	14 334	1 951
30-9-2015:					(For 6 months)
Vodafone Egypt	20 662	8 757	11 905	7 320	1 158

16. Available-for-sale investments

In thousands of Egyptian Pound	30 September 2015	31 December 2014
Equity securities available-for-sale – Foreign*	26 683	26 683
Investment in other companies	94 705	94 705
	121 388	121 388
<u>Less:</u>		
Impairment loss on investment in other companies	22 749	22 374
	98 639	99 014

* The company's share in Arab Sat represented in 7 968 455 shares amounting to LE 11 856 K including free shares distributed during 2010 by Arab Sat to all the shareholders pro - rata of existing shares at that time. The company's contribution in Arab Sat remains the same at 1.5937%

17. Other financial assets

Other financial assets balance as of September 30, 2015 amounted to LE 453 902 K represented the value of the finance provided by Telecom Egypt to Consortium Algerian de Telecommunication Company (CAT) where Telecom Egypt participates directly and indirectly by 50%, this company suffers from financial difficulties and sustains material losses. The Extra-Ordinary General Assembly Meeting of the company (CAT) held on July 1, 2009 approved the dissolution and liquidation of the company. an impairment loss was formed for the full balance in the light of these circumstances, since there is high probability that Telecom Egypt will not be able to collect the finance given to Consortium Algerian de Telecommunication Company.



Notes to the consolidated interim financial statements prepared in accordance with (IFRSs)
For the nine months ended September 30, 2015 (continued)

18. Deferred tax assets and liabilities

Recognized deferred tax assets

Deferred tax assets \ (liabilities) are attributable to the following:

In thousands of Egyptian Pound	Assets		Liabilities	
	30 September 2015	31 December 2014	30 September 2015	31 December 2014 Restated
Property, plant and equipment	16 337	21 173	-	-
Intangible assets	-	-	(7 628)	(6 151)
Inventory	6 162	6 465	-	-
Trade & other receivables	204 621	258 526	-	-
Provisions	83 017	49 117	-	-
Accrued liabilities	35 827	39 609	-	-
Undistributed profit in subsidiaries and associates *	-	-	(370 111)	(999 385)
Total deferred tax assets (liability)	345 964	374 890	(377 739)	(1 005 536)

Deferred tax liabilities for undistributed profit in subsidiaries and associates are due to the adoption of the presidential decree no. (53) for the year 2014 which was amended by presidential decree no.(96) for the year 2015 as shown note no. (33-2/33-3).

* Adjustments were made on comparative figures by an amount of L.E. 692 483 K as shown note no. (36).

Unrecognized deferred tax assets

In thousands of Egyptian Pound	30 September 2015	31 December 2014
Property, plant and equipment	45 215	45 532
Impairment loss on trade and other receivables	476 417	564 597
Provision for liabilities and claims	72 782	90 649
Other	1 256	1 402
	595 670	702 180

Deferred tax assets have not been recognized in respect of the above items because there is no reasonable certainty concerning the company's ability to use the benefits in the future from these assets.



Notes to the consolidated interim financial statements prepared in accordance with (IFRSs)
For the nine months ended September 30, 2015 (continued)

19. Inventories

In thousands of Egyptian Pound	30 September 2015	31 December 2014
Spare parts	341 374	349 719
Project cables and supplies	62 945	47 020
Others	48 514	41 311
	452 833	438 050

*The value of inventory was written down by LE 28 791 K (against LE 27 309 K as at December 31, 2014) for obsolete and slow moving items directly from the cost of each type of inventory.

20. Trade and other receivables

In thousands of Egyptian Pound	Note	30 September 2015	31 December 2014 Reclassified
Trade receivables due to equity accounted investees	(32)	(24 246)	(145 231)
Other trade and notes receivable:			
Trade receivables - National		2 020 888	1 549 166
Trade receivables - International		2 235 691	2 341 898
Notes Receivable		63	2 738
		4 232 396	3 748 571
Other receivables and pre-payments:			
Advance payments to suppliers		165 930	55 337
Deposits with others		32 083	22 754
Due from organizations and companies		125 785	174 170
payments on the account of corporate tax		123 118	144 272
Tax authority - withholding tax		92 035	62 013
Other receivables *		698 990	842 249
		5 470 337	5 049 366

*Reclassification was made on trade and other receivables item from trade and other payables by amount of L.E. 485 K as shown in Note no. (36-1).

21. Cash and cash equivalents

In thousands of Egyptian Pound	Note	30 September 2015	31 December 2014 Reclassified
Bank balances		126 356	82 119
Time deposits (less than 3 months)		1 442 655	2 204 161
Cash On Hand		54 685	24 152
Treasury bills (less than 3 months)*		569 818	246 568
Money market funds (less than 3 months)		170 046	159 259
Cash and cash equivalents		2 363 560	2 716 259
Restricted Cash	(31)	(9 441)	(17 295)
Cash and cash equivalents in the statement of cash flows		2 354 119	2 698 964

*Reclassification was made on cash and cash equivalents - treasury bills (less than 3 months) by amount of L.E. 197 997 K to held to maturity investment (treasury bills) as shown in Note no. (36-1).



Notes to the consolidated interim financial statements prepared in accordance with (IFRSs)
For the nine months ended September 30, 2015 (continued)

22. Capital and reserves

Share capital

The Company's issued and fully paid up capital amounted to LE 17 070 716 K represented in 1 707 071 600 shares of par value LE 10.

In December 2005, the share capital ownership became as follows; 80% the Egyptian Government and 20% private investors.

The holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Company, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

23. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at September 30, 2015 based on the profit attributable to owners of the company of LE 1 778 311 (September 30, 2014: LE 591 673 K) and a number of ordinary shares outstanding during the period ended September 30, 2015 of 1 707 071 600 (September 30, 2014: 1 707 071 600), calculated as follows:

In thousands of Egyptian Pound	For the nine months ended 30 September		For the three months ended 30 September	
	2015	2014 Restated	2015	2014 Restated
Profit for the period	1 779 694	594 160	1 224 199	162 633
Profit attributable to owners of the company	1 778 311	591 673	1 223 696	161 713
Number of ordinary shares				
In thousands	2015	2014	2014	2013
Issued ordinary shares at 1 January	1 707 072	1 707 072	1 707 072	1 707 072
Number of ordinary shares at 30 September	1 707 072	1 707 072	1 707 072	1 707 072
Basic earnings per share (LE/share)	1.04	0.35	0.72	0.09



Notes to the consolidated interim financial statements prepared in accordance with (IFRSs)
For the nine months ended September 30, 2015 (continued)

24. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to foreign currency risk and interest rate risk, see note 28 (iii), (v).

In thousands of Egyptian Pound	30 September 2015	31 December 2014
Non-current liabilities		
Unsecured bank loans:		
Governmental loans	46 230	77 367
Foreign loans	297 572	305 177
	343 802	382 544
Current liabilities		
Current portion of unsecured bank loans:		
Governmental loans	38 318	36 983
Foreign loans	19 079	24 956
Local banks	16 432	20 946
Foreign suppliers facilities	695	689
Total current liabilities	74 524	83 574

Security

- Foreign suppliers facilities in euro amounted to LE 695 K equivalent to Euro 79 K against letters of guarantee issued by National Bank of Egypt in favor of Siemens as a guarantee for payment of this facility and there are no other guarantees.

Repayment

In thousands of Egyptian Pound	Loan Currency	Effective Interest Rate	Total	12 months or less	1-2 Years	3-5 Years	More than 5 years
Telecom Egypt – the parent:							
Governmental loans	U.S.\$	4%	84 548	38 318	37 246	8 984	-
Total Governmental loans			84 548	38 318	37 246	8 984	-
Foreign loans	EURO	0.75 - 5.5%	316 651	19 079	17 261	34 522	245 789
Total foreign loans			316 651	19 079	17 261	34 522	245 789
Foreign suppliers' facilities - foreign	EURO	5.50%	695	695	-	-	-
Local suppliers' facilities - subsidiary	LE	Avg. corridor rate+0.1%	16 432	16 432	-	-	-
Total suppliers' facilities			17 127	17 127	-	-	-
			418 326	74 524	54 507	43 506	245 789



Notes to the consolidated interim financial statements prepared in accordance with (IFRSs)
For the nine months ended September 30, 2015 (continued)

25. Trade and other payables

In thousands of Egyptian Pound	Note	30 September 2015	31 December 2014 Reclassified
Trade payables:			
Local suppliers		260 881	209 439
Notes payable		4 707	4 410
		265 588	213 849
Other payables:			
Tax Authority (taxes other than income tax)		156 117	191 038
Tax Authority - income tax *		344 817	752 652
Deposits from others		675 561	670 599
Customers advances		308 063	307 644
Other payables due to equity accounted investees	(32)	8 298	3 047
Accrued Expenses		362 068	589 630
Dividends Payable		2 769	6 694
Fixed Assets Creditors		430 051	583 279
Due to organizations and companies		145 562	231 510
Due to National Telecommunication Regulatory Authority (NTRA)		116 979	179 571
Other credit balances		338 927	341 058
		3 154 800	4 070 571

* Reclassification was made on trade and other payables item as shown in Note no. (36-1).

26. Deferred income

Deferred income as at September 30, 2015 which classified as current liabilities is amounting to L.E. 250 743 K (December 31, 2014: 117 347). consists of LE 114 083 K rental income paid in advance by the mobile operators for transmission services, LE 131 991 K paid in advance by customer for internet access services (December 31, 2014 LE 108 425 K) and LE 4 669 K represents deferred grants (December 31, 2014 LE 8 922 K) which will be recognized as income next year and classified as non-current liabilities.



Notes to the consolidated interim financial statements prepared in accordance with (IFRSs)
For the nine months ended September 30, 2015 (continued)

27. Provisions

In thousands of Egyptian Pound	Note	30 September 2015			30 September 2014		
		Taxes	Claims	Total	Taxes	Claims	Total
Balance at 1 January		536 279	22 062	558 341	428 289	58 504	486 793
Reclassification		-	180 958	180 958	-	(14 049)	(14 049)
Provisions formed	9	34 550	322 075	356 625	334 123	-	334 123
Provisions used		(118 046)	(467)	(118 513)	(186 656)	(21 951)	(208 607)
Provisions no longer required		-	-	-	-	(436)	(436)
Translation differences		-	-	-	-	(4)	(4)
Balance at end of the period		452 783	524 628	977 411	575 756	22 064	597 820

As at September 30, 2015 provisions are mainly related to taxes, lawsuits, and expected social insurance claim in respect of contracts concluded with suppliers.

28. Financial instruments

The Group's principal financial instruments comprise of cash and cash equivalents, available- for- sale investments, borrowings, finance lease obligations and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade and other receivables and trade and other payables which arise directly from operations.

The Group does not enter into derivative transactions for the purpose of trading or hedging exposure to fluctuations in the foreign exchange rates or interest rates.

The main risks arising from the Group's operations are credit risk, liquidity risk, foreign currency risk and interest rate risk

(i) Credit risk

In thousands of Egyptian Pound	Note	Carrying amount	
		30 September 2015	31 December 2014
Available-for-sale investments	16	98 639	99 014
Trade and other receivables	20	5 470 337	5 049 366
Held-to-maturity investment (treasury bills)		272 309	895 691
Cash at banks and cash equivalents	21	2 308 875	2 692 107
		8 150 160	8 736 178



Notes to the consolidated interim financial statements prepared in accordance with (IFRSs)
For the nine months ended September 30, 2015 (continued)

The following table shows the movement in the allowance for impairment of trade and other receivables:

In thousands of Egyptian Pound	Note	30 September 2015	30 September 2014
At January 1		2 685 755	2 529 589
Reclassification		(180 958)	14 049
Impairment charged to statement of profit or loss and other comprehensive income	11	74 345	123 412
Exchange differences		527	158
		2 579 669	2 667 208

(ii) Liquidity risk

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining years at the financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

In thousands of Egyptian Pound	Carrying Amount	One year or less	From 1-2 Years	From 3-5 Years	More than five years
September 30, 2015					
Trade and other payables	3 155 065	3 154 800	265	-	-
Borrowings	418 326	74 524	54 507	43 506	245 789
	3 573 391	3 229 324	54 772	43 506	245 789
September 30, 2014					
Trade and other payables (Reclassified)	4 071 086	4 070 571	515	-	-
Borrowings	466 118	83 574	53 869	76 518	252 157
	4 537 204	4 154 145	54 384	76 518	252 157



Notes to the consolidated interim financial statements prepared in accordance with (IFRSs)
For the nine months ended September 30, 2015 (continued)

(iii) Foreign currency risk

The group's exposure to foreign currency risk was as follows based on notional amount :

Details

	U.S. Dollars	Sterling Pound	Euro	Canadian Dollar	Swedish krona	Moroccan Dirham	Jordanian Dinar	Total LE
In thousands								
30 September 2015								
Trade and other receivables	193 064	-	2 628	3 017	-	17 768	118	1 568 058
Cash on hand & at banks	117 878	300	50 485	82	-	7 877	3 036	1 410 581
Total assets	310 942	300	53 113	3 099	-	25 645	3 154	2 978 639
Trade and other payables	76 058	5	3 990	-	8 196	5 435	757	651 030
Foreign loans & facilities	10 798	-	36 097	-	-	-	-	401 900
Total liabilities	86 856	5	40 087	-	8 196	5 435	757	1 052 930
Risk surplus (deficit)	224 086	295	13 026	3 099	(8 196)	20 210	2 397	1 925 709
Equivalent in Egyptian Pound	1 754 612	3 495	114 515	18 033	(7 635)	16 370	26 319	1 925 709
30 September 2014								
Trade and other receivables	180 529	-	860	1 925	-	12 759	375	1 326 774
Cash on hand & at banks	204 325	299	60 891	1	-	12 653	2 387	2 032 075
Total assets	384 854	299	61 751	1 926	-	25 412	2 762	3 358 849
Trade and other payables	80 405	5	11 494	-	8 692	1 349	530	690 794
Foreign loans & facilities	15 959	-	37 967	-	-	-	-	445 169
Total liabilities	96 364	5	49 461	-	8 692	1 349	530	1 135 963
Risk surplus (deficit)	288 490	294	12 290	1 926	(8 692)	24 063	2 232	2 222 886
Equivalent in Egyptian Pound	2 067 060	3 279	107 088	11 902	(8 046)	19 010	22 593	2 222 886

The exchange rates applied in relation to the L.E. are as follows:

	Average exchange rate during:	Closing exchange rate as at:	
	30/9/2015	31/12/2014	
	31/12/2014	30/9/2015	
U.S. Dollar	7.6396	7.0955	7.8301
Sterling Pound	11.7192	11.6749	11.8477
Euro	8.5673	9.4093	8.7916
Canadian Dollar	6.0000	6.3600	5.8200
Swedish Krona	0.9140	1.0341	0.9315
Moroccan Dirham	0.8000	0.8100	0.8100
Jordanian Dinar	10.5501	9.9813	10.9780



Notes to the consolidated interim Financial statements Prepared in accordance with (IFRSs)
For the nine months ended September 30, 2015 (continued)

(iv) **Sensitivity analysis**

A 10 % strengthening of the foreign currencies against the EGP as of September 30, 2015 would have increased profit by the amounts LE 192 571 K (LE 222 289 K as of December 31, 2014). This analysis is based on foreign currency exchange rate variance that the group considered to be reasonably possible at the end of reporting period this analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2014.

A 10 % weakening of the foreign currencies against the EGP at September 30, 2015 would have had the equal but opposite effect on the foreign currencies to the amounts shown above, on the basis that all other variables remain constant.

(v) **Interest rate risk**

Interest rate risk is the risk that the value of financial instrument will fluctuate due to changes in market interest rates.

At the reporting date the interest rate profile of the company's interest-bearing financial instruments were:

In thousands of Egyptian Pound	Note	30 September 2015	31 December 2014
Fixed rate instruments			
Financial assets – deposits	21	1 442 655	2 204 161
Financial liabilities - (Loans and borrowings)	24	418 326	466 118
		1 860 981	2 670 279

29. **Fair value of financial instruments**

The fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties on an arm's length basis.

Except of the investments in Vodafone Egypt, and Consortium Algerian de Telecommunications (CAT) and Egypt Trust which are accounted for using the equity method of accounting, the carrying values of the Group's other financial instruments approximate their fair values.

Estimation of fair values

The following summarizes the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

Securities

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs except for investments in Vodafone Egypt, Consortium Algerian de Telecommunications (CAT) and Egypt Trust which were accounted for using the equity method of accounting and are not listed in the Stock Exchange.

Interest-bearing loans

Fair value is calculated based on discounted expected future principal and interest cash flows.

Finance lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at market interest rates for homogeneous lease agreements. The estimated fair values reflect change in interest rates.

Receivables / payables

For receivables / payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables / payables are discounted to determine the fair value.

Interest rates used for determining fair value.

The entity uses the government yield curve as of September 30, 2015 plus an adequate constant credit spread to discount financial instruments. The discount rate for minimum lease liabilities and receivables is 14%.



Notes to the consolidated interim Financial statements Prepared in accordance with (IFRSs)
For the nine months ended September 30, 2015 (continued)

30. Capital commitments

The company's capital commitments for the unexecuted parts of contracts until September 30, 2015 approximately amounted to L.E. 424 million (against L.E. 269.7 million as at December 31, 2014) include uncalled installments of investees' share in capital by an amount of L.E. 1 million. These commitments are expected to be settled in the following financial year except the uncalled installments of investees' share capital, which shall be settled when required by the Boards of Directors for those investees companies.

31. Contingencies

In addition to the amounts included in the consolidated statement of financial position as of September 30, 2015, the company has the following contingent liabilities:

In thousands of Egyptian Pound	30 September 2015	31 December 2014
Letters of guarantee issued by banks on behalf of the Group	151 035	122 548
Letters of credit	233 562	171 252

- Letters of guarantee issued by banks on behalf of the group and for the benefits of others as at September 30, 2015 includes letters of guarantee have been issued against restricted cash and cash equivalent – Note no. 21.

32. Related parties

Identity of related parties

The Group has a relationship with its associate Vodafone Egypt and Consortium Algerian de Telecommunications (CAT).

Transaction with Associates

During the financial period ended September 30, 2015 , fixed to mobile interconnection, audio text fees and sale of products and services in favor of Vodafone Egypt LE 875 898 K . Lease of company's premises and towers in favor of the group, transmission and international calls and telecommunication services amounted to LE 768 826 and the balance due to Vodafone Egypt at September 30, 2015 amounted to LE 24 246 K (Note 20) and LE 8 298 K (Note 25) respectively.



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For the nine months ended September 30, 2015 (continued)

33. TAX POSITION (Telecom Egypt Company)

33-1 Corporate tax

- Tax inspection was performed for the years till December 31, 2013 and all due taxes were settled.
- Tax return for the years till 2014 was submitted on the due dates and payments were made accordingly.
- Tax inspection for the year 2014 is in process.

33-2 Amendments to tax laws during 2014

- On June 4, 2014, law no. 44 of 2014 was issued, imposing temporary additional 5% increase in the tax rate for three year on individuals and corporate entities whose annual income exceeds one million Egyptian pounds. This tax will be calculated and collected according to the provisions of the income tax law, and shall come into force on 5 June 2014.
- And on June 30, 2014, a presidential decree no. 53 of 2014 was issued, amending certain provisions of the income tax Law No. 91 of 2005, the main amendments are:
 1. Imposing income tax on dividends.
 2. Imposing income tax on capital gains from selling shares and securities.

On April 6, 2015 a Ministerial Decree No.172 of 2015 was issued, amending certain provisions of the executive regulation for the income tax law issued by the Minister of Finance decree No.991 of 2005.

33-3 Amendments to tax laws during 2015

- On August 20, 2015, Presidential Decree was issued with Law No. (96) of 2015 amending certain provisions of the income Tax law No. (91) of 2005 and the decision no (44) of 2014 to impose temporary additional income tax, the decree will be effective from the day following its publication, the following are the most significant changes that mentioned in the decree:
 1. Decreasing the income tax rate to be 22.5% of the net annual profits.
 2. Amending the period of imposing the temporary tax 5%.
 3. Amending the tax on dividends.
 4. Suspend the adoption of the capital tax imposed on the income from the dealing of listed securities for two years starting from May 17, 2015.

33-4 Sales Tax

- Tax inspection was performed for the years till December 31, 2010 and all due taxes were settled.
- Tax inspection for the years 2011 till 2013 is in process.

33-5 Salary Tax

- Tax inspection was performed for the years till December 31, 2012, and the Company was notified and all due taxes were settled.
- Tax inspection for the year 2013 is in process.

33-6 Stamp tax

- Tax inspection for the period from March 27, 1998 to December 31, 2000 was being performed for certain sectors and the company was notified, the company objected on the disputed items on the due dates and the related provisions were formed to meet the disputed tax liabilities.
- Tax inspection for the period from January 1, 2001 till July 31, 2006 was performed for certain sectors of the company and taxes due were settled. Tax inspection for the remaining sectors is currently being undertaken during the same period.
- Tax inspection for period from August 1, 2006 to December 31, 2009 and due taxes were settled
- Tax inspection for the years 2010 till 2012 was performed and the disputed items were resolved with the exception of the relative stamp on salaries and wages which have been forwarded to the appeal committee.
- Tax inspection for the years 2013-2014 is in process.



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33-7 Real estate taxes

- All taxes are paid according to the addition notices received by the company. The company's Legal Affairs Department follows up on the disputes according to the Real Estate Tax Law.
- Tax returns were submitted according to the new Real Estate Tax Law No.196 for the year 2008 on the due dates.

Provisions were formed to meet any tax liabilities that may arise from the tax inspection.

34. Group entities

Control of the Group

The Group's ultimate parent company is Telecom Egypt

	Country of incorporation	Ownership interest	
		30 September	31 December
		2015	2014
Telecom Egypt France	France	100.00	100.00
T. E. Data	Egypt	100.00	99.99
* T.E. Data Jordan	Jordan	100.00	99.99
TE Investment Holding	Egypt	100.00	99.99
The Egyptian Telecommunication Company for Information Systems (Xceed)	Egypt	100.00	97.66
** Xceed Customer Care Maroc	Morocco	100.00	97.66
Centra Technologies	Egypt	100.00	58.76
*** Centra Industries	Egypt	90.88	58.63
Centra Distribution	Egypt	90.00	58.74
Middle East Radio Communication (MERC)	Egypt	51.00	51.00

* TE Data Jordan - a fully owned subsidiary by TE Data Company.

** Xceed Customer Care Maroc - are fully owned subsidiaries by The Egyptian Telecommunication Company for Information Systems (Xceed).

*** Centra Technologies participates in Centra Industries and Centra Distribution - subsidiaries - with 99.78%, 90% respectively of its share capital.

35. Claims and litigations

The Company's external legal advisor's opinion is that the following court cases and disputes are still under deliberation before the judicial and arbitral authorities, it is difficult to determine the obligation for any of the disputed parties only after the issuance of the final ruling.

35.1 Interconnect agreement with mobile companies

Telecom Egypt had filed a complaint before the Dispute Resolution Committee of the National Telecommunication Regulatory Authority (NTRA) requesting the application of the same interconnection rates applied between the mobile operators (Mobinil and Vodafone) as per the legal obligations in telecom law and signed agreements between Telecom Egypt and each of Mobinil and Vodafone. On September 3, 2008 NTRA issued the first decision in favor of Telecom Egypt, this was followed by the second on December 31, 2009 and amended on January 14, 2010. Vodafone had appealed on NTRA Decision Dated 3 September 2008, and Mobinil appealed as well on both NTRA decisions to the administration court and high administrative court these appeals are still in process before the courts. Telecom Egypt is not a part of the Mobinil appeal against NTRA to repeal the abovementioned decisions.



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For the nine months ended September 30, 2015 (continued)

On September 2009, Mobinil had filed the Arbitration Case no. 644/2009 year requesting the application of the interconnection rates mentioned in the signed agreements with Telecom Egypt and objecting the application of NTRA abovementioned decisions, claiming that Telecom Egypt made a contractual violations by complaining at NTRA, also request damages for not entering into services level agreements related to the transmission leased line and International gateway services.

In October 2009 Telecom Egypt had filed the Arbitration Case against Mobinil and filed the Arbitration Case no. 650/2009 against Vodafone, that's where Telecom Egypt's management believes that these two companies charged Telecom Egypt with rates exceeds the rates where these two companies are charging each other and this violates the article (13) of the interconnection agreement between Telecom Egypt and these two companies. The tribunal in TE-Vodafone arbitration case rejected TE's interpretation of article 13 by its award issued on 10 January 2015.

On 29 March 2015, the tribunal in Mobinil Case rejected Mobinil's request to apply the interconnection rates stated in the interconnection agreement, also the tribunal submit its interpretation to the Egyptian law and the principles that should be followed by both parties to agree on the interconnection rates. Also the tribunal rejected TE's claimed, the Tribunal depute an expert to review Mobinil claims whether from the principle or the amount claimed, and these claims still pending before Tribunal.

The company's legal advisor believes that the company has the right to apply the interconnection rates same as other mobile operators, and this opinion in the light of NTRA decisions that still in effect, the provisions Telecommunication law and Competition law.

According to the legal advisor's opinion, the company recognizes revenues and costs related to the interconnection service with mobinil and vodafone according to the applicable decisions released by the NTRA until annuled or a final award is issued by the courts and arbitration.

The amount in dispute as per the company's record between Telecom Egypt and both company " Mobinil, Vodafone " in relation to the said dispute for the period from September 3, 2008 to the end of September 2015 is approxintely an amount of L.E. 881 523 K.

35.2 Dispute with one of the investees

The company has filed an arbitration case against an investee, in which Telecom Egypt owns 25%, claiming compensations for breach of obligations stipulated in an agreement concluded between the company, and the investee and requesting the termination of the said agreement. The investee has filed as well another arbitration case against Telecom Egypt claiming compensation for breaching of obligations stipulated in the same agreement. In 31 August 2015, the tribunal issued an arbitral awards in arbitration cases no. 672/2010 and 673/2010, also an interpretation award for case No. 673/2010 on 28 September 2015, and notified TE with the award on 7 October 2015. The tribunal rejected Telecom Egypt claims for compensations, it also decided that it has jurisdiction over the investee claims and decided to terminate the contract dated 25 July 2000, and its amendments dated 2004, and the shareholder's contract dated 27 February 2006 and awarded compensation to the investees. The company started to take the necessary legal action to cease the implementation of such award and to annul it. The external legal counsel believes that the company has a number of strong arguments available on appeal and preponderance of annulling the award or ceasing its implementation.

35.3 Other claim

The company has filed arbitration cases against the three prepaid cards companies, which filed a counter claims against Telecom Egypt. All these cases have been resolved in favor of Telecom Egypt and currently we are in the Execution procedures.

Provisions were formed to meet any contingent liabilities and impairment loss on assets that may arise from the claims and litigations above.

36. Comparative figures

- An adjustment was made to the deferred tax item in both of consolidated statement of financial position and the statement of profit or loss and other comprehensive income which led to the decrease in profit for year 2014 and profit for the nine months ended September 30, 2015 by L.E 692 483 K and L.E 843 896 K respectively as a result of the adoption of law no 53 for year 2014 implementation (Note no. 33-2).



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- Reclassification was made to some comparative figures of the consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows to conform to the current presentation of the consolidated interim financial statements, the adjustments and reclassifications as follows:-

36.1 Effect on consolidated statement of financial position:

<u>Description</u>	31/12/2014			31/12/2014
	<u>as previously</u>	<u>Adjustments</u>	<u>Reclassification</u>	<u>Restated</u>
	<u>reported</u>	<u>Debit/(Credit)</u>	<u>Debit/(Credit)</u>	
	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Trade and other receivables	5 048 881	-	485	5 049 366
Trade and other payables	4 178 511	-	107 940	4 070 571
Deferred income	8 922	-	(108 425)	117 347
Held-to-maturity investment (treasury bills)	895 691	-	197 997	1 093 688
Cash and cash equivalents	2 914 256	-	(197 997)	2 716 259
Retained earnings	3 863 988	692 483	-	3 171 505
Deferred tax liabilities	313 053	(692 483)	-	1 005 536

36.2 Effect on consolidated statement of profit or loss and other comprehensive income

<u>Description</u>	For the nine months ended 30/9/2014		For the nine months ended 30/9/2014		For the three months ended 30/9/2014	
	<u>as previously reported</u>	<u>Adjustments\</u>	<u>as previously reported</u>	<u>Adjustments\</u>	<u>as previously reported</u>	<u>Adjustments\</u>
	<u>Reclassification</u>	<u>Restated</u>	<u>Reclassification</u>	<u>Restated</u>	<u>Reclassification</u>	<u>Restated</u>
	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Operating costs	(5 081 304)	1 393	(5 079 911)	(1 774 892)	534	(1 774 358)
Other income	102 925	-	102 925	21 378	(48)	21 330
Selling and distribution expenses	(1 046 273)	(1 373)	(1 047 646)	(373 128)	(479)	(373 607)
Administrative expenses	(1 417 696)	(20)	(1 417 716)	(453 423)	(7)	(453 430)
Income tax expense	(738 813)	(843 896)	(1 582 709)	(203 397)	51 915	(151 482)

36.3 Effect on consolidated statement of cash flows

<u>Description</u>	For the nine months ended 30/9/2014	For the nine months ended 30/9/2014
	<u>as previously reported</u>	<u>Reclassified</u>
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Cash receipts from customers	6 252 391	6 265 395
Repayment to tax authority - other taxes	(305 397)	(322 008)
Other payments	(312 956)	(309 349)

