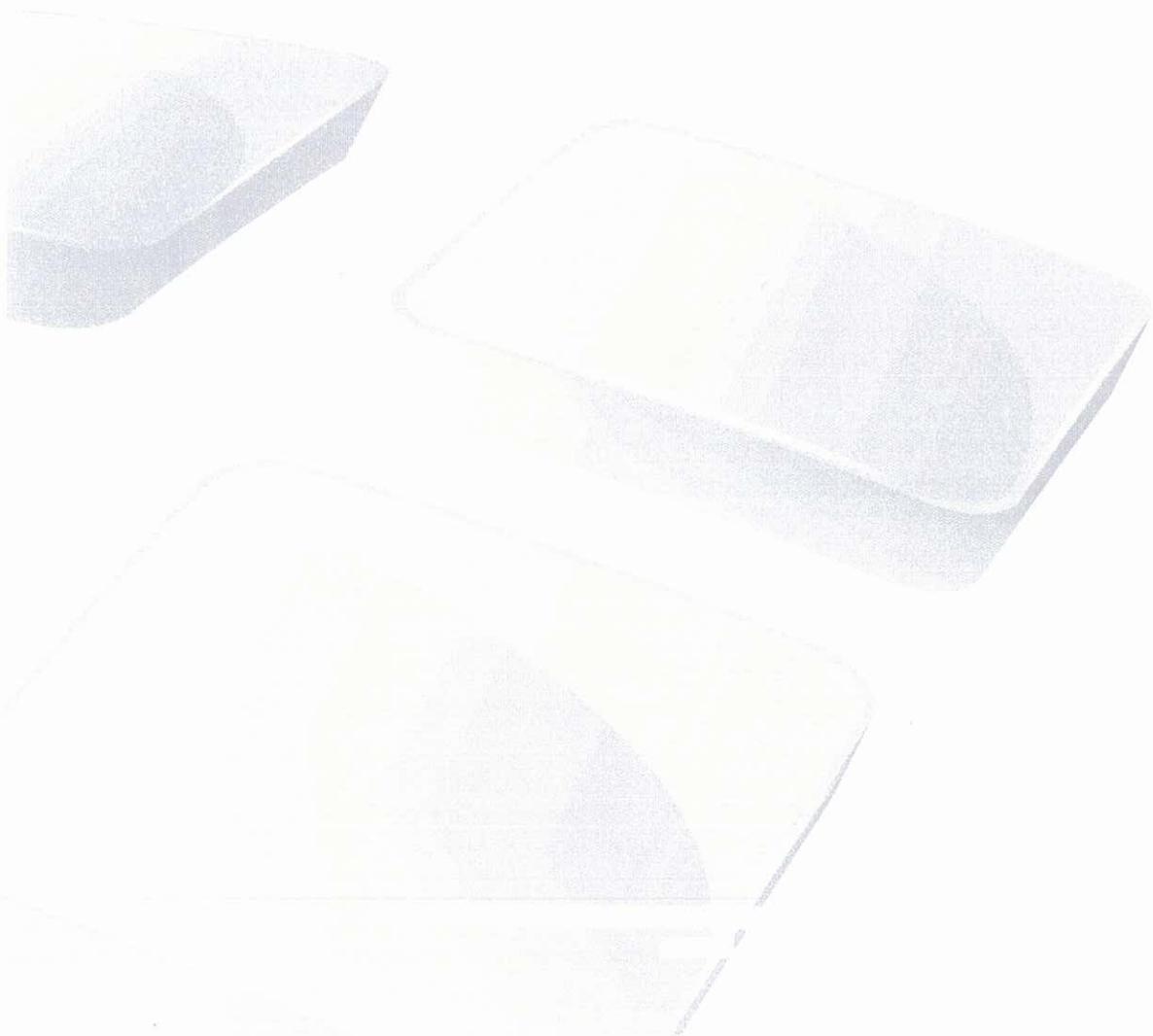




*Translation from Arabic*

**Telecom Egypt Company**  
**(An Egyptian Joint Stock Company)**  
**Condensed Consolidated Interim Financial Statements**  
**For The Three Months Ended March 31, 2017**  
**And The Limited Review Report**





*Translation from Arabic*

**Telecom Egypt Company**  
**(An Egyptian Joint Stock Company)**  
**Condensed Consolidated Interim Financial Statements**  
**For The Three Months Ended March 31, 2017**  
**And The Limited Review Report**

**Index**

<b><u>Explanation</u></b>	<b><u>Page Number</u></b>
- Limited Review Report	1:2
- Condensed Consolidated Statement of Financial Position	3
- Condensed Consolidated Income Statement	4
- Condensed Consolidated Statement of Comprehensive Income	5
- Condensed Consolidated Statement of Changes in Equity	6
- Condensed Consolidated Statement of Cash Flows	7
- Notes to the Condensed Consolidated Interim Financial Statements	8:25



## Hazem Hassan

Public Accountants & Consultants

Pyramids Heights Office Park  
Km 22 Cairo/Alex Road  
P.O. Box 48 Al Ahram  
Giza - Cairo - Egypt

Telephone : (202) 35 36 22 00 - 35 36 22 11  
Telefax : (202) 35 36 23 01 - 35 36 23 05  
E-mail : [egypt@kpmg.com.eg](mailto:egypt@kpmg.com.eg)  
Postal Code : 12556 Al Ahram

*Translation from Arabic*

### **Limited Review Report on The Condensed Consolidated Interim Financial Statements To The Board of Directors of Telecom Egypt Company**

#### *Introduction*

We have performed a limited review on the accompanying condensed consolidated statement of financial position of Telecom Egypt Company “an Egyptian joint stock company” as at March 31, 2017 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with Egyptian Accounting Standard number (30) “Interim Financial Reporting”. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our limited review.

#### *Scope of Limited Review*

We conducted our limited review in accordance with Egyptian Standard on Review Engagements number (2410), "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity". A limited review of condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the Company, and applying analytical and other limited review procedures. A limited review is substantially less in scope than an audit conducted in accordance with Egyptian Standards 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 on these condensed consolidated interim financial statements.

#### *Conclusion*

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of the company as at March 31, 2017 and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with Egyptian Accounting Standard number (30) “Interim Financial Reporting”.



Hazem Hassan

*Translation from Arabic*

***Emphasis of Matter***

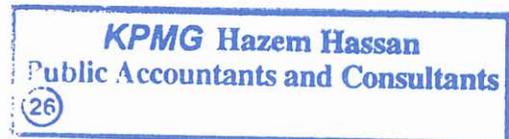
Without qualifying our conclusion, we draw attention to note no. (30-1) of the notes to the condensed consolidated interim financial statements, which describes the dispute between the company and Orange Egypt Company (previously named Mobinil ) in regards to the interconnection rates. Several resolutions were issued by the National Telecommunication Regulatory Authority (NTRA) determining the interconnection rates based on the complaint filed by the company. As a result, Orange filed lawsuits for ceasing the implementation of the said resolutions. In addition, to the lawsuits and arbitral, litigations filed by or against the company and Orange, 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 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.

*KPMG Hazem Hassan*

**KPMG Hazem Hassan  
Public Accountants & Consultants**

Cairo, May 14, 2017





*Translation from Arabic*

**Telecom Egypt Company**  
**(An Egyptian Joint Stock Company)**  
**Condensed Consolidated Statement of Financial Position as of:**

	Note <u>No.</u>	31/3/2017 <u>L.E. (000)</u>	31/12/2016 <u>Reclassified L.E. (000)</u>
<b>Assets</b>			
<b><u>Non Current Assets</u></b>			
Fixed assets	(11)	14 694 452	14 238 001
Projects in progress	(12)	7 423 915	7 418 288
Investments in associates	(13)	10 127 670	9 452 591
Available-for-sale investments		81 273	81 273
Other assets	(14)	1 382 733	1 391 327
Deferred tax assets	(24-1)	373 282	418 502
<b>Total Non Current Assets</b>		<b>34 083 325</b>	<b>32 999 982</b>
<b><u>Current Assets</u></b>			
Inventories	(15)	641 005	662 097
Trade and notes receivable	(16)	4 373 869	4 744 146
Debtors and other debit balances	(17)	1 687 592	1 824 683
Held-to-maturity investments-treasury bills		106 218	144 428
Cash and cash equivalents	(18)	1 449 994	1 112 286
<b>Total Current Assets</b>		<b>8 258 678</b>	<b>8 487 640</b>
<b>Total Assets</b>		<b>42 342 003</b>	<b>41 487 622</b>
<b><u>Equity</u></b>			
Capital	(22)	17 070 716	17 070 716
Reserves	(23)	4 618 968	4 446 323
Retained earnings		6 902 960	8 056 342
Foreign entities translation reserve		164 852	161 357
<b>Equity attributable to owners of the company</b>		<b>28 757 496</b>	<b>29 734 738</b>
Non - controlling interest		9 254	10 696
<b>Total Equity</b>		<b>28 766 750</b>	<b>29 745 434</b>
<b><u>Non Current Liabilities</u></b>			
Loans and credit facilities	(19)	599 961	626 235
Creditors and other credit balances	(20)	93 184	114 226
Deferred tax liabilities	(24-1)	543 054	638 295
<b>Total Long Term Liabilities</b>		<b>1 236 199</b>	<b>1 378 756</b>
<b><u>Current Liabilities</u></b>			
Loans and credit facilities installments due within one year	(19)	2 945 571	2 715 554
Creditors and other credit balances	(20)	8 492 466	6 545 767
Provisions	(21)	901 017	1 102 111
<b>Total Current Liabilities</b>		<b>12 339 054</b>	<b>10 363 432</b>
<b>Total Liabilities</b>		<b>13 575 253</b>	<b>11 742 188</b>
<b>Total Equity and Liabilities</b>		<b>42 342 003</b>	<b>41 487 622</b>

The attached notes on pages (8) to (25) are an integral part of these Condensed Consolidated Interim Financial Statements.

Financial Director

*Wael Hanafy*

"Wael Hanafy"

Financial Officer Senior  
Director

*Shaher Shokry*

"Shaher Shokry"

Chief Financial Officer

*M. Shamroukh*

"Mohamed Shamroukh"

Managing Director  
& Chief Executive Officer

*Ahmed El Beheiry*

"Ahmed El Beheiry"

Board of Directors approval

Chairman

*Maged Osman*

"Maged Osman"

Limited Review Report "attached"



*Translation from Arabic*

**Telecom Egypt Company**  
**(An Egyptian Joint Stock Company)**  
**Condensed Consolidated Income Statement**

	Note No.	<u>For the three months ended</u>	
		<u>31/3/2017</u>	<u>31/3/2016</u>
		<u>L.E.(000)</u>	<u>Restated L.E.(000)</u>
Operating revenues	(3)	4 191 197	3 064 888
Operating costs	(4)	(2 348 322)	(1 620 859)
<b>Gross Profit</b>		<b>1 842 875</b>	<b>1 444 029</b>
Other income		62 674	83 779
Selling and distribution expenses	(5)	( 386 985)	( 322 915)
General and administrative expenses	(6)	( 457 943)	( 446 794)
Other expenses		( 20 074)	( 43 799)
<b>Operating profit</b>		<b>1 040 547</b>	<b>714 300</b>
Finance income		32 590	419 636
Finance cost		( 140 482)	( 4 868)
<b>Net finance (cost) \ income</b>	(7)	<b>( 107 892)</b>	<b>414 768</b>
<b>Share of profit of equity accounted investees</b>	(8)	<b>675 079</b>	<b>372 072</b>
<b>Profit before tax</b>		<b>1 607 734</b>	<b>1 501 140</b>
Income tax expense		( 317 165)	( 203 080)
Deferred tax	(24-1)	50 021	( 21 962)
<b>Total income tax</b>		<b>( 267 144)</b>	<b>( 225 042)</b>
<b>Profit for the period</b>		<b>1 340 590</b>	<b>1 276 098</b>
<b>Profit attributable to :</b>			
Owners of the company		1 339 833	1 275 719
Non-controlling interest		757	379
<b>Profit for the period</b>		<b>1 340 590</b>	<b>1 276 098</b>
<b>Basic earnings per share for the period (L.E. / Share)</b>	(10)	<b>0.78</b>	<b>0.75</b>

The attached notes on pages (8) to (25) are an integral part of these Condensed Consolidated Interim Financial Statements.



*Translation from Arabic*

**Telecom Egypt Company**  
**(An Egyptian Joint Stock Company)**  
**Condensed Consolidated Statement of Comprehensive Income**

	<b><u>For the three months ended</u></b>	
	<b><u>31/3/2017</u></b>	<b><u>31/3/2016</u></b>
	<b><u>L.E.(000)</u></b>	<b><u>Restated</u></b>
		<b><u>L.E.(000)</u></b>
Profit for the period after income tax	<b>1 340 590</b>	<b>1 276 098</b>
<b><u>Other Comprehensive Income items :</u></b>		
Translation differences of foreign entities	3 495	19 310
<b>Total Comprehensive Income</b>	<b><u>1 344 085</u></b>	<b><u>1 295 408</u></b>
<b>Attributable to :</b>		
Owners of the company	1 343 328	1 295 029
Non-controlling interest	757	379
<b>Total Comprehensive Income</b>	<b><u>1 344 085</u></b>	<b><u>1 295 408</u></b>

The attached notes on pages (8) to (25) are an integral part of these Condensed Consolidated Interim Financial Statements.



Translation from Arabic

**Telecom Egypt Company**  
(An Egyptian Joint Stock Company)  
**Condensed Consolidated Statement of Changes in Equity**  
**For The Three Months Ended March 31, 2017**

	Capital	Legal reserve	Other reserves	Retained earnings	Foreign entities translation reserve	Total of equity attributable to owners of the company	Non-controlling interest	Total
	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)
Balance as of January 1, 2016	17,070,716	1,583,556	4,796,578	5,508,940	4,310	28,964,100	10,330	28,974,430
<b>Comprehensive Income</b>								
Profit for the period (restated)	-	-	-	1,275,719	-	1,275,719	379	1,276,098
Translation differences of foreign entities	-	-	-	-	19,310	19,310	-	19,310
<b>Total Comprehensive Income (restated)</b>	-	-	-	1,275,719	19,310	1,295,029	379	1,295,408
<b>Transactions with shareholders :</b>								
Transferred to retained earnings from general reserve	-	-	(2,000,000)	2,000,000	-	-	-	-
Transferred to legal reserve	-	66,189	-	(66,189)	-	-	-	-
Dividends for year 2015 (shareholders)	-	-	-	(1,280,304)	-	(1,280,304)	(1,702)	(1,282,006)
Dividends for year 2015 (Employees & Board of Directors)	-	-	-	(608,735)	-	(608,735)	(245)	(608,980)
Acquisition of non controlling interest in subsidiaries	-	-	-	-	-	-	(7)	(7)
<b>Total transactions with shareholders</b>	-	66,189	(2,000,000)	44,772	-	(1,889,039)	(1,954)	(1,890,993)
<b>Balance as of March 31, 2016 (restated)</b>	17,070,716	1,649,745	2,796,578	6,829,431	23,620	28,370,990	8,755	28,378,845
Balance as of January 1, 2017	17,070,716	1,649,745	2,796,578	8,056,342	161,357	29,734,738	10,696	29,745,434
<b>Comprehensive Income</b>								
Profit for the period	-	-	-	1,339,833	-	1,339,833	757	1,340,590
Translation differences of foreign entities	-	-	-	-	3,495	3,495	-	3,495
<b>Total Comprehensive Income</b>	-	-	-	1,339,833	3,495	1,343,328	757	1,344,085
<b>Transactions with shareholders :</b>								
Transferred to legal reserve	-	172,645	-	(172,645)	-	-	-	-
Dividends for year 2016 (shareholders)	-	-	-	(1,707,071)	-	(1,707,071)	(1,921)	(1,708,992)
Dividends for year 2016 (Employees & Board of Directors)	-	-	-	(613,499)	-	(613,499)	(278)	(613,777)
<b>Total transactions with shareholders</b>	-	172,645	-	(2,493,215)	-	(2,320,570)	(2,199)	(2,322,769)
<b>Balance as of March 31, 2017</b>	17,070,716	1,822,390	2,796,578	6,902,960	164,852	28,757,496	9,254	28,766,750

The attached notes on page from (8) to (25) are an integral part of these Condensed Consolidated Interim Financial Statements.



Translation from Arabic

**Telecom Egypt Company**  
**(An Egyptian Joint Stock Company)**  
**Condensed Consolidated Statement of Cash Flows**

	Note No.	For the Three months ended:	
		31/3/2017 L.E. (000)	31/3/2016 L.E. (000)
<b>Cash flows from operating activities:-</b>			
Cash receipts from customers		4 245 130	2 893 037
Sales tax collected from customers		76 065	64 735
Stamp tax and fees collected (from third party)		21 385	24 256
Deposits returned to customers		53	2 095
Cash paid to suppliers		( 638 335)	( 416 385)
Payments of NTRA license fees		( 138 796)	( 124 102)
Dividends paid to employees		( 43 517)	( 48 205)
Cash paid to employees and bord of directors		( 732 105)	( 783 905)
Cash paid on behalf of employees to third party		( 155 474)	( 149 190)
<b>Cash provided by operating activities</b>		<b>2 634 406</b>	<b>1 462 336</b>
Interest paid		( 7 051)	( 3 604)
Payments to Tax Authority - income tax		( 13 125)	( 5 643)
Payments to Tax Authority - sales tax		( 501 512)	( 176 906)
Payments to Tax Authority - other taxes		( 216 379)	( 167 518)
Other (payment) \ proceeds		( 72 077)	203 866
<b>Net cash provided by operating activities</b>		<b>1 824 262</b>	<b>1 312 531</b>
<b>Cash flows from investing activities:-</b>			
Payments for purchase of fixed assets, projects in progress and other assets		(1 663 467)	( 826 852)
Payments for purchase of other assets - Fourth generation network license		( 96 542)	-
Proceeds form sales of fixed assets and other assets		122	441
Payments for acquisition of investements		-	( 7)
Payments for purchase of held-to-maturity investment - treasury bills		-	( 17 841)
Interest received		10 874	14 088
Dividends collected from investments		11 922	2 411
Proceeds from retrieval of held-to-maturity investment - treasury bills		42 506	163 012
Proceeds from securities - treasury bills		3 335	23 269
<b>Net cash used in investing activities</b>		<b>(1 691 250)</b>	<b>( 641 479)</b>
<b>Cash flows from financing activities:-</b>			
Payments for loans and other facilities		( 93 706)	( 40 139)
Proceeds from loans and other facilities		303 661	4 254
Dividends paid to Shareholders		( 1 825)	( 1 616)
<b>Net cash provided by (used in) financing activities</b>		<b>208 130</b>	<b>( 37 501)</b>
<b>Net change in cash and cash equivalents during the period</b>		<b>341 142</b>	<b>633 551</b>
Translation differences of foreign entities		( 3 434)	7 137
Cash and cash equivalents at the beginning of the period	(18)	1 101 163	2 404 010
<b>Cash and cash equivalents at the end of the period</b>	(18)	<b>1 438 871</b>	<b>3 044 698</b>

The attached notes on pages from (8) to (25) are an integral part of these Condensed Consolidated Interim Financial statements.



**Telecom Egypt Company**  
**(An Egyptian Joint Stock Company)**

**Notes to the Condensed Consolidated Interim Financial Statements**  
**For The Three Months Ended March 31, 2017**

**1. BACKGROUND**

**1-1 Legal Entity**

- Arab Republic of Egypt National Telecommunication Organization (ARENTO) was established according to Law No.153 of 1980. Effective from March 27, 1998 and according to law No.19 of 1998, the legal form of (ARENTO) was amended after the revaluation of its assets on March 26, 1998 to become "Telecom Egypt Company" (TE).
- 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 company is subject to the provisions of the Companies Law No. 159 of 1981 and Capital Market law No. 95 of 1992.
- The registered office of the company is 26 Ramses Street, Cairo, Egypt.
- The nominal shares for the company are traded in the Egyptian Stock Exchange and the London market for securities.

**1-2 Purpose of the company**

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.
- Investment properties for serving its purposes and executing its projects.

**1-3 Issuance of financial statements**

These Condensed Consolidated Interim Financial Statements were approved by the Board of Directors for issuance on May 14, 2017.

**2. BASIS OF PREPERATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**2-1 Statement of compliance**

- These Condensed Consolidated Interim Financial Statements as of March 31, 2017 have been prepared in accordance with Egyptian Accounting Standard No.30 "Interim Financial Reporting" accordingly it is condensed comparative view to the annual consolidated financial statements for the company, and in the light of applicable Egyptian laws and regulations.
- These Condensed Consolidated Interim Financial Statements don't include all the required information needed for preparing the full annual consolidated financial statements and must be read with the annual consolidated financial statements as of December 31, 2016.



*Notes To The Condensed Consolidated Interim Financial Statements  
For The Three Months Ended March 31, 2017 (continued)*

*Translation from Arabic*

**2-2 Basis of measurement**

These Condensed Consolidated Interim Financial Statements have been prepared under the historical cost basis, except for certain financial investments which are evaluated at fair value in according to the Egyptian Accounting Standards.

For presentation purposes, the current and non-current classification has been used for the condensed consolidated balance sheet, while expenses are analyzed in the condensed consolidated income statement using a classification based on their function. The direct method has been used in preparing the condensed consolidated statement of cash flows.

**2-3 Functional and presentation currency**

These Condensed Consolidated Interim Financial Statements are presented in Egyptian pound (L.E.), All financial information presented in "L.E." has been rounded to the nearest thousand unless otherwise stated.

**2-4 Use of estimates**

The preparation of the Condensed Consolidated Interim Financial Statements in conformity with Egyptian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other various factors that are believed to be reasonable under the circumstances, the results of these assumption represent the judgmental basis for the value of assets and liabilities that may not apparently available from other sources. The actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on going basis. Accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

- Impairment loss on non-financial and financial assets.
- Provisions and contingencies.
- Deferred tax assets.
- Operational useful life of fixed assets.

**2-5 Fair value measurement**

The fair value of financial instruments is determined based on the market value of the financial instrument or similar financial instruments at the date of the condensed consolidated interim financial statements without deducting any estimated future selling costs. The financial assets values are determined with the current purchase prices; however, the financial liabilities values are determined with the current prices that could settle these liabilities.

In case there is no active market to determine the fair value of the financial instruments, the fair value is estimated using different valuation techniques taking into consideration the prices of the latest transactions, and use the current fair value of the similar financial instruments as guideline – the discounted cash flows technique or any other valuation methods that results reliable values.

When the discounted cash flows is used as a valuation technique, the future cash flows are estimated based on the management best estimate. The discount rate used is determined in line with the market rate at the date of the financial statements for the similar financial instruments in nature and conditions.

**2-6 Segment reporting**

Operating activities related to the company is managed by operating segments at the group activates level as integrated activity, based on the nature of product and the service provided. The segment reporting is prepared according to segments of activities as a group as follows:

- Communications, marine cables and infrastructure segment.
- Internet services segment.
- Outsourcing services segment



Notes To The Condensed Consolidated Interim Financial Statements  
For The Three Months Ended March 31, 2017 (continued)

Translation from Arabic

**3. OPERATING REVENUES**

	<u>For the three months ended</u>	
	<u>31/3/2017</u>	<u>31/3/2016</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Home	1 265 193	999 571
Enterprise	553 735	552 008
Domestic wholesale	887 580	721 412
International carrier	1 186 171	645 924
International cables and networks	298 518	145 973
	<u>4 191 197</u>	<u>3 064 888</u>

Total operating revenues have increased by an amount of L.E. 1 126 309 K due to the increase in home revenues by an amount of L.E. 265 622 K due to the increase in internet customers which in turn led to the increase in internet revenue, increase in international carrier and international cables and networks revenue by an amount of L.E. 540 247 K and L.E 152 545 K respectively due to the increase in foreign currencies exchange rates.

**4. OPERATING COSTS**

	<u>For the three months ended</u>	
	<u>31/3/2017</u>	<u>31/3/2016</u>
	<u>L.E. (000)</u>	<u>Restated L.E. (000)</u>
Interconnection cost	942 492	495 690
Depreciation and amortization*	364 518	289 984
Other operating cost*	1 041 312	835 185
	<u>2 348 322</u>	<u>1 620 859</u>

Operating costs have increased by an amount of L.E. 727 463 K due to the following: -

- The increase of interconnection cost by an amount of L.E. 446 802 K which is mainly due to the increase in international fees of transit service and international connection cost due to increase of foreign exchange currencies rate during this period against the same period in 2016.
- The increase in the depreciation and amortization item by an amount of L.E 74 534 K due to the additions of fixed assets of the last year after the first quarter and the current period.
- The increase in other operating cost is mainly due to the increase in salaries and wages item to an amount of L.E. 59 326 K due to the annual increase by 15 % from the basic salary starting from January 2017 in addition to the increase of frequencies and licenses charges item by an amount of L.E 38 723 K due to the increase in revenues of the current period.

\* Restatements and Reclassifications were made to comparative figures as shown in Note no (31-2).



Notes To The Condensed Consolidated Interim Financial Statements  
For The Three Months Ended March 31, 2017 (continued)

Translation from Arabic

**5. SELLING AND DISTRIBUTION EXPENSES**

	<u>For the three months ended</u>	
	<u>31/3/2017</u>	<u>31/3/2016</u>
	<u>L.E. (000)</u>	<u>Reclassified</u> <u>L.E. (000)</u>
Salaries and wages *	225 852	189 177
Company's social insurance contribution*	24 936	22 674
Depreciation and amortization	1 602	2 008
Discount allowed	47 016	46 024
Advertising and marketing	8 233	20 784
Other expenses *	79 346	42 248
	<u>386 985</u>	<u>322 915</u>

The increase in selling and distribution expenses by an amount of L.E 64 070 K due to the increase in salaries and wages by an amount of L.E. 38 937 K due to the annual increase by 15 % from the basic salary starting from January 2017, however the increase in sales and collection commissions item by an amount of L.E 38 100 K included in other item.

\*Reclassification was made to comparative figures as shown in Note no (31-2).

**6. GENERAL AND ADMINISTRATIVE EXPENSES**

	<u>For the three months ended</u>	
	<u>31/3/2017</u>	<u>31/3/2016</u>
	<u>L.E. (000)</u>	<u>Restated</u> <u>L.E. (000)</u>
Salaries and wages*	280 838	289 868
Company's social insurance contribution *	29 960	27 314
The company's contribution in loyalty and belonging fund	-	47 552
Depreciation and amortization*	18 755	17 715
Service cost from organizations	70 528	16 501
Bad debt expense	848	1 912
Tax and duty	22 977	14 714
Other expenses*	34 037	31 218
	<u>457 943</u>	<u>446 794</u>

The increase in general and administrative expenses by an amount of L.E. 11 149 K is mainly due to the increase in service cost from organization item by an amount of L.E 54 027 K but the decrease in the company's contribution in loyalty and belonging fund item by an amount of L.E. 47 552 K led to limitation of this increase.

\* Restatements and Reclassifications were made to comparative figures as shown in Note no (31-2).



Notes To The Condensed Consolidated Interim Financial Statements  
For The Three Months Ended March 31, 2017 (continued)

Translation from Arabic

## 7. NET FINANCE (COST) \ INCOME

	<u>For the three months ended</u>	
	<u>31/3/2017</u>	<u>31/3/2016</u>
	<u>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>
Total finance income	32 590	419 636
Total finance cost*	( 140 482)	( 4 868)
<b>Net finance (cost) \ income</b>	<b>( 107 892)</b>	<b>414 768</b>

The decrease in net finance (cost) \ income by an amount of L.E 522 660 K during the period is mainly due to the decrease in net gain for the translation of foreign currencies balances and transactions by an amount of L.E 504 464 K which realized loss during the current period by and amount of L.E 121 132 K.

\*Reclassification was made to comparative figures as shown in Note no (31-2).

## 8. SHARE OF PROFIT OF EQUITY ACCOUNTED INVESTEEES

	<u>For the three months ended</u>	
	<u>31/3/2017</u>	<u>31/3/2016</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Vodafone Egypt	675 085	372 068
Egypt trust	( 6)	4
	<u>675 079</u>	<u>372 072</u>

## 9. EMPLOYEES' BENEFITS

### 9-1 Early retirement scheme (Telecom Egypt)

The Company had an early retirement scheme where employees who wishes 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 – by the date of 30/3/2016, internal instructions no. 9 were issued related to apply the optional early retirement for employees during the period from 3/4/2016 until 31/5/2016 the employees who wishes to retire prior to the legal retirement age are entitled to receive a compensation amounting to 125% of their latest basic salary for the remaining service period up to the retirement age with a maximum of 15 years. Compensations relating to early retirement amounted to nil for the period ended March 31, 2017 (against LE 484 K for the same period as of the year 2016) are included in general and administrative expenses and now the company doesn't apply any early retirement scheme.

### 9-2 End of service benefits (the company's contribution in loyalty and belonging fund)

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, 2012 increasing annually at a compound rate of 5%. The subscription for employees hired after January 1, 2012, is calculated according to a subscription schedule for new hires (starting of hiring date 1/1/2012) and increasing at a compound rate of 5% starting from the next year from the hiring date with the same conditions of annual raise of employees.



Notes To The Condensed Consolidated Interim Financial Statements  
For The Three Months Ended March 31, 2017 (continued)

Translation from Arabic

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 contribution in loyalty and belonging fund for the period ended March 31, 2017 amounted to nil (against L.E. 47 552 K for the same period as of the year 2016). The Company's contribution is included in general and administrative expenses.

**10. BASIC EARNINGS PER SHARE FOR THE PERIOD**

The earning per share for the period is calculated as follows:

	<u>For the three months ended</u> <u>31/3/2017</u>	<u>31/3/2016</u> <u>Restated</u>
<b><u>The holding company owners' equity :</u></b>		
Profit for the period (LE 000)	1 339 833	1 275 719
Number of shares available during the period (share)	1707 071 600	1707 071 600
<b>Basic earnings per share for the period (LE / share)*</b>	<b>0.78</b>	<b>0.75</b>

\* Restatements and Reclassifications were made to comparative figures as shown in Note no (31-2).

**11. FIXED ASSETS**

Description	31/3/2017	31/12/2016	31/3/2017	31/12/2016	31/3/2017	31/12/2016
	Cost	Cost	Accumulated depreciation	Accumulated depreciation	Net	Net
	<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>
		Reclassified		Reclassified		Reclassified
		<u>L.E.(000)</u>		<u>L.E.(000)</u>		<u>L.E.(000)</u>
Land	2 371 572	2 371 572	-	-	2 371 572	2 371 572
Buildings & Infrastructure	23 130 389	22 716 669	14 356 486	14 170 689	8 773 903	8 545 980
Centrals and technical equipment & information technologies	23 185 953	22 855 752	19 880 817	19 746 696	3 305 136	3 109 056
Vehicles	145 527	145 558	108 699	107 881	36 828	37 677
Furniture	566 689	516 198	407 879	391 121	158 810	125 077
Tools & supplies	96 515	96 179	68 533	67 072	27 982	29 107
Decoration & fixtures	125 014	119 574	104 793	100 042	20 221	19 532
Fixtures on trunk radio network	315	315	315	315	-	-
<b>Total</b>	<b>49 621 974</b>	<b>48 821 817</b>	<b>34 927 522</b>	<b>34 583 816</b>	<b>14 694 452</b>	<b>14 238 001</b>

-The increase in net carrying value of fixed assets mainly due to the additions during the period amounting to L.E. 794 364 K, but the depreciation of the period by an amount of L.E. 359 248 K led to limitation of this increase.

-The cost of fixed assets as of March 31, 2017, includes an amount of L.E. 23 083 Million fully depreciated fixed assets and still in use.

\*Reclassifications was made to comparative figures as shown in Note no (31-1).



## 12. PROJECTS IN PROGRESS

	<b>31/3/2017</b>	<b>31/12/2016</b>
	<b><u>L.E. (000)</u></b>	<b><u>L.E. (000)</u></b>
Land	15 576	15 576
Buildings and Infrastructure	504 448	536 324
Centrals and information technologies equipment	813 933	875 231
Furniture	233	250
Other Assets (cables)	411 265	407 681
Other Assets ( fourth generation network license 4G)*	5 400 804	5 293 798
Advance payments	277 656	289 428
	<b><u>7 423 915</u></b>	<b><u>7 418 288</u></b>

The balance of projects in progress is represented in the part that have been executed from commitments and capital contracts until March 31, 2017 and related advance payment.

\*This item is represented in the amount paid for obtaining Fourth generation network license ,TE obtained license to provide 4G license from the National Telecommunication Regulatroy Authority (NTRA), under the terms of the granted license, Telecom Egypt can establish, operate and manage a full-fledged mobile operation to service the Egyptian market, effective from August 31, 2016.

The summary of the license agreement as follows:

1. 4G spectrum of 2×5 MHZ in the frequency band 1800 MHZ and 2×10 MHZ in frequency band 700 MHZ for the period which is extended to 15 years from the signature date of license.
2. The value of the license is equivalent to EGP 7 080 Million, of which equivalent to EGP 5 200 Million is to be paid up front by 50% paid in Egyptian pound and 50% paid in US dollar.
3. The remaining portion will be paid in equal installments over the next Four years, 50% paid in Egyptian pound, 50% paid in US dollar.
4. The initial license term is for a period of 15 years from the signature date of license.
5. Telecom Egypt has conditional right to renew the license for another Five years, with renewal fee up to EGP 2 000 million, to be paid at year 15 from the date of license.
6. Specified annual fixed fees in license in addition to percentage of annual revenue which is specified in the license.
7. The amount of the license includes EGP 200 804 K which is represented in the finance cost of credit facilities which granted to the company to finance part of the license, the company is currently completing the equipment and necessary initial infrastructure for operating the fourth generation network license.



Notes To The Condensed Consolidated Interim Financial Statements  
For The Three Months Ended March 31, 2017 (continued)

Translation from Arabic

### 13. INVESTMENTS IN ASSOCIATES

	31/3/2017		31/12/2016	
	Ownership %	amount L.E. (000)	Ownership %	amount L.E. (000)
- Vodafone Egypt Telecommunication company*	44.95	10 127 227	44.95	9 452 142
- Wataneya for Telecommunication**	50.00	125	50.00	125
- International Telecommunication Consortium Limited. (ITCL)**	50.00	54	50.00	54
- Egypt Trust**	35.71	7 500	35.71	7 500
- Consortium Algerien de Telecommunications (CAT)**	33.00	133	33.00	133
- Sofisat	25.00	-	25.00	-
		<u>10 135 039</u>		<u>9 459 954</u>
<b>Add:</b>				
<b><u>Payments for investments purchase</u></b>				
Egypt Trust***	35.71	443		449
<b><u>Less</u></b>				
Impairment loss on investment in associates		(7 812)		(7 812)
		<u>10 127 670</u>		<u>9 452 591</u>

\*The investments in Vodafone Egypt on March 31, 2017 represents the ownership of 107 869 799 shares with a percentage of 44.95% from the total shares of Vodafone Egypt.

The financial year of Vodafone Egypt ends on March 31 of each year and the equity method was applied in recognizing the investment in Vodafone Egypt during preparing the Condensed Consolidated Interim Financial Statements as of March 31, 2017 by using the consolidated financial statements of Vodafone Egypt for the financial year ended in March 31, 2017 which presents the 12 months from the 1st of April 2016 till March 31, 2017, deduct the movements of the period from April 1, 2016 till December 31, 2016 from the interim financial data of Vodafone Egypt as of December 31, 2016, to determine the share of financial period from January 1 to March 31, 2017 of business results.

\*\*The impairment loss on investments for Egypt Trust, Wataneya for Telecommunication, Consortium Algerian Telecommunications (CAT) and International Telecommunication Consortium Limited (ITCL) due to the realized losses by these investee companies, which exceeded this investments amount, as the Extra Ordinary General Assembly meeting of Consortium Algeria Telecommunication held on July 1, 2009, approved the dissolution and liquidation of CAT.

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



Notes To The Condensed Consolidated Interim Financial Statements  
For The Three Months Ended March 31, 2017 (continued)

Translation from Arabic

#### 14. OTHER ASSETS

	31/3/2017	31/12/2016
		<u>Reclassified</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
<b><u>Cost</u></b>		
Submarine Cables (right of way)*	1 260 267	1 231 136
Right of Use (ROU)	152 264	152 565
License (internet service - programs )	79 411	79 515
Land (possession-usufruct)	440 684	440 684
	<u>1 932 626</u>	<u>1 903 900</u>
<b><u>Less:</u></b>		
Accumulated amortization & Impairment	549 893	512 573
<b>Net other assets</b>	<u>1 382 733</u>	<u>1 391 327</u>

- The decrease in net carrying value of other assets during the period by an amount of L.E. 8 594 K is mainly due to the amortization of the period by an amount of L.E 25 627 K.

\*Reclassification was made to comparative figures as shown in Note no (31-1).

#### 15. INVENTORIES

	31/3/2017	31/12/2016
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Spare parts	434 360	445 918
Project cables and supplies	87 472	76 737
Others	119 173	139 442
	<u>641 005</u>	<u>662 097</u>

The value of inventories were written down by L.E. 25 621 K (against LE 25 466 K as at December 31, 2016) for obsolete and slow moving items directly from the cost of each type of inventory.



Notes To The Condensed Consolidated Interim Financial Statements  
For The Three Months Ended March 31, 2017 (continued)

Translation from Arabic

## 16. TRADE AND NOTES RECEIVABLE

	31/3/2017	31/12/2016
	<u>L.E. (000)</u>	<u>Reclassified</u> <u>L.E. (000)</u>
Trade Receivables - National	4 468 138	4 131 189
Trade Receivables - International	2 559 637	3 266 250
	<u>7 027 775</u>	<u>7 397 439</u>
<b>Less:</b>		
Impairment loss on trade receivables*	2 653 952	2 653 293
	<u>4 373 823</u>	<u>4 744 146</u>
<b>Add:</b>		
Notes receivable	46	-
	<u>4 373 869</u>	<u>4 744 146</u>

Trade receivables balance decreased by an amount of L.E. 370 277 K which is mainly due to the increase in the collection of trade receivables - international carrier and trade receivables – international cables and networks during this period.

\*Reclassification was made to comparative figures as shown in Note no (31-1).

## 17. DEBTORS AND OTHER DEBIT BALANCES

	31/3/2017	31/12/2016
	<u>L.E.(000)</u>	<u>Reclassified</u> <u>L.E.(000)</u>
Accrued revenues	36 837	42 885
Deposits to others	160 481	171 758
Suppliers – debit balances	202 180	130 382
Tax Authority - withholding tax	200 549	160 319
Due from organizations and companies	267 812	347 935
Payments on the account of income tax	74 871	27 796
Payments on the account of employees dividends	-	288 956
Other debit balances	934 929	845 032
	<u>1 877 659</u>	<u>2 015 063</u>
<b>Less:</b>		
Impairment loss on debtors and other debit balances*	190 067	190 380
	<u>1 687 592</u>	<u>1 824 683</u>

Debtors and other debit balances decreased by an amount of L.E. 137 091 K mainly due to the settlement of payments on the account of employee's dividends for year 2016 after the approval of dividends by the General Assembly of the company decree however the increase of suppliers - debt balance, tax authority – withholding tax and other debit balances items by an amount of L.E 71 798 K, L.E 40 230 K and L.E 89 897 K respectively led to limitation of this decrease.

\*Reclassification was made to comparative figures as shown in Note no (31-1).



Notes To The Condensed Consolidated Interim Financial Statements  
For The Three Months Ended March 31, 2017 (continued)

Translation from Arabic

## 18. CASH AND CASH EQUIVALENTS

	Note	31/3/2017	31/12/2016
	No.	L.E. (000)	L.E. (000)
Banks - time deposits (less than 3 months)		1 186 527	726 419
Banks - current accounts		39 146	142 575
Cash on hand		51 874	83 720
Treasury bills (less than 3 months)		29 873	55 998
Money market funds (less than 3 months)		142 574	103 574
<b>Cash and cash equivalents</b>		<b>1 449 994</b>	<b>1 112 286</b>
<b>Less:</b>			
Restricted cash and cash equivalents	(26)	11 123	11 123
<b>Cash and cash equivalents as per statement of cash flows</b>		<b>1 438 871</b>	<b>1 101 163</b>

## 19. LOANS AND CREDIT FACILITIES

The increase in the balance of loans and credit facilities by an amount of L.E 203 743 K mainly resulting from obtaining of credit facilities from banks with local currencies amounted to L.E. 2 885 208 K (against LE 2 521 031 K for the year ended 31 December, 2016), taking into consideration that this balance includes foreign suppliers facilities in Euro amounted to L.E. 1 535 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.

## 20. CREDITORS AND OTHER CREDIT BALANCES

	31/3/2017	31/12/2016
	L.E. (000)	L.E. (000)
Suppliers and notes payable	491 700	522 242
Tax Authority-Income Tax	700 237	384 819
Tax Authority (taxes other than income tax)	332 704	222 763
Deposits from others	640 772	648 274
Fixed assets creditors	1 560 562	2 495 289
Dividends payable	1 990 655	3 043
Accrued expenses	507 699	482 954
Trade receivables - credit balances	353 595	181 798
Due to organizations and companies	606 916	829 019
Advanced revenues	662 902	193 524
National Telecommunication Regulatory Authority (NTRA)	288 011	347 642
Other credit balances	449 897	348 626
	<b>8 585 650</b>	<b>6 659 993</b>
<b>Less:</b>		
Credit balances due to organizations and companies within more than one year	93 184	114 226
	<b>8 492 466</b>	<b>6 545 767</b>

Creditors and other credit balances increased by an amount of L.E. 1 925 657 K mainly due to the increase in dividends payable by an amount of L.E. 1 987 612 K due to dividends for the year 2016 according to General Assembly decree on March 28, 2017 and tax authority-income tax item by an amount of L.E. 315 418 K and advanced revenue item by an amount of L.E 469 378 K however the decrease of fixed assets creditors item by an amount of L.E 934 727 K led to limitation of this increase.



Notes To The Condensed Consolidated Interim Financial Statements  
For The Three Months Ended March 31, 2017 (continued)

Translation from Arabic

**21. PROVISIONS**

	<b>31/3/2017</b>	<b>31/12/2016</b>
	<b><u>L.E.(000)</u></b>	<b><u>L.E.(000)</u></b>
Balance at the beginning of the period /year	1 102 111	1 017 686
Reclassification during the period/year	-	( 14 311)
Charged to income statement for the period / year*	20 045	502 194
Provision used during the period / year	( 221 139)	( 403 508)
Translation differences	-	50
<b>Balance at the end of the period / year</b>	<b><u>901 017</u></b>	<b><u>1 102 111</u></b>

\* The provision charged to income statement included in other expenses to meet contingent tax liabilities.

**22. CAPITAL**

- The company's issued and fully paid-up capital is L.E. 17 070 716 K, represented in 1 707 071 600 shares at a par value of L.E. 10 each.
- The Egyptian Government owns 80% after floating 20% of company's shares in public offering during December 2005.

**23. RESERVES**

	<b>31/3/2017</b>	<b>31/12/2016</b>
	<b><u>L.E.(000)</u></b>	<b><u>L.E.(000)</u></b>
Legal reserve	1 822 390	1 649 745
Other reserves	2 796 578	2 796 578
	<b><u>4 618 968</u></b>	<b><u>4 446 323</u></b>

The increase in the legal reserve balance mainly due to retaining an amount of L.E. 172 645 K from 2016 profit in accordance with the company's article of association and its subsidiaries.

**24. DEFERRED TAX**

**24-1 Deferred tax assets and liabilities**

	<b>31/3/2017</b>		<b>31/12/2016</b>	
	Assets	Liabilities	Assets	Liabilities
	<b><u>L.E.(000)</u></b>	<b><u>L.E.(000)</u></b>	<b><u>L.E.(000)</u></b>	<b><u>L.E.(000)</u></b>
Total deferred tax asset / (liability)	373 282	543 054	418 502	638 295
Net liabilities deferred tax	-	169 772	-	219 793
Deferred tax charged to consolidated income statement for the period / year	<b><u>( 50 021)</u></b>		<b><u>( 212 926)</u></b>	



**24-2 Unrecognized deferred tax assets**

	<b>31/3/2017</b>	<b>31/12/2016</b>
	<b><u>L.E.(000)</u></b>	<b><u>L.E.(000)</u></b>
Unrecognized deferred tax assets	<u>590 780</u>	<u>609 364</u>

Deferred tax assets has not been recognized in respect of the above due to the uncertainty of the utilization of their benefits in the foreseeable future.

**25. CAPITAL COMMITMENTS**

The company's capital commitments for the unexecuted parts of contracts until March 31, 2017 amounted to L.E. 3 461 Million (against L.E. 2 956 Million for the year ended December 31, 2016) includes The installments of payments of 4G license by an amount of L.E. 2 846 Million. paid in four equal installments by an amount of L.E. 235 Million and USD 26,4 Million in addition to investees' share in capital haven't been claimed yet by an amount of L.E. 1 million. These commitments are expected to be settled in the subsequent period except for the uncalled installments of investees' share in capital, which shall be settled when required by the Board of Directors of those investees companies.

**26. CONTINGENT LIABILITIES**

In addition to the amounts included in the condensed consolidated statement of financial position as of March 31, 2017, the company has the following contingent liabilities:

	<b>31/3/2017</b>	<b>31/12/2016</b>
	<b><u>L.E. (000)</u></b>	<b><u>L.E. (000)</u></b>
- Letters of guarantee issued by banks on behalf of the company*	662 038	688 021
- Letters of credit	606 315	373 301

\* letters of guarantee which were issued by banks on behalf of the company and for the benefits of others as at March 31, 2017 include letters of guarantee issued against cash margin (restricted cash and cash equivalents) (Note no.18)

**27. TAX POSITION (Telecom Egypt Company)**

**27-1 Corporate tax**

- Tax inspection was performed for the years till December 31, 2015 and all due taxes were settled.

**27- 2 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 and 2012 was performed and the company was notified with the inspection differences and the company objected during the legal period and the differences are being discussed with the Appeals Committee.



*Notes To The Condensed Consolidated Interim Financial Statements  
For The Three Months Ended March 31, 2017 (continued)*

*Translation from Arabic*

- Tax inspection for the year 2013 was performed and the company was notified with inspections differences, the company objected on the disputed item on the due date and follow up the matter.
- Tax inspection for the year 2014 and 2015 is in process.

**27- 3 Value Added Tax**

- On September 7, 2016, Value added tax law no. 67 for the year 2016 was issued and to be effective starting from September 8,2016.
- Tax returns were submitted according to the value added tax law on the due legal dates.

**27- 4 Salary Tax**

- Tax inspection was performed for the years till December 31 ,2014, and the Company was notified with tax differences and all due taxes were settled.
- Tax inspection for the year 2015 is in process.

**27- 5 Stamp Tax**

- Tax inspection for the period from March 27, 1998 to December 31, 2000 was performed for certain sectors and the company was notified with tax differences, the company objected on the disputed items on the due dates.
- 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 for the same period.
- Tax inspection for period from August 1, 2006 to December 31, 2012 was performed and due taxes were settled .
- Tax inspection for the years 2013 and 2014 was performed and the disputed items were settled with the except for the relative stamp on salaries and wages which have been transferred to the Appeal Committee.

**27- 6 Real Estate Tax**

- All taxes are paid according to the tax forms received by the company. The company's Legal Department follows up 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. .
- The new tax law was came into force on 1/7/2013 and the received claims notice are being studied and taking the related legal actions.

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



*Notes To The Condensed Consolidated Interim Financial Statements  
For The Three Months Ended March 31, 2017 (continued)*

*Translation from Arabic*

**28. RELATED PARTY TRANSACTIONS.**

There are transactions between the group and its associates. The related transactions during the period and balances on the condensed consolidated interim financial statements date are stated as follows:

Nature of transactions during the period	Transactions volume during the period stated in the income statement		Movement during the period		Balance as of	
	LE,000	LE,000	Debit LE,000	Credit LE,000	31/3/2017 Debit (Credit) LE,000	31/12/2016 Debit (Credit) LE,000
Outgoing calls and voice services to the associates company	432,263		1,540,443	1,374,244	(179,561)	(345,760)
Incoming and international calls, transmission & lease of company premises and towers to the associates company	296,289					
			<b>1,540,443</b>	<b>1,374,244</b>	<b>(179,561)</b>	<b>(345,760)</b>
Paid on behalf of associates to finance operating expenses					453,902	453,902
					<b>453,902</b>	<b>453,902</b>
Telecommunications services	6,507				66	66
					<b>66</b>	<b>66</b>
			<b>5,645</b>	<b>8,257</b>	<b>(12,775)</b>	<b>(10,163)</b>

Debit balances included in trade receivables

- Vodafone Egypt Telecommunications Company

Debit balances included in debt balances - long term

- Consortium Algerien de Telecommunications (CAT)\*

Debit balances included in debtors and other debit balances

- International Telecommunication Consortium Limited (ITCL)\*\*

Credit balances included in creditors and other credit balances

- Vodafone Egypt Telecommunications Company

\* Impairment was formed to this balance which represented in the value of the finance provided by Telecom Egypt to Consortium Algerien de Telecommunication Company (CAT) where Telecom Egypt participates directly and is 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. In the light of these circumstances, there is high probability that Telecom Egypt will not be able to collect the finance given to Consortium Algerien de Telecommunication Company.

\*\* The balance is fully impaired due to company's inability to recover this amount in foreseeable future.



## 29. GROUP ENTITIES

te direct and indirect share in subsidiaries companies on March 31, 2017 which were included in the condensed consolidated interim financial statements is as follows:

<u>Company name:</u>	<u>Country of incorporation</u>	<u>Ownership interest</u>	
		<u>31/3/2017</u>	<u>31/12/2016</u>
Telecom Egypt France	France	100.00 %	100.00 %
T.E Data	Egypt	100.00 %	100.00 %
T.E Data Jordan	Jordan	100.00 %	100.00 %
TE Investment Holding	Egypt	100.00 %	100.00 %
The Egyptian Telecommunication Company for Information Systems (Xceed)	Egypt	100.00 %	100.00 %
Xceed Customer Care Maroc	Morocco	100.00 %	100.00 %
Centra Technologies	Egypt	100.00 %	100.00 %
Centra Industries	Egypt	100.00 %	99.89 %
Centra Distribution	Egypt	99.99 %	99.99 %
Middle East Radio Communication (MERC)	Egypt	51.00 %	51.00 %
Telecom Egypt Globe	Singapore	100.00 %	100.00 %

## 30. SIGNIFICANT CLAIMS AND LITIGATIONS

### 30-1 Interconnection dispute with Orange Egypt previously named Mobinil -

On September 2009, Orange Egypt – Mobinil previously - had filed an Arbitration Case requesting the application of the interconnection rates mentioned in the signed agreements with TE, and objecting the application of NTRA abovementioned decisions, claiming that TE 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 service, also TE had filed the Arbitration Case against Orange Egypt, that's where TE's management believes that Orange Egypt charged TE with rates exceeds the rates where Orange Egypt and other operator charging each other.

On March 29, 2015, The tribunal in Orange Egypt Case rejected Orange Egypt'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 a part of TE's claims for the previous period years 2008, the Tribunal depute an expert to review Orange Egypt 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.

The amount in dispute as per the company's record between TE and Orange Egypt in relation to the said dispute for the period from September 3, 2008 to the end of March 2017 is approximately an amount of L.E 634 154 K.



### **30-2 Interconnection dispute with Vodafone Egypt Company**

The Ordinary General Assembly dated March 30, 2016 approved the frame agreement of settling all the current disputes between TE and VFE and the same frame was approved by the Ordinary General Assembly of VFE dated April 13, 2016. Subject to such settlement, TE and VFE settled all disputes raised between both of them, till December 31, 2015.

### **30-3 Dispute with one of the investees**

The company has filed an arbitration case against an investee, in which TE 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 TE claiming compensation for breaching of obligations stipulated in the same agreement.

On August 31, 2015, The tribunal rejected TE claims for compensations, it also decided that it has jurisdiction over the investee claims and decided to terminate the contract and awarded compensation to the investees. The company started to take the necessary legal actions to cease the implementation of such award according to acceptable law princibals, as per the external advisor recommended to the company.

And the company's Board of Directors meeting held on January 20, 2016 and March 29, 2016 approved the frame agreement of settling all the current disputes between TE and the investee, the agreements which are related to the frame settlement were signed between the dispute parties on May 31, 2016.

The company has made the impairment loss on financial assets to cover any anticipated future loss, may arise as a result of the above cases.

## **31. COMPARATIVE FIGURES**

Restatements and Reclassifications were made to some of comparative figures of the condensed consolidated statement of financial position and condensed consolidated income statement items to conform to the current presentation as follows:

### **31-1 Effect on condensed consolidated statement of financial position**

<u>Description</u>	<u>31/12/2016</u>		<u>31/12/2016</u>
	<u>As previously reported</u>	<u>Reclassification</u>	<u>Reclassified</u>
	<u>L.E.(000)</u>	<u>debit/(credit)</u>	<u>L.E.(000)</u>
Fixed assets	14 386 396	( 148 395)	14 238 001
Other assets	1 242 932	148 395	1 391 327
Trade and note receivable	4 739 351	4 795	4 744 146
Debtors and other debit balance	1 829 478	( 4 795)	1 824 683



*Notes To The Condensed Consolidated Interim Financial Statements  
For The Three Months Ended March 31, 2017(continued)*

*Translation from Arabic*

**31-2 Effect on condensed consolidated income statement**

Restatements was made to comparative figures of the condensed consolidated income statement by an amount of L.E 79 514 K to depreciation and amortization item due to amended useful life of some fixed assets according to the technical report approved by the company's management according to Board of Directors decree which dated 8/5/2016 and starting from 1/1/2016.

	<u>For the three months ended</u>			<u>For the three months ended</u>
	31/3/2016	<u>Restatements</u>	<u>Reclassification</u>	31/3/2016
	<u>as previously</u>	<u>(debit) / credit</u>	<u>(debit) / credit</u>	<u>Restated</u>
	<u>reported</u>			
	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>
Operating cost	(1 634 281)	78 173	( 64 751)	(1 620 859)
Selling and distribution expenses	( 336 733)	-	13 818	( 322 915)
General and administrative expenses	( 496 809)	1 341	48 674	( 446 794)
Financial cost	( 7 127)	-	2 259	( 4 868)
Basic earning per share	.70	.05	-	.75

**32- SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied in the preparation of the condensed consolidated interim financial statements as of March 31, 2017 is the same as the accounting policies applied in the preparation of the annual consolidated financial statements as of December 31, 2016, these accounting policies have been applied consistently to all periods presented in these condensed consolidated interim financial statements.

Restatements and Reclassifications were made to some of comparative figures for the condensed consolidated interim financial statements (note no.31).