

telecomegypt

Translation from Arabic

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Condensed Consolidated Interim Financial Statements
For The Nine Months Ended September 30, 2017
And The Limited Review Report

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(An Egyptian Joint Stock Company)
Condensed Consolidated Interim Financial Statements
For The Nine Months Ended September 30, 2017
And The Limited Review Report

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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 September 30, 2017 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine 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 September 30, 2017 and of its consolidated financial performance and its consolidated cash flows for the nine months then ended in accordance with Egyptian Accounting Standard number (30) “Interim Financial Reporting”.



Hazem Hassan

Translation from Arabic

Emphasis of Matters

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

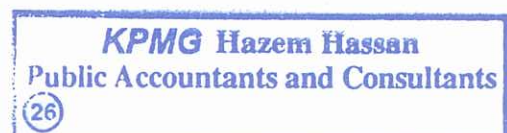
- a- As explained in note no. (30-1) of the notes to the condensed consolidated interim financial statements, which describes the dispute between the company and Orange Egypt Company (previously named Mobinil) in regards to the interconnection rates. Several resolutions were issued by the National Telecommunication 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.

- b- As explained in note no. (30-2) of the notes to the condensed consolidated interim financial statements, Etisalat Misr company filed a lawsuit against the Company in regards to the international incoming voice services, the main purpose of it is to appoint an expert to determine Etisalat Misr entitlement from the international incoming voice services with the company. On August 26, 2017 the expert issued a report include an estimate for Etisalat Misr entitlement from the company, on October 21, 2017 the company have submitted a memorandum of defense against the said report , and have also requested leave to provide a memorandum to challenge the basis used by the expert to prepare the said report , the court has accepted to postpone the hearing session till November 25, 2017 to review the said report and submit all supporting documents and memo's on the subject, currently the company's management and it's legal consultant are making a study for the expected financial impacts, however, according to the opinion of the company's management and it's legal consultant, currently it is not possible to determine Etisalat Misr dues from the company which may resulting from this case. As a result, it is difficult in the meantime to determine the outcome of the above mentioned lawsuit till the final ruling of the judicial bodies is issued.

KPMG Hazem Hassan
Public Accountants & Consultants

Cairo, November 13, 2017



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

	Note No.	30/9/2017 <u>L.E. (000)</u>	31/12/2016 <u>Reclassified L.E. (000)</u>
Assets			
Non Current Assets			
Fixed assets	(11)	15 398 313	14 238 001
Projects in progress	(12)	2 701 499	7 418 288
Investments in associates	(13)	11 199 176	9 452 591
Available-for-sale investments		81 273	81 273
Other assets	(14)	10 310 926	1 391 327
Deferred tax assets	(24-1)	373 958	418 502
Total Non Current Assets		<u>40 065 145</u>	<u>32 999 982</u>
Current Assets			
Inventories	(15)	1 036 865	662 097
Trade and notes receivable	(16)	4 050 685	4 738 671
Debtors and other debit balances	(17)	2 336 841	1 830 554
Held-to-maturity investments-treasury bills		116 589	144 428
Cash and cash equivalents	(18)	592 594	1 112 286
Total Current Assets		<u>8 133 574</u>	<u>8 488 036</u>
Total Assets		<u>48 198 719</u>	<u>41 488 018</u>
Equity			
Capital	(22)	17 070 716	17 070 716
Reserves	(23)	4 641 306	4 446 323
Retained earnings		9 084 511	8 056 342
Foreign entities translation reserve		174 944	161 357
Equity attributable to owners of the company		<u>30 971 477</u>	<u>29 734 738</u>
Non - controlling interest		<u>11 000</u>	<u>10 696</u>
Total Equity		<u>30 982 477</u>	<u>29 745 434</u>
Non Current Liabilities			
Loans and credit facilities	(19)	620 267	626 235
Creditors and other credit balances	(20)	1 254 326	114 226
Deferred tax liabilities	(24-1)	637 684	638 295
Total Long Term Liabilities		<u>2 512 277</u>	<u>1 378 756</u>
Current Liabilities			
Loans and credit facilities installments due within one year	(19)	5 694 152	2 715 554
Creditors and other credit balances	(20)	8 090 235	6 546 163
Provisions	(21)	919 578	1 102 111
Total Current Liabilities		<u>14 703 965</u>	<u>10 363 828</u>
Total Liabilities		<u>17 216 242</u>	<u>11 742 584</u>
Total Equity and Liabilities		<u>48 198 719</u>	<u>41 488 018</u>

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"

Senior Financial 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"

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

	Note	<u>For the nine months ended</u>		<u>For the three months ended</u>	
		30/9/2017	30/9/2016	30/9/2017	30/9/2016
		<u>No.</u>	<u>Restated</u>	<u>Restated</u>	<u>Restated</u>
		<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Operating revenues	(3)	13 260 948	9 657 367	4 433 159	3 298 059
Operating costs	(4)	(7 924 796)	(5 120 458)	(2 823 285)	(1 771 015)
Gross Profit		5 336 152	4 536 909	1 609 874	1 527 044
Other income		145 147	256 560	26 069	84 291
Selling and distribution expenses	(5)	(1 230 881)	(985 569)	(439 445)	(344 217)
General and administrative expenses	(6)	(1 441 332)	(1 570 277)	(477 777)	(618 968)
Other expenses		(134 675)	(135 220)	(38 271)	(47 486)
Operating profit		2 674 411	2 102 403	680 450	600 664
Finance income		94 865	537 652	26 920	55 408
Finance cost		(335 157)	(34 387)	(150 523)	(15 921)
Net finance (cost) \ income	(7)	(240 292)	503 265	(123 603)	39 487
Share of profit of equity accounted investees	(8)	1 776 699	1 137 498	601 823	421 142
Net profit before tax		4 210 818	3 743 166	1 158 670	1 061 293
Income tax expense		(617 513)	(470 226)	(105 654)	(151 765)
Deferred tax	(24-1)	(43 933)	(89 609)	(44 370)	(42 191)
Total income tax		(661 446)	(559 835)	(150 024)	(193 956)
Net profit for the period		3 549 372	3 183 331	1 008 646	867 337
Net profit attributable to :					
Owners of the company		3 546 869	3 181 009	1 007 657	865 951
Non-controlling interest		2 503	2 322	989	1 386
Net profit for the period		3 549 372	3 183 331	1 008 646	867 337
Basic and diluted earning per share for the period (L.E. / Share)	(10)	2.08	1.86	0.59	0.51

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

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

	<u>For the nine months ended</u>		<u>For the three months ended</u>	
	30/9/2017	30/9/2016	30/9/2017	30/9/2016
	<u>L.E.(000)</u>	<u>Restated L.E.(000)</u>	<u>L.E.(000)</u>	<u>Restated L.E.(000)</u>
Net profit for the period after income tax	3 549 372	3 183 331	1 008 646	867 337
<u>Other Comprehensive Income items :</u>				
Translation differences of foreign entities	13 587	18 559	160	1 617
Total Comprehensive Income	<u>3 562 959</u>	<u>3 201 890</u>	<u>1 008 806</u>	<u>868 954</u>
Attributable to :				
Owners of the company	3 560 456	3 199 568	1 007 817	867 568
Non-controlling interest	2 503	2 322	989	1 386
Total Comprehensive Income	<u>3 562 959</u>	<u>3 201 890</u>	<u>1 008 806</u>	<u>868 954</u>

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

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Condensed Consolidated Statement of Changes in Equity
For The Nine Months Ended September 30, 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
Comprehensive Income								
Net profit for the period (restated)	-	-	-	3 181 009	-	3 181 009	2 322	3 183 331
Translation differences of foreign entities	-	-	-	-	18 559	18 559	-	18 559
Total Comprehensive Income (restate d)				3 181 009	18 559	3 199 568	2 322	3 201 890
Transactions with shareholders								
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)
Dividends in associates (Employees & Board of Directors)	-	-	-	(167 647)	-	(167 647)	-	(167 647)
acquisition of non-controlling interest Subsidiaries	-	-	-	-	-	-	(7)	(7)
Total transactions with shareholders		66 189	(2 000 000)	(1 222 875)	-	(2 056 686)	(1 954)	(2 058 640)
Balance as of September 30, 2016 (restate d)	17 070 716	1 649 745	2 796 578	8 567 074	22 869	30 106 982	10 698	30 117 680
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
Comprehensive Income								
Net profit for the period	-	-	-	3 546 869	-	3 546 869	2 503	3 549 372
Translation differences of foreign entities	-	-	-	-	13 587	13 587	-	13 587
Total Comprehensive Income				3 546 869	13 587	3 560 456	2 503	3 562 959
Transactions with shareholders								
Transferred to legal reserve	-	194 983	-	(194 983)	-	-	-	-
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)
Dividends in associates (Employees & Board of Directors)	-	-	-	(3 147)	-	(3 147)	-	(3 147)
Total transactions with shareholders		194 983	-	(2 518 700)	-	(2 323 717)	(2 199)	(2 325 916)
Balance as of September 30, 2017	17 070 716	1 844 728	2 796 578	9 084 511	171 944	30 971 477	11 000	30 982 477

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

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

	Note No.	For the nine months ended:	
		30/9/2017	30/9/2016
		L.E. (000)	L.E. (000)
<u>Cash flows from operating activities:-</u>			
Cash receipts from customers		11 197 370	9 360 477
Value added tax collected from customers		264 069	189 943
Stamp tax and fees collected (from third party)		27 118	28 986
Deposits returned to customers		198	4 447
Cash paid to suppliers		(1 801 210)	(1 059 761)
Payments of NTRA license fees		(381 095)	(213 791)
Dividends paid to employees and bord of directors		(640 932)	(600 659)
Cash paid to employees and bord of directors		(2 387 103)	(2 476 052)
Cash paid on behalf of employees to third party		(503 283)	(457 848)
Cash provided by operating activities		5 775 132	4 775 742
Interest paid		(84 857)	(5 254)
Payments to Tax Authority - income tax		(263 998)	(304 925)
Payments to Tax Authority - value added tax		(1 206 836)	(533 229)
Payments to Tax Authority - other taxes		(515 887)	(369 172)
Other payment		(140 201)	(81 842)
Net cash provided by operating activities		3 563 353	3 481 320
<u>Cash flows from investing activities:-</u>			
Payments for purchase of fixed assets, projects in progress and other assets		(4 023 526)	(2 255 204)
Payments for purchase of other assets - Fourth generation network license		(1 419 828)	(5 219 732)
Proceeds form sales of fixed assets and other assets		140	769
Payments for acquisition of investements		-	(7)
Payments for purchase of held-to-maturity investment - treasury bills		(109 516)	(273 830)
Interest received		52 326	39 805
Dividends collected from investments		37 753	1 437 968
Proceeds from sale available for sale investment		-	11 183
Proceeds from retrieval of held-to-maturity investment - treasury bills		142 519	259 497
Proceeds from securities (treasury bills - mutual fund)		13 260	61 985
Net cash used in investing activities		(5 306 872)	(5 937 566)
<u>Cash flows from financing activities:-</u>			
Payments for loans and other facilities		(108 674)	(49 790)
Proceeds from loans and other facilities		3 044 995	2 347 525
Dividends paid to Shareholders		(1 708 896)	(1 281 920)
Net cash provided by financing activities		1 227 425	1 015 815
Net change in cash and cash equivalents during the period		(516 094)	(1 440 431)
Translation differences of foreign entities		(4 670)	6 867
Cash and cash equivalents at the beginning of the period	(18)	1 101 163	2 404 010
Cash and cash equivalents at the end of the period	(18)	580 399	970 446

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 Nine Months Ended September 30, 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 Condensed Consolidated Interim Financial Statements

These Condensed Consolidated Interim Financial Statements were approved by the Board of Directors for issuance on November 13, 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 September 30, 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 consolidated annual financial statements as of December 31, 2016.

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 services provided by activities as a group as follows:

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

3. OPERATING REVENUES

	<u>For the nine months ended</u>		<u>For the three months ended</u>	
	30/9/2017	30/9/2016	30/9/2017	30/9/2016
		<u>Restated</u>		<u>Restated</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Home and personal communications	4 017 174	3 097 140	1 421 086	1 088 142
Enterprise*	1 852 242	1 621 607	580 662	499 603
Domestic wholesale	2 570 851	2 300 514	815 138	766 101
International carrier	3 794 708	2 074 530	1 283 010	686 578
International cables and networks	1 025 973	563 576	333 263	257 635
	<u>13 260 948</u>	<u>9 657 367</u>	<u>4 433 159</u>	<u>3 298 059</u>

Total operating revenues have increased by an amount of L.E. 3 603 581 K mainly due to the increase in home and personal communications revenues by an amount of L.E. 920 034 K due to the increase in internet customers which led to the increase in internet revenue, in addition to increase in both of international carrier and international cables and networks revenues by an amount of L.E. 1 720 178 K and L.E 462 397 K respectively due to the increase in foreign currencies exchange rates, in addition to increase in domestic wholesale revenue by an amount of L.E 270 337 K due to the increase in infrastructure revenues.

* Restatement was made on comparative figures as shown in Note no (31-2).

4. OPERATING COSTS

	<u>For the nine months ended</u>		<u>For the three months ended</u>	
	30/9/2017	30/9/2016	30/9/2017	30/9/2016
		<u>Restated</u>		<u>Restated</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Interconnection cost	3 112 907	1 589 801	1 082 304	533 352
Depreciation and amortization	1 193 460	927 482	433 460	333 035
Other operating cost*	3 618 429	2 603 175	1 307 521	904 628
	<u>7 924 796</u>	<u>5 120 458</u>	<u>2 823 285</u>	<u>1 771 015</u>

Operating costs have increased by an amount of L.E. 2 804 338 K mainly due to the following: -

- The increase of interconnection cost by an amount of L.E. 1 523 106 K which is mainly due to the increase in cost of international connection fees and cost of international fees of transit service due to increase in foreign currencies exchange rates during the current period against of the same period.
- The increase in the depreciation and amortization item by an amount of L.E 265 978 K due to the additions of the last year after the first quarter and the current period.
- The increase in other operating cost item is mainly due to the increase in salaries and wages and equivalent item by an amount of L.E. 263 417 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 147 883 K due to the increase in revenues of the current period.

* Restatement was made on comparative figures as shown in Note no (31-2).

5. SELLING AND DISTRIBUTION EXPENSES

	<u>For the nine months ended</u>		<u>For the three months ended</u>	
	<u>30/9/2017</u>	<u>30/9/2016</u>	<u>30/9/2017</u>	<u>30/9/2016</u>
	<u>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>	<u>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>
Salaries & wages *	719 485	592 910	236 598	205 195
Company's social insurance contribution*	75 490	67 757	25 370	22 550
Depreciation and amortization	2 656	5 439	283	1 638
Discount allowed	135 579	137 941	44 248	44 136
Advertising and marketing	75 472	75 061	55 701	37 653
Other expenses *	222 199	106 461	77 245	33 045
	<u>1 230 881</u>	<u>985 569</u>	<u>439 445</u>	<u>344 217</u>

The increase in selling and distribution expenses by an amount of L.E 245 312 K due to the increase in salaries and wages and equivalent by an amount of L.E. 134 769 K due to the annual increase by 15 % from the basic salary starting from January 2017 and increase of sales and collection commission item included in other expenses by an amount of L.E 95 304 K.

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

6. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>For the nine months ended</u>		<u>For the three months ended</u>	
	<u>30/9/2017</u>	<u>30/9/2016</u>	<u>30/9/2017</u>	<u>30/9/2016</u>
	<u>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>	<u>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>
Salaries and wages*	936 565	916 691	326 598	312 689
Company's social insurance contribution*	89 102	81 542	29 999	27 285
The company's contribution in loyalty and belonging fund	-	155 625	-	51 875
Depreciation and amortization	56 736	54 013	18 896	18 361
Service cost from organizations	151 399	59 298	35 078	22 787
Bad debt expense	1 390	6 716	9	1 757
Tax and duty*	82 036	155 114	20 049	106 982
Other expenses*	124 104	141 278	47 148	77 232
	<u>1 441 332</u>	<u>1 570 277</u>	<u>477 777</u>	<u>618 968</u>

The decrease in general and administrative expenses by an amount of L.E. 128 945 K is mainly due to decrease in the company's contribution in loyalty and belonging fund item by an amount of L.E. 155 625 K and tax and duty item by an amount of L.E. 73 078 K, however the increase in service cost of organization item by an amount of L.E. 92 101 K led to limitation of this decrease.

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

7. NET FINANCE (COST) \ INCOME

	<u>For the nine months ended</u>		<u>For the three months ended</u>	
	<u>30/9/2017</u>	<u>30/9/2016</u>	<u>30/9/2017</u>	<u>30/9/2016</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Total finance income	94 865	537 652	26 920	55 408
Total finance cost	(335 157)	(34 387)	(150 523)	(15 921)
Net finance (cost) \ income	(240 292)	503 265	(123 603)	39 487

The decrease in net finance (cost) \ income by an amount of L.E 743 557 K during the period is mainly due to the decrease in net gain for the translation of foreign currencies balances by an amount of L.E 489 901 K which realized loss during the current period by and amount of L.E 86 653 K in addition to increase in finance cost of the long term contracts by an amount of L.E 130 048 K.

8. SHARE OF PROFIT OF EQUITY ACCOUNTED INVESTEEES

	<u>For the nine months ended</u>		<u>For the three months ended</u>	
	<u>30/9/2017</u>	<u>30/9/2016</u>	<u>30/9/2017</u>	<u>30/9/2016</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Vodafone Egypt	1 776 705	1 137 494	601 823	421 142
Egypt trust	(6)	4	-	-
	<u>1 776 699</u>	<u>1 137 498</u>	<u>601 823</u>	<u>421 142</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 L.E 904 K for the period ended September 30, 2017 (against LE 42 502 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% annually starting from the next year from the hiring date with the same conditions of annual raise of employees.

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 September 30, 2017 amounted to nil (against L.E. 155 625 K for the same period as of the year 2016). The Company's contribution is included in general and administrative expenses.

10. BASIC AND DILUTED EARNING PER SHARE FOR THE PERIOD

	For the nine months ended		For the three months ended	
	30/9/2017	Restated 30/9/2016	30/9/2017	Restated 30/9/2016
The holding company owners' equity :				
Net profit for the period (LE 000)	3 546 869	3 181 009	1 007 657	865 951
Number of shares available during the period (share)	1707 071 600	1707 071 600	1707 071 600	1707 071 600
Basic and diluted earning per share for the period (LE / share)	<u>2.08</u>	<u>1.86</u>	<u>0.59</u>	<u>0.51</u>

11. FIXED ASSETS

Description	30/9/2017	31/12/2016	30/9/2017	31/12/2016	30/9/2017	31/12/2016
	Cost	Cost	Accumulated depreciation	Accumulated depreciation	Net	Net
	<u>L.E.(000)</u>	Reclassified <u>L.E.(000)</u>	<u>L.E.(000)</u>	Reclassified <u>L.E.(000)</u>	<u>L.E.(000)</u>	Reclassified <u>L.E.(000)</u>
Land	2 371 593	2 371 572	-	-	2 371 593	2 371 572
Buildings & Infrastructure *	24 233 699	22 716 669	14 726 499	14 170 689	9 507 200	8 545 980
Centrals and technical equipment & information technologies	23 506 657	22 855 752	20 229 398	19 746 696	3 277 259	3 109 056
Vehicles	144 683	145 558	110 248	107 881	34 435	37 677
Furniture	583 302	516 198	435 605	391 121	147 697	125 077
Tools & supplies	116 974	96 179	72 170	67 072	44 804	29 107
Decoration & fixtures	125 336	119 574	110 011	100 042	15 325	19 532
Fixtures on trunk radio network	315	315	315	315	-	-
Total	<u>51 082 559</u>	<u>48 821 817</u>	<u>35 684 246</u>	<u>34 583 816</u>	<u>15 398 313</u>	<u>14 238 001</u>

- The increase in net book value of fixed assets mainly due to the additions during the period by an amount of L.E. 2 309 448 K, however the depreciation of the period by an amount of L.E. 1 151 527 K which led to limitation of this increase.

- The cost of fixed assets as of September 30, 2017 includes an amount of L.E. 23 645 million fully depreciated fixed assets and still in use.

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

12. PROJECTS IN PROGRESS

	30/9/2017	31/12/2016
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Land	15 651	15 576
Buildings and Infrastructure	805 222	536 324
Other assets (fourth generation network license)	-	5 293 798
Centrals and information technologies equipment	1 272 761	895 722
Furniture	44	250
Other Assets (cables)	39 473	407 681
Advance payments	588 839	289 428
	<u>2 721 990</u>	<u>7 438 779</u>
Less:		
Impairment loss on projects in progress	(20 491)	(20 491)
	<u>2 701 499</u>	<u>7 418 288</u>

The balance of projects in progress is represented in the part that have been executed from commitments and capital contracts until September 30, 2017 and related advance payment.

13. INVESTMENTS IN ASSOCIATES

	<u>30/9/2017</u>		<u>31/12/2016</u>	
	<u>Ownership</u>	<u>amount</u>	<u>Ownership</u>	<u>amount</u>
	<u>%</u>	<u>L.E. (000)</u>	<u>%</u>	<u>L.E. (000)</u>
- Vodafone Egypt Telecommunication company*	44.95	11 198 733	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>11 206 545</u>		<u>9 459 954</u>
<u>Add:</u>				
<u>Payments for investments purchase</u>				
Egypt Trust***	35.71	443		449
<u>Less</u>				
Impairment loss on investment in associates		(7 812)		(7 812)
		<u>11 199 176</u>		<u>9 452 591</u>

* The investments in Vodafone Egypt on September 30, 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 September 30, 2017 by using the consolidated financial statements of Vodafone Egypt for the financial year ended in March 31, 2017 that were approved by Board Of Directors 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, and add the movements of the period from April 1, 2017 till September 30, 2017 from the interim financial data of Vodafone Egypt as of September 30, 2017 to determine the share of financial period from January 1 to September 30, 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 remaining 25% represents 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.

14. OTHER ASSETS

	30/9/2017	31/12/2016
		<u>Reclassified</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Cost		
Fourth generation network license*	8 633 330	-
Submarine Cables (right of way)**	1 630 613	1 231 136
Right of Use (ROU)	152 110	152 565
License (internet service - programs)	79 358	79 515
Land (possession-usufruct)	440 684	440 684
	<u>10 936 095</u>	<u>1 903 900</u>
Less:		
Accumulated amortization & Impairment	625 169	512 573
Net other assets	<u>10 310 926</u>	<u>1 391 327</u>

- The increase in net carrying value of other assets is due to period additions by an amount L.E. 9 004 499 K.

*This item is represented in the acquisition cost of Fourth generation network license, TE obtained license to provide 4G services from the National Telecommunication Regulatory 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 of 15 years from the signature date of license, in addition to the right of renew license for another five years against specified amount.
2. The total value of the license is equivalent to EGP 10 545 Million includes the amount of license renewal for another five years, of which equivalent to EGP 5 200 Million was 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 in addition to the right of renew the license for another five years against EGP 2000 Million as maximum.
5. Specified annual fixed fees in license in addition to percentage of annual revenue which is specified in the license.

6. The amount of the license includes EGP 577 912 K which is represented in the finance cost of credit facilities which granted to the company to finance part of the license.
7. The services related to fourth generation license were provided for customers starting from September 18, 2017.

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

15. INVENTORIES

	<u>30/9/2017</u>	<u>31/12/2016</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Spare parts	501 406	445 918
Project cables and supplies	155 064	76 737
Material supplies , Merchandise for sale and Letters of credit	380 395	139 442
	<u>1 036 865</u>	<u>662 097</u>

The value of inventories was written down by L.E. 25 387 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.

16. TRADE AND NOTES RECEIVABLE

	<u>30/9/2017</u>	<u>31/12/2016</u>
	<u>L.E. (000)</u>	<u>Reclassified</u>
		<u>L.E. (000)</u>
Trade Receivables - National	4 436 098	4 131 189
Trade Receivables - International*	2 274 122	3 260 775
	<u>6 710 220</u>	<u>7 391 964</u>
Less:		
Impairment loss on trade receivables	2 659 710	2 653 293
	4 050 510	4 738 671
Add:		
Notes receivable	175	-
	<u>4 050 685</u>	<u>4 738 671</u>

Trade and notes receivable balance have decreased by an amount of L.E. 687 986 K is mainly due to the increase in collection during the period specially for international carrier and international cables and networks customers.

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

17. DEBTORS AND OTHER DEBIT BALANCES

	30/9/2017	31/12/2016
	<u>L.E.(000)</u>	<u>Reclassified</u> <u>L.E.(000)</u>
Accrued revenues	37 723	42 885
Deposits to other	179 883	171 758
Suppliers – debit balances	391 388	130 382
Tax Authority - withholding tax	135 664	160 319
Due from ministries, organizations and companies	184 737	347 935
Payments on the account of income tax	85 091	27 796
Payment on account of employees dividends	328 651	288 956
Other debit balances*	1 183 670	850 903
	<u>2 526 807</u>	<u>2 020 934</u>
Less:		
Impairment loss on debtors and other debit balances*	189 966	190 380
	<u>2 336 841</u>	<u>1 830 554</u>

Debtors and other debit balances have increased by an amount of L.E. 506 287 K mainly due to the increase in suppliers – debit balances by an amount of L.E. 261 006 K and payment on account of income tax item by an amount of L.E 57 295 K and payment on account of employees dividends item by an amount of L.E 39 695 K, however the decrease in due from ministries, organizations and companies item by an amount of L.E. 163 198 K and tax authority – withholding tax item by an amount of L.E. 24 655 K led to limitation of this increase.

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

18. CASH AND CASH EQUIVALENTS

	Note	30/9/2017	31/12/2016
	<u>No.</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Banks - time deposits (less than 3 months)		154 092	726 419
Banks - current accounts		194 589	142 575
Cash on hand		153 206	83 720
Treasury bills (less than 3 months)		33 918	55 998
Money market funds (less than 3 months)		56 789	103 574
Cash and cash equivalents		<u>592 594</u>	<u>1 112 286</u>
Less:			
Restricted cash and cash equivalents	(26)	12 195	11 123
Cash and cash equivalents as per statement of cash flows		<u>580 399</u>	<u>1 101 163</u>

19. LOANS AND CREDIT FACILITIES

The increase in the balance of loans and credit facilities by an amount of L.E 2 972 630 K is mainly resulting from obtaining of credit facilities from banks with local and foreign currencies amounted to L.E. 4 790 661 K and the equivalent to L.E 835 882 K respectively (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. 1 639 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

	30/9/2017	31/12/2016
	<u>L.E. (000)</u>	<u>Reclassified</u> <u>L.E. (000)</u>
Suppliers and notes payable	815 275	522 242
Tax Authority-Income Tax	617 814	384 819
Tax Authority (taxes other than income tax)*	295 454	223 159
Deposits from others	576 638	648 274
Assets creditors	3 503 277	2 495 289
Dividends payable	3 415	3 043
Accrued expenses	610 640	482 954
Trade receivables - credit balances	257 594	181 798
Due to organizations and companies	1 376 019	829 019
Prepaid revenues	355 528	193 524
Deferred revenues	2 450	-
National Telecommunication Regulatory Authority (NTRA)	383 808	347 642
Other credit balances	546 649	348 626
	9 344 561	6 660 389
<u>Less balances due within more than one year:</u>		
Fixed assets creditors	1 226 205	-
Credit balances - organizations and companies	28 121	114 226
	8 090 235	6 546 163

Creditors and other credit balances have increased by an amount of L.E. 2 684 172 K mainly due to the increase in assets creditors item by an amount of L.E. 1 007 988 K which mainly represents fourth generation network license liabilities (note no.14), in addition to credit balances – organizations and companies item by an amount of L.E. 547 000 K and prepaid revenues item by an amount of L.E. 162 004 K which represent in transmission system lease balance for the mobile companies and payments in advance for internet services..

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

21. PROVISIONS

	30/9/2017	31/12/2016
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
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	38 672	502 194
Provision used during the period / year	(221 208)	(403 508)
Translation differences	3	50
Balance at the end of the period / year	<u>919 578</u>	<u>1 102 111</u>

* The provision charged to income statement included in other expenses to meet contingent 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

	30/9/2017	31/12/2016
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Legal reserve	1 844 728	1 649 745
Other reserves	2 796 578	2 796 578
	<u>4 641 306</u>	<u>4 446 323</u>

The increase in the legal reserve balance mainly as a result of retaining an amount of L.E. 194 983 K from 2016 profit in accordance with the company's article of association and its subsidiaries.

24. DEFERRED TAX**24-1 Recognized deferred tax assets and liabilities**

	30/9/2017		31/12/2016	
	Assets	(Liabilities)	Assets	(Liabilities)
	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Total deferred tax asset / (liability)	373 958	(637 684)	418 502	(638 295)
Net deferred tax (liability)	<u>-</u>	<u>(263 726)</u>	<u>-</u>	<u>(219 793)</u>
Deferred tax charged to income statement for the period	<u>(43 933)</u>		<u>(212 926)</u>	

24-2 Unrecognized deferred tax assets

	30/9/2017	31/12/2016
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Unrecognized deferred tax assets	<u>591 478</u>	<u>609 364</u>

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

25. CAPITAL COMMITMENTS

The group's capital commitments for the unexecuted parts of contracts until September 30, 2017 amounted to L.E. 1 154 Million (against L.E. 2 956 Million for the year ended December 31, 2016) which include 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 September 30, 2017, the company has the following contingent liabilities:

	30/9/2017	31/12/2016
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
- Letters of guarantee issued by banks on behalf of the company*	719 968	688 021
- Letters of credit	802 890	373 301

* letters of guarantee which were issued by banks on behalf of the company and for the benefits of others as at September 30,2017 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.
- Tax return was submitted for the year 2016 and all taxes were paid during the legal dates.

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 settled the tax differences and the proceed in process for the addition tax.
- Tax inspection for the year 2013 was performed and the company was notified with inspection differences. the company objected on the disputed item on the due date and follow up the matter with the Appeal Committee.
- Tax inspection for the years 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 and the company objected on disputed item and follow up the matter.
- 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 except for the relative stamp on salaries and wages which have been transferred to the Appeal Committee.
- Tax inspection for the years 2015 and 2016 is in process.

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 Nine Months Ended September 30, 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 statement of income		Movement during the period		Balance as of	
	LE 000		LE 000		30/9/2017	
	LE 000	LE 000	Debit (Credit)	Credit	Debit (Credit)	31/12/2016
Outgoing calls and voice services to the associate company	1 301 403		3 689 921	3 770 918	(427 007)	(346 010)
Incoming and international calls, transmission & lease of company premises and towers to the associates company	941 138					
Debit balances included in debit balances - long term			<u>3 689 921</u>	<u>3 770 918</u>	<u>(427 007)</u>	<u>(346 010)</u>
- Consortium Algerien de Telecommunications (CAT)*			-	-	-	453 902
Debit balances included in debtors and other debit balances						<u>453 902</u>
- International Telecommunication Consortium Limited (ITCI)**						66
- Vodafone Egypt Telecommunications Company			12 017		15 517	3 500
Credit balances included in creditors and other credit balances			<u>12 017</u>	-	<u>15 583</u>	<u>3 566</u>
- Vodafone Egypt Telecommunications Company	16 386		12 175	25 174	(26 662)	(13 663)

* Impairment was formed to this balance which represented in 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. In the light of these circumstances, there is high probability that Telecom Egypt will not be able to collect the finance given to Consortium Algerian 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 September 30, 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>30/9/2017</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 %	100.00 %
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 periods before year 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 September 2017 is approximately an amount of L.E 618 145 K.

30-2 Dispute with Etisalat Misr regarding interconnection rates

A case was brought by Etisalat Misr against Telecom Egypt on 6th of June 2015 regarding the International Incoming Voice Services, TE external legal counsel stated that it's an account claim which it differs from the claim for which the plaintiff seeks to ask the other party to pay a certain amount. according to the preliminary ruling the court appoint an expert to calculate of Etisalat Misr entitlement from the company, On August 26, 2017 the expert issued a report include an estimate for Etisalat Misr entitlement from the company by an amount of US\$ 125 millions , according to the opinion of the company's management , this report was prepared on inaccurate assumptions, this report is considered only an opinion and , not complied in accordance with Article 156 of the Egyptian law of evidence which states that "the expert doesn't restrict the court".

On October 21, 2017, Etisalat Misr request to amend the application to compel Telecom Egypt to pay the amount stated in the expert report, the company has submitted a memorandum of defense containing the legal defense against the said report , and has also requested leave to provide a memorandum to challenge the basis of challenges to the method used by the expert to reach its inaccurate findings along with the supporting documents .The court decided to postpone the hearing session till November 25, 2017 to review the expert report and submit all supporting documents and memo's on the subject. Currently, the company's management and it's legal consultant are making a study for the expected financial impacts, however, according to the opinion of the company's management and it's legal consultant, It is difficult, in the meantime to determine Etisalat Misr dues from the company which may resulting from this case till the final ruling of the judicial bodies is issued.

30-3 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.

30-4 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 principals, 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 was made to some of the comparative figures of the condensed consolidated statement of income and comprehensive income, since some items of operating revenues and cost for the nine months ended september 30, 2016 Were restated by an amount of L.E 10 778 K and L.E 8 619 K respectively against the amount paid in advance and cost related to contract made with one of the customers in one of subsidiaries.

Also reclassification was made to some of the comparative figures of the condensed consolidated statement of financial position and condensed consolidated statement of income items to conform to the current presentation.

The adjustments and reclassifications as follows:

The adjustments and reclassifications as follows:

31-1 Effect on condensed consolidated statement of financial position

<u>Description</u>	31/12/2016	<u>Reclassification</u> debit/(credit)	31/12/2016
	<u>As previously reported</u>		<u>Reclassified</u>
	<u>L.E.(000)</u>	<u>LE(000)</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	(680)	4 738 671
Debtors and other debit balance	1 829 478	1 076	1 830 554
Creditors and other credit balance	(6 545 767)	(396)	(6 546 163)

31-2 Effect on condensed consolidated statement of income

Restatements and reclassification was made to comparative figures of the condensed consolidated statement of income to conform to the current presentation as follows:

	For the nine months ended	<u>Restatements</u> (debit) / credit	<u>Reclassification</u> (debit) / credit	For the nine months ended	For the three months ended	<u>Restatements</u> (debit) / credit	<u>Reclassification</u> (debit) / credit	For the three months ended
	30/9/2016 as previously reported			30/9/2016 Restated	30/9/2016 as previously reported			30/9/2016 Restated
	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>
Operatine revenue	9 668 145	(10 778)		9 657 367	3 368 837	(10 778)	-	3 298 059
Operatine cost	(5 046 828)	8 619	(82 249)	(5 120 458)	(1 821 802)	8 619	42 168	(1 771 015)
Selling and distribution expenses	(1 083 337)	-	97 768	(985 569)	(411 247)	-	67 030	(344 217)
General and administrative expenses	(1 554 758)	-	(15 519)	(1 570 277)	(509 770)	-	(109 198)	(618 968)

32- SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of the condensed consolidated interim financial statements as of September 30, 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.

Reclassification was made to some of comparative figures of the condensed consolidated interim financial statements (note no.31).