

**Telecom Egypt Company**  
**(An Egyptian Joint Stock Company)**  
**Condensed Separate 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 Separate Interim Financial Statements To The Board of Directors of Telecom Egypt Company**

#### ***Introduction***

We have performed a limited review on the accompanying condensed separate statement of financial position of Telecom Egypt Company “an Egyptian joint stock company” as at September 30, 2017 and the related condensed separate 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 separate interim financial statements in accordance with Egyptian Accounting Standard number (30) “Interim Financial Reporting”. Our responsibility is to express a conclusion on these condensed separate 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 separate 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 separate interim financial statements.

#### ***Conclusion***

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

**Emphasis of Matters**

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

- a- As explained in note no. (29-1) of the notes to the condensed separate 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.

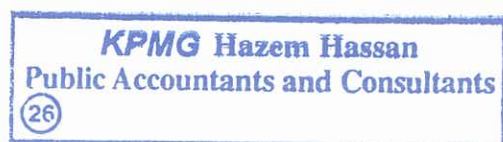
According to the opinion of the company's legal consultant, the company has the right to apply the interconnection rates used between Mobile Operators, and that the company's position is based on the relevant agreements and laws, and there are several arbitral and judicial stages to finalize this dispute. 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. (29-2) of the notes to the condensed separate 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 Separate Statement of Financial Position As of:**

	Note	30/9/2017	31/12/2016
	No.	L.E. (000)	Reclassified L.E. (000)
<b>Assets</b>			
<b><u>Non Current Assets</u></b>			
Fixed assets	(11)	15 040 197	13 872 262
Projects in progress	(12)	2 612 878	7 384 247
Investments in subsidiaries and associates	(13)	6 377 283	6 377 283
Available-for-sale investments		81 273	81 273
Other assets	(14)	10 288 848	1 363 904
Deferred tax assets	(24-1)	362 326	408 552
<b>Total Non Current Assets</b>		<b>34 762 805</b>	<b>29 487 521</b>
<b><u>Current Assets</u></b>			
Inventories	(15)	951 476	612 467
Trade receivables	(16)	4 049 271	4 652 069
Debtors and other debit balances	(17)	2 069 915	1 613 138
Held-to-maturity investments -treasury bills		107 097	101 922
Cash and cash equivalents	(18)	45 750	530 195
<b>Total Current Assets</b>		<b>7 223 509</b>	<b>7 509 791</b>
<b>Total Assets</b>		<b>41 986 314</b>	<b>36 997 312</b>
<b><u>Equity</u></b>			
Capital	(22)	17 070 716	17 070 716
Reserves	(23)	4 550 115	4 380 491
Retained earnings		4 054 483	4 782 442
<b>Total Equity</b>		<b>25 675 314</b>	<b>26 233 649</b>
<b><u>Non Current Liabilities</u></b>			
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)	183 407	317 167
<b>Total Non Current Liabilities</b>		<b>2 058 000</b>	<b>1 057 628</b>
<b><u>Current Liabilities</u></b>			
Loans and credit facilities installments due within one year	(19)	5 689 145	2 710 704
Creditors and other credit balances	(20)	7 709 479	5 937 674
Provisions	(21)	854 376	1 057 657
<b>Total Current Liabilities</b>		<b>14 253 000</b>	<b>9 706 035</b>
<b>Total Liabilities</b>		<b>16 311 000</b>	<b>10 763 663</b>
<b>Total Equity and Liabilities</b>		<b>41 986 314</b>	<b>36 997 312</b>

The attached notes on pages (8) to (25) are an integral part of these condensed separate 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 Separate 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>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Operating revenues	(3)	10 965 299	8 175 623	3 545 506	2 768 993
Operating cost	(4)	(6 632 410)	(4 442 844)	(2 331 313)	(1 526 013)
<b>Gross Profit</b>		<b>4 332 889</b>	<b>3 732 779</b>	<b>1 214 193</b>	<b>1 242 980</b>
Other income		160 194	259 308	34 888	85 598
Selling and distribution expenses	(5)	( 901 382)	( 781 059)	( 334 566)	( 274 269)
General and administrative expenses	(6)	(1 205 714)	(1 391 475)	( 393 081)	( 555 440)
Other expenses		( 96 028)	( 123 419)	( 30 562)	( 43 729)
<b>Operating profit</b>		<b>2 289 959</b>	<b>1 696 134</b>	<b>490 872</b>	<b>455 140</b>
Finance income		58 679	513 396	10 931	45 988
Finance cost		( 317 570)	( 13 670)	( 132 289)	( 10 890)
<b>Net finance (cost) \ income</b>	(7)	<b>( 258 891)</b>	<b>499 726</b>	<b>( 121 358)</b>	<b>35 098</b>
<b>Income from investments in subsidiaries and associates</b>	(8)	<b>108 014</b>	<b>1 511 879</b>	<b>-</b>	<b>-</b>
<b>Net profit before tax</b>		<b>2 139 082</b>	<b>3 707 739</b>	<b>369 514</b>	<b>490 238</b>
Income tax expense		( 509 778)	( 372 791)	( 61 722)	( 118 567)
Deferred tax	(24-1)	87 534	( 112 748)	( 923)	( 5 835)
<b>Total income tax</b>		<b>( 422 244)</b>	<b>( 485 539)</b>	<b>( 62 645)</b>	<b>( 124 402)</b>
<b>Net profit for the period</b>		<b>1 716 838</b>	<b>3 222 200</b>	<b>306 869</b>	<b>365 836</b>
Basic and diluted earning per share for the period (L.E. / Share)	(10)	1.01	1.89	0.18	0.21

The attached notes on pages (8) to (25) are an integral part of these condensed separate interim financial statements.

**Telecom Egypt Company**  
**(An Egyptian Joint Stock Company)**  
**Condensed Separate 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>Reclassified</u>		<u>Reclassified</u>
	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Net profit for the period after tax	1 716 838	3 222 200	306 869	365 836
<b><u>Other Comprehensive Income Items</u></b>				
Other Comprehensive Income items	-	-	-	-
<b>Total Comprehensive Income</b>	<u>1 716 838</u>	<u>3 222 200</u>	<u>306 869</u>	<u>365 836</u>

The attached notes on pages (8) to (25) are an integral part of these condensed separate interim financial statements.

**Telecom Egypt Company**  
**(An Egyptian Joint Stock Company)**  
**Condensed Separate Statement of Changes In Equity**  
**For the Nine Months Ended September 30, 2017**

	<b>Capital</b>	<b>Legal reserve</b>	<b>Other reserves</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>L.E. (000)</b>	<b>L.E. (000)</b>	<b>L.E. (000)</b>	<b>L.E. (000)</b>	<b>L.E. (000)</b>
<b>Balance as of 1/1/2016</b>	17 070 716	1 520 837	4 796 578	1 289 817	24 677 948
<b><u>Comprehensive income</u></b>					
Net profit for the period	-	-	-	3 222 200	3 222 200
Other comprehensive income items	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	3 222 200	3 222 200
<b><u>Transactions with shareholders</u></b>					
Transferred from general reserve to retained earnings	-	-	(2 000 000)	2 000 000	-
Transferred to legal reserve	-	63 076	-	(63 076)	-
Dividends for year 2015 (Shareholders)	-	-	-	(1 280 304)	(1 280 304)
Dividends for year 2015 (Employees & Board of Directors)	-	-	-	(556 465)	(556 465)
<b>Total transactions with shareholders</b>	-	63 076	(2 000 000)	100 155	(1 836 769)
<b>Balance as of September 30, 2016</b>	<b>17 070 716</b>	<b>1 583 913</b>	<b>2 796 578</b>	<b>4 612 172</b>	<b>26 063 379</b>
<b>Balance as of 1/1/2017</b>	<b>17 070 716</b>	<b>1 583 913</b>	<b>2 796 578</b>	<b>4 782 442</b>	<b>26 233 649</b>
<b><u>Comprehensive income</u></b>					
Net profit for the period	-	-	-	1 716 838	1 716 838
Other comprehensive income items	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	1 716 838	1 716 838
<b><u>Transactions with shareholders</u></b>					
Transferred to legal reserve	-	169 624	-	(169 624)	-
Dividends for year 2016 (Shareholders)	-	-	-	(1 707 071)	(1 707 071)
Dividends for year 2016 (Employees & Board of Directors)	-	-	-	(568 102)	(568 102)
<b>Total transactions with shareholders</b>	-	169 624	-	(2 444 797)	(2 275 173)
<b>Balance as of September 30, 2017</b>	<b>17 070 716</b>	<b>1 753 537</b>	<b>2 796 578</b>	<b>4 054 483</b>	<b>25 675 314</b>

The attached notes on pages (8) to (25) are an integral part of these condensed separate interim financial statements.



**Telecom Egypt Company**  
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**Condensed Separate Statement of Cash Flows**

	Note No.	<b>For the nine months ended:</b>	
		<b>30/9/2017</b>	<b>30/9/2016</b>
		<b>L.E.(000)</b>	<b>L.E.(000)</b>
<b><u>Cash flows from operating activities</u></b>			
Cash receipts from customers		9 364 839	8 076 139
Value added tax collected from customers		224 356	179 924
Stamp tax and fees collected from third party		27 118	28 986
Deposits returned to customers		198	4 447
Cash paid to suppliers		(1 089 025)	( 802 300)
Payments of NTRA license fees		( 273 275)	( 136 241)
Dividends paid to employees		( 595 701)	( 561 506)
Cash paid to employees		(1 954 217)	(2 118 216)
Cash paid on behalf of employees to third party		( 430 462)	( 401 646)
<b>Cash provided by operating activities</b>		<b>5 273 831</b>	<b>4 269 587</b>
Interest paid		( 84 524)	( 4 680)
Payments to Tax Authority - income tax		( 220 808)	( 211 961)
Payments to Tax Authority - value added tax		(1 101 409)	( 489 549)
Payments to Tax Authority - other taxes		( 395 454)	( 263 028)
Other payments		( 14 284)	( 30 582)
<b>Net cash provided by operating activities</b>		<b>3 457 352</b>	<b>3 269 787</b>
<b><u>Cash flows from investing activities</u></b>			
Payments for purchase of fixed assets , other assets and projects in progress		(3 893 350)	(2 143 607)
Payments for purchase of other assets - Fourth generation network license		(1 419 828)	(5 219 732)
Payments for purchase of held-to-maturity investment - treasury bills		( 100 025)	( 154 888)
Interest received		18 719	30 493
Dividends collected from investments		114 817	1 813 053
Proceeds from sale available for sale investment		-	11 183
Proceeds from retrieval of held-to-maturity investment - treasury bills		100 013	54 883
Proceeds from securities - treasury bills interest		8 687	47 605
<b>Net cash used in investing activities</b>		<b>(5 170 967)</b>	<b>(5 561 010)</b>
<b><u>Cash flows from financing activities</u></b>			
Payments for loans and other facilities		( 108 754)	( 49 790)
Proceeds from credit facilities		3 044 995	2 347 478
Dividends paid to shareholders		(1 707 071)	(1 280 304)
<b>Net cash provided by financing activities</b>		<b>1 229 170</b>	<b>1 017 384</b>
<b>Net change in cash and cash equivalents during the period</b>		<b>( 484 445)</b>	<b>(1 273 839)</b>
Cash and cash equivalents at the beginning of the period	(18)	520 730	1 636 917
<b>Cash and cash equivalents at the end of the period</b>	<b>(18)</b>	<b>36 285</b>	<b>363 078</b>

The attached notes on pages (8) to (25) are an integral part of these condensed separate interim financial statements.

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

**Notes to the Condensed Separate 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 the condensed separate interim financial statements**

- These Condensed Separate Interim Financial Statements were approved by the company's Board of Directors for issuance on November 13, 2017.

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

**2-1 Statement of compliance**

- These Condensed Separate 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 separate financial statements for the company, and in the light of applicable Egyptian laws and regulations.
- These condensed separate interim financial statements don't include all the required information needed for preparing the full annual financial statements and must be read with the separate annual financial statements as of December 31, 2016.

**2-2 Basis of measurement**

These Condensed Separate 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 presentational purposes, the current and non-current classification has been used for the condensed separate statement of Financial Position, while expenses are analyzed in condensed separate statement of income using a classification based on their function. The direct method has been used in preparing the condensed separate statement of cash flows.

**2-3 Functional and presentation currency**

These Condensed Separate Interim Financial Statements are presented in Egyptian pound (LE), which is the Company's functional currency. All financial information presented in "L.E." has been rounded to the nearest thousands unless otherwise stated.

**2-4 Use of estimates**

The preparation of the condensed separate interim financial statements in conformity with Egyptian Accounting Standards that requires the 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 supposed 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 ongoing basis. Accounting recognition 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 the most significant accounts used the estimation and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the condensed separate interim financial statements is included in the following notes:

- Impairment of financial and non-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 separate 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>	
	<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>
Home and personal communications	1 081 365	1 047 255	365 465	353 280
Enterprise	1 054 499	1 038 509	295 780	295 011
Domestic wholesale	4 299 258	3 545 386	1 385 946	1 212 448
International carriers	3 795 870	2 076 621	1 283 303	687 126
International cables and networks	734 307	467 852	215 012	221 128
	<u>10 965 299</u>	<u>8 175 623</u>	<u>3 545 506</u>	<u>2 768 993</u>

Total operating revenues have increased by an amount of L.E. 2 789 676 K mainly due to the increase in both international carriers revenues and international cables and networks revenues by an amount of L.E. 1 719 249 K and L.E. 266 455 K respectively due to the increase in foreign currencies exchange rates in addition to domestic wholesale revenue by an amount of L.E. 753 872 K due to increase in infrastructure revenues especially provided to TE Data (subsidiary company) by an amount of L.E. 486 757 K.

**4. OPERATING COSTS**

	<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>
Interconnection cost	3 112 907	1 584 182	1 082 304	531 266
Depreciation and amortization	1 117 907	872 203	407 565	314 103
Other operating cost*	2 401 596	1 986 459	841 444	680 644
	<u>6 632 410</u>	<u>4 442 844</u>	<u>2 331 313</u>	<u>1 526 013</u>

Operating costs have increased by an amount of L.E. 2 189 566 K mainly due to the following: -

- The increase of interconnection cost by an amount of L.E. 1 528 725 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 245 704 K due to the additions of the last year after the first quarter and the current period.
- The increase of salaries and wages and equivalent item to an amount of L.E. 176 232 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 74 709 K due to the increase in revenues of the current period.

\*Reclassification was made to comparative figures as shown in Note no (30-2).

**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*	577 571	462 689	190 921	159 389
Company's social insurance contribution*	62 928	56 538	21 171	18 800
Discount allowed	135 579	137 941	44 248	44 136
Advertising & marketing	57 528	53 222	52 801	29 315
Organizations service cost	52 890	56 712	17 918	18 965
Other expenses*	14 886	13 957	7 507	3 664
	<u>901 382</u>	<u>781 059</u>	<u>334 566</u>	<u>274 269</u>

The increase in selling and distribution expenses by an amount of L.E. 120 323 K due to the increase in salaries and wages and equivalent by an amount of L.E. 121 733 K due to the annual increase by 15 % from the basic salary starting from January 2017.

\*Reclassification was made to comparative figures as shown in Note no (30-2).

**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*	829 979	831 459	288 641	283 015
Company's social insurance contribution*	82 658	75 989	27 803	25 286
End of service compensation - early retirement program	904	42 502	904	36 298
The company's contribution in loyalty and belonging fund	-	155 625	-	51 875
Depreciation	23 871	20 684	8 070	7 105
Tax and duty*	77 872	153 670	18 093	106 534
Service cost from organizations and consultations	147 028	59 298	32 117	22 787
Other expenses*	43 402	52 248	17 453	22 540
	<u>1 205 714</u>	<u>1 391 475</u>	<u>393 081</u>	<u>555 440</u>

The decrease in general and administrative expenses by an amount of L.E. 185 761 K is mainly due to the decrease in the company's contribution in loyalty and belonging fund item by an amount of L.E. 155 625 K and the decrease in tax and duty item by an amount of L.E. 75 798 K, however the increase in service cost from organization and consultations item by an amount of L.E. 87 730 K led to limitation this decrease.

\*Reclassification was made to comparative figures as shown in Note no (30-2).

**7. NET FINANCE (COST) \ 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>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Total finance income	58 679	513 396	10 931	45 988
Total finance cost	( 317 570)	( 13 670)	( 132 289)	( 10 890)
Net finance (cost) \ income	<u>( 258 891)</u>	<u>499 726</u>	<u>( 121 358)</u>	<u>35 098</u>

The decrease in net finance (cost) \ income by an amount of L.E 758 617 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 491 755 K which realized loss during the financial period by an amount of L.E 76 013 K in addition of the increase in finance cost of the long term contracts by an amount of L.E 130 047 K.

**8. INCOME FROM INVESTMENT IN SUBSIDIARIES AND ASSOCIATES**

	<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>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Vodafone Egypt Telecommunications Company	26 968	1 510 177	-	-
TE-Data	76 000	-	-	-
Middle East Radio Communication (MERC)	1 921	1 702	-	-
The Egyptian Telecommunication Company for information system (Xceed)	3 125	-	-	-
	<u>108 014</u>	<u>1 511 879</u>	<u>-</u>	<u>-</u>

This income is represented in the company's share in the cash dividends from investment according to the decree of the General Assembly of investees.

**9. EMPLOYEE'S BENEFITS**

**9-1 Early retirement scheme**

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 note no (6) and now the company doesn't apply any early retirement scheme.

**9-2 End of service benefits (Company's Contribution in Loyalty & 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.

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 as shown in note no (6).

**10. BASIC AND DILUTED EARNING PER SHARE.**

	For the nine months ended		For the three months ended	
	30/9/2017	30/9/2016	30/9/2017	30/9/2016
Net profit for the period (LE (000))	1 716 838	3 222 200	306 869	365 836
Number of shares available during the period	1707 071 600	1707 071 600	1707 071 600	1707 071 600
Basic and diluted earnings per share for the period (LE / share)	1.01	1.89	0.18	0.21

**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
	L.E. (000)	Reclassified L.E. (000)	L.E. (000)	Reclassified L.E. (000)	L.E. (000)	Reclassified L.E. (000)
Land	2 368 993	2 368 972	-	-	2 368 993	2 368 972
Buildings & Infrastructure*	24 190 249	22 673 219	14 706 157	14 151 976	9 484 092	8 521 243
Centrals and information technology equipment	22 183 284	21 572 635	19 145 849	18 733 910	3 037 435	2 838 725
Vehicles	138 943	140 374	105 872	103 993	33 071	36 381
Furniture	307 170	297 544	235 159	219 600	72 011	77 944
Tools & supplies	116 507	95 862	71 912	66 865	44 595	28 997
<b>Total</b>	<b>49 305 146</b>	<b>47 148 606</b>	<b>34 264 949</b>	<b>33 276 344</b>	<b>15 040 197</b>	<b>13 872 262</b>

- The increase in net book value of fixed assets mainly due to the additions during the period by an amount of L.E. 2 223 228 K, however the depreciation of the period by an amount of L.E. 1 045 520 K which led to limitation of this increase.
- The cost of fixed assets as of September 30, 2017 includes an amount of L.E. 23 259 million fully depreciated fixed assets and still in use.

\*Reclassification was made to comparative figures as shown in Note no (30-1).

**12. PROJECTS IN PROGRESS**

	<b>30/9/2017</b>	<b>31/12/2016</b>
	<b><u>LE (000)</u></b>	<b><u>LE (000)</u></b>
Land	15 651	15 576
Buildings and Infrastructure	711 390	536 324
Furniture	44	250
Centrals and information technology equipment	1 257 481	841 190
Other Assets (cables)	39 473	407 681
Advanced payments	588 839	289 428
Other assets (fourth generation network license 4G)	-	5 293 798
	<b><u>2 612 878</u></b>	<b><u>7 384 247</u></b>

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

**13. INVESTMENTS IN SUBSIDIARIES & ASSOCIATES**

	<b>30/9/2017</b>		<b>31/12/2016</b>	
	<b><u>Ownership</u></b>	<b><u>Amount</u></b>	<b><u>Ownership</u></b>	<b><u>Amount</u></b>
	<b><u>%</u></b>	<b><u>L.E. (000)</u></b>	<b><u>%</u></b>	<b><u>L.E. (000)</u></b>
- Telecom Egypt France (TE France)	100.00	69 220	100.00	69 220
- TE Data	99.99	252 461	99.99	252 461
- TE Investment Holding	99.95	39 980	99.95	39 980
- Egyptian Telecommunication for Information System	97.66	31 250	97.66	31 250
- Centra Technology	58.76	14 737	58.76	14 737
- Wataneya for Telecommunications	50.00	125	50.00	125
- International Telecommunications Consortium limited (ITCL)	50.00	54	50.00	54
- Middle East Radio Communication	49.00	7 350	49.00	7 350
- Vodafone Egypt Telecommunications Company	44.95	5 960 054	44.95	5 960 054
- Egypt Trust	35.71	7 500	35.71	7 500
- Consortium Algerien de Telecommunications	33.00	133	33.00	133
- Sofisat company	25.00	-	25.00	-
		<b><u>6 382 864</u></b>		<b><u>6 382 864</u></b>
<b><u>Payments for investments purchase</u></b>				
- Egypt Trust *		2 500		2 500
		<b><u>6 385 364</u></b>		<b><u>6 385 364</u></b>
<b><u>Less:</u></b>				
<b>Impairment loss on investments of :-</b>				
Consortium Algerien de Telecommunications, International Telecommunications Consortium Limited, Egypt Trust, Wataneya for Telecommunications and Telecom Egypt France		8 081		8 081
		<b><u>6 377 283</u></b>		<b><u>6 377 283</u></b>

\* The company has been underwriting in the remaining 25% that represent share's in Egypt Trust capital and the commercial registration related to is in process .



**14. OTHER ASSETS**

	30/9/2017	31/12/2016
	<u>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>
<b>Cost</b>		
Fourth generation license*	8 633 330	-
Submarine cables (right of way)**	1 627 781	1 228 303
Land (possession-usufruct)	440 684	440 684
Licenses and programs	56 382	56 382
	<u>10 758 177</u>	<u>1 725 369</u>
<b>Less:</b>		
Accumulated amortization	469 329	361 465
<b>Net carrying amount</b>	<u>10 288 848</u>	<u>1 363 904</u>

- The increase in net carrying value of other assets is mainly due to the additions during the period by an amount of L.E. 9 004 499 K.
- Other assets amortization is charged to operating costs.

\*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 the 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 to comparative figures as shown in Note no (30-1).

**15. INVENTORIES**

	30/9/2017	31/12/2016
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Spare parts	501 406	445 918
Material supplies , Merchandise for sale and Letters of credit	295 006	89 812
Others – project cables and supplies	155 064	76 737
	<u>951 476</u>	<u>612 467</u>

The value of inventories was written down by an amount of L.E. 22 294 K (against L.E. 22 294 K as at December 31, 2016) for obsolete and slow moving items directly from the cost of each type of inventory.

**16. TRADE RECEIVABLES**

	30/9/2017	31/12/2016
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Trade Receivables - National	4 444 999	4 071 640
Trade Receivables - International	2 189 446	3 165 603
	<u>6 634 445</u>	<u>7 237 243</u>
<b>Less:</b>		
Impairment loss on trade receivables	2 585 174	2 585 174
	<u>4 049 271</u>	<u>4 652 069</u>

Trade receivables balance have decreased by an amount of L.E. 602 798 K is mainly due to the decrease in both of trade receivables – international carrier and trade receivables – international cables and networks which is included in trade receivable international by an amount of L.E 722 420 K and L.E 253 737 K respectively due to the collection of debts some customers, however the increase in trade receivables – national which is represented in both of trade receivables – enterprise and trade receivables – domestic wholesale by an amount of L.E. 232 105 K and L.E. 204 459 K respectively led to limitation of this decrease.

**17. DEBTORS AND OTHER DEBIT BALANCES**

	30/9/2017	31/12/2016
	<u>LE (000)</u>	<u>LE (000)</u>
Accrued revenues	29 496	16 377
Suppliers – debit balances	260 908	47 617
Tax Authority - withholding tax	78 364	123 535
Due from ministries, organizations and companies	209 012	268 133
Payments on the account of income tax	71 916	24 916
Payment on account of employees dividends	316 621	288 956
Other debit balances	1 234 599	974 722
	<u>2 200 916</u>	<u>1 744 256</u>
<b>Less:</b>		
Impairment loss on debtors and other debit balances	131 001	131 118
	<u>2 069 915</u>	<u>1 613 138</u>

Debtors and other debit balances have increased by an amount of L.E. 456 777 K mainly due to the increase in suppliers – debit balances by an amount of L.E. 213 291 K and payment on the account of income tax item by an amount of L.E 47 000 K and payment on account of employees dividends item by an amount of L.E 27 665 K, however the decrease in tax authority – withholding tax item by an amount of L.E. 45 171 K and due from ministries, organization and companies by an amount of L.E 59 130 K led to limitation of the increase.

**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)		24 587	584 551
Banks - current accounts		13 745	( 57 047)
Cash on hand		7 418	2 691
<b>Cash and cash equivalents</b>		<u>45 750</u>	<u>530 195</u>
<b>Less:</b>			
Restricted time deposits	( 26)	9 465	9 465
<b>Cash and cash equivalents as per cash flows statement</b>		<u>36 285</u>	<u>520 730</u>

**19. LOANS AND CREDIT FACILITIES**

- The increase in the balance of loans and credit facilities by an amount of L.E 2 972 473 K 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>L.E. (000)</u>
Suppliers	1 204 366	564 102
Tax Authority-Income Tax	509 779	344 940
Tax Authority (taxes other than income tax)	238 052	165 797
Deposits from others	573 934	645 747
Accrued expenses	388 142	309 369
Trade receivables - credit balances	194 803	132 028
Assets creditors	3 492 490	2 472 507
Accrued interest	23 440	6 608
Prepaid revenues	106 606	-
Deferred revenue	2 450	-
Public Authority for Social Insurance	43 915	37 531
Due to organizations and companies	1 376 019	829 744
National Telecommunication Regulatory Authority (NTRA)	274 384	207 315
Other credit balances	535 425	336 212
	<u>8 963 805</u>	<u>6 051 900</u>
<b>Less balances due within more than one year:</b>		
Other assets creditors - fourth generation network license	1 226 205	-
Credit balances - organizations and companies	28 121	114 226
	<u>7 709 479</u>	<u>5 937 674</u>

Creditors and other credit balances have been increased by an amount of L.E. 2 911 905 K mainly due to the increase in other assets creditors – fourth generation network license item by an amount of L.E. 1 019 983 K which mainly represented in fourth generation network license liabilities (note no.14), in addition to suppliers item by an amount of L.E. 640 264 K and due to organization and companies item by an amount of L.E. 546 275 K.

**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	1 057 657	996 790
Reclassification during the period/year	-	( 14 312)
Charged to income statement for the period / year	-	477 145
Used during the period / year	( 203 281)	( 401 966)
<b>Balance at the end of the period / year</b>	<u>854 376</u>	<u>1 057 657</u>

**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 LE 10 each.
- The Egyptian Government owns 80% after floating 20% of company's shares in public offering during December 2005.

**23. RESERVES**

	<u>30/9/2017</u>	<u>31/12/2016</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Legal reserve	1 753 537	1 583 913
Other reserves	2 796 578	2 796 578
	<u>4 550 115</u>	<u>4 380 491</u>

The balance of legal reserve have increased as a result of retaining an amount of L.E. 169 624 K from 2016 profit in accordance with the company's articles of association.

**24. DEFERRED TAX**

**24-1 Recognized deferred tax assets and liabilities**

	<u>30/9/2017</u>		<u>31/12/2016</u>	
	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)	362 326	( 183 407)	408 552	( 317 167)
Net deferred tax asset	<u>178 919</u>	<u>-</u>	<u>91 385</u>	<u>-</u>
Deferred tax charged to the income statement for the period / year	<u>87 534</u>		<u>243 219</u>	

**24-2 Unrecognized deferred tax assets**

	<u>30/9/2017</u>	<u>31/12/2016</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Unrecognized deferred tax assets	<u>546 882</u>	<u>570 082</u>

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

**25. CAPITAL COMMITMENTS**

The company's capital commitments for the unexecuted parts of contracts until September 30, 2017 amounted to L.E. 1 104 Million (against L.E. 2 921 Million as at December 31, 2016) 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 separate statement of financial position, the company has the following contingent liabilities:

	<u>30/9/2017</u>	<u>31/12/2016</u>
	<u>LE (000)</u>	<u>LE (000)</u>
- Letters of guarantee issued by banks on behalf of the company*	638 227	613 668
- Letters of credit	802 890	373 301

\* letters of guarantee which were issued by banks include letters of guarantee have been issued against restricted cash deposits (Note no.18)

**27. TAX POSITION****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 Separate Interim Financial Statements  
For The Nine Months Ended September 30, 2017 (continued)

Translation from Arabic

28. RELATED PARTY TRANSACTIONS

There are transactions between Telecom Egypt and its subsidiaries and associates and such transactions are approved by the company's management. The following statement contains the most important transactions during the financial period and the balances shown in the condensed separate interim financial statements date:

28-1 Transactions with subsidiaries

	Amount of transactions during the period stated in the income statement	Nature of transaction during the period	Movement during the period		Balance as of	
			Debit	Credit	30/9/2017	31/12/2016
	L.E. 000		L.E. 000	L.E. 000	Debit/(Credit)	Debit/(Credit)
					L.E. 000	L.E. 000
<b>Debit balances included in trade receivables</b>						
- Egyptian Telecommunication Company for Information Systems	20 343	Lease of company premises, electricity claims, maintenance and leased circuits	21 318	8 941	26 696	14 319
- I.E. Data	1 807 011	Leased circuits and information network circuits	2 251 205	2 070 993	421 755	241 543
- Middle East Radio Communication (MERC)	1 259	Leased information circuits	1 427	1 427	-	-
- Jordanian Egyptian Company for data transfer	12 283	participation contract	-	11 920	(16 001)	(4 081)
- Jordanian Egyptian Company for data transfer	1 162	The movement of international clearing	1 278	-	(931)	(2 209)
			2 275 228	2 093 281	431 519	249 572
<b>Debit balances included in debtors and other debit balances</b>						
- Egyptian Telecommunication Company for Information Systems	-	Purchasing of fixed assets	-	-	145	145
- I.E. investment Holding	-	payments of expenses on behalf of the subsidiary company	-	23 010	-	23 010
			-	23 010	145	23 155
<b>Credit balances included in suppliers balances</b>						
- Centra for Technologies	13 379	Maintenance & supplying computers	103 520	152 840	(63 026)	(13 706)
- Centra for Electronic Industries	1 078	Maintenance & supplying computers	614	1 406	(1 611)	(819)
- Middle East Radio Communication (MERC)	-	Supplying & installing communication networks	1 615	2 718	(1 103)	-
- I.E. Data	57 523	Purchasing of fixed assets and services rendered from subsidiary company	296 329	624 737	(571 280)	(242 872)
- Egyptian Telecommunication Company for Information Systems	62 792	Services rendered from subsidiary company	60 330	59 946	(6 845)	(7 229)
			462 408	841 647	(643 865)	(264 626)
<b>Credit balance included in creditors and other credit balances</b>						
- I.E. Data	187	Supplying information technology equipment	-	411	(9 714)	(9 303)
- I.E. investment Holding	14	Lease of premises	14	18	(4)	-
- I.E. investment Holding	1 266	Outsourcing contract	-	1 266	(1 266)	-
- I.E. France	17 827	participation contract	171	21 880	(74 162)	(52 453)
			185	23 575	(85 146)	(61 756)





## **29. SIGNIFICANT CLAIMS AND LITIGATIONS**

### **29-1 Interconnection dispute with Orange Egypt Egypt previously named Mobinil -**

On September 2009, Orange Egypt 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 interperetation 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 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 approximtely an amount of L.E 618 145 K.

### **29-2 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 U\$ 125 millions , according to the opinion of the company's management , this report was prepared on inaccurate assmptions, 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 Novemeber 25, 2017 to review the expert report and submit all supporting documents and memo's on the subject. Currently, the company's mangement 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.

### **29-3 Interconnection dispute with Vodafone Egypt**

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.

### **29-4 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.

### 30. Comparative figures

Reclassification was made to some of the comparative figures of the condensed separate statement of financial position and condensed separate income statement to conform to the current presentation as follows:

#### 30-1 Condensed Separate Statement of Financial Position

	<u>31/12/2016</u> <u>as previously</u> <u>reported</u> <u>LE(000)</u>	<u>Reclassification</u> <u>debit / (credit)</u> <u>LE(000)</u>	<u>31/12/2016</u> <u>Reclassified</u> <u>LE(000)</u>
Fixed assets	14 020 657	( 148 395)	13 872 262
Other assets	1 215 509	148 395	1 363 904

#### 30-2 Condensed Separate Statement of Income

Reclassifications was made to some of the comparative figures of the condensed separate statement of income to conform to the current presentation as follows

	<u>For the nine months ended</u> <u>30/9/2016</u> <u>as previously</u> <u>reported</u> <u>LE(000)</u>		<u>For the nine months ended</u> <u>30/9/2016</u> <u>Reclassified</u> <u>LE(000)</u>		<u>For the three months ended</u> <u>30/9/2016</u> <u>as previously</u> <u>reported</u> <u>LE(000)</u>		<u>For the three months ended</u> <u>30/9/2016</u> <u>Reclassified</u> <u>LE(000)</u>	
		<u>Reclassification</u> <u>(debit) / credit</u> <u>LE(000)</u>		<u>Reclassification</u> <u>(debit) / credit</u> <u>LE(000)</u>		<u>Reclassification</u> <u>(debit) / credit</u> <u>LE(000)</u>		<u>Reclassification</u> <u>(debit) / credit</u> <u>LE(000)</u>
Operating cost	(4 360 595)	( 82 249)	(4 442 844)	42 168	(1 568 181)	42 168	(1 526 013)	(1 526 013)
Selling and distribution expenses	( 878 827)	97 768	( 781 059)	67 030	( 341 299)	67 030	( 274 269)	( 274 269)
General and administrative expenses	(1 375 956)	( 15 519)	(1 391 475)	( 109 198)	( 446 242)	( 109 198)	( 555 440)	( 555 440)

### 31- SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of the condensed separate interim financial statements as of September 30, 2017 is the same as the accounting policies applied in the preparation of the annual separate financial statements as of December 31, 2016, these accounting policies have been applied consistently to all periods presented in these condensed separate interim financial.

Reclassification was made to some of comparative figures of the condensed separate interim financial statements (note no.30).