



Translation from Arabic

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Condensed Consolidated Interim Financial Statements
For The Three Months Ended March 31, 2016
And The Limited Review Report





Translation from Arabic

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Condensed Consolidated Interim Financial Statements
For The Three Months Ended March 31, 2016
And The Limited Review Report

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

Introduction

We have performed a limited review on the accompanying condensed consolidated statement of financial position of Telecom Egypt Company “an Egyptian joint stock company” as at March 31, 2016 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with Egyptian Accounting Standard number (30) “Interim Financial Reporting”. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our limited review.

Scope of Limited Review

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

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of the company as at March 31, 2016 and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with Egyptian Accounting Standard number (30) “Interim Financial Reporting”.

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Emphasis of Matters

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

- 1- 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.

- 2- As explained in note no. (30-3) of the notes to the condensed consolidated interim financial statements, which describes the dispute between the company and one of its investee in which Telecom Egypt company owns 25%, in regards to an agreement that is concluded between the company and the investee, the company has filed an arbitration case against the investee, claiming compensation and the termination of the agreement as the investee breached the obligations stated in the agreement. In addition to, the investee has filed a counter arbitration case against the company claiming compensation according to the obligations of the same agreement. The arbitral tribunal issued an award to depute an expert to express his technical opinion for all the financial claims submitted by the both parties. On August 31, 2015 the arbitral tribunal issued its award regarding the above mentioned arbitral litigations rejecting the company's claim for a compensation, accepting the arbitral litigation filed by the investee, terminating the agreement concluded with the company and its amendments and awarded compensation to the investee. Telecom Egypt started to take the necessary legal actions to cease the implementation of the award and annulling it.

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



KPMG Hazem Hassan
Public Accountants & Consultants

Cairo, May 8, 2016



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

	Note No.	31/3/2016 L.E. (000)	31/12/2015 L.E. (000)
Assets			
Non Current Assets			
Fixed assets	(11)	12 048 579	11 839 332
Projects in progress	(12)	1 728 347	2 077 482
Investments in associates	(13)	10 834 098	10 462 026
Available-for-sale investments		98 639	98 639
Other assets	(14)	975 795	933 047
Total Non Current Assets		25 685 458	25 410 526
Current Assets			
Inventories	(15)	613 886	556 880
Trade and notes receivable	(16)	4 790 893	4 611 579
Debtors and other debit balances	(17)	1 400 404	1 412 071
Held-to-maturity investments-treasury bills		28 481	173 338
Cash and cash equivalents	(18)	3 054 218	2 413 451
Total Current Assets		9 887 882	9 167 319
Total Assets		35 573 340	34 577 845
Equity			
Capital	(22)	17 070 716	17 070 716
Reserves	(23)	4 446 323	6 380 134
Retained earnings		6 749 917	5 508 940
Foreign entities translation reserve		23 620	4 310
Equity attributable to owners of the company		28 290 576	28 964 100
Non - controlling interest		8 755	10 330
Total Equity		28 299 331	28 974 430
Non Current Liabilities			
Loans and credit facilities	(19)	341 199	326 914
Creditors and other credit balances	(20)	-	182
Deferred tax liabilities	(24-1)	28 829	6 867
Total Long Term Liabilities		370 028	333 963
Current Liabilities			
Loans and credit facilities installments due within one year	(19)	72 237	62 476
Creditors and other credit balances	(20)	5 954 692	4 189 290
Provisions	(21)	877 052	1 017 686
Total Current Liabilities		6 903 981	5 269 452
Total Liabilities		7 274 009	5 603 415
Total Equity and Liabilities		35 573 340	34 577 845

The attached notes on pages (8) to (27) are an integral part of these Condensed Consolidated Interim Financial Statements.

Financial Director

Shaher Shokry

Acc. Shaher Shokry

Vice President For,
Financial Affairs

M. Shamroukh

Eng. Mohamed Shamroukh

Managing Director
& Chief Executive Officer

Tamer Gadalla

Eng. Tamer Gadalla

Board of Directors approval

Chairman

M.O.

Dr. Maged Osman

Limited Review Report "attached"



Translation from Arabic

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

	Note	<u>For the three months ended</u>	
		<u>31/3/2016</u>	<u>31/3/2015</u>
		<u>L.E.(000)</u>	<u>Restated</u> <u>L.E.(000)</u>
Operating revenues	(3)	3 064 888	2 761 139
Operating costs	(4)	(1 634 281)	(1 707 543)
Gross Profit		1 430 607	1 053 596
Other income		83 779	55 768
Selling and distribution expenses	(5)	(336 733)	(315 428)
General and administrative expenses	(6)	(496 809)	(446 596)
Other expenses		(43 799)	(6 496)
Operating profit		637 045	340 844
Finance income		419 636	156 092
Finance cost		(7 127)	(2 179)
Net finance income	(7)	412 509	153 913
Share of profit of equity accounted investees	(8)	372 072	258 888
Profit before tax		1 421 626	753 645
Income tax expense		(203 080)	(136 137)
Deferred tax	(24-1)	(21 962)	(61 388)
Total income tax		(225 042)	(197 525)
Profit for the period		1 196 584	556 120
Profit attributable to :			
Owners of the company		1 196 205	554 071
Non-controlling interest		379	2 049
Profit for the period		1 196 584	556 120
Basic earnings per share for the period (L.E. / Share)	(10)	0.70	0.32

The attached notes on pages (8) to (27) are an integral part of these Condensed Consolidated Interim Financial State



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

	<u>For the three months ended</u>	
	<u>31/3/2016</u>	<u>31/3/2015</u>
		<u>Restated</u>
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Profit for the period after income tax	1 196 584	556 120
<u>Other Comprehensive Income items :</u>		
Translation differences of foreign entities	19 310	(3 038)
Total Comprehensive Income	<u>1 215 894</u>	<u>553 082</u>
Attributable to :		
Owners of the company	1 215 515	551 049
Non-controlling interest	379	2 033
Total Comprehensive Income	<u>1 215 894</u>	<u>553 082</u>

The attached notes on pages (8) to (27) 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 Three Months Ended March 31, 2016

	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, 2015 (restated)	17 070 716	1 553 184	4 796 578	3 334 061	3 009	26 757 548	16 623	26 774 171
Comprehensive Income								
Profit for the period (restated)	-	-	-	554 071	-	554 071	2 049	556 120
Translation differences of foreign entities	-	-	-	-	(3 022)	(3 022)	(16)	(3 038)
Total Comprehensive Income				554 071	(3 022)	551 049	2 033	553 082
Transactions with owners of the company :								
Transferred to legal reserve	-	28 590	-	(28 590)	-	-	-	-
Dividends for year 2014 (shareholders)	-	-	-	(341 414)	-	(341 414)	(1 430)	(342 844)
Dividends for year 2014 (Employees & Board of Directors)	-	-	-	(444 074)	-	(444 074)	(230)	(444 304)
Total transactions with owners of the company	-	28 590	-	(814 078)	-	(785 488)	(1 660)	(787 148)
Balance as of March 31, 2015 (restated)	17 070 716	1 581 774	4 796 578	3 074 054	(13)	26 523 109	16 996	26 540 105
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								
Profit for the period	-	-	-	1 196 205	-	1 196 205	379	1 196 584
Translation differences of foreign entities	-	-	-	-	19 310	19 310	-	19 310
Total Comprehensive Income				1 196 205	19 310	1 215 515	379	1 215 894
Transactions with owners of the company :								
Transferred to retained earnings from general reserve	-	-	(2 000 000)	2 000 000	-	-	-	-
Transferred to legal reserve	-	66 189	-	(66 189)	-	-	-	-
Dividends for year 2015 (shareholders)	-	-	-	(1 280 304)	-	(1 280 304)	(1 702)	(1 282 006)
Dividends for year 2015 (Employees & Board of Directors)	-	-	-	(608 735)	-	(608 735)	(245)	(608 980)
Acquisition of non controlling interest in subsidiaries	-	-	-	-	-	-	(7)	(7)
Total transactions with owners of the company		66 189	(2 000 000)	44 772	-	(1 889 039)	(1 954)	(1 890 993)
Balance as of March 31, 2016	17 070 716	1 649 745	2 796 578	6 749 917	23 620	28 290 576	8 755	28 299 331

The attached notes on page from (8) to (27) are an integral part of these Condensed Consolidated Interim Financial Statements.



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

	For the Three months ended:	
	31/3/2016	31/3/2015
Note	Reclassified	
No.	L.E. (000)	L.E. (000)
Cash flows from operating activities:-		
	2 893 037	2 500 768
Cash receipts from customers	64 735	53 565
Sales tax collected from customers	24 256	22 662
Stamp tax and fees collected (from third party)	2 095	(875)
Deposits (payments) returned to customers	(416 385)	(298 585)
Cash paid to suppliers	(124 102)	(68 355)
Payments of NTRA license fees	(48 205)	(48 966)
Dividends paid to employees	(783 905)	(845 402)
Cash paid to employees	(149 190)	(116 598)
Cash paid on behalf of employees to third party	1 462 336	1 198 214
Cash provided by operating activities		
Interest paid	(3 604)	(4 791)
Payments to Tax Authority - income tax	(5 643)	-
Payments to Tax Authority - sales tax	(176 906)	(109 934)
Payments to Tax Authority - other taxes	(167 518)	(174 442)
Other proceeds	203 866	29 069
Net cash provided by operating activities	1 312 531	938 116
Cash flows from investing activities:-		
Payments for purchase of fixed assets, projects in progress and other assets	(826 852)	(719 188)
Proceeds from sale of fixed assets and other assets	441	1
Acquisition of investments	(7)	(4 124)
Payments for purchase of held to maturity investments - treasury bills	(17 841)	(604 056)
Interest received	14 088	12 502
Proceeds from investments fund	2 411	-
Proceeds from sale of held-to-maturity investment -treasury bills	163 012	788 988
Proceeds from securities (treasury bills - mutual fund)	23 269	43 607
Net cash used in investing activities	(641 479)	(482 270)
Cash flows from financing activities:-		
Payments for loans and other facilities	(40 139)	(42 903)
proceeds form loans and other facilities	4 254	-
Dividends paid to Shareholders	(1 616)	-
Net cash used in financing activities	(37 501)	(42 903)
Net change in cash and cash equivalents during the period	633 551	412 943
Translation differences of foreign entities	7 137	(2 713)
Cash and cash equivalents at the beginning of the period	(18) 2 404 010	2 896 961
Cash and cash equivalents at the end of the period	(18) 3 044 698	3 307 191

The attached notes on pages from (8) to (27) are an integral part of these Condensed Consolidated Interim Financial statements.



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Telecom Egypt Company
(An Egyptian Joint Stock Company)

Notes to the Condensed Consolidated Interim Financial Statements
For The Three Months Ended March 31, 2016

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 Condensed Consolidated interim Financial Statements of the Company for the three months ended March 31, 2016 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.
- The company is subject to the provisions of the Companies Law No. 159 of 1981 and Capital Market law No. 95 of 1992.
- The registered office of the company is 26 Ramses Street, Cairo, Egypt.
- The nominal shares for the company are traded in the Egyptian Stock Exchange and the London market for securities.

1-2 Purpose of the company

The main purpose of the company represents in the following:

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

1-3 Issuance of financial statements

These Condensed Consolidated Interim Financial Statements were approved by the Board of Directors on May 8, 2016.



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

2-1 Statement of compliance

- These Condensed Consolidated Interim Financial Statements as of March 31, 2016 have been prepared in accordance with Egyptian Accounting Standard No.30 "Interim Financial Reporting" accordingly it is condensed comparative view to the annual consolidated financial statements for the company, and in the light of applicable Egyptian laws and regulations.
- These Condensed Consolidated Interim Financial Statements don't include all the required information needed for preparing the full annual consolidated financial statements and must be read with the annual consolidated financial statements as of December 31, 2015.

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 presentational 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.), which is the group functional currency. 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.



Notes To The Condensed Consolidated Interim Financial Statements
For The Three Months Ended March 31, 2016 (continued)

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2-5 Fair value measurement

- The fair value of financial instruments are determined based on the market value of those financial instruments or similar financial instruments at the date of the financial statements without deducting any estimated future costs of sale. Financial assets' values are determined at current prices for the purchase of those assets, while determining the value of financial liabilities at the current prices, which would settle those commitments.
- In the absence of an active market to determine the fair value of financial instruments, the fair value is estimated using various valuation techniques, taking into account recent transactions prices, guided by the current fair value of other substantially similar instruments - discounted cash flow method - or any other methods to produce reliable results.
- When using the discounted cash flow method as a method of evaluation, future cash flows are estimated based on the best estimate of the management. Discount rate used is determined in the light of the prevailing market price at the date of the financial statements for financial instruments similar in nature and terms.

3. OPERATING REVENUES

	For the three months ended	
	31/3/2016	31/3/2015
	L.E. (000)	L.E. (000)
Home	999 571	841 354
Enterprise	552 008	379 384
Domestic wholesale	721 412	640 423
International carrier	645 924	761 289
International cables and networks	145 973	138 689
	3 064 888	2 761 139

Total operating revenues have increased by an amount of L.E. 303 749 K mainly due to the increase in enterprise revenues by an amount of L.E. 172 624 K, due to the increase in access service revenue by an amount of L.E.85 841 K and home revenues by an amount of L.E. 158 217 K due to the increase in internet customers which led to the increase in internet revenue in addition to increase in wholesale revenue by an amount of L.E. 80 989 K due to the increase in infrastructure revenue but the decrease in international carrier revenues by an amount of L.E. 115 365 K, which led to limitation of this increase.

4. OPERATING COSTS

	For the three months ended	
	31/3/2016	31/3/2015
	L.E. (000)	Reclassified L.E. (000)
Interconnection cost	495 690	608 102
Depreciation and amortization*	368 157	384 763
Other operating cost*	770 434	714 678
	1 634 281	1 707 543

Operating costs have decreased by an amount of L.E. 73 262 K due to the following:-

- The decrease of interconnection cost by an amount of L.E. 112 412 K which is mainly due to the decrease in international fees of transit service and international interconnection cost.
- The decrease of depreciation and amortization by an amount of L.E. 16 606 K.
- The increase of other operating cost due to the increase in frequencies and license charge (NTRA) by an amount of L.E. 23 189 K.

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



Notes To The Condensed Consolidated Interim Financial Statements
For The Three Months Ended March 31, 2016 (continued)



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5. SELLING AND DISTRIBUTION EXPENSES

	<u>For the three months ended</u>	
	<u>31/3/2016</u>	<u>31/3/2015</u>
	<u>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>
Salaries & wages *	200 049	196 426
Discount allowed	46 024	50 573
Depreciation and amortization *	2 008	2 193
Advertising and marketing	20 784	15 226
Other expenses *	67 868	51 010
	<u>336 733</u>	<u>315 428</u>

The increase in selling and distribution expenses by an amount of L.E. 21 305 K is mainly due to the increase in advertising and promotion by an amount of L.E. 5 558 K and other expenses items by an amount of L.E. 16 858 K.

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

6. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>For the three months ended</u>	
	<u>31/3/2016</u>	<u>31/3/2015</u>
	<u>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>
Salaries and wages*	335 452	285 491
Depreciation and amortization*	19 056	14 552
Tax and duty*	14 714	30 618
Other expenses*	127 587	115 935
	<u>496 809</u>	<u>446 596</u>

The increase in general and administrative expenses by an amount of L.E. 50 213 K is mainly due to the increase in wages and salaries by an amount of L.E. 49 961 K as a result of the annual raise by 8 % from the basic salary starting from January 2016 and the increase in other expenses by an amount of L.E. 11 652 K but the decrease in tax and duty item by an amount of L.E. 15 904 led to limitation of this increase during the period.

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



Notes To The Condensed Consolidated Interim Financial Statements
For The Three Months Ended March 31, 2016 (continued)

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7. NET FINANCE INCOME

	For the three months ended	
	31/3/2016	31/3/2015
	L.E. (000)	L.E. (000)
Total finance income	419 636	156 092
Total finance cost	(7 127)	(2 179)
Net finance income	412 509	153 913

The increase in net finance income by an amount of L.E. 258 596 K during the period is mainly due to the increase in foreign exchange currency gain by an amount of L.E. 311 096 K but the decrease in treasury bills interest by an amount of L.E. 42 633 K which led to limitation of this increase

8. SHARE OF PROFIT OF EQUITY ACCOUNTED INVESTEEES

	For the three months ended	
	31/3/2016	31/3/2015
	L.E. (000)	L.E. (000)
Vodafone Egypt	372 068	258 888
Egypt trust	4	-
	372 072	258 888

9. EMPLOYEES' BENEFITS

9-1 Early retirement scheme

The Company has an early retirement scheme whereby employees who wish to retire, prior to the legal retirement age, are entitled to receive a compensation amounting to 75% of their latest basic salary for the remaining service period up to the retirement age with a maximum of 10 years for men and 15 years for women.

Compensations relating to early retirement amounted to L.E. 484 K for the financial period ending March 31, 2016 (against LE 562 K for the same period of year 2015) are included in general and administrative expenses.

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, 2005 increasing at a compound rate of 5%. The subscription for employees hired after January 1, 2005, is calculated according to a subscription schedule for new hires and increasing at a compound rate of 5% starting from the next year from the hiring date.

The employees share in loyalty & belonging fund according to constant subscription are based on the same employees' basic salary where the end of service benefit calculated. The Company's contribution for the period ended March 31, 2016 amounted to L.E. 47 552 K (against L.E. 47 159 K for the same period as of year 2015). The Company's contribution is included in general and administrative expenses.



Notes To The Condensed Consolidated Interim Financial Statements
For The Three Months Ended March 31, 2016 (continued)



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10. BASIC EARNINGS PER SHARE FOR THE PERIOD

The holding company owners' equity :

Profit for the period (LE 000) *

Number of shares available during the period (share)

Basic earnings per share for the period (LE / share)

<u>For the three months ended</u>	
<u>31/3/2016</u>	<u>Restated</u> <u>31/3/2015</u>
1 196 205	554 071
1707 071 600	1707 071 600
0.70	0.32

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

11. FIXED ASSETS

Description	31/12/2015	31/3/2016	31/12/2015	31/3/2016	31/3/2016	31/12/2015
	Cost	Cost	Accumulated depreciation	Accumulated depreciation	Net	Net
	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Land	2 374 023	2 374 023	-	-	2 374 023	2 374 023
Buildings & Infrastructure	21 478 019	21 795 142	14 238 641	14 455 579	7 339 563	7 239 378
Centrals and technical equipment & information technologies	21 685 428	21 909 184	19 641 962	19 776 739	2 132 445	2 043 466
Vehicles	129 933	150 189	110 475	112 329	37 860	19 458
Furniture	431 089	442 172	341 937	348 240	93 932	89 152
Tools & supplies	128 760	129 659	82 866	84 142	45 517	45 894
Decoration & fixtures	116 808	117 290	88 847	92 051	25 239	27 961
Fixtures on trunk radio network	315	315	315	315	-	-
Total	46 344 375	46 917 974	34 505 043	34 869 395	12 048 579	11 839 332

-The increase in net carrying value of fixed assets mainly due to the additions during the period amounting to L.E. 576 218 K, but the depreciation of the period by an amount of L.E. 371 162 K led to limitation of this increase

-The cost of fixed assets as of March 31, 2016 includes an amount of L.E. 24 032 Million fully depreciated fixed assets and still in use.



Notes To The Condensed Consolidated Interim Financial Statements
For The Three Months Ended March 31, 2016 (continued)

Translation from Arabic

12. PROJECTS IN PROGRESS

	31/3/2016	31/12/2015
	<u>LE (000)</u>	<u>LE (000)</u>
Land	14 420	14 420
Buildings and Infrastructure	663 653	731 589
Centrals and information technology equipment	517 505	700 790
Furniture	390	8 881
Other Assets	456 147	501 665
Advanced payments	76 232	120 137
	<u>1 728 347</u>	<u>2 077 482</u>

The balance of projects in progress are represented in the part that have been completed from commitments and capital contracts until March 31, 2016, and its down payments.

13. INVESTMENTS IN ASSOCIATES

	31/3/2016		31/12/2015	
	<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	10 833 325	44.95	10 461 257
- Wataneya for Telecommunication**	50.00	125	50.00	125
- International Telecommunication Consortium Limited. (ITCL)**	50.00	54	50.00	54
- Egypt Trust**	35.71	7 500	35.71	7 500
- Consortium Algerien de Telecommunications (CAT)**	33.00	133	33.00	133
- Sofisat	25.00	-	25.00	-
		<u>10 841 137</u>		<u>10 469 069</u>
<u>Add:</u>				
<u>Payments for investments purchase</u>				
Egypt Trust***		773		769
<u>Less</u>				
Impairment loss on investment in associates		(7 812)		(7 812)
		<u>10 834 098</u>		<u>10 462 026</u>

*The investments in Vodafone Egypt on March 31, 2016 represents the ownership of 107 869 799 shares with a percentage of 44.95% from the total shares of Vodafone Egypt.

The financial year of Vodafone Egypt ends on March 31 of each year and the equity method was applied in recognizing the investment in Vodafone Egypt during preparing the Condensed Consolidated Interim Financial Statements as of March 31, 2016 by using the consolidated financial statements of Vodafone Egypt for the financial year ended in March 31, 2016 that were approved by Board Of Directors which presents the 12 months from the 1st of April 2015 till March 31, 2016, deduct the movements of the period from April 1, 2015 till December 31, 2015 from the interim financial data of Vodafone Egypt as of December 31, 2015, to determine the share of financial period from January 1 to March 31, 2016 of business results.



Notes To The Condensed Consolidated Interim Financial Statements
For The Three Months Ended March 31, 2016 (continued)

Translation from Arabic

**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

	31/3/2016	31/12/2015
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
<u>Cost</u>		
Submarine Cables (right of way)	787 648	791 636
Right of Use (ROU)	148 497	148 065
License (internet service - programs)	78 114	21 583
Land (possession-usufruct)	440 684	440 684
	<u>1 454 943</u>	<u>1 401 968</u>
<u>Less:</u>		
Accumulated amortization & Impairment	479 148	468 921
Net other assets	<u>975 795</u>	<u>933 047</u>

- The increase in net carrying value of other assets is due to period additions by an amount L.E. 80 267 K but the amortization of the period by an amount of 18 059 K and the disposals during the period by an amount of L.E. 19 871 K led to limitation of this increase.
- Other assets amortization is charged to operating costs.

15. INVENTORIES

	31/3/2016	31/12/2015
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Spare parts	395 348	390 707
Project cables and supplies	125 562	78 794
Others	92 976	87 379
	<u>613 886</u>	<u>556 880</u>

The value of inventories was written down by L.E. 29 121 K (against LE 28 128 K as at December 31, 2015) for obsolete and slow moving items directly from the cost of each type of inventory.



Notes To The Condensed Consolidated Interim Financial Statements
For The Three Months Ended March 31, 2016 (continued)

Translation from Arabic

16. TRADE AND NOTES RECEIVABLE

	31/3/2016	31/12/2015
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Trade Receivables - National	4 369 227	4 581 254
Trade Receivables - International	<u>2 837 226</u>	<u>2 421 243</u>
	7 206 453	7 002 497
Less:		
Impairment loss on trade receivables	<u>2 415 627</u>	<u>2 391 151</u>
	4 790 826	4 611 346
Add:		
Notes receivable	<u>67</u>	<u>233</u>
	<u>4 790 893</u>	<u>4 611 579</u>

The increase in net carrying value of trade and notes receivable by an amount of L.E. 179 314 K is due to the increase in trade receivables-international balance by an amount of L.E. 415 983 K as a result of late on collecting some of trade receivables but the decrease in trade receivables-national by an amount of 212 027 K and the increase of impairment loss of trade receivables balance by an amount of L.E. 24 476 K led to limitation of this increase.

17. DEBTORS AND OTHER DEBIT BALANCES

	31/3/2016	31/12/2015
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Suppliers – debit balances	103 828	47 204
Tax Authority - withholding tax	190 369	162 976
Due from organizations and companies	319 412	296 179
Payments on the account of income tax	184 056	104 636
Payments on the account of employee dividends	-	282 428
Other debit balances*	<u>802 018</u>	<u>717 525</u>
	1 599 683	1 610 948
Less:		
Impairment loss on debtors and other debit balances	<u>199 279</u>	<u>198 877</u>
	<u>1 400 404</u>	<u>1 412 071</u>

Debtors and other debit balances have been decreased by an amount of L.E. 11 667 K mainly due to the settlement of payments on the account of employee dividends for the year 2015 but the increase in payments on the account of income tax by an amount of L.E. 79 420 K and suppliers-debit balances by an amount of L.E. 56 624 K and other debit balances by an amount of L.E 84 493 K led to limitation of this decrease



Notes To The Condensed Consolidated Interim Financial Statements
For The Three Months Ended March 31, 2016 (continued)

Translation from Arabic

18. CASH AND CASH EQUIVALENTS

	Note <u>No.</u>	31/3/2016 <u>L.E. (000)</u>	31/12/2015 <u>L.E. (000)</u>
Banks - time deposits (less than 3 months)		889 322	1 862 855
Banks - current accounts		(71 490)	(20 322)
Cash on hand		56 251	50 845
Treasury bills (less than 3 months)		2 033 518	102 170
Money market funds (less than 3 months)		146 617	417 903
Cash and cash equivalents		3 054 218	2 413 451
Less:			
Restricted cash and cash equivalents	(26)	9 520	9 441
Cash and cash equivalents as per statement of cash flows		3 044 698	2 404 010

19. LOANS AND CREDIT FACILITIES

The increase in the balance of loans and credit facilities mainly resulting from the increase in foreign currency rate against L.E. and taking into consideration that foreign suppliers facilities in Euro amounted to L.E. 796 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 guarantee

20. CREDITORS AND OTHER CREDIT BALANCES

	31/3/2016 <u>L.E. (000)</u>	31/12/2015 <u>L.E. (000)</u>
Suppliers and notes payable	276 774	330 006
Tax Authority-Income Tax	673 647	472 807
Tax Authority (taxes other than income tax)	243 701	247 983
Deposits from others	718 897	696 702
Fixed assets creditors	585 455	978 601
Dividends payable	1 553 422	22 559
Accrued expenses	444 228	349 583
Trade receivables - credit balances	310 756	334 223
Due to organizations and companies	105 404	72 592
Deferred revenues	496 867	134 722
National Telecommunication Regulatory Authority (NTRA)	184 288	166 356
Other credit balances	361 253	383 338
	5 954 692	4 189 472
Less:		
Credit balances due within more than one year (deferred revenues)	-	182
	5 954 692	4 189 290

- Creditors and other credit balances increased by an amount of L.E. 1 765 220 K mainly due to the increase in dividends payable by an amount of L.E. 1 530 863K due to dividends for the year 2015 according to General Assembly decree in March 30, 2016 and tax authority-income tax item by an amount of L.E. 200 840 K



Notes To The Condensed Consolidated Interim Financial Statements
For The Three Months Ended March 31, 2016 (continued)

Translation from Arabic

21. PROVISIONS

	31/3/2016	31/12/2015
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Balance at the beginning of the period / year	1 017 686	558 341
Reclassification during the period/year**	(180 958)	135 134
Charged to income statement for the period / year*	41 437	444 623
Provision used during the period / year	(1 119)	(120 412)
Translation differences	6	-
Balance at the end of the period / year	<u>877 052</u>	<u>1 017 686</u>

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

** Reclassification was made during the period to creditors item by an amount of L.E. 160 000 K and L.E 20 958 K for impairment loss to trade receivables

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

	31/3/2016	31/12/2015
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Legal reserve	1 649 745	1 583 556
Other reserves	2 796 578	4 796 578
	<u>4 446 323</u>	<u>6 380 134</u>

The increase in the legal reserve balance mainly as a result of retaining an amount of L.E. 66 189 K from 2015 profit in accordance with the company's article of association and its subsidiaries.

The balance of other reserve has decreased due to transfer an amount of L.E. 2 000 000 K from general reserve to retained earning "according to Ordinary General Assembly decree which was held on March 30, 2016"



24. DEFERRED TAX

24-1 Deferred tax assets and liabilities

	<u>31/3/2016</u>		<u>31/12/2015</u>	
	Assets	Liabilities	Assets	Liabilities
	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>Restated L.E.(000)</u>
Total deferred tax asset / (liability)	350 825	(379 654)	350 763	(357 630)
Net liabilities deferred tax	-	<u>(28 829)</u>	-	<u>(6 867)</u>
Deferred tax charged to income statement for the period		<u>(21 962)</u>		<u>545 180</u>

Deferred tax liability for the undistributed dividends of subsidiaries & associates in accordance with the presidential decree no. (53) for the year 2014 which is amended by presidential decree no. (96) for the year 2015 as shown Note no.(27).

There are amendments on income tax law during years 2014 and 2015 and the most important one is the decrease in income tax rate to be 22.5% as shown Note no (27).

24-2 Unrecognized deferred tax assets

	<u>31/3/2016</u>	<u>31/12/2015</u>
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Unrecognized deferred tax assets	<u>646 207</u>	<u>627 315</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 company's capital commitments for the unexecuted parts of contracts until March 31, 2016 amounted to L.E. 264 Million (against L.E. 124 Million as at December 31, 2015) includes uncalled installments of investees' share in capital and haven't been claimed yet by an amount of LE 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.



Notes To The Condensed Consolidated Interim Financial Statements
For The Three Months Ended March 31, 2016 (continued)

Translation from Arabic

26. CONTINGENT LIABILITIES

In addition to the amounts included in the condensed Separate balance sheet as of March 31, 2016, the company has the following contingent liabilities:

	<u>31/3/2016</u>	<u>31/12/2015</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
- Letters of guarantee issued by banks on behalf of the company*	212 251	184 687
- Letters of credit	277 793	305 718

* letters of guarantee which were issued by banks on behalf of the company and for the benefits of others as at March 31, 2016 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, 2013 and all due taxes were settled.
- Tax inspection for the year 2014 is in process.

27-2 Amendments on important laws issued during year 2014, 2015

- On June 4, 2014, law no. 44 of 2014 was issued, imposing temporary additional 5% increase in the tax rate for three years on individuals and corporate entities whose annual income exceeds one million Egyptian pounds. This tax will be calculated and collected according to the provisions of the income tax law, and shall come into force on 5 June 2014.
- And on June 30, 2014, a presidential decree no. 53 of 2014 was issued, amending certain provisions of the income tax Law No. 91 of 2005, the main amendments are:
 1. Imposing income tax on dividends.
 2. Imposing income tax on capital gains from selling shares and securities.
- On April 6, 2015 Ministerial Decree No. 172 of 2015 was issued, amending certain provisions of the executive regulations for the Income Tax Law issued by the Minister of Finance decree No. 991 for the year 2005.
- On August 20, 2015, Presidential Decree was issued with Law No. (96) of 2015 amending certain provisions of the Income Tax Law No. (91) of 2005 and the decree no (44) of 2014 to impose temporary additional income tax, the decree will be effective from the day following its publication, the following are the most significant changes that were mentioned in the decree:
 - 1- Decreasing the income tax rate to be 22.5% of the net annual profits.
 - 2- Amending the period of imposing the temporary tax 5%.
 - 3- Amending the tax on dividends.
 - 4- Suspend the adoption of the capital tax imposed on the income from dealing in listed securities for two years starting from 17/5/2015.

27-3 Sales Tax

- Tax inspection was performed for the years till December 31, 2010 and all due taxes were settled.
- Tax inspection for the years 2011 till 2012 is in process.

27-4 Salary Tax

- Tax inspection was performed for the years till December 31, 2012, and the Company was notified and all due taxes were settled.
- Tax inspection for the years 2013, 2014, 2015 is in process.



*Notes To The Condensed Consolidated Interim Financial Statements
For The Three Months Ended March 31, 2016 (continued)*

Translation from Arabic

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

27- 6 Real estate taxes

- All taxes are paid according to the addition notices received by the company. The company's Legal Affairs 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.
- Provisions were formed to meet any tax liabilities that may arise from the tax inspection.



*Notes To The Condensed Consolidated Interim Financial Statements
For The Three Months Ended March 31, 2016 (continued)*

Translation from Arabic

28. RELATED PARTY TRANSACTIONS

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

	Nature of transactions during the period	Transactions volume during the period stated in the income statement		Movement during the period	Balance as of		
		LE,000	LE,000		Debit (Credit)	Debit (Credit)	
							LE,000
Debit balances included in trade receivables							
- Vodafone Egypt Telecommunications Company	Outgoing calls and voice services to the associates company	274,287		592,779	754,074	(35,695)	125,600
	Incoming and international calls, transmission & lease of company premises and towers to the associates company	261,862					
				592,779	754,074	(35,695)	125,600
Debit balances included in debit balances - long term							
- Consortium Algerien de Telecommunications (CAT)*	Paid on behalf of associates to finance operating expenses					453,902	453,902
						453,902	453,902
Debit balances included in debtors and other debit balances							
- International Telecommunication Consortium Limited (ITCL)**						66	66
Credit balances included in creditors and other credit balances							
- Vodafone Egypt Telecommunications Company	Telecommunications services	3,498		3,878	5,913	(7,077)	(5,042)

* 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 is indirectly by 50%, this company suffers from financial difficulties and sustains material losses. The Extra-Ordinary General Assembly Meeting of the company (CAT) held on July 1, 2009 approved the dissolution and liquidation of the company. In the light of these circumstances, there is high probability that Telecom Egypt will not be able to collect the finance given to Consortium Algerian de Telecommunication Company.

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



Notes To The Condensed Consolidated Interim Financial Statements
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Translation from Arabic

29. GROUP ENTITIES

te direct and indirect share in subsidiaries companies on March 31, 2016 which were included in the condensed consolidated interim financial statements is as follows:

<u>Company name:</u>	<u>Country of incorporation</u>	<u>Ownership interest</u>	
		<u>31/3/2016</u>	<u>31/12/2015</u>
Telecom Egypt France	France	100.00 %	100.00 %
T.E Data	Egypt	100.00 %	100.00 %
T.E Data Jordan	Jordan	100.00 %	100.00 %
TE Investment Holding	Egypt	100.00 %	100.00 %
The Egyptian Telecommunication Company for Information Systems (Xceed)	Egypt	100.00 %	100.00 %
Xceed Customer Care Maroc	Morocco	100.00 %	100.00 %
Centra Technologies	Egypt	100.00 %	100.00 %
Centra Industries	Egypt	100.00 %	99.89 %
Centra Distribution	Egypt	99.99 %	99.99 %
Middle East Radio Communication (MERC)	Egypt	51.00 %	51.00 %

30. SIGNIFICANT CLAIMS AND LITIGATIONS

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

On September 2009, Orange Egypt had filed the Arbitration Case no. 644/2009 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 services.

On october 2009 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 and this violates the article (13) of the interconnection agreement between TE and Orange Egypt.

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 interpetation to the Egyptian law and the principles that should be followed by both parties to agree on the interconnection rates. Also the tribunal rejected a part of TE's claims for the previous period, 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.



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Translation from Arabic

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 of Telecommunication law and Competition law.

The amount in dispute as per the company's record between te and Orange Egypt in relation to the said dispute for the period from September 3, 2008 to the end of March 2016 is approximately an amount of L.E. 657 471 K.

30-2 Interconnection dispute with Vodafone Egypt Company

The Ordinary General Assembly dated 30 March 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 14 April 2016. Subject to such settlement, te and VFE settled all disputes raised between both of them, till 31 December 2015.

30-3 Dispute with one of the investees

The company has filed an arbitration case against an investee, in which TE owns 25%, claiming compensations for breach of obligations stipulated in an agreement concluded between the company, and the investee and requesting the termination of the said agreement. The investee has filed as well another arbitration case against te claiming compensation for breaching of obligations stipulated in the same agreement.

In 31 August 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 dated 25 July 2000, and its amendments dated 2004, and the shareholder's contract dated 27 February 2006 and awarded compensation to the investees. The company started to take the necessary legal actions to cease the implementation of such award and to annul it, as per the external advisor recommended to the company.

And the company has made the necessary provisions to cover any anticipated future obligations, may arise as a result of the above cases.



31. COMPARATIVE FIGURES

- Restatements were made to the comparative figures of deferred tax item in condensed consolidated income statement led to decrease in net profit for three months ended March 31, 2015 by an amount of L.E 49 491 K in accordance with the presidential decree no. (53) for the year 2014 as shown Note no.(27-2)
- Also a reclassification was made on the comparative figures of some items of condensed consolidated income statement and some items of condensed consolidated statement of cash flows to conform to the current presentation, the following is the effect of these restatements and reclassifications on the condensed consolidated interim financial statements :-

31-1 Effect on Condensed Consolidated Income Statement

<u>Description</u>	For the three months ended 31/3/2015	<u>Restatement\</u> <u>Reclassification</u> (debit)/credit	For the three months ended 31/3/2015
	<u>as previously</u> <u>presented</u>		<u>Restated</u>
	<u>L.E.(000)</u>		<u>LE(000)</u>
Operating Cost	(1 704 532)	(3 011)	(1 707 543)
Selling and distribution expenses	(313 117)	(2 311)	(315 428)
General and administration expenses	(451 918)	5 322	(446 596)
Defferred income tax	(11 897)	(49 491)	(61 388)

31-2 Effect on condensed consolidated Statement of Cash flows

<u>Description</u>	For the three months ended 31/3/2015	<u>Reclassification</u> (debit)/credit	For the three months ended 31/3/2015
	<u>as previously</u> <u>presented</u>		<u>current</u> <u>presentation</u>
	<u>L.E.(000)</u>		<u>LE(000)</u>
Cash paid to suppliers	(263 023)	(35 562)	(298 585)
Other (Payments)/proceeds	(6 493)	35 562	29 069

32- SIGNIFICANT ACCOUNTING POLICIES

32-1 The accounting policies applied in the preparation of the condensed consolidated interim financial statements as of March 31, 2016 is the same as the accounting policies applied in the preparation of the annual consolidated financial statements as of December 31, 2015, these accounting policies have been applied consistently to all periods presented in these condensed consolidated interim financial statements, taking into consideration the new issues and amendments issued to the Egyptian Accounting Standards (EAS) and adopted from 1/1/2016 (Note no. 32-2)



32-2 New issues and amendments issued to the Egyptian Accounting Standards (EAS) and effective on 1/1/2016.

During the year 2015, a modified version of the Egyptian Accounting Standards (EAS) was issued including some of the new accounting standards and the amendments to some existing standards provided that they shall come into force for the financial periods that start after January 1, 2016, taking into consideration that the early implementation of these standards is not permissible.

*In the following table, we shall review the most important amendments on the Egyptian Accounting Standards that may have an impact on the condensed consolidated interim financial statements of the company.

New or Amended Standards	Summary of the Most Significant Amendments	Possible Impact on the Financial Statements
<p><u>EAS (1)</u> Presentation of Financial Statements</p>	<p><i>Financial Position Statement</i></p> <ul style="list-style-type: none"> The Standard does not require to present the working capital presentation. The reference financial statements that was included in 2006 Standards was excluded; which presented the working capital presentation. A statement shall be added to the statement of financial position including balances of the beginning of the first presented comparative period in case of retrospective implementation or change in an accounting policy or reclassification carried out by the entity. <p><i>Income Statement (Profit or Loss)/Statement of Comprehensive Income</i></p> <p>The entity shall disclose all recognized income and expense captions during the financial period in two separate statements; one of them presents the profit or loss components (<i>Income Statement</i>) and the other one starts with the profit or loss and presents the other comprehensive income items (<i>Statement of Comprehensive Income</i>).</p>	<ul style="list-style-type: none"> All the presented financial statements have been re-presenting, disclosures and their accompanying notes including the comparative figures to be in conformity with the amendments to the Standard. Added a new statement, <i>Statement of Comprehensive Income</i>, for the current and comparative period was added.
<p><u>EAS (10)</u> Property, Plant and Equipment (PPE)</p>	<ul style="list-style-type: none"> The option of using the revaluation model in the subsequent measurement of PPE has been canceled. The financial shall disclose a reconciliation of the carrying amount – movement of the PPE and its depreciations- in the notes accompanying the financial statements at the beginning and the end of the current period and the comparable period. 	<p>The amendment is not applicable retroactively, the book value and accumulated depreciation on the date of application of the amended standard is to be used.</p> <p>The comparative figures related to the PPE in the notes accompanying the financial statements have been represented to be in conformity with the required amendments on the standard.</p>



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For The Three Months Ended March 31, 2016(continued)

Translation from Arabic

New or Amended Standards	Summary of the Most Significant Amendments	Possible Impact on the Financial Statements
<u>EAS (14)</u> Borrowing Costs	<ul style="list-style-type: none"> • Elimination of the previous benchmark treatment that recognized the borrowing cost directly attributable to the acquisition, construction or production of a qualifying asset in the Income Statement without being capitalized on the asset. 	<p>The Standard were applied to the borrowing costs attributable to the qualifying assets, where the start date of capitalization falls within or after 1/1/2016.</p>
<u>EAS (23)</u> Intangible Assets	<p>The option of using the revaluation model in the subsequent measurement of intangible assets has been canceled.</p>	<p>The amendment is not applicable retroactively, the book value and accumulated amortization on the date of application of the amended standard is to be used</p>
<u>EAS (40)</u> Financial Instruments: Disclosures	<ul style="list-style-type: none"> • A new Egyptian Accounting Standard No.(40) "<i>Financial Instruments: Disclosures</i>" was issued including all the disclosures required for the financial instruments. • Accordingly, EAS (25) was amended by separating the disclosures from it. The name of the Standard became "<i>Financial Instruments: Presentation</i>" instead of "<i>Financial Instruments: Presentation and Disclosure</i>" 	<p>Retroactive amendment to all the comparative figures of the presented disclosures were carried out.</p>
<u>Egyptian Standard No. (45)</u> Fair Value Measurement	<ul style="list-style-type: none"> • The new Egyptian Accounting Standard No. (45) "<i>Fair Value Measurement</i>" was issued and shall be applied when another Standard requires or allows measurement or disclosure to be made at fair value. This Standard aims the following: <ol style="list-style-type: none"> (a) Defining the fair value (b) Laying down a framework to measure the fair value in one Standard and (c) Identifying the disclosure required for the fair value measurements. 	<p>Proactive application of the standard were carried out on the preparation of the financial statements starting from 2016 including the disclosures required by the standard.</p>