



Translation from Arabic

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Condensed Consolidated Interim Financial Statements
For The Nine Months Ended September 30, 2016
And The Limited Review Report



Translation from Arabic

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Condensed Consolidated Interim Financial Statements
For The Nine Months Ended September 30, 2016
And The Limited Review Report

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Translation from Arabic

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

Introduction

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

Scope of Limited Review

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

Conclusion

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



Hazem Hassan

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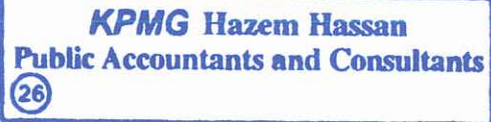
Emphasis of Matter

Without qualifying our conclusion, we draw attention to note no. (30-1) of the notes to the condensed consolidated interim financial statements, which describes the dispute between the company and Orange Egypt Company (previously named Mobinil) in regards to the interconnection rates. Several resolutions were issued by the National Telecommunication Regulatory Authority (NTRA) determining the interconnection rates based on the complaint filed by the company. As a result, Orange filed lawsuits for ceasing the implementation of the said resolutions. In addition, to the lawsuits and arbitral, litigations filed by or against the company and Orange, several rulings were issued but were appealed before the relevant authorities. These litigations and appeals are still under deliberation before the court and the arbitral tribunals and the final ruling has not been issued yet.

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

**KPMG Hazem Hassan
Public Accountants & Consultants**

Cairo, November 9, 2016





Translation from Arabic

Telecom Egypt Company
(An Egyptian Joint Stock Company)

Condensed Consolidated Statement of Financial Position as of:

	Note No.	30/9/2016 L.E. (000)	31/12/2015 L.E. (000)
Assets			
Non Current Assets			
Fixed assets	(11)	13 165 760	11 839 332
Projects in progress	(12)	6 656 972	2 077 482
Investments in associates	(13)	9 921 699	10 462 026
Available-for-sale investments		91 139	98 639
Other assets	(14)	945 180	933 047
Total Non Current Assets		30 780 750	25 410 526
Current Assets			
Inventories	(15)	718 764	556 880
Trade and notes receivable	(16)	3 880 199	4 611 579
Debtors and other debit balances	(17)	1 492 846	1 412 071
Held-to-maturity investments-treasury bills		192 846	173 338
Cash and cash equivalents	(18)	981 326	2 413 451
Total Current Assets		7 265 981	9 167 319
Total Assets		38 046 731	34 577 845
Equity			
Capital	(22)	17 070 716	17 070 716
Reserves	(23)	4 446 323	6 380 134
Retained earnings		8 569 233	5 508 940
Foreign entities translation reserve		22 869	4 310
Equity attributable to owners of the company		30 109 141	28 964 100
Non - controlling interest		10 698	10 330
Total Equity		30 119 839	28 974 430
Non Current Liabilities			
Loans and credit facilities	(19)	327 690	326 914
Creditors and other credit balances	(20)	247 092	182
Deferred tax liabilities	(24-1)	96 476	6 867
Total Long Term Liabilities		671 258	333 963
Current Liabilities			
Loans and credit facilities instalments due within one year	(19)	2 417 457	62 476
Creditors and other credit balances	(20)	4 117 080	4 189 290
Provisions	(21)	721 097	1 017 686
Total Current Liabilities		7 255 634	5 269 452
Total Liabilities		7 926 892	5 603 415
Total Equity and Liabilities		38 046 731	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

Shaher Shokry

Vice President For,
Financial Affairs

M. Shamroukh

Mohamed Shamroukh

Managing Director

& Chief Executive Officer

Tamer Gadalla

Board of Directors approval

Chairman

Magid Ibrahim Osman

.Maged Osman

M.O.

Limited Review Report "attached"



Translation from Arabic

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

	Note	<u>For the nine months ended</u>		<u>For the Three months ended</u>	
		30/9/2016	30/9/2015	30/9/2016	30/9/2015
		<u>L.E.(000)</u>	<u>Reclassified L.E.(000)</u>	<u>L.E.(000)</u>	<u>Reclassified L.E.(000)</u>
Operating revenues	(3)	9 668 145	8 719 617	3 308 837	2 933 363
Operating costs	(4)	(5 046 828)	(5 230 526)	(1 821 802)	(1 781 560)
Gross Profit		4 621 317	3 489 091	1 487 035	1 151 803
Other income		256 560	125 615	84 291	39 955
Selling and distribution expenses	(5)	(1 083 337)	(1 042 406)	(411 247)	(391 259)
General and administrative expenses	(6)	(1 554 758)	(1 251 235)	(509 770)	(351 028)
Other expenses		(135 220)	(369 428)	(47 486)	(198 183)
Operating profit		2 104 562	951 637	602 823	251 288
Finance income		537 652	320 280	55 408	97 726
Finance cost		(34 387)	(81 003)	(15 921)	(71 280)
Net finance income	(7)	503 265	239 277	39 487	26 446
Share of profit of equity accounted investees	(8)	1 137 498	733 128	421 142	305 956
Profit before tax		3 745 325	1 924 042	1 063 452	583 690
Income tax expense		(470 226)	(370 998)	(151 765)	(43 580)
Deferred tax	(24-1)	(89 609)	583 210	(42 191)	663 308
Total income tax		(559 835)	212 212	(193 956)	619 728
Profit for the period		3 185 490	2 136 254	869 496	1 203 418
Profit attributable to :					
Owners of the company		3 183 168	2 134 871	868 110	1 202 915
Non-controlling interest		2 322	1 383	1 386	503
Profit for the period		3 185 490	2 136 254	869 496	1 203 418
Basic earnings per share for the period (L.E. / Share)	(10)	1.86	1.25	0.51	0.70

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



Translation from Arabic

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

	<u>For the nine months ended</u>		<u>For the three months ended</u>	
	30/9/2016	30/9/2015	30/9/2016	30/9/2015
	<u>L.E.(000)</u>	<u>Reclassified L.E.(000)</u>	<u>L.E.(000)</u>	<u>Reclassified L.E.(000)</u>
Profit for the period after income tax	3 185 490	2 136 254	869 496	1 203 418
<u>Other Comprehensive Income items :</u>				
Translation differences of foreign entities	18 559	3 208	1 617	3 655
Total Comprehensive Income	<u>3 204 049</u>	<u>2 139 462</u>	<u>871 113</u>	<u>1 207 073</u>
Attributable to :				
Owners of the company	3 201 727	2 138 079	869 727	1 206 570
Non-controlling interest	2 322	1 383	1 386	503
Total Comprehensive Income	<u>3 204 049</u>	<u>2 139 462</u>	<u>871 113</u>	<u>1 207 073</u>

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



Translation from Arabic

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Condensed Consolidated Statement of Changes in Equity
For The Nine Months Ended September 30, 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	-	-	-	2 134 871	-	2 134 871	1 383	2 136 254
Translation differences of foreign entities	-	-	-	-	3 208	3 208	-	3 208
Total Comprehensive Income	-	-	-	2 134 871	3 208	2 138 079	1 383	2 139 462
Transactions with owners of the company:								
Transferred to legal reserve	-	28 600	-	(28 600)	-	-	-	-
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)
Dividends in associates (Employees & Board of Directors)	-	-	-	(4 497)	-	(4 497)	-	(4 497)
acquisition of non-controlling interest-Subsidiaries	-	1 136	-	(3 313)	11	(2 166)	(6 683)	(8 499)
Total transactions with owners of the company	-	29 736	-	(821 898)	11	(792 151)	(8 343)	(800 494)
Balance as of September 30, 2015	17 070 716	1 582 920	4 796 578	4 647 034	6 228	28 103 476	9 663	28 113 139
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	-	-	-	3 183 168	-	3 183 168	2 322	3 185 490
Translation differences of foreign entities	-	-	-	-	18 559	18 559	-	18 559
Total Comprehensive Income	-	-	-	3 183 168	18 559	3 201 727	2 322	3 204 049
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)
Dividends of Subsidiaries (Employees & Board of Directors)	-	-	-	(167 647)	-	(167 647)	-	(167 647)
Acquisition of non controlling interest in subsidiaries	-	-	-	-	-	-	(7)	(7)
Total transactions with owners of the company	-	66 189	(2 000 000)	(122 875)	-	(2 056 686)	(1 954)	(2 058 640)
Balance as of September 30, 2016	17 070 716	1 649 745	2 796 578	8 569 233	22 869	30 109 141	10 698	30 119 839

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



Translation from Arabic

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

	Note No.	<u>For the Nine months ended:</u>	
		30/9/2016	30/9/2015
		<u>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>
<u>Cash flows from operating activities:-</u>			
Cash receipts from customers		9 360 477	6 487 248
Sales tax collected from customers		189 943	169 237
Stamp tax and fees collected (from third party)		28 986	30 095
Deposits returned from (payments to) customers		4 447	(2 197)
Cash paid to suppliers		(1 059 761)	(788 847)
Payments of NTRA license fees		(213 791)	(416 203)
Dividends paid to employees		(600 659)	(527 697)
Cash paid to employees		(2 476 052)	(2 249 519)
Cash paid on behalf of employees to third party		(457 848)	(408 555)
Cash provided by operating activities		4 775 742	2 293 562
Interest paid		(5 254)	(5 984)
Payments to Tax Authority - income tax		(304 925)	(683 436)
Payments to Tax Authority - sales tax		(533 229)	(425 025)
Payments to Tax Authority - other taxes		(369 172)	(393 357)
Other (Payment) / proceeds		(81 842)	142 969
Net cash provided by operating activities		3 481 320	928 729
<u>Cash flows from investing activities:-</u>			
Payments for purchase of fixed assets, projects in progress and other assets		(2 255 204)	(1 882 523)
Payments for purchase of other assets - fourth generation license		(5 219 732)	-
Proceeds from sale of fixed assets and other assets		769	210
Acquisition of investments		(7)	(8 849)
Payments for purchase of held to maturity investments - treasury bills		(273 830)	(480 429)
Interest received		39 805	25 507
Proceeds from investments fund		1 437 968	32 516
Proceeds from available for sale investment		11 183	-
Proceeds from sale of held-to-maturity investment -treasury bills		259 497	1 290 812
Proceeds from securities (treasury bills - mutual fund)		61 985	160 573
Net cash used in investing activities		(5 937 566)	(862 183)
<u>Cash flows from financing activities:-</u>			
Payments for loans and other facilities		(49 790)	(56 816)
Proceeds form credit facilities		2 347 525	-
Dividends paid to Shareholders		(1 281 920)	(357 410)
Net cash provided by \ (used in) financing activities		1 015 815	(414 226)
Net change in cash and cash equivalents during the period		(1 440 431)	(347 680)
Translation differences of foreign entities		6 867	2 835
Cash and cash equivalents at the beginning of the period	(18)	2 404 010	2 698 964
Cash and cash equivalents at the end of the period	(18)	970 446	2 354 119

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 Nine Months Ended September 30, 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 Nine months ended September 30, 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 November 9, 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 September 30, 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.

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.



Notes To The Condensed Consolidated Interim Financial Statements
For The Nine Months Ended September 30, 2016 (continued)

Translation from Arabic

3. OPERATING REVENUES

	<u>For the nine months ended</u>		<u>For the three months ended</u>	
	<u>30/9/2016</u>	<u>30/9/2015</u>	<u>30/9/2016</u>	<u>30/9/2015</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Home	3 097 140	2 619 136	1 088 142	901 230
Enterprise	1 632 385	1 346 975	510 381	456 498
Domestic wholesale	2 300 514	2 038 364	766 101	699 439
International carrier	2 074 530	2 263 916	686 578	729 005
International cables and networks	563 576	451 226	257 635	147 191
Total operating revenues	9 668 145	8 719 617	3 308 837	2 933 363

Total operating revenues have increased by an amount of L.E. 948 528 K mainly due to increase in home revenues by an amount of L.E. 478 004 K due to the increase in internet customers which led to the increase in internet revenue, due to the increase in enterprise revenues by an amount of L.E. 285 410 K, due to the increase in access service revenue by an amount of L.E.128 986 K in addition to increase in wholesale revenue by an amount of L.E. 262 150 K due to the increase in infrastructure revenue but the decrease in international carrier revenues by an amount of L.E 189 386 K, which led to limitation of this increase.

4. OPERATING COSTS

	<u>For the nine months ended</u>		<u>For the three months ended</u>	
	<u>30/9/2016</u>	<u>30/9/2015</u>	<u>30/9/2016</u>	<u>30/9/2015</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Interconnection cost	1 589 801	1 842 043	533 352	614 292
Depreciation and amortization	927 482	1 117 512	333 035	364 939
Other operating cost*	2 529 545	2 270 971	955 415	802 329
	5 046 828	5 230 526	1 821 802	1 781 560

Operating costs have decreased by an amount of L.E. 183 698 K mainly due to the following: -

- The decrease of interconnection cost by an amount of L.E. 252 242 K which is mainly due to the decrease in international fees of transit service by an amount of L.E. 209 779 K.
- The decrease of depreciation and amortization by an amount of L.E. 190 030 K mainly due to the amendment of the useful life of some fixed assets categories according to Board of Directors decree which was held on 8/5/2016.
- The increase of other operating cost due to the increase in salaries and wages by an amount of L.E 51 665 K and frequencies and license charge (NTRA) by an amount of L.E. 70 174 K.

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



5. SELLING AND DISTRIBUTION EXPENSES

	For the nine months ended		For the three months ended	
	30/9/2016	30/9/2015	30/9/2016	30/9/2015
		Reclassified		Reclassified
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Salaries & wages *	682 416	627 247	269 592	225 400
Company contribution in social insurance	76 027	67 620	25 183	22 740
Depreciation and amortization	5 439	6 342	1 638	2 018
Discount allowed	137 941	150 403	44 136	48 605
Advertising and marketing	75 061	90 524	37 653	52 335
Other expenses *	106 453	100 270	33 045	40 161
	<u>1 083 337</u>	<u>1 042 406</u>	<u>411 247</u>	<u>391 259</u>

The increase in selling and distribution expenses by an amount of L.E. 40 931 K is mainly due to the increase in salaries and wages item by an amount of L.E. 55 169 K and the company contribution in social insurance item by an amount of L.E. 8 407 K as a result of the annual raise by 8 % from the basic salary starting from January 2016.

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

6. GENERAL AND ADMINISTRATIVE EXPENSES

	For the nine months ended		For the three months ended	
	30/9/2016	30/9/2015	30/9/2016	30/9/2015
		Reclassified		Reclassified
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Salaries and wages *	892 277	753 071	200 307	188 287
Company's social insurance contribution	89 402	76 686	29 733	27 340
Early Retirement	42 502	1 224	36 298	348
The company's contribution in loyalty and belonging fund	155 625	141 477	51 875	47 159
Depreciation and amortization	54 013	45 930	18 361	16 201
Bad debt expenses	6 716	2 199	1 757	858
Tax and Duty	156 158	80 302	107 710	24 367
Other expenses	158 065	150 346	63 729	46 468
	<u>1 554 758</u>	<u>1 251 235</u>	<u>509 770</u>	<u>351 028</u>

The increase in general and administrative expenses by an amount of L.E. 303 523 K is mainly due to the increase in wages and salaries by an amount of L.E. 139 206 K and the company contribution in social insurance item by an amount of L.E. 12 716 K as a result of the annual raise by 8 % from the basic salary starting from January 2016 in addition to the increase in Tax and duty item by an amount of L.E 75 856 K due to record deductible tax of dividends by an amount of L.E 75 702 K and the increase in Other expenses due to the increase in Early retirement item by an amount of L.E. 41 278 K due to apply new early retirement scheme for specific period within 2nd quarter 2016.

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



Notes To The Condensed Consolidated Interim Financial Statements
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Translation from Arabic

7. NET FINANCE INCOME

	<u>For the nine months ended</u>		<u>For the three months ended</u>	
	<u>30/9/2016</u>	<u>30/9/2015</u>	<u>30/9/2016</u>	<u>30/9/2015</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Total finance income	537 652	320 280	55 408	97 726
Total finance cost	(34 387)	(81 003)	(15 921)	(71 280)
Net finance income	503 265	239 277	39 487	26 446

The increase in net finance income by an amount of L.E. 263 988 K during the period is mainly due to the increase in foreign exchange currency gain by an amount of L.E. 270 567 K in addition to decrease in Impairment loss of financial assets by an amount of L.E. 54 203 K but the decrease in Treasury bills income by an amount of L.E. 63 682 K which led to limitation of this increase.

8. SHARE OF PROFIT OF EQUITY ACCOUNTED INVESTEEES

	<u>For the nine months ended</u>		<u>For the three months ended</u>	
	<u>30/9/2016</u>	<u>30/9/2015</u>	<u>30/9/2016</u>	<u>30/9/2015</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Vodafone Egypt	1 137 494	733 292	421 142	306 120
Egypt trust	4	(164)	-	(164)
	<u>1 137 498</u>	<u>733 128</u>	<u>421 142</u>	<u>305 956</u>

9. EMPLOYEES' BENEFITS

9-1 Early retirement scheme

The Company has an early retirement scheme whereby 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 which were related to apply the optional early retirement for employees within 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. 42 502 K for the financial period ending September 30, 2016 (against LE 1 224 K for the same period of year 2015) are included in general and administrative expenses and now the company don't apply any early retirement scheme.

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

The employees are granted an end of service benefits through a Loyalty & belonging Fund established in January 2004. Employees' benefit are based on the employees' basic salary in January 1, 2005 increasing at a compound rate of 5%. The subscription for employees hired after January 1, 2005, is calculated according to a subscription schedule for new hires and increasing at a compound rate of 5% starting from the next year from the hiring date.

The employees share in loyalty & belonging fund according to constant subscription are based on the same employees' basic salary where the end of service benefit calculated. The Company's contribution for the period ended September 30, 2016 amounted to L.E. 155 625 K (against L.E. 141 477 K for the same period as of year 2015) are included in general and administrative expenses.



Notes To The Condensed Consolidated Interim Financial Statements
For The Nine Months Ended September 30, 2016 (continued)

Translation from Arabic

10. BASIC EARNINGS PER SHARE FOR THE PERIOD

	<u>For the nine months ended</u>		<u>For the three months ended</u>	
	<u>30/9/2016</u>	<u>30/9/2015</u>	<u>30/9/2016</u>	<u>30/9/2015</u>
<u>The holding company owners' equity :</u>				
Profit for the period (LE 000)	3 183 168	2 134 871	868 110	1 202 915
Number of shares available during the period (share)	1707 071 600	1707 071 600	1707 071 600	1707 071 600
Basic earnings per share for the period (LE / share)	1.86	1.25	0.51	0.70

11. FIXED ASSETS

Description	30/9/2016	31/12/2015	30/9/2016	31/12/2015	30/9/2016	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	2 374 578	2 374 023	-	-	2 374 578	2 374 023
Buildings & Infrastructure *	22 632 560	21 478 019	14 473 809	14 238 641	8 158 751	7 239 378
Centrals and technical equipment & information technologies*	22 502 004	21 685 428	20 074 924	19 641 962	2 427 080	2 043 466
Vehicles*	149 241	129 933	110 341	110 475	38 900	19 458
Furniture	464 770	431 089	366 126	341 937	98 644	89 152
Tools & supplies	132 590	128 760	86 809	82 866	45 781	45 894
Decoration & fixtures	119 131	116 808	97 105	88 847	22 026	27 961
Fixtures on trunk radio network	315	315	315	315	-	-
Total	48 375 189	46 344 375	35 209 429	34 505 043	13 165 760	11 839 332

-The increase in net carrying value of fixed assets mainly due to the additions during the period amounting to L.E. 2 264 604 K, but the depreciation of the period by an amount of L.E. 932 607 led to limitation of this increase.

-The cost of fixed assets as of September 30, 2016 includes an amount of L.E. 23 681 Million fully depreciated fixed assets and still in use.

* Useful life of some fixed assets items were amended during the period according to the technical report approved by the company's management according to Board of Directors decree which dated 8/5/2016, which starting from 1/1/2016.



12. PROJECTS IN PROGRESS

	30/9/2016	31/12/2015
	<u>LE (000)</u>	<u>LE (000)</u>
Land	15 576	14 420
Buildings and Infrastructure	482 144	731 589
Centrals and information technology equipment **	296 085	700 790
Furniture	13	8 881
Other Assets	526 993	501 665
Advanced payments - Other Assets (Fourth generation network license) *	5 219 732	-
Advanced payments	116 429	120 137
	<u>6 656 972</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 September 30, 2016, and its down payments.

* TE obtained license to provide 4G services from the National Telecommunication Regulatory Authority (NTRA), under the terms of the granted license, Telecom Egypt can manage a full-fledged mobile operation to service the Egyptian market, according to the agreement dated 31 August 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.
2. The value of the license is equivalent to EGP 7 080 Million, of wick equivalent to EGP 5 200 Million was paid up front.
3. The remaining portion will be paid in equal instalments over the next Four years, 50% paid in Egyptian pounds, 50% paid in US dollars.
4. Telecom Egypt has to make the services available within 6 months.
5. The initial license term is for a period of 15 years.
6. Telecom Egypt has a conditional right to renew the license for another Five years, with renewal fee up to EGP 2 000 million, to be paid at year 15 from the date of license.
7. License agreement included fixed annual fees in license and percentage of annual revenue.

** Centrals and information technology equipment item has been decreased by an amount of L.E 4 160 K to meet the impairment loss of this item.



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13. INVESTMENTS IN ASSOCIATES

	<u>30/9/2016</u>		<u>31/12/2015</u>	
	<u>Ownership</u>	<u>amount</u>	<u>Ownership</u>	<u>amount</u>
	<u>%</u>	<u>L.E. (000)</u>	<u>%</u>	<u>L.E. (000)</u>
- Vodafone Egypt Telecommunication company*	44.95	9 920 926	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>9 928 738</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>9 921 699</u>		<u>10 462 026</u>

*The investments in Vodafone Egypt on September 30, 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 September 30, 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 adding the movement of the period from April 1, 2016 to September 30, 2016 from the interim financial data of Vodafone Egypt as of September 30, 2016, to determine the share of financial period from January 1 to September 30, 2016 of business results.

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

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



Notes To The Condensed Consolidated Interim Financial Statements
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Translation from Arabic

14. OTHER ASSETS

	30/09/2016	31/12/2015
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Cost		
Submarine Cables (right of way)	793 209	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>1 460 504</u>	<u>1 401 968</u>
Less:		
Accumulated amortization & Impairment	515 324	468 921
Net other assets	<u>945 180</u>	<u>933 047</u>

- The increase in net carrying value of other assets is due to period additions by an amount L.E. 86 234 K but the amortization of the period by an amount of 54 327 K and the disposals during the period by an amount of L.E. 20 155 K (net) led to limitation of this increase.

15. INVENTORIES

	30/9/2016	31/12/2015
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Spare parts	455 777	390 707
Project cables and supplies	114 888	78 794
Others	148 099	87 379
	<u>718 764</u>	<u>556 880</u>

The value of inventories was written down by L.E. 28 662 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.

16. TRADE AND NOTES RECEIVABLE

	30/9/2016	31/12/2015
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Trade Receivables - National	4 503 114	4 581 254
Trade Receivables - International	1 784 556	2 421 243
	<u>6 287 670</u>	<u>7 002 497</u>
Less:		
Impairment loss on trade receivables	2 407 510	2 391 151
	<u>3 880 160</u>	<u>4 611 346</u>
Add:		
Notes receivable	39	233
	<u>3 880 199</u>	<u>4 611 579</u>



The decrease in net carrying value of trade and notes receivable by an amount of L.E. 731 380 K is due to the decrease in trade receivables-international balance by an amount of L.E. 636 687 K as due to collecting some customer's debts - trade receivables international carrier, the decrease in trade receivables-national by an amount of 78 140 K and the increase of impairment loss of trade receivables balance by an amount of L.E. 16 359 K.

17. DEBTORS AND OTHER DEBIT BALANCES

	30/9/2016	31/12/2015
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Accrued revenues	32 886	29 858
Suppliers – debit balances	157 840	47 204
Tax Authority - withholding tax	109 046	162 976
Due from organizations and companies	225 524	296 179
Payments on the account of income tax	40 853	104 636
Payments on the account of employee dividends	287 705	282 428
Other debit balances	788 542	687 667
	<u>1 642 396</u>	<u>1 610 948</u>
Less:		
Impairment loss on debtors and other debit balances	149 550	198 877
	<u>1 492 846</u>	<u>1 412 071</u>

Debtors and other debit balances have been increased by an amount of L.E. 80 775 K mainly due to increase of Suppliers-debit balances item by an amount of L.E. 110 636 K, increase in other debit balances item by an amount of L.E 100 875 K the but the decrease in payments on the account of income tax item by an amount of L.E. 63 783 K and organizations and companies item by an amount of L.E 70 655 K led to limitation of this increase.

18. CASH AND CASH EQUIVALENTS

	Note	30/9/2016	31/12/2015
	<u>No.</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Banks - time deposits (less than 3 months)		532 089	1 862 855
Banks - current accounts		84 560	(20 322)
Cash on hand		67 598	50 845
Treasury bills (less than 3 months)		159 210	102 170
Money market funds (less than 3 months)		137 869	417 903
Cash and cash equivalents		<u>981 326</u>	<u>2 413 451</u>
Less:			
Restricted cash and cash equivalents	(26)	10 880	9 441
Cash and cash equivalents as per statement of cash flows		<u>970 446</u>	<u>2 404 010</u>



19. LOANS AND CREDIT FACILITIES

- The increase in the balance of loans and credit facilities mainly resulting from the obtaining of credit facilities from banks with local and foreign currencies amounted to L.E. 2 347 478 K in addition to the increase in foreign currency rate against EGP and taking into consideration that foreign suppliers facilities in Euro amounted to L.E. 787 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

	30/9/2016	31/12/2015
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Suppliers and notes payable	337 565	330 006
Tax Authority-Income Tax	464 135	472 807
Tax Authority (taxes other than income tax)	244 430	247 983
Deposits from others	718 745	696 702
Fixed assets creditors	462 916	978 601
Dividends payable	3 056	22 559
Accrued expenses	320 655	349 583
Trade receivables - credit balances	442 843	334 223
Due to organizations and companies	419 454	72 592
Deferred revenues	269 617	134 722
National Telecommunication Regulatory Authority (NTRA)	320 770	166 356
Other credit balances	359 986	383 338
	<u>4 364 172</u>	<u>4 189 472</u>
Less:		
Credit balances due within more than one year	247 092	182
	<u>4 117 080</u>	<u>4 189 290</u>

- Creditors and other credit balances have been increased by an amount of L.E. 174 700 K mainly due to the increase in Due to organizations and companies item by an amount of L.E. 346 862 K, due to National Telecommunication Regulatory Authority (NTRA) item by an amount of L.E. 154 414 K and due to trade receivable – credit balance item by an amount of L.E. 108 620 K but the decrease of fixed assets creditors item by an amount of L.E. 515 685 K led to limitation of this increase.

21. PROVISIONS

	30/9/2016	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	(14 312)	135 134
Charged to income statement for the period / year*	120 804	444 623
Provision used during the period / year	(403 085)	(120 412)
Translation differences	4	-
Balance at the end of the period / year	<u>721 097</u>	<u>1 017 686</u>

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



22. CAPITAL

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

23. RESERVES

	30/9/2016	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.

The balance of other reserves have 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>30/9/2016</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)	256 162	(352 638)	350 763	(357 630)
Net liabilities deferred tax	-	(96 476)	-	(6 867)
Deferred tax charged to income statement for the period \ year	<u>(89 609)</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

	30/9/2016	31/12/2015
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Unrecognized deferred tax assets	<u>628 799</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 September 30, 2016 amounted to L.E. 1 153 Million (against L.E. 124 Million as at December 31, 2015) includes installments of payments of 4G license by an amount of L.E. 1 880 Million. paid in four equal installments by an amount of L.E. 235 Million and 26,4 Million US dollar in addition of investees' share in capital and 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 balance sheet as of September 30, 2016, the company has the following contingent liabilities:

	30/9/2016	31/12/2015
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
- Letters of guarantee issued by banks on behalf of the company*	665 220	184 687
- Letters of credit	259 177	305 718

* letters of guarantee which were issued by banks on behalf of the company and for the benefits of others as at September 30,2016 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 and 2016

- 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 2011,2012 was performed and the company was informed by the inspection differences and the company objected during the legal period and the differences are being discussed with the Appeals Committee.
- Tax inspection for the year 2013, 2014, 2015 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.

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.
- The new Tax Law was activated in 1/7/2013 and claims notice are being studied and taking the legal actions related.

27- 7 Value added taxes

- On September 7, 2016, Value added tax law no 67 for the year 2016 was issued and to be effective starting from 8 September 2016, the executive regulations for the said law are not issued yet .
- Provisions were formed to meet any tax liabilities that may arise from the tax inspection.



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28. RELATED PARTY TRANSACTIONS

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

Nature of transactions during the period	Transactions volume during the period stated in the income statement		Movement during the period		Balance as of	
	LE,000	LE,000	Debit LE,000	Credit LE,000	30/9/2016 Debit (Credit) LE,000	31/12/2015 Debit (Credit) LE,000
<u>Debit balances included in trade receivables</u>						
- Vodafone Egypt Telecommunications Company	837 548					
			2 350 328	2 670 670	(194 742)	125 600
<u>Debit balances included in debt balances - long term</u>						
- Consortium Algerien de Telecommunications (CAT)*						
			2 350 328	2 670 670	(194 742)	125 600
<u>Debit balances included in debtors and other debit balances</u>						
- International Telecommunication Consortium Limited (ITCL)**						
<u>Credit balances included in creditors and other credit balances</u>						
- Vodafone Egypt Telecommunications Company	10 221					
			13 024	21 161	(13 179)	(5 042)

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

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



29. GROUP ENTITIES

te direct and indirect share in subsidiaries companies on September 30, 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>30/9/2016</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 an Arbitration Case requesting the application of the interconnection rates mentioned in the signed agreements with TE, and objecting the application of NTRA abovementioned decisions, claiming that TE made a contractual violations by complaining at NTRA, also request damages for not entering into services level agreements related to the transmission leased line and International gateway service, also TE had filed the Arbitration Case against Orange Egypt, that's where TE's management believes that Orange Egypt charged TE with rates exceeds the rates where Orange Egypt and other operator charging each other.

On March 29, 2015 The tribunal in Orange Egypt Case rejected Orange Egypt's request to apply the interconnection rates stated in the interconnection agreement, also the tribunal submit its interpretation to the Egyptian law and the principles that should be followed by both parties to agree on the interconnection rates. Also the tribunal rejected a part of TE's claims for the previous period years 2008, the Tribunal depute an expert to review Orange Egypt claims whether from the principle or the amount claimed, and these claims still pending before Tribunal.

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

The amount in dispute as per the company's record between te and Orange Egypt in relation to the said dispute for the period from September 3, 2008 to the end of September 2016 is approximately an amount of L.E 645 32 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.

On 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 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 Director held in 20 January 2016 and 29 March 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 31 May 2016.

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

31. COMPARATIVE FIGURES

- 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 reclassifications on the condensed consolidated interim financial statements :-

31-1 Effect on Condensed Consolidated Income Statement

<u>Description</u>	<u>For the nine months ended</u>		<u>For the nine months ended</u>		<u>For the three months ended</u>	
	<u>30/09/2015</u>	<u>30/09/2015</u>	<u>30/09/2015</u>	<u>30/09/2015</u>	<u>30/09/2015</u>	<u>30/09/2015</u>
	<u>as previously presented</u>	<u>Reclassification (debit)/credit</u>	<u>current presentation</u>	<u>as previously presented</u>	<u>Reclassification (debit)/credit</u>	<u>current presentation</u>
	<u>L.E.(000)</u>	<u>LE(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>LE(000)</u>	<u>L.E.(000)</u>
Operating Cost	(5 167 464)	(63 620)	(5 230 526)	(1 720 748)	(60 812)	(1 781 560)
Selling and distribution expenses	(999 278)	(43 128)	(1 042 406)	(350 975)	(40 284)	(391 259)
General and administration expenses	(1 357 425)	106 190	(1 251 235)	(452 124)	101 096	(351 028)



Notes To The Condensed Consolidated Interim Financial Statements
For The Nine Months Ended September 30, 2016(continued)

Translation from Arabic

31-2 Effect on condensed consolidated Statement of Cash flows

<u>Description</u>	<u>For the nine months ended</u> 30/09/2015	<u>Reclassification</u>	<u>For the nine months ended</u> 30/09/2015
	<u>as previously presented</u>		<u>current presentation</u>
	<u>L.E.(000)</u>		<u>L.E.(000)</u>
Cash paid to suppliers	(601 152)	(187 695)	(788 847)
Other (Payments)/proceeds	(44 726)	187 695	142 969

32- SIGNIFICANT ACCOUNTING POLICIES

32-1 The accounting policies applied in the preparation of the condensed consolidated interim financial statements as of September 30, 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
EAS (1) Presentation of Financial Statements	<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. 	<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.



Notes To The Condensed Consolidated Interim Financial Statements
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Translation from Arabic

	<p><u>Income Statement (Profit or Loss)/Statement of Comprehensive Income</u></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"> Added a new statement, <i>Statement of Comprehensive Income</i>, for the current and comparative period was added.
<p>EAS (10) 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> <ul style="list-style-type: none"> 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>EAS (23) Intangible Assets</p>	<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>
<p>EAS (14) Borrowing Costs</p>	<p>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>	<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>
<p>EAS (40) Financial Instruments: Disclosures</p>	<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>
<p>Egyptian Standard No. (45) Fair Value Measurement</p>	<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: <ul 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 was carried out on the preparation of the financial statements starting from 2016 including the disclosures required by the standard.</p>



33- Subsequent Events

On November 3, 2016 Central Bank of Egypt decided to float exchange rates of foreign currencies to give flexibility to banks operating in Egypt for the pricing of purchase and sale of foreign currencies within the legal channels, average guidance exchange rates for the main foreign currencies in which the company deal at the beginning of November 3, 2016 working day are L.E 13.5 for USD and L.E 15.4 for Euro.

Accordingly, the balances of monetary assets and liabilities denominated in foreign currencies in the subsequent period may be significantly vary from the values stated in the condensed consolidation interim financial statements of the company as of September 30, 2016, and as a result of that, the company's financial performance may be significantly affected in the subsequent period.
