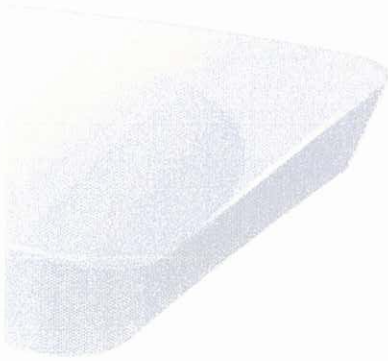




Translation from Arabic

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

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Hazem Hassan

Public Accountants & Consultants

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

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

Translation from Arabic

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

Introduction

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

Scope of Limited Review

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

Conclusion

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

Translation from Arabic

Emphasis of Matter

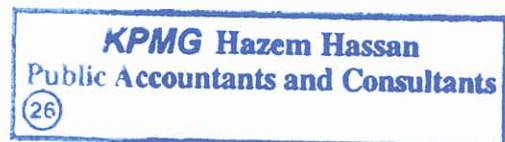
Without qualifying our conclusion, we draw attention to note no. (29-1) of the notes to the condensed separate interim financial statements, which describes the dispute between the company and Orange Egypt Company (previously named Mobinil) in regards to the interconnection rates. Several resolutions were issued by the National Telecommunication Regulatory Authority (NTRA) determining the interconnection rates based on the complaint filed by the company. As a result, Orange filed lawsuits for ceasing the implementation of the said resolutions. In addition, to the lawsuits and arbitral, litigations filed by or against the company and Orange, several rulings were issued but were appealed before the relevant authorities. These litigations and appeals are still under deliberation before the court and the arbitral tribunals and the final ruling has not been issued yet.

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

Cairo, November 9, 2016



KPMG Hazem Hassan
Public Accountants & Consultants





Translation from Arabic

Telecom Egypt Company

(An Egyptian Joint Stock Company)

Condensed Separate 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)	12 823 949	11 484 056
Projects in progress	(12)	6 565 824	1 995 617
Investments in subsidiaries and associates	(13)	6 377 283	6 377 283
Available-for-sale investments		91 139	98 639
Other assets	(14)	919 227	903 240
Deferred tax assets	(24-1)	221 856	334 604
Total Non Current Assets		26 999 278	21 193 439
Current Assets			
Inventories	(15)	684 871	501 850
Trade and notes receivable	(16)	3 885 202	4 734 369
Debtors and other debit balances	(17)	1 348 852	1 656 258
Held-to-maturity investments (treasury bills)		104 830	-
Cash and cash equivalents	(18)	372 319	1 646 158
Total Current Assets		6 396 074	8 538 635
Total Assets		33 395 352	29 732 074
Equity			
Capital	(22)	17 070 716	17 070 716
Reserves	(23)	4 380 491	6 317 415
Retained earnings		4 612 172	1 289 817
Total Equity		26 063 379	24 677 948
Non Current Liabilities			
Loans and credit facilities	(19)	327 690	326 914
Creditors and other credit balances	(20)	247 092	-
Total Non Current Liabilities		574 782	326 914
Current Liabilities			
Loans and credit facilities installments due within one year	(19)	2 410 056	57 424
Creditors and other credit balances	(20)	3 657 651	3 672 998
Provisions	(21)	689 484	996 790
Total Current Liabilities		6 757 191	4 727 212
Total Liabilities		7 331 973	5 054 126
Total Equity and Liabilities		33 395 352	29 732 074

The attached notes on pages (8) to (27) are an integral part of these condensed separate 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

Tamer Gadalla

Board of Directors approval

Chairman

Maged Osman

Maged Osman

M. Osman

Limited review report "attached"



Translation from Arabic

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

	Note No.	For the nine months ended		For the three months ended	
		30/9/2016	30/9/2015	30/9/2016	30/9/2015
		L.E.(000)	<u>Reclassified</u> L.E.(000)	L.E.(000)	<u>Reclassified</u> L.E.(000)
Operating revenues	(3)	8 175 623	7 372 835	2 768 993	2 459 343
Operating cost	(4)	(4 360 595)	(4 702 122)	(1 568 181)	(1 606 287)
Gross Profit		3 815 028	2 670 713	1 200 812	853 056
Other income		259 308	128 414	85 598	42 062
Selling and distribution expenses	(5)	(878 827)	(865 599)	(341 299)	(328 152)
General and administrative expenses	(6)	(1 375 956)	(1 106 985)	(446 242)	(310 174)
Other expenses		(123 419)	(357 259)	(43 729)	(194 792)
Operating profit		1 696 134	469 284	455 140	62 000
Finance income		513 396	252 249	45 988	63 914
Finance cost		(13 670)	(47 723)	(10 890)	(44 598)
Net finance income	(7)	499 726	204 526	35 098	19 316
Income from investments in subsidiaries and associates	(8)	1 511 879	28 397	-	-
Profit before tax		3 707 739	702 207	490 238	81 316
Income tax expense		(372 791)	(248 469)	(118 567)	(21 029)
Deferred tax	(24-1)	(112 748)	(24 090)	(5 835)	(60 289)
Total income tax		(485 539)	(272 559)	(124 402)	(81 318)
Profit for the period		3 222 200	429 648	365 836	(2)
Basic earnings per share for the period (L.E. / Share)	(10)	1.89	0.25	0.21	0.00

The attached notes on pages (8) to (27) are an integral part of these condensed separate interim financial statements.



Translation from Arabic

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

	<u>For the nine months ended</u>		<u>For the three months ended</u>	
	<u>30/9/2016</u>	<u>30/9/2015</u>	<u>30/9/2016</u>	<u>30/9/2015</u>
		<u>Reclassified</u>		<u>Reclassified</u>
	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Profit for the period	3 222 200	429 648	365 836	(2)
<u>Other Comprehensive Income Items</u>				
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	<u>3 222 200</u>	<u>429 648</u>	<u>365 836</u>	<u>(2)</u>

The attached notes on pages (8) to (27) are an integral part of these condensed separate interim financial statements.



Translation from Arabic

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Condensed Separate Statement of Changes In Equity
For the Nine Months Ended September 30, 2016

	Capital	Legal reserve	Other reserves	Retained earnings	Total
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Balance as of 1/1/2015	17 070 716	1 501 738	4 796 578	797 723	24 166 755
Comprehensive income					
Profit for the period	-	-	-	429 648	429 648
Total comprehensive income	-	-	-	429 648	429 648
Transactions with owners of the company					
Transferred to legal reserve	-	19 099	-	(19 099)	-
Dividends for year 2014 (Shareholders)	-	-	-	(341 414)	(341 414)
Dividends for year 2014 (Employees & Board of Directors)	-	-	-	(408 920)	(408 920)
Total transactions with owners of the company	-	19 099	-	(769 433)	(750 334)
Balance as of September 30, 2015	17 070 716	1 520 837	4 796 578	457 938	23 846 069
Balance as of 1/1/2016	17 070 716	1 520 837	4 796 578	1 289 817	24 677 948
Comprehensive income					
Profit for the period	-	-	-	3 222 200	3 222 200
Total comprehensive income	-	-	-	3 222 200	3 222 200
Transactions with owners of the company					
Transferred from general reserve to retained earnings	-	-	(2 000 000)	2 000 000	-
Transferred to legal reserve	-	63 076	-	(63 076)	-
Dividends for year 2015 (Shareholders)	-	-	-	(1 280 304)	(1 280 304)
Dividends for year 2015 (Employees & Board of Directors)	-	-	-	(556 465)	(556 465)
Total transactions with owners of the company	-	63 076	(2 000 000)	100 155	(1 836 769)
Balance as of September 30, 2016	17 070 716	1 583 913	2 796 578	4 612 172	26 063 379

The attached notes on pages (8) to (27) are an integral part of these condensed separate interim financial statements.



Translation from Arabic

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

	Note No.	For the nine months ended:	
		30/9/2016	30/9/2015
		L.E.(000)	Reclassified L.E.(000)
<u>Cash flows from operating activities</u>			
Cash receipts from customers		8 076 139	6 137 372
Sales tax collected from customers		179 924	159 622
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		(802 300)	(788 231)
Payments of NTRA license fees		(136 241)	(352 436)
Dividends paid to employees		(561 506)	(493 970)
Cash paid to employees		(2 118 216)	(1 958 925)
Cash paid on behalf of employees to third party		(401 646)	(355 603)
Cash provided by operating activities		4 269 587	2 375 727
Interest paid		(4 680)	(5 984)
Payments to Tax Authority - income tax		(211 961)	(607 988)
Payments to Tax Authority - sales tax		(489 549)	(374 369)
Payments to Tax Authority - other taxes		(263 028)	(320 633)
Other (Payment) \ Proceeds		(30 582)	153 701
Net cash provided by operating activities		3 269 787	1 220 454
<u>Cash flows from investing activities</u>			
Payments for purchase of fixed assets and projects in progress		(2 143 607)	(1 750 935)
Payments for purchase of other assets - fourth generation network license		(5 219 732)	-
Payments for purchase of held-to-maturity investment - treasury bills		(154 888)	-
Interest received		30 493	23 077
Dividends collected from investments		1 813 053	201 311
Proceeds from sale available for sale investment		11 183	-
Proceeds from retrieval of held-to-maturity investment - treasury bills		54 883	265 083
Proceeds from securities - treasury bills interest		47 605	82 368
Net cash used in investing activities		(5 561 010)	(1 179 096)
<u>Cash flows from financing activities</u>			
Payments for loans and other facilities		(49 790)	(52 302)
Proceeds from credit facilities		2 347 478	-
Dividends paid to shareholders		(1 280 304)	(341 415)
Net cash used in financing activities		1 017 384	(393 717)
Net change in cash and cash equivalents during the period		(1 273 839)	(352 359)
Cash and cash equivalents at the beginning of the period	(18)	1 636 917	2 256 017
Cash and cash equivalents at the end of the period	(18)	363 078	1 903 658

The attached notes on pages (8) to (27) are an integral part of these condensed separate interim financial statements.



Telecom Egypt Company
(An Egyptian Joint Stock Company)

Notes to the Condensed Separate Interim Financial Statements
For The Nine Months Ended September 30, 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 company is subject to the provisions of the Companies Law No. 159 of 1981 and Capital Market law No. 95 of 1992.
- The registered office of the company is 26 Ramses Street, Cairo, Egypt.
- The nominal shares for the company are traded in the Egyptian Stock Exchange and the London market for securities.

1-2 Purpose of the company

The main purpose of the company represents in the following:

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

1-3 Issuance of the condensed separate interim financial statements

- These Condensed Separate Interim Financial Statements were approved by the company's Board of Directors on November 9, 2016.

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

2-1 Statement of compliance

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



2-2 Basis of measurement

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

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

2-3 Functional and presentation currency

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

2-4 Use of estimates

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

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

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

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

2-5 Fair value measurement

The fair value of financial instruments 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

	<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	1 047 255	1 161 612	353 280	380 729
Enterprise	1 038 509	890 331	295 011	301 704
Domestic wholesale	3 545 386	2 686 923	1 212 448	931 917
International carriers	2 076 621	2 271 637	687 126	730 790
International cables and networks	467 852	362 332	221 128	114 203
	<u>8 175 623</u>	<u>7 372 835</u>	<u>2 768 993</u>	<u>2 459 343</u>

Total operating revenues have increased by an amount of L.E. 802 788 K mainly due to the increase in domestic wholesale by an amount of L.E. 858 463 K as a result of the increase in infrastructural revenue especially provided to TE Data (subsidiary company) by an amount of L.E. 121 292 K and Bit Stream revenue by an amount of L.E. 507 790 K in addition to the increase in enterprise revenue by an amount of L.E. 148 178 K as a result of increase in Access Service revenues by an amount of L.E. 128 986 K but the decrease in home revenues by an amount of L.E. 114 357 K and international carriers revenues by an amount of L.E. 195 016 K which led to limitation from 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	1 584 182	1 841 863	531 266	614 640
Depreciation and amortization	872 203	1 088 297	314 103	356 079
Other operating cost*	1 904 210	1 771 962	722 812	635 568
	<u>4 360 595</u>	<u>4 702 122</u>	<u>1 568 181</u>	<u>1 606 287</u>

Operating costs have decreased by an amount of L.E. 341 527 K mainly due to the following: -

- The decrease of interconnection cost by an amount of L.E. 257 681 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. 216 094 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.

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



Notes to the Condensed Separate Interim Financial Statements
For The Nine Months Ended September 30, 2016 (continued)

Translation from Arabic

5. SELLING AND DISTRIBUTION EXPENSES

	<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>Reclassified</u>		<u>Reclassified</u>	
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Salaries & wages *	552 195	523 256	223 786	190 877
Company's social insurance contribution	64 808	57 624	21 433	19 434
Discount allowed	137 941	150 403	44 136	48 605
Advertising & marketing	53 222	53 084	29 315	38 214
Organizations service cost *	56 712	62 563	18 965	21 032
Other expenses	13 949	18 669	3 664	9 990
	<u>878 827</u>	<u>865 599</u>	<u>341 299</u>	<u>328 152</u>

The increase in selling and distribution expenses by an amount of L.E. 13 228 K, is mainly due to the increase in salaries & wages item by an amount of L.E. 28 939 K and company's social insurance contribution item by an amount of L.E. 7 184 K but the decrease in discount allowed item by an amount of L.E. 12 462 K and organization service cost by an amount of L.E. 5 851 K led to limitation from this increase.

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

6. GENERAL AND ADMINISTRATIVE EXPENSES

	<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>Reclassified</u>		<u>Reclassified</u>	
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Salaries and wages *	807 045	693 472	170 633	167 858
Company's social insurance contribution	83 849	71 666	27 734	25 595
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	20 684	18 462	7 105	6 309
Tax and duty	154 714	78 080	107 262	28 700
Service cost from organizations and consultations *	59 298	63 176	22 787	19 702
Other expenses	52 239	39 428	22 548	14 503
	<u>1 375 956</u>	<u>1 106 985</u>	<u>446 242</u>	<u>310 174</u>

The increase in general and administrative expenses by an amount of L.E. 268 971 K is mainly due to the increase in salaries and wages by an amount of L.E. 113 573 K as a result of the annual raise by 8 % from the basic salary starting from Jan 2016, Tax and duty item by an amount of L.E. 76 634 K due to record deductible tax of dividends by an amount of L.E. 75 702 K and 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 to comparative figures as shown in Note no (30-1).



Notes to the Condensed Separate Interim Financial Statements
For The Nine Months Ended September 30, 2016 (continued)

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	513 396	252 249	45 988	63 914
Total finance cost	(13 670)	(47 723)	(10 890)	(44 598)
Net finance income	499 726	204 526	35 098	19 316

The increase in net finance income by an amount of L.E 278 288 K during the period is mainly due to the increase in foreign exchange currency gain by an amount of L.E 263 075 K but the decrease in treasury bills interest by an amount of L.E. 17 623 K which led to limitation of this increase.

8. INCOME FROM INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

	<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 Telecommunications Company	1 510 177	26 967	-	-
Middle East Radio Communication (MERC)	1 702	1 430	-	-
	1 511 879	28 397	-	-

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

9. EMPLOYEE'S 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 Note no (6) and now the company don't apply any early retirement scheme.



9-2 End of service benefits (Company's Contribution in Loyalty & Belonging Fund)

The employees are granted an end of service benefits through a Loyalty & belonging Fund established in January 2004. Employees' benefit are based on the employees' basic salary in January 1, 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 the year 2015). The Company's contribution is included in general and administrative expenses as shown in Note no (6).

10. BASIC EARNINGS PER SHARE.

	For the nine months ended		For the three months ended	
	30/9/2016	30/9/2015	30/9/2016	30/9/2015
Profit \ (Loss) for the period (LE (000))	3 222 200	429 648	365 836	(2)
Number of shares available during the period	1707 071 600	1707 071 600	1707 071 600	1707 071 600
Basic earnings per share for the period (LE / share)	<u>1.89</u>	<u>0.25</u>	<u>0.21</u>	<u>0.00</u>

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
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Land	2 371 978	2 371 423	-	-	2 371 978	2 371 423
Buildings & Infrastructure	22 589 110	21 434 569	14 455 640	14 222 101	8 133 470	7 212 468
Centrals and information technology equipment	21 282 758	20 521 719	19 101 331	18 734 605	2 181 427	1 787 114
Vehicles	144 053	124 828	106 539	106 257	37 514	18 571
Furniture	293 004	274 274	220 242	206 782	72 762	67 492
Tools & supplies	93 681	89 949	66 883	62 961	26 798	26 988
Total	<u>46 774 584</u>	<u>44 816 762</u>	<u>33 950 635</u>	<u>33 332 706</u>	<u>12 823 949</u>	<u>11 484 056</u>

- The increase in net carrying value of fixed assets mainly due to the period additions by an amount of L.E. 2 194 059 K but the depreciation of the period by an amount of L.E. 842 795 K which led to limitation of this increase.



- The cost of fixed assets as of September 30, 2016 includes an amount of L.E. 23 355 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
Furniture	13	8 881
Centrals and information technology equipment	204 937	618 925
Other Assets (cables)	526 993	501 665
Advanced payments	116 429	120 137
Advance payment to obtain fourth generation network license) *	5 219 732	-
	<u>6 565 824</u>	<u>1 995 617</u>

The balance of projects in progress is represented in the part that have been completed from commitments and capital contracts until September 30, 2016 and related advance payment.

* 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 wich 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.



Notes to the Condensed Separate Interim Financial Statements
For The Nine Months Ended September 30, 2016 (continued)

Translation from Arabic

ESTMENTS IN SUBSIDIARIES & 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>
- Telecom Egypt France (TE France)	100.00	69 220	100.00	69 220
- TE Data	99.99	252 461	99.99	252 461
- TE Investment Holding	99.95	4 997	99.95	4 997
- Egyptian Telecommunication for Information System	97.66	31 250	97.66	31 250
- Centra Technology	58.76	14 737	58.76	14 737
- Wataneya for Telecommunications	50.00	125	50.00	125
- International Telecommunications Consortium limited (ITCL)	50.00	54	50.00	54
- Middle East Radio Communication	49.00	7 350	49.00	7 350
- Vodafone Egypt Telecommunications Company	44.95	5 960 054	44.95	5 960 054
- Egypt Trust	35.71	7 500	35.71	7 500
- Consortium Algerien de Telecommunications	33.00	133	33.00	133
- Sofisat company	25.00	-	25.00	-
		<u>6 347 881</u>		<u>6 347 881</u>
<u>Payments for investments purchase</u>				
- TE Investment Holding *		34 983		34 983
- Egypt Trust **		2 500		2 500
		<u>6 385 364</u>		<u>6 385 364</u>
<u>Less:</u>				
Impairment loss on investments of :-				
Consortium Algerien de Telecommunications, International Telecommunications Consortium Limited, Egypt Trust, Wataneya for Telecommunications and Telecom Egypt France		8 081		8 081
		<u>6 377 283</u>		<u>6 377 283</u>

* The Extra-Ordinary General Assembly for TE Investment Holding held on 29/8/2016 approved the increase of the authorized capital to be L.E. 100 Million, and the issued capital to be L.E. 40 Million , the commercial registration related to is in process.

** The remaining 25% represents the company's share in Egypt Trust capital and the commercial registration related to is in process.



Notes to the Condensed Separate Interim Financial Statements
For The Nine Months Ended September 30, 2016 (continued)

Translation from Arabic

14. OTHER ASSETS

	<u>30/9/2016</u> <u>L.E. (000)</u>	<u>31/12/2015</u> <u>L.E. (000)</u>
<u>Cost</u>		
Submarine cables (right of way)	790 376	788 803
Land (possession-usufruct)	440 684	440 684
Licenses and programs	125 475	69 092
	<u>1 356 535</u>	<u>1 298 579</u>
<u>Less:</u>		
Accumulated amortization	437 308	395 339
Net carrying amount	<u>919 227</u>	<u>903 240</u>

- The increase in net carrying value of other assets is due to the period additions by an amount of L.E. 86 234 K but the amortization of the period by an amount of L.E. 50 092 K and the disposals during the period by an amount of L.E. 28 278 K led to limitation of this increase.
- Other assets amortization is charged to operating costs.

15. INVENTORIES

	<u>30/9/2016</u> <u>L.E. (000)</u>	<u>31/12/2015</u> <u>L.E. (000)</u>
Spare parts	455 777	390 707
Material supplies , Merchandise for sale and Letters of credit	114 206	32 349
Others – project cables and supplies	114 888	78 794
	<u>684 871</u>	<u>501 850</u>

The value of inventory was written down by an amount of L.E. 25 369 K (against L.E. 26 635 K as at December 31, 2015) for obsolete and slow moving items directly from the cost of each type of inventory.

16. TRADE RECEIVABLES

	<u>30/9/2016</u> <u>L.E. (000)</u>	<u>31/12/2015</u> <u>L.E. (000)</u>
Trade Receivables - National	4 495 395	4 714 251
Trade Receivables - International	1 727 594	2 366 104
	<u>6 222 989</u>	<u>7 080 355</u>
<u>Less:</u>		
Impairment loss on trade receivables	2 337 787	2 345 986
	<u>3 885 202</u>	<u>4 734 369</u>

Trade receivables balance decreased by an amount of L.E. 849 167 K is mainly due to the decrease in trade receivables – international included in trade receivables – international carrier by an amount of L.E 340 330 K, the decrease in trade receivables – International cables and networks by an amount of L.E. 298 180 K, decrease in trade receivables – domestic wholesale by an amount of L.E. 321 537 K included in trade receivables – National due to collecting some customer's debts.



Notes to the Condensed Separate Interim Financial Statements
For The Nine Months Ended September 30, 2016 (continued)

Translation from Arabic

17. DEBTORS AND OTHER DEBIT BALANCES

	30/9/2016	31/12/2015
	<u>LE (000)</u>	<u>LE (000)</u>
Accrued revenues	16 661	385 615
Suppliers – debit balances	108 456	36 295
Tax Authority - withholding tax	83 400	110 414
Due from organizations and companies	173 469	243 932
Payments on the account of income tax	37 606	100 411
Payments on the account of employee dividends	287 705	282 428
Other debit balances	736 756	641 523
	<u>1 444 053</u>	<u>1 800 618</u>
Less:		
Impairment loss on debtors and other debit balances	95 201	144 360
	<u>1 348 852</u>	<u>1 656 258</u>

Debtors and other debit balances decreased by an amount of L.E. 307 406 K mainly due to the decrease in accrued revenues by L.E. 368 954 K as a result of collecting of cash dividends of investments in subsidiaries companies, on the other side the increase in suppliers – debit balances item by an amount of L.E. 72 161 K, led to limitation of the decrease.

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)		457 131	1 738 073
Banks - current accounts		(89 919)	(112 072)
Cash on hand		5 107	3 146
Treasury bills (less than 3 months)		-	17 011
Cash and cash equivalents		<u>372 319</u>	<u>1 646 158</u>
Less:			
Restricted time deposits	(26)	9 241	9 241
Cash and cash equivalents as per cash flows statement		<u>363 078</u>	<u>1 636 917</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.



Notes to the Condensed Separate Interim Financial Statements
For The Nine Months Ended September 30, 2016 (continued)

Translation from Arabic

20. CREDITORS AND OTHER CREDIT BALANCES

	30/9/2016	31/12/2015
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Suppliers	403 667	375 606
Tax Authority-Income Tax	372 791	351 072
Tax Authority (taxes other than income tax)	206 155	190 582
Deposits from others	716 965	695 030
Fixed assets creditors	459 390	944 151
Accrued expenses	225 129	272 695
Trade receivables - credit balances	373 481	293 082
Deferred revenues	-	2 438
Prepaid revenue	112 752	-
Dividends payable	770	770
Due to organizations and companies	419 454	72 592
National Telecommunication Regulatory Authority (NTRA)	243 939	88 926
Other credit balances	370 250	386 054
	<u>3 904 743</u>	<u>3 672 998</u>
Less:		
Credit balances - organizations and companies due within more than one year	247 092	-
	<u>3 657 651</u>	<u>3 672 998</u>

Creditors and other credit balances have been increased by an amount of L.E. 231 745 K mainly due to the increase in organization and companies item by an amount of L.E. 346 862 K and due to National Telecommunication Regulatory Authority (NTRA) item by an amount of L.E. 155 013 K, Trade receivable – credit balance by an amount of L.E. 80 399 K but the decrease in fixed assets creditors balance by an amount of L.E. 484 761 K. led to limitation of the 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	996 790	546 967
Reclassification during the period/year	(14 312)	135 134
Charged to income statement for the period / year*	112 501	432 995
Reversal of provisions	(3 529)	-
Used during the period / year	(401 966)	(118 306)
Balance at the end of the period / year	<u>689 484</u>	<u>996 790</u>

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



22. CAPITAL

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

23. RESERVES

	<u>30/9/2016</u>	<u>31/12/2015</u>
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Legal reserve	1 583 913	1 520 837
Other reserves	2 796 578	4 796 578
	<u>4 380 491</u>	<u>6 317 415</u>

The balance of legal reserve has increased as a result of retaining an amount of L.E. 63 076 K from 2015 profit in accordance with the company's articles of association.

The balance of other reserves has decreased due to transfer an amount of L.E. 2 000 000 K from general reserve to retained earnings "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>L.E.(000)</u>
Total deferred tax asset	224 846	(2 990)	334 604	-
Net deferred tax asset	<u>221 856</u>	<u>-</u>	<u>334 604</u>	<u>-</u>
Deferred tax charged to the income statement for the period / year	<u>(112 748)</u>		<u>(19 113)</u>	

24-2 Unrecognized deferred tax assets

	<u>30/9/2016</u>	<u>31/12/2015</u>
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Unrecognized deferred tax assets	<u>596 722</u>	<u>602 566</u>

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



25. CAPITAL COMMITMENTS

The company's capital commitments for the unexecuted parts of contracts until September 30, 2016 amounted to L.E. 2 855 million (against L.E. 77 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 interim financial statements, the company has the following contingent liabilities:

	30/9/2016 LE (000)	31/12/2015 LE (000)
- Letters of guarantee issued by banks on behalf of the company*	617 336	120 177
- Letters of credit	259 177	305 718

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

27. TAX POSITION

27-1 Corporate tax

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

27-2 Amendments on important laws issued during years 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.



*Notes to the Condensed Separate Interim Financial Statements
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Translation from Arabic

- On September 7, 2016 the law no. 67 of 2016 was issued regarding value add tax and to the effective starting from September 8, 2016, the executive regulation for the said law are not issued yet.

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 year 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.



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

Translation from Arabic

28. RELATED PARTY TRANSACTIONS

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

28-1 Transactions with subsidiaries

Nature of transaction during the period	Amount of transactions during the period stated in the income statement L.E.000	Transaction volume during the period		Balance as of 30/9/2016 Debit/(Credit) L.E.000	Balance as of 31/12/2015 Debit/(Credit) L.E.000
		Debit L.E.000	Credit L.E.000		
Debit balances included in trade receivables					
- Egyptian Telecommunication Company for Information Systems	8 756	10 879	8 512	14 785	12 418
- TE Data					
- Middle East Radio Communication (MERC)	1 299 378	1 524 955	1 598 998	2 799 908	3 533 951
- Jordanian Egyptian Company for data transfer	1 187	1 306	1 306	-	-
- Jordanian Egyptian Company for data transfer	5 231	5 411	5 857	(1 885)	(1 439)
	2 091	2 586	5 250	516	3 180
		1 545 137	1 619 923	293 324	368 110
Debit balances included in debtors and other debit balances					
- Egyptian Telecommunication Company for Information Systems	-	-	-	145	145
- TE investment Holding	-	126	-	400	274
		126	-	545	419
Credit balances included in suppliers balances					
- Centra for Technologies	7 796	30 868	27 268	(7 664)	(11 264)
- Centra for Electronic Industries	1 165	1 520	1 276	(802)	(1 046)
- Middle East Radio Communication (MERC)	-	138	-	-	(138)
- TE Data	49 701	1 796	80 964	(176 529)	(97 361)
- Egyptian Telecommunication Company for Information Systems	57 323	56 839	63 828	(13 356)	(6 367)
		91 161	173 336	(198 351)	(116 176)
Credit balance included in creditors and other credit balances					
- TE Data	3	23	3	(4)	(24)
- TE Data	-	20 043	13 800	(14 830)	(21 073)
- TE investment Holding	14	18	14	(5)	(9)
- TE France	8 095	816	11 159	(25 996)	(15 653)
- Egyptian Telecommunication Company for Information Systems	-	6 322	-	-	(6 322)
		27 222	24 976	(40 835)	(43 081)



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

Translation from Arabic

28. RELATED PARTY TRANSACTIONS (continued)

28-2 Related party transactions with associates

Nature of transactions during the period	Amount of transactions during the period recorded in the income statement		Transaction volume during the period		Balance as of 30/9/2016		Balance as of 31/12/2015	
	Debit	Credit	Debit	Credit	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)
	L.E.000	L.E.000	L.E.000	L.E.000	L.E.000	L.E.000	L.E.000	L.E.000
Balances included in trade receivables								
- Vodafone Egypt Telecommunications Company		837 548						
Outgoing calls and voice services to the associates company	2 350 328		2 670 670		(194 742)		125 600	
Incoming and international calls, transmission		829 651						
premises and towers to the associates company								
Debit balances included in debit balances - long term								
- Consortium Algerien de Telecommunications (CAT)*					453 902		453 902	
Paid on behalf of associates to finance operating expenses					453 902		453 902	
Debit balances included in debtors and other debit balances								
- International Telecommunication Consortium Limited (ITCL)**						66	66	
						66	66	

* 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. SIGNIFICANT CLAIMS AND LITIGATIONS

29-1 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 645 321 K.

29-2 Interconnection dispute with Vodafone Egypt Company (VFE)

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 13 April 2016. Subject to such settlement, te and VFE settled all disputes raised between both of them, till 31 December 2015.

29-3 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 principles, as per the external advisor recommended to the company.

And the company's Board of Directors 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.



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

Translation from Arabic

30. Comparative figures

Reclassifications were made to comparative figures for some of the condensed separate income statement and condensed separate statement of cash flows to conform to the current presentation as follows:

30-1 Condensed Separate Income Statement

	<u>For the nine months ended</u>		<u>For the nine months ended</u>		<u>For the three months ended</u>		<u>For the three months ended</u>	
	<u>30/9/2015</u>	<u>Reclassification</u>	<u>30/9/2015</u>	<u>30/9/2015</u>	<u>Reclassification</u>	<u>30/9/2015</u>	<u>30/9/2015</u>	
	<u>as previously</u>	<u>(debit) / credit</u>	<u>current</u>	<u>as previously</u>	<u>(debit) / credit</u>	<u>current</u>	<u>current</u>	
	<u>presented</u>	<u>(debit) / credit</u>	<u>presentation</u>	<u>presented</u>	<u>(debit) / credit</u>	<u>presentation</u>	<u>presentation</u>	
	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>	
Operating cost	(4 595 304)	(106 818)	(4 702 122)	(1 532 469)	(73 818)	(1 606 287)	(1 606 287)	
Selling and distribution expenses	(768 891)	(96 708)	(865 599)	(272 975)	(55 177)	(328 152)	(328 152)	
General and administrative	(1 310 511)	203 526	(1 106 985)	(439 169)	128 995	(310 174)	(310 174)	

30-2 Condensed Separate Statement of Cash flows

	<u>For the nine months ended</u>		<u>For the nine months ended</u>	
	<u>30/9/2015</u>	<u>Reclassification</u>	<u>30/9/2015</u>	<u>30/9/2015</u>
	<u>as previously</u>		<u>current</u>	<u>current</u>
	<u>presented</u>		<u>presentation</u>	<u>presentation</u>
	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>
Cash paid to suppliers	(600 536)	(187 695)	(788 231)	(788 231)
Other (Payments) \ Proceeds	(33 994)	187 695	153 701	153 701

31- SIGNIFICANT ACCOUNTING POLICIES

31-1 The accounting policies applied in the preparation of the condensed separate interim financial statements as of September 30, 2016 is the same as the accounting policies applied in the preparation of the annual separate financial statements as of December 31, 2015, these accounting policies have been applied consistently to all periods presented in these condensed separate 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. 31-2).

Reclassifications were made to some comparative figures to conform to the current presentation of the condensed separate interim financial statements (Note no .30).

31-2 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, while taking into consideration that the early implementation of these standards is not permissible.

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



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

Translation from Arabic

New or Amended Standards	Summary of the Most Significant Amendments	Impact on the Financial Statements
<p>EAS (1) Presentation of Financial Statements</p>	<p><u>Financial Position Statement</u></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. Added a new statement, <i>Statement of Comprehensive Income</i>, for the current and comparative period was added.
	<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 (Income Statement) and the other one starts with the profit or loss and presents the other comprehensive income items (Statement of Comprehensive Income).</p>	
<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> <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>
<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>



New or Amended Standards	Summary of the Most Significant Amendments	Impact on the Financial Statements
<u>Egyptian Standard No. (45)</u> Fair Value Measurement	<ul style="list-style-type: none"> The new Egyptian Accounting Standard No. (45) "Fair Value Measurement" 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"> Defining the fair value Laying down a framework to measure the fair value in one Standard and Identifying the disclosure required for the fair value measurements. 	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.
<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. 	The Standard was applied to the borrowing costs attributable to the qualifying assets, where the start date of capitalization falls within or after 1/1/2016.
<u>EAS (40)</u> Financial Instruments: Disclosures	<ul style="list-style-type: none"> A new Egyptian Accounting Standard No.(40) "Financial Instruments: Disclosures" 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 "Financial Instruments: Presentation" instead of "Financial Instruments: Presentation and Disclosure" 	Retroactive amendment to all the comparative figures of the presented disclosures were carried out.

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 separate 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.