



Translation from Arabic

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

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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 June 30, 2016 and the related condensed separate statements of income, comprehensive income, changes in equity and cash flows for the six 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 June 30, 2016 and of its financial performance and its cash flows for the six months then ended in accordance with Egyptian Accounting Standard number (30) "Interim Financial Reporting".

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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.



KPMG Hazem Hassan
Public Accountants & Consultants

Cairo, August 10, 2016

KPMG Hazem Hassan
Public Accountants and Consultants

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Telecom Egypt Company
(An Egyptian Joint Stock Company)

Condensed Separate Statement of Financial Position As of:

	Note No.	30/6/2016 L.E. (000)	31/12/2015 L.E. (000)
Assets			
Non Current Assets			
Fixed assets	(11)	12 287 736	11 484 056
Projects in progress	(12)	1 481 932	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)	930 345	903 240
Deferred tax assets	(24-1)	227 691	334 604
Total Non Current Assets		21 396 126	21 193 439
Current Assets			
Inventories	(15)	568 987	501 850
Trade and notes receivables	(16)	4 222 563	4 734 369
Debtors and other debit balances	(17)	1 980 370	1 656 258
Held-to-maturity investments (treasury bills)		101 389	-
Cash and cash equivalents	(18)	2 210 131	1 646 158
Total Current Assets		9 083 440	8 538 635
Total Assets		30 479 566	29 732 074
Equity			
Capital	(22)	17 070 716	17 070 716
Reserves	(23)	4 380 491	6 317 415
Retained earnings		4 246 336	1 289 817
Total Equity		25 697 543	24 677 948
Non Current Liabilities			
Loans and credit facilities	(19)	323 532	326 914
Creditors and other credit balances	(20)	147 005	-
Total Non Current Liabilities		470 537	326 914
Current Liabilities			
Loans and credit facilities installments due within one year	(19)	62 312	57 424
Creditors and other credit balances	(20)	3 597 191	3 672 998
Provisions	(21)	651 983	996 790
Total Current Liabilities		4 311 486	4 727 212
Total Liabilities		4 782 023	5 054 126
Total Equity and Liabilities		30 479 566	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

Acc. Shaher Shokry

Vice President for
Financial affairs

M. Shamroukh

Eng. Mohamed Shamroukh

Managing Director
& Chief Executive Officer

Eng. Tamer Gadalla

Board of Directors approval

Chairman

M. Osman

Limited review report "attached"

Dr. Maged Osman



Translation from Arabic

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

	Note	<u>For the six months ended</u>		<u>For the three months ended</u>	
		30/6/2016	30/6/2015	30/6/2016	30/6/2015
		<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
			<u>Reclassified</u>		<u>Reclassified</u>
			<u>L.E.(000)</u>		<u>L.E.(000)</u>
Operating revenues	(3)	5 406 630	4 913 492	2 825 513	2 570 915
Operating cost	(4)	(2 792 414)	(3 095 835)	(1 445 739)	(1 552 147)
Gross Profit		2 614 216	1 817 657	1 379 774	1 018 768
Other income		173 710	86 352	86 606	28 539
Selling and distribution expenses	(5)	(537 528)	(537 447)	(268 451)	(278 811)
General and administrative expenses	(6)	(929 714)	(796 811)	(493 755)	(397 402)
Other expenses		(79 690)	(162 467)	(39 582)	(160 344)
Operating profit		1 240 994	407 284	664 592	210 750
Finance income		467 408	188 335	49 432	40 324
Finance cost		(2 780)	(3 125)	(726)	(1 471)
Net finance income	(7)	464 628	185 210	48 706	38 853
Income from investments in subsidiaries and associates	(8)	1 511 879	28 397	1 510 177	26 967
Profit before tax		3 217 501	620 891	2 223 475	276 570
Income tax expense		(254 224)	(227 440)	(82 861)	(139 947)
Deferred tax	(24-1)	(106 913)	36 199	(106 265)	37 752
Total income tax		(361 137)	(191 241)	(189 126)	(102 195)
Profit for the period		2 856 364	429 650	2 034 349	174 375
Basic earnings per share for the period (L.E. / Share)	(10)	1.67	0.25	1.19	0.10

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 six months ended</u>		<u>For the three months ended</u>	
	<u>30/6/2016</u>	<u>30/6/2015</u>	<u>30/6/2016</u>	<u>30/6/2015</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	2 856 364	429 650	2 034 349	174 375
<u>Other Comprehensive Income Items</u>				
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	<u>2 856 364</u>	<u>429 650</u>	<u>2 034 349</u>	<u>174 375</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 Six Months Ended June 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	-	-	-	429 650	429 650
Total comprehensive income				429 650	429 650
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 June 30, 2015	17 070 716	1 520 837	4 796 578	457 940	23 846 071
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	-	-	-	2 856 364	2 856 364
Total comprehensive income				2 856 364	2 856 364
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 June 30, 2016	17 070 716	1 583 913	2 796 578	4 246 336	25 697 543

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



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

	Note No.	For the six months ended:	
		30/6/2016	30/6/2015
		<u>L.E.(000)</u>	<u>Reclassified</u> <u>L.E.(000)</u>
<u>Cash flows from operating activities</u>			
Cash receipts from customers		5 519 441	3 698 673
Sales tax collected from customers		113 953	112 468
Stamp tax and fees collected (from third party)		27 120	26 770
Deposits returned (payments) to customers		2 886	(1 690)
Cash paid to suppliers		(556 452)	(500 714)
Payments of NTRA license fees		(129 100)	(352 436)
Dividends paid to employees		(423 736)	(356 340)
Cash paid to employees		(1 295 370)	(1 340 609)
Cash paid on behalf of employees to third party		(268 924)	(232 198)
Cash provided by operating activities		<u>2 989 818</u>	<u>1 053 924</u>
Interest paid		(4 680)	(4 791)
Payments to Tax Authority - income tax		(211 961)	(607 988)
Payments to Tax Authority - sales tax		(347 491)	(262 586)
Payments to Tax Authority - other taxes		(191 721)	(247 956)
Other proceeds		105 624	109 919
Net cash provided by operating activities		<u>2 339 589</u>	<u>40 522</u>
<u>Cash flows from investing activities</u>			
Payments for purchase of fixed assets and projects in progress		(1 502 506)	(1 239 083)
Payments for purchase of held-to-maturity investment - treasury bills		(100 005)	-
Interest received		18 559	16 233
Dividends collected from investments		1 094 875	168 956
Proceeds from sale available for sale investment		11 183	-
proceeds from retrieval of held-to-maturity investment - treasury bills		-	265 083
Proceeds from securities - treasury bills interest		32 372	73 186
Net cash used in investing activities		<u>(445 522)</u>	<u>(715 625)</u>
<u>Cash flows from financing activities</u>			
Payments for loans and other facilities		(49 790)	(39 689)
Dividends paid to shareholders		(1 280 304)	(341 415)
Net cash used in financing activities		<u>(1 330 094)</u>	<u>(381 104)</u>
Net change in cash and cash equivalents during the period		563 973	(1 056 207)
Cash and cash equivalents at the beginning of the period	(18)	<u>1 636 917</u>	<u>2 256 017</u>
Cash and cash equivalents at the end of the period	(18)	<u>2 200 890</u>	<u>1 199 810</u>

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 Six Months Ended June 30, 2016**

I. 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 August 10, 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 June 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.



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

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3. OPERATING REVENUES

	<u>For the six months ended</u>		<u>For the three months ended</u>	
	<u>30/6/2016</u>	<u>30/6/2015</u>	<u>30/6/2016</u>	<u>30/6/2015</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Home	693 975	780 883	339 247	394 482
Enterprise	743 498	588 627	390 740	341 550
Domestic wholesale	2 332 938	1 755 006	1 227 173	922 338
International carriers	1 389 495	1 540 847	742 619	776 050
International cables and networks	246 724	248 129	125 734	136 495
	<u>5 406 630</u>	<u>4 913 492</u>	<u>2 825 513</u>	<u>2 570 915</u>

Total operating revenues have increased by an amount of L.E. 493 138 K mainly due to the increase in domestic wholesale by an amount of L.E. 577 932 K as a result of the increase in infrastructural revenue especially provided to TE Data (subsidiary company) by an amount of L.E. 297 928 K in addition to the increase in enterprise revenue by an amount of L.E. 154 871 K as a result of increase in access service revenues by an amount of L.E. 142 981 K but the decrease in home revenues by an amount of L.E. 86 908 K and international carriers revenues by an amount of L.E. 151 352 K which led to limitation from this increase.

4. OPERATING COSTS

	<u>For the six months ended</u>		<u>For the three months ended</u>	
	<u>30/6/2016</u>	<u>30/6/2015</u>	<u>30/6/2016</u>	<u>30/6/2015</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Interconnection cost	1 052 916	1 227 223	558 006	619 085
Depreciation and amortization	558 100	732 218	285 726	357 311
Other operating cost*	1 181 398	1 136 394	602 007	575 751
	<u>2 792 414</u>	<u>3 095 835</u>	<u>1 445 739</u>	<u>1 552 147</u>

Operating costs have decreased by an amount of L.E. 303 421 K mainly due to the following: -

- The decrease of interconnection cost by an amount of L.E. 174 307 K which is mainly due to the decrease in international fees of transit service and international connection cost.
- The decrease of depreciation and amortization by an amount of L.E. 174 118 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 Six Months Ended June 30, 2016 (continued)

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5. SELLING AND DISTRIBUTION EXPENSES

	<u>For the six months ended</u>		<u>For the three months ended</u>	
	<u>30/6/2016</u>	<u>30/6/2015</u>	<u>30/6/2016</u>	<u>30/6/2015</u>
	<u>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>	<u>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>
Salaries & wages	328 409	332 379	167 062	170 792
Company's social insurance contribution	43 375	38 190	21 473	18 706
Discount allowed	93 805	101 798	47 781	51 225
Advertising & marketing	23 907	14 870	9 048	12 042
Organizations service cost *	37 747	41 531	18 936	21 100
Other expenses	10 285	8 679	4 151	4 946
	<u>537 528</u>	<u>537 447</u>	<u>268 451</u>	<u>278 811</u>

The increase in selling and distribution expenses by an amount of L.E. 81 K, is mainly due to the increase in company's social insurance contribution item by an amount of L.E. 5 185 K and advertising and marketing by an amount of L.E. 9 037 K but the decrease in discount allowed item by an amount of L.E. 7 993 K and organization service cost by an amount of L.E. 3 784 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 six months ended</u>		<u>For the three months ended</u>	
	<u>30/6/2016</u>	<u>30/6/2015</u>	<u>30/6/2016</u>	<u>30/6/2015</u>
	<u>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>	<u>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>
Salaries and wages	645 058	525 614	336 303	259 629
Company's social insurance contribution	56 115	46 071	27 626	24 090
The company's contribution in loyalty and belonging fund	95 104	94 318	47 552	47 159
Depreciation	13 579	12 153	6 913	6 213
Tax and duty	47 452	49 380	33 303	19 819
Service cost from organizations and consultations *	36 511	43 474	20 010	26 376
Other expenses	35 895	25 801	22 048	14 116
	<u>929 714</u>	<u>796 811</u>	<u>493 755</u>	<u>397 402</u>

The increase in general and administrative expenses by an amount of L.E. 132 903 K is mainly due to the increase in salaries and wages by an amount of L.E. 119 444 K as a result of the annual raise by 8 % from the basic salary starting from Jan 2016 and company's social insurance contribution item by an amount of L.E. 10 044 K.

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



7. NET FINANCE INCOME

	<u>For the six months ended</u>		<u>For the three months ended</u>	
	<u>30/6/2016</u>	<u>30/6/2015</u>	<u>30/6/2016</u>	<u>30/6/2015</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Total finance income	467 408	188 335	49 432	40 324
Total finance cost	(2 780)	(3 125)	(726)	(1 471)
Net finance income	464 628	185 210	48 706	38 853

The increase in net finance income by an amount of L.E 279 418 K during the period is mainly due to the increase in foreign exchange currency gain by an amount of L.E 309 729 K but the decrease in treasury bills interest by an amount of L.E. 27 115 K which led to limitation of this increase.

8. INCOME FROM INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

	<u>For the six months ended</u>		<u>For the three months ended</u>	
	<u>30/6/2016</u>	<u>30/6/2015</u>	<u>30/6/2016</u>	<u>30/6/2015</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	1 510 177	26 967
Middle East Radio Communication (MERC)	1 702	1 430	-	-
	<u>1 511 879</u>	<u>28 397</u>	<u>1 510 177</u>	<u>26 967</u>

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. Compensations relating to early retirement amounted to L.E. 6 204 K for the financial period ending June 30, 2016 (against LE 876 K for the same period of year 2015) are included in general and administrative expenses



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 June 30, 2016 amounted to L.E. 95 104 K (against L.E. 94 318 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.

	<u>For the six months ended</u>		<u>For the three months ended</u>	
	<u>30/6/2016</u>	<u>30/6/2015</u>	<u>30/6/2016</u>	<u>30/6/2015</u>
Profit for the period (LE (000))	2 856 364	429 650	2 034 349	174 375
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>1.67</u>	<u>0.25</u>	<u>1.19</u>	<u>0.10</u>



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

Translation from Arabic

11. FIXED ASSETS

Description	30/6/2016	31/12/2015	30/6/2016	31/12/2015	30/6/2016	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	2 371 978	2 371 423	-	-	2 371 978	2 371 423
Buildings & Infrastructure*	22 149 922	21 434 569	14 384 335	14 222 101	7 765 587	7 212 468
Centrals and information technology equipment*	20 981 833	20 521 719	18 967 437	18 734 605	2 014 396	1 787 114
Vehicles*	143 491	124 828	106 067	106 257	37 424	18 571
Furniture	287 500	274 274	215 553	206 782	71 947	67 492
Tools & supplies	91 939	89 949	65 535	62 961	26 404	26 988
Total	<u>46 026 663</u>	<u>44 816 762</u>	<u>33 738 927</u>	<u>33 332 706</u>	<u>12 287 736</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. 1 349 031 K but the depreciation of the period by an amount of L.E. 538 387 K which led to limitation of this increase.

- The cost of fixed assets as of June 30, 2016 includes an amount of L.E. 23 102 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 led to the decrease in depreciation of the period by an amount of L.E. 159 314 K.

12. PROJECTS IN PROGRESS

	<u>30/6/2016</u>	<u>31/12/2015</u>
	<u>LE (000)</u>	<u>LE (000)</u>
Land	13 885	14 420
Buildings and Infrastructure	609 484	731 589
Furniture	119	8 881
Centrals and information technology equipment	281 723	618 925
Other Assets (cables)	481 556	501 665
Advanced payments	95 165	120 137
	<u>1 481 932</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 June 30, 2016 and related advanced payment.



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

Translation from Arabic

13. INVESTMENTS IN SUBSIDIARIES & ASSOCIATES

	<u>30/6/2016</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 16/2/2015 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 Six Months Ended June 30, 2016 (continued)

Translation from Arabic

14. OTHER ASSETS

	30/6/2016	31/12/2015
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
<u>Cost</u>		
Submarine cables (right of way)	784 815	788 803
Land (possession-usufruct)	440 684	440 684
Licenses and programs	56 383	69 092
	<u>1 281 882</u>	<u>1 298 579</u>
<u>Less:</u>		
Accumulated amortization	351 537	395 339
Net carrying amount	<u>930 345</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. 80 267 K but the amortization of the period by an amount of L.E. 33 292 K and the disposals during the period by an amount of L.E. 27 872 K led to limitation of this increase.
- Other assets amortization is charged to operating costs.

15. INVENTORIES

	30/6/2016	31/12/2015
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Spare parts	414 863	390 707
Material supplies , Merchandise for sale and Letters of credit	50 512	32 349
Others – project cables and supplies	103 612	78 794
	<u>568 987</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 AND NOTES RECEIVABLES

	30/6/2016	31/12/2015
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Trade Receivables - National	4 611 189	4 714 251
Trade Receivables - International	1 949 096	2 366 104
	<u>6 560 285</u>	<u>7 080 355</u>
<u>Less:</u>		
Impairment loss on trade receivables	2 337 787	2 345 986
	<u>4 222 498</u>	<u>4 734 369</u>
<u>Add:</u>		
Notes receivable - related parties	65	-
	<u>4 222 563</u>	<u>4 734 369</u>

Trade and notes receivables balance decreased by an amount of L.E. 511 806 K due to the decrease in trade receivables – international carrier included in trade receivables – international by an amount of L.E 309 166 K due to collecting some customer debts and the decrease in trade receivables – domestic wholesale by an amount of L.E. 228 047 K included in trade receivables – National.



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

Translation from Arabic

17. DEBTORS AND OTHER DEBIT BALANCES

	30/6/2016	31/12/2015
	<u>LE (000)</u>	<u>LE (000)</u>
Accrued revenues	735 328	385 615
Suppliers – debit balances	116 916	36 295
Tax Authority - withholding tax	128 666	110 414
Due from organizations and companies	178 300	243 932
Payments on the account of income tax	113 049	100 411
Payments on the account of employee dividends	146 099	282 428
Other debit balances	657 206	641 523
	<u>2 075 564</u>	<u>1 800 618</u>
Less:		
Impairment loss on debtors and other debit balances	95 194	144 360
	<u>1 980 370</u>	<u>1 656 258</u>

Debtors and other debit balances increased by an amount of L.E. 324 112 K mainly due to the increase in accrued revenues by L.E. 349 713 K as a result of booking debts of cash dividends of investments in associates companies in addition to the increase in suppliers – debit balances by an amount of L.E. 80 621 K, but the decrease in payments on the account of employee dividends by an amount of L.E. 136 329 K and due from organizations and companies by an amount of L.E. 65 632 K led to limitation of the decrease.

18. CASH AND CASH EQUIVALENTS

	Note	30/6/2016	31/12/2015
	No.	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Banks - time deposits (less than 3 months)		2 076 165	1 738 073
Banks - current accounts		(85 822)	(112 072)
Cash on hand		5 282	3 146
Treasury bills (less than 3 months)		214 506	17 011
Cash and cash equivalents		<u>2 210 131</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>2 200 890</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 increase in foreign currency rate against L.E., and taking into consideration that foreign suppliers facilities in Euro amounted to L.E. 777 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 Six Months Ended June 30, 2016 (continued)

Translation from Arabic

20. CREDITORS AND OTHER CREDIT BALANCES

	30/6/2016	31/12/2015
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Suppliers	311 389	375 606
Tax Authority-Income Tax	254 224	351 072
Tax Authority (taxes other than income tax)	193 374	190 582
Deposits from others	707 157	695 030
Accrued expenses	287 534	272 695
Trade receivables - credit balances	345 389	293 082
Fixed assets creditors	496 867	944 151
Deferred revenues	-	2 438
Prepaid revenue	170 115	-
Dividends payable	770	770
Due to organizations and companies	467 588	72 592
National Telecommunication Regulatory Authority (NTRA)	137 303	88 926
Other credit balances	372 486	386 054
	<u>3 744 196</u>	<u>3 672 998</u>
Less:		
Credit balances - organizations and companies due within more than one year	147 005	-
	<u>3 597 191</u>	<u>3 672 998</u>

Creditors and other credit balances have been increased by an amount of L.E. 71 198 K mainly due to the increase in trade receivables – credit balances item by an amount of L.E. 52 307 K and prepaid revenue by an amount of L.E. 170 115 K and due to organizations and companies by an amount of L.E. 394 996 K but the decrease in tax authority-income tax by an amount of L.E. 96 848 K and fixed assets creditors by an amount of L.E. 447 284 K led to limitation of the increase.

21. PROVISIONS

	30/6/2016	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*	71 471	432 995
Used during the period / year	(401 966)	(118 306)
Balance at the end of the period / year	<u>651 983</u>	<u>996 790</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 LE 10 each.
- The Egyptian Government owns 80% after floating 20% of company's shares in public offering during December 2005.

23. RESERVES

	30/6/2016	31/12/2015
	<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>30/6/2016</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	227 691	-	334 604	-
Net deferred tax asset	<u>227 691</u>	<u>-</u>	<u>334 604</u>	<u>-</u>
Deferred tax charged to the income statement for the period / year	<u>(106 913)</u>		<u>(19 113)</u>	

Deferred tax expense that recorded in the income statement during the period mainly due to change in the tax rate as shown in Note no (27-2).

24-2 Unrecognized deferred tax assets

	30/6/2016	31/12/2015
	<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 June 30, 2016 amounted to L.E. 848 million (against L.E. 77 million as at December 31, 2015) includes installments 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:

	30/6/2016 <u>LE (000)</u>	31/12/2015 <u>LE (000)</u>
- Letters of guarantee issued by banks on behalf of the company*	151 166	120 177
- Letters of credit	297 319	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

- 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

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.

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. 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 Six Months Ended June 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		Transaction volume during the period		Balance as of		
		L.E. 000	L.E. 000	Debit L.E. 000	Credit L.E. 000	30/6/2016 Debit/(Credit) L.E. 000	31/12/2015 Debit/(Credit) L.E. 000	
Debit balances included in trade receivables								
- Egyptian Telecommunication Company for Information Systems	Lease of company premises, electricity claims and Leased circuits maintenance	6 217	7 863	7 863	5 617	14 664	12 418	
- TE Data	Variable services	832 858	988 140	988 140	921 967	420 124	353 951	
- Middle East Radio Communication (MERC)	Leased circuits and information circuits	781	859	859	859	-	-	
- Jordanian Egyptian Company for data transfer	participation contract	3 358	3 536	3 536	3 971	(1 874)	(1 439)	
- Jordanian Egyptian Company for data transfer	The movement of international clearing	1 543	2 051	2 051	3 384	1 847	3 180	
			<u>1 002 449</u>	<u>1 002 449</u>	<u>935 798</u>	<u>434 761</u>	<u>368 110</u>	
Debit balances included in debtors and other debit balances								
- Egyptian Telecommunication Company for Information Systems	payments of expenses on behalf of the subsidiary company	-	-	-	-	145	145	
- T E investment Holding		-	77	77	-	351	274	
			<u>77</u>	<u>77</u>	<u>-</u>	<u>-496</u>	<u>-419</u>	
Credit balances included in suppliers balances								
- Centra for Technologies	Maintenance & supplying computers	5 226	17 972	17 972	8 218	(1 510)	(11 264)	
- Centra for Electronic Industries	Maintenance & supplying computers	777	1 069	1 069	811	(788)	(1 046)	
- Middle East Radio Communication (MERC)	Supplying & installing communication networks	-	-	-	-	(138)	(138)	
- TE Data	Services rendered from subsidiary company	33 121	1 486	1 486	55 155	(151 030)	(97 361)	
- Egyptian Telecommunication Company for Information Systems	Services rendered from subsidiary company	37 748	44 005	44 005	44 070	(6 432)	(6 367)	
			<u>64 532</u>	<u>64 532</u>	<u>108 254</u>	<u>(159 898)</u>	<u>(116 176)</u>	
Credit balance included in creditors and other credit balances								
- TE Data	Internet services	6	22	22	6	(8)	(24)	
- TE Data	Supplying information technology equipment	-	20 043	20 043	13 800	(14 830)	(21 073)	
- T E investment Holding	Lease of premises	9	9	9	18	(9)	-	
- TE France	participation contract	5 566	816	816	8 309	(23 146)	(15 653)	
- Egyptian Telecommunication Company for Information Systems	Services rendered from subsidiary company	-	6 322	6 322	-	-	(6 322)	
			<u>27 212</u>	<u>27 212</u>	<u>22 133</u>	<u>(37 993)</u>	<u>(43 072)</u>	



Notes To The Condensed Separate Interim Financial Statements
For The Six Months Ended June 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 L.E. 000	Transaction volume during the period		Balance as of	
		Debit	Credit	30/6/2016	31/12/2015
		L.E. 000	L.E. 000	Debit/(Credit) L.E. 000	Debit/(Credit) L.E. 000
Outgoing calls and voice services to the associates company	559 857	1 470 682	1 679 076	(82 794)	125 600
Incoming and international calls, transmission premises and towers to the associates company	547 870				
		1 470 682	1 679 076	(82 794)	125 600
				453 902	453 902
				453 902	453 902
				66	66
				66	66

Debit balances included in debit balances - long term

- Consortium Algerien de Telecommunications (CAT)*

Debit balances included in debtors and other debit balances

- International Telecommunication Consortium Limited (ITCL)**

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

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



29. SIGNIFICANT CLAIMS AND LITIGATIONS

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

On September 2009, Orange Egypt had filed the Arbitration Case no. 644/2009 requesting the application of the interconnection rates mentioned in the signed agreements with te, and objecting the application of NTRA abovementioned decisions, claiming that te made a contractual violations by complaining at NTRA, also request damages for not entering into services level agreements related to the transmission leased line and International gateway services.

On October 2009 te had filed the Arbitration Case against Orange Egypt, that's where te's management believes that Orange Egypt charged te with rates exceeds the rates where Orange Egypt and other operator charging each other and this violates the article (13) of the interconnection agreement between TE and Orange Egypt.

The tribunal in Orange Egypt Case rejected Orange Egypt's request to apply the interconnection rates stated in the interconnection agreement, also the tribunal submit its 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, 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 June 2016 is approximately an amount of L.E 651 615 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 14 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.

In 31 August 2015, The tribunal rejected te claims for compensations, it also decided that it has jurisdiction over the investee claims and decided to terminate the contract dated 25 July 2000, and its amendments dated 2004, and the shareholder's contract dated 27 February 2006 and awarded compensation to the investees. The company started to take the necessary legal actions to cease the implementation of such award and to annul it, as per the external advisor recommended to the company.

And the company'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.

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



30. Comparative figures

30-1 Condensed Separate Income Statement

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:

	<u>For the six months ended</u>		<u>For the six months ended</u>		<u>For the three months ended</u>		<u>For the six months ended</u>	
	<u>30/6/2015</u>	<u>Reclassification</u>	<u>30/6/2015</u>	<u>30/6/2015</u>	<u>Reclassification</u>	<u>30/6/2015</u>	<u>30/6/2015</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>LE(000)</u>	<u>presentation</u>	<u>presented</u>	<u>LE(000)</u>	<u>presentation</u>	<u>LE(000)</u>	
Operating cost	(3 062 835)	(33 000)	(3 095 835)	(1 535 647)	(16 500)	(1 552 147)		
Selling and distribution expenses	(495 916)	(41 531)	(537 447)	(257 711)	(21 100)	(278 811)		
General and administrative expenses	(871 342)	74 531	(796 811)	(435 002)	37 600	(397 402)		

30-2 Condensed Separate Statement of Cash flows

	<u>For the six months ended</u>		<u>Reclassification</u>	<u>For the six months ended</u>	
	<u>30/6/2015</u>	<u>30/6/2015</u>		<u>30/6/2015</u>	<u>30/6/2015</u>
	<u>as previously</u>	<u>as previously</u>		<u>current</u>	<u>current</u>
	<u>presented</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	(369 791)	(130 923)	(500 714)		
Other proceeds	(21 004)	130 923	109 919		

31- SIGNIFICANT ACCOUNTING POLICIES

31-1 The accounting policies applied in the preparation of the condensed separate interim financial statements as of June 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 Six Months Ended June 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>



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

Translation from Arabic

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:<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.	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.