



*Translation from Arabic*

**Telecom Egypt Company**  
**(An Egyptian Joint Stock Company)**  
**Condensed Consolidated Interim Financial Statements**  
**For The Six Months Ended June 30, 2017**  
**And The Limited Review Report**



*Translation from Arabic*

**Telecom Egypt Company**  
**(An Egyptian Joint Stock Company)**  
**Condensed Consolidated Interim Financial Statements**  
**For The Six Months Ended June 30, 2017**  
**And The Limited Review Report**

**Index**

<b><u>Explanation</u></b>	<b><u>Page Number</u></b>
- Limited Review Report	1:2
- Condensed Consolidated Statement of Financial Position	3
- Condensed Consolidated Statement of Income	4
- Condensed Consolidated Statement of Comprehensive Income	5
- Condensed Consolidated Statement of Changes in Equity	6
- Condensed Consolidated Statement of Cash Flows	7
- Notes to the Condensed Consolidated Interim Financial Statements	8:25



## 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](mailto:egypt@kpmg.com.eg)  
Postal Code : 12556 Al Ahram

*Translation from Arabic*

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

#### ***Introduction***

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

#### ***Scope of Limited Review***

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

#### ***Conclusion***

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

**Emphasis of Matter**

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

- a- As explained in note no. (30-1) of the notes to the condensed consolidated interim financial statements, which describes the dispute between the company and Orange Egypt Company (previously named Mobinil ) in regards to the interconnection rates. Several resolutions were issued by the National Telecommunication Regulatory Authority (NTRA) determining the interconnection rates based on the complaint filed by the company. As a result, Orange filed lawsuits for ceasing the implementation of the said resolutions. In addition, to the lawsuits and arbitral, litigations filed by or against the company and Orange, several rulings were issued but were appealed before the relevant authorities. These litigations and appeals are still under deliberation before the court and the arbitral tribunals and the final ruling has not been issued yet.

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

- b- As explained in note no note no. (30-2) of the notes to the condensed consolidated interim financial statements, Etisalat Misr company filed a lawsuit against the Company in regards to the international incoming voice services. The legal consultant of the Company stated that this lawsuit is for action for accounting, the main purpose of it is to appoint an expert to determine Etisalat Misr entitlement from the international incoming voice services with the company –if any– .This case is still pending before the experts' Committee formed by virtue of a preliminary ruling issued by the Court, the experts' Committee is yet to issue its report. It is difficult, in the meantime to determine the outcome of the above mentioned lawsuit till the final ruling of the judicial bodies is issued.

Cairo, August 14, 2017



**KPMG Hazem Hassan  
Public Accountants & Consultants**





Translation from Arabic

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

	Note No.	30/6/2017 L.E. (000)	31/12/2016 L.E. (000)
<b>Assets</b>			
<b>Non Current Assets</b>			
Fixed assets	(11)	14 742 077	14 238 001
Projects in progress	(12)	10 785 079	7 418 288
Investments in associates	(13)	10 600 499	9 452 591
Available-for-sale investments		81 273	81 273
Other assets	(14)	1 723 709	1 391 327
Deferred tax assets	(24-1)	375 486	418 502
<b>Total Non Current Assets</b>		<b>38 308 123</b>	<b>32 999 982</b>
<b>Current Assets</b>			
Inventories	(15)	953 151	662 097
Trade and notes receivable	(16)	4 046 630	4 738 671
Debtors and other debit balances	(17)	2 212 747	1 830 158
Held-to-maturity investments-treasury bills		102 130	144 428
Cash and cash equivalents	(18)	2 170 661	1 112 286
<b>Total Current Assets</b>		<b>9 485 319</b>	<b>8 487 640</b>
<b>Total Assets</b>		<b>47 793 442</b>	<b>41 487 622</b>
<b>Equity</b>			
Capital	(22)	17 070 716	17 070 716
Reserves	(23)	4 618 979	4 446 323
Retained earnings		8 170 779	8 056 342
Foreign entities translation reserve		174 784	161 357
<b>Equity attributable to owners of the company</b>		<b>30 035 258</b>	<b>29 734 738</b>
Non - controlling interest		10 011	10 696
<b>Total Equity</b>		<b>30 045 269</b>	<b>29 745 434</b>
<b>Non Current Liabilities</b>			
Loans and credit facilities	(19)	611 230	626 235
Creditors and other credit balances	(20)	2 015 179	114 226
Deferred tax liabilities	(24-1)	594 842	638 295
<b>Total Long Term Liabilities</b>		<b>3 221 251</b>	<b>1 378 756</b>
<b>Current Liabilities</b>			
Loans and credit facilities installments due within one year	(19)	6 414 365	2 715 554
Creditors and other credit balances	(20)	7 200 637	6 545 767
Provisions	(21)	911 920	1 102 111
<b>Total Current Liabilities</b>		<b>14 526 922</b>	<b>10 363 432</b>
<b>Total Liabilities</b>		<b>17 748 173</b>	<b>11 742 188</b>
<b>Total Equity and Liabilities</b>		<b>47 793 442</b>	<b>41 487 622</b>

The attached notes on pages (8) to (25) are an integral part of these Condensed Consolidated Interim Financial Statements.

Financial Director

*Wael Hanafy*

"Wael Hanafy"

Senior Financial Director

*Shaher Shokry*

"Shaher Shokry"

Chief Financial Officer

*M. Shamsouk*

"Mohamed Shamsouk"

Managing Director  
& Chief Executive Officer

*Ahmed El Behary*

"Ahmed El Behary"

Board of Directors approval

Chairman

*M. Osman*

"Maged Osman"

Limited Review Report "attached"



*Translation from Arabic*

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

	Note	For the six months ended		For the Three months ended	
		30/6/2017	30/6/2016	30/6/2017	30/6/2016
		<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Operating revenues	(3)	8 827 789	6 359 308	4 636 592	3 294 420
Operating costs	(4)	(5 013 187)	(3 349 443)	(2 664 865)	(1 730 843)
<b>Gross Profit</b>		<b>3 814 602</b>	<b>3 009 865</b>	<b>1 971 727</b>	<b>1 563 577</b>
Other income		119 078	172 269	56 404	88 490
Selling and distribution expenses	(5)	( 791 436)	( 641 352)	( 404 451)	( 318 437)
General and administrative expenses	(6)	( 963 555)	( 951 309)	( 505 612)	( 504 515)
Other expenses		( 96 404)	( 87 734)	( 76 330)	( 43 935)
<b>Operating profit</b>		<b>2 082 285</b>	<b>1 501 739</b>	<b>1 041 738</b>	<b>785 180</b>
Finance income		67 945	482 244	35 355	62 608
Finance cost		( 184 634)	( 18 466)	( 44 152)	( 11 339)
<b>Net finance (cost) \ income</b>	(7)	<b>( 116 689)</b>	<b>463 778</b>	<b>( 8 797)</b>	<b>51 269</b>
Share of profit of equity accounted investees	(8)	1 174 876	716 356	499 797	344 284
<b>Net profit before tax</b>		<b>3 140 472</b>	<b>2 681 873</b>	<b>1 532 738</b>	<b>1 180 733</b>
Income tax expense		( 531 732)	( 318 461)	( 214 568)	( 115 381)
Deferred tax	(24-1)	437	( 47 418)	( 49 583)	( 25 456)
<b>Total income tax</b>		<b>( 531 295)</b>	<b>( 365 879)</b>	<b>( 264 151)</b>	<b>( 140 837)</b>
<b>Net profit for the period</b>		<b>2 609 177</b>	<b>2 315 994</b>	<b>1 268 587</b>	<b>1 039 896</b>
<b>Net profit attributable to :</b>					
Owners of the company		2 607 663	2 315 058	1 267 830	1 039 339
Non-controlling interest		1 514	936	757	557
<b>Net profit for the period</b>		<b>2 609 177</b>	<b>2 315 994</b>	<b>1 268 587</b>	<b>1 039 896</b>
<b>Basic and diluted earning per share for the period (L.E. / Share)</b>	(10)	<b>1.53</b>	<b>1.36</b>	<b>0.74</b>	<b>0.61</b>

The attached notes on pages (8) to (25) are an integral part of these Condensed Consolidated Interim Financial Statements.



*Translation from Arabic*

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

	<u>For the six months ended</u>		<u>For the three months ended</u>	
	<u>30/6/2017</u>	<u>30/6/2016</u>	<u>30/6/2017</u>	<u>30/6/2016</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>
Net profit for the period after income tax	2 609 177	2 315 994	1 268 587	1 039 896
<b><u>Other Comprehensive Income items :</u></b>				
Translation differences of foreign entities	13 427	16 942	9 932	( 2 368)
<b>Total Comprehensive Income</b>	<b><u>2 622 604</u></b>	<b><u>2 332 936</u></b>	<b><u>1 278 519</u></b>	<b><u>1 037 528</u></b>
<b>Attributable to :</b>				
Owners of the company	2 621 090	2 332 000	1 277 762	1 036 971
Non-controlling interest	1 514	936	757	557
<b>Total Comprehensive Income</b>	<b><u>2 622 604</u></b>	<b><u>2 332 936</u></b>	<b><u>1 278 519</u></b>	<b><u>1 037 528</u></b>

The attached notes on pages (8) to (25) are an integral part of these Condensed Consolidated Interim Financial Statements.



Translation from Arabic

Telecom Egypt Company

(An Egyptian Joint Stock Company)

Condensed Consolidated Statement of Changes in Equity

For The Six Months Ended June 30, 2017

	Capital L.E.(000)	Legal reserve L.E.(000)	Other reserves L.E.(000)	Retained earnings L.E.(000)	Foreign entities translation reserve L.E.(000)	Total of equity attributable to owners of the company L.E.(000)	Non-controlling interest L.E.(000)	Total L.E.(000)
Balance as of January 1, 2016	17 070 716	1 583 556	4 796 578	5 508 940	4 310	28 964 100	10 330	28 974 430
<u>Comprehensive Income</u>								
Net profit for the period	-	-	-	2 315 058	-	2 315 058	936	2 315 994
Translation differences of foreign entities	-	-	-	-	16 942	16 942	-	16 942
<u>Total Comprehensive Income</u>	-	-	-	2 315 058	16 942	2 332 000	936	2 332 936
<u>Transactions with shareholders</u>								
Transferred to retained earnings from general reserve	-	-	(2 000 000)	2 000 000	-	-	-	-
Transferred to legal reserve	-	66 189	-	(66 189)	-	-	-	-
Dividends for year 2015 (shareholders)	-	-	-	(1 280 304)	-	(1 280 304)	(1 702)	(1 282 006)
Dividends for year 2015 (Employees & Board of Directors)	-	-	-	(608 735)	-	(608 735)	(245)	(608 980)
Dividends in associates (Employees & Board of Directors)	-	-	-	(167 647)	-	(167 647)	-	(167 647)
acquisition of non-controlling interest Subsidiaries	-	-	-	-	-	-	(7)	(7)
<u>Total transactions with shareholders</u>	-	66 189	(2 000 000)	(1 222 875)	-	(2 056 686)	(1 954)	(2 058 640)
<u>Balance as of June 30, 2016</u>	<u>17 070 716</u>	<u>1 649 745</u>	<u>2 796 578</u>	<u>7 701 123</u>	<u>21 252</u>	<u>29 239 414</u>	<u>9 312</u>	<u>29 248 726</u>
Balance as of January 1, 2017	17 070 716	1 649 745	2 796 578	8 056 342	161 357	29 734 738	10 696	29 745 434
<u>Comprehensive Income</u>								
Net profit for the period	-	-	-	2 607 663	-	2 607 663	1 514	2 609 177
Translation differences of foreign entities	-	-	-	-	13 427	13 427	-	13 427
<u>Total Comprehensive Income</u>	-	-	-	2 607 663	13 427	2 621 090	1 514	2 622 604
<u>Transactions with shareholders</u>								
Transferred to legal reserve	-	172 656	-	(172 656)	-	-	-	-
Dividends for year 2016 (shareholders)	-	-	-	(1 707 071)	-	(1 707 071)	(1 921)	(1 708 992)
Dividends for year 2016 (Employees & Board of Directors)	-	-	-	(613 499)	-	(613 499)	(278)	(613 777)
Total transactions with shareholders	-	172 656	-	(2 493 226)	-	(2 320 570)	(2 199)	(2 322 769)
<u>Balance as of June 30, 2017</u>	<u>17 070 716</u>	<u>1 822 401</u>	<u>2 796 578</u>	<u>8 170 779</u>	<u>174 784</u>	<u>30 035 258</u>	<u>10 011</u>	<u>30 045 269</u>

The attached notes on page from (8) to (25) are an integral part of these Condensed Consolidated Interim Financial Statements.





Translation from Arabic

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

	Note No.	For the six months ended:	
		30/6/2017 L.E. (000)	30/6/2016 L.E. (000)
<b>Cash flows from operating activities:-</b>			
Cash receipts from customers		7 882 322	6 462 418
Sales tax collected from customers		172 154	119 387
Stamp tax and fees collected (from third party)		24 700	27 120
Deposits (payments) returned to customers		( 5)	2 886
Cash paid to suppliers		(1 135 520)	( 742 213)
Payments of NTRA license fees		( 379 284)	( 206 648)
Dividends paid to employees and bord of directors		( 536 760)	( 472 660)
Cash paid to employees and bord of directors		(1 582 951)	(1 528 259)
Cash paid on behalf of employees to third party		( 333 212)	( 306 034)
<b>Cash provided by operating activities</b>		<b>4 111 444</b>	<b>3 355 997</b>
Interest paid		( 9 705)	( 5 059)
Payments to Tax Authority - income tax		( 254 239)	( 292 529)
Payments to Tax Authority - sales tax		( 897 023)	( 373 159)
Payments to Tax Authority - other taxes		( 378 798)	( 291 759)
Other (payment) \ proceeds		( 406 208)	90 554
<b>Net cash provided by operating activities</b>		<b>2 165 471</b>	<b>2 484 045</b>
<b>Cash flows from investing activities:-</b>			
Payments for purchase of fixed assets, projects in progress and other assets		(3 146 962)	(1 570 984)
Proceeds form sales of fixed assets and other assets		450	572
Payments for acquisition of investemets		-	( 7)
Payments for purchase of held-to-maturity investment - treasury bills		( 100 025)	( 148 564)
Interest received		28 573	25 000
Dividends collected from investments		12 134	719 790
Proceeds from sale available for sale investment		-	11 183
Proceeds from retrieval of held-to-maturity investment - treasury bills		142 519	173 612
Proceeds from securities (treasury bills - mutual fund)		12 411	44 325
<b>Net cash used in investing activities</b>		<b>(3 050 900)</b>	<b>( 745 073)</b>
<b>Cash flows from financing activities:-</b>			
Payments for loans and other facilities		( 108 704)	( 49 790)
Proceeds from loans and other facilities		3 765 541	59
Dividends paid to Shareholders		(1 708 896)	(1 281 920)
<b>Net cash provided by (used in) financing activities</b>		<b>1 947 941</b>	<b>(1 331 651)</b>
<b>Net change in cash and cash equivalents during the period</b>		<b>1 062 512</b>	<b>407 321</b>
Translation differences of foreign entities		( 4 906)	4 867
Cash and cash equivalents at the beginning of the period	(18)	1 101 163	2 404 010
<b>Cash and cash equivalents at the end of the period</b>	(18)	<b>2 158 769</b>	<b>2 816 198</b>

The attached notes on pages from (8) to (25) are an integral part of these Condensed Consolidated Interim Financial statements.



*Translation from Arabic*

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

**Notes to the Condensed Consolidated Interim Financial Statements**  
**For The Six Months Ended June 30, 2017**

**1. BACKGROUND**

**1-1 Legal Entity**

- Arab Republic of Egypt National Telecommunication Organization (ARENTO) was established according to Law No.153 of 1980. Effective from March 27, 1998 and according to law No.19 of 1998, the legal form of (ARENTO) was amended after the revaluation of its assets on March 26, 1998 to become "Telecom Egypt Company" (TE).
- Telecom Egypt Company (the "Company") is an Egyptian Joint Stock Company registered in the Arab Republic of Egypt and is engaged in the provision of public communications and associated products and services.
- The company is subject to the provisions of the Companies Law No. 159 of 1981 and Capital Market law No. 95 of 1992.
- The registered office of the company is 26 Ramses Street, Cairo, Egypt.
- The nominal shares for the company are traded in the Egyptian Stock Exchange and the London market for securities.

**1-2 Purpose of the company**

The main purpose of the company represents in the following:

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

**1-3 Issuance of Condensed Consolidated Interim Financial Statements**

These Condensed Consolidated Interim Financial Statements were approved by the Board of Directors for issuance on August 14, 2017.

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

**2-1 Statement of compliance**

- These Condensed Consolidated Interim Financial Statements as of June 30, 2017 have been prepared in accordance with Egyptian Accounting Standard No.30 "Interim Financial Reporting" accordingly it is condensed comparative view to the annual consolidated financial statements for the company, and in the light of applicable Egyptian laws and regulations.
- These Condensed Consolidated Interim Financial Statements don't include all the required information needed for preparing the full annual consolidated financial statements and must be read with the annual consolidated financial statements as of December 31, 2016.



*Notes To The Condensed Consolidated Interim Financial Statements  
For The Six Months Ended June 30, 2017 (continued)*

*Translation from Arabic*

**2-2 Basis of measurement**

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

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

**2-3 Functional and presentation currency**

These Condensed Consolidated Interim Financial Statements are presented in Egyptian pound (L.E.). All financial information presented in "L.E." has been rounded to the nearest thousand unless otherwise stated.

**2-4 Use of estimates**

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

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

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

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

**2-5 Fair value measurement**

The fair value of financial instruments is determined based on the market value of the financial instrument or similar financial instruments at the date of the condensed consolidated interim financial statements without deducting any estimated future selling costs. The financial assets values are determined with the current purchase prices; however, the financial liabilities values are determined with the current prices that could settle these liabilities.

In case there is no active market to determine the fair value of the financial instruments, the fair value is estimated using different valuation techniques taking into consideration the prices of the latest transactions, and use the current fair value of the similar financial instruments as guideline – the discounted cash flows technique or any other valuation methods that results reliable values.

When the discounted cash flows is used as a valuation technique, the future cash flows are estimated based on the management best estimate. The discount rate used is determined in line with the market rate at the date of the financial statements for the similar financial instruments in nature and conditions.

**2-6 Segment reporting**

Operating activities related to the company is managed by operating segments at the group activates level as integrated activity, based on the nature of product and the service provided. The segment reporting is prepared according to segments of activities as a group as follows:

- Communications, marine cables and infrastructure segment.
- Internet services segment.
- Outsourcing services segment



Notes To The Condensed Consolidated Interim Financial Statements  
For The Six Months Ended June 30, 2017 (continued)

Translation from Arabic

### 3. OPERATING REVENUES

	For the six months ended		For the three months ended	
	30/6/2017	30/6/2016	30/6/2017	30/6/2016
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Home	2 596 088	2 008 998	1 330 895	1 009 427
Enterprise	1 271 580	1 122 004	717 845	569 996
Domestic wholesale	1 755 713	1 534 413	868 133	813 001
International carrier	2 511 698	1 387 952	1 325 527	742 028
International cables and networks	692 710	305 941	394 192	159 968
	<u>8 827 789</u>	<u>6 359 308</u>	<u>4 636 592</u>	<u>3 294 420</u>

Total operating revenues have increased by an amount of L.E. 2 468 481 K mainly due to the increase in home revenues by an amount of L.E. 587 090 K due to the increase in internet customers which led to the increase in internet revenue, in addition to increase in both of international carrier and international cables and networks revenues by an amount of L.E. 1 123 746 K and L.E 386 769 K respectively due to the increase in foreign currencies exchange rates, in addition to increase in domestic wholesale revenue by an amount of L.E 221 300 K due to the increase in infrastructure revenues.

### 4. OPERATING COSTS

	For the six months ended		For the three months ended	
	30/6/2017	30/6/2016	30/6/2017	30/6/2016
	L.E. (000)	Reclassified L.E. (000)	L.E. (000)	Reclassified L.E. (000)
Interconnection cost	2 030 603	1 056 449	1 088 111	560 759
Depreciation and amortization	760 000	594 447	395 482	304 463
Other operating cost*	2 222 584	1 698 547	1 181 272	865 621
	<u>5 013 187</u>	<u>3 349 443</u>	<u>2 664 865</u>	<u>1 730 843</u>

Operating costs have increased by an amount of L.E. 1 663 744 K mainly due to the following: -

- The increase of interconnection cost by an amount of L.E. 974 154 K which is mainly due to the increase in cost of international connection fees and cost of international fees of transit service due to increase in foreign currencies exchange rates during the current period against of the same period.
- The increase in the depreciation and amortization item by an amount of L.E 165 553 K due to the additions of the last year after the first quarter and the current period.
- The increase in other operating cost item is mainly due to the increase in salaries and wages item by an amount of L.E. 166 853 K due to the annual increase by 15 % from the basic salary starting from January 2017, in addition to the increase of frequencies and licenses charges item by an amount of L.E 102 531 K due to the increase in revenues of the current period.

\* Reclassification was made on comparative figures as shown in Note no (31-2).



Notes To The Condensed Consolidated Interim Financial Statements  
For The Six Months Ended June 30, 2017 (continued)

Translation from Arabic

## 5. SELLING AND DISTRIBUTION EXPENSES

	For the six months ended		For the three months ended	
	30/6/2017	30/6/2016	30/6/2017	30/6/2016
		Reclassified		Reclassified
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Salaries & wages *	482 887	387 715	257 035	198 538
Company's social insurance contribution*	50 120	45 207	25 184	22 533
Depreciation and amortization	2 373	3 801	771	1 793
Discount allowed	91 331	93 805	44 315	47 781
Advertising and marketing	19 771	37 408	11 538	16 624
Other expenses *	144 954	73 416	65 608	31 168
	<u>791 436</u>	<u>641 352</u>	<u>404 451</u>	<u>318 437</u>

The increase in selling and distribution expenses by an amount of L.E 150 084 K due to the increase in salaries and wages by an amount of L.E. 101 263 K due to the annual increase by 15 % from the basic salary starting from January 2017, however the decrease in advertising & marketing item by an amount of L.E 17 637 K led to limitation this increase.

\* Reclassification was made on comparative figures as shown in Note no (31-2).

## 6. GENERAL AND ADMINISTRATIVE EXPENSES

	For the six months ended		For the three months ended	
	30/6/2017	30/6/2016	30/6/2017	30/6/2016
		Reclassified		Reclassified
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Salaries and wages*	609 967	604 002	329 129	318 457
Company's social insurance contribution*	59 103	54 257	29 143	26 943
The company's contribution in loyalty and belonging fund	-	103 750	-	51 875
Depreciation and amortization	37 840	35 652	19 085	17 937
Service cost from organizations	116 321	36 511	45 793	20 010
Bad debt expense	1 381	4 959	533	3 047
Tax and duty	61 987	48 448	39 010	33 734
Other expenses*	76 956	63 730	42 919	32 512
	<u>963 555</u>	<u>951 309</u>	<u>505 612</u>	<u>504 515</u>

The increase in general and administrative expenses by an amount of L.E. 12 246 K is mainly due to the increase in service cost of organization item by an amount of L.E. 79 810 K and tax and duty item by an amount of L.E. 13 539 K, however the decrease in the company's contribution in loyalty and belonging fund item by an amount of L.E. 103 750 K led to limitation of this increase during the period.

\* Reclassification was made on comparative figures as shown in Note no (31-2).



Notes To The Condensed Consolidated Interim Financial Statements  
For The Six Months Ended June 30, 2017 (continued)

Translation from Arabic

## 7. NET FINANCE (COST) \ INCOME

	For the six months ended		For the three months ended	
	30/6/2017	30/6/2016	30/6/2017	30/6/2016
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Total finance income	67 945	482 244	35 355	62 608
Total finance cost	( 184 634)	( 18 466)	( 44 152)	( 11 339)
<b>Net finance (cost) \ income</b>	<b>( 116 689)</b>	<b>463 778</b>	<b>( 8 797)</b>	<b>51 269</b>

The decrease in net finance (cost) \ income by an amount of L.E 580 467 K during the period is mainly due to the decrease in net gain for the translation of foreign currencies balances by an amount of L.E 532 154 K which realized loss during the current period by and amount of L.E 141 435 K.

## 8. SHARE OF PROFIT OF EQUITY ACCOUNTED INVESTEEES

	For the six months ended		For the three months ended	
	30/6/2017	30/6/2016	30/6/2017	30/6/2016
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Vodafone Egypt	1 174 882	716 352	499 797	344 284
Egypt trust	( 6)	4	-	-
	<b>1 174 876</b>	<b>716 356</b>	<b>499 797</b>	<b>344 284</b>

## 9. EMPLOYEES' BENEFITS

### 9-1 Early retirement scheme (Telecom Egypt)

The Company had an early retirement scheme where employees who wishes to retire, prior to the legal retirement age, are entitled to receive a compensation amounting to 75% of their latest basic salary for the remaining service period up to the retirement age with a maximum of 10 years for men and 15 years for women – by the date of 30/3/2016, internal instructions no. 9 were issued related to apply the optional early retirement for employees during the period from 3/4/2016 until 31/5/2016 the employees who wishes to retire prior to the legal retirement age are entitled to receive a compensation amounting to 125% of their latest basic salary for the remaining service period up to the retirement age with a maximum of 15 years. Compensations relating to early retirement amounted to nil for the period ended June 30, 2017 (against LE 6 204 K for the same period as of the year 2016) are included in general and administrative expenses and now the company doesn't apply any early retirement scheme.

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

The employees are granted an end of service benefits through a Loyalty & belonging Fund established in January 2004. Employees' benefit are based on the employees' basic salary in January 1, 2012 increasing annually at a compound rate of 5%. The subscription for employees hired after January 1, 2012, is calculated according to a subscription schedule for new hires (starting of hiring date 1/1/2012) and increasing at a compound rate of 5% annually starting from the next year from the hiring date with the same conditions of annual raise of employees.

The employees share in loyalty & belonging fund according to constant subscription are based on the same employees' basic salary where the end of service benefit calculated. The contribution in loyalty and belonging fund for the period ended June 30, 2017 amounted to nil (against L.E. 103 750 K for the same period as of the year 2016). The Company's contribution is included in general and administrative expenses.



Notes To The Condensed Consolidated Interim Financial Statements  
For The Six Months Ended June 30, 2017 (continued)

Translation from Arabic

**10. BASIC AND DILUTED EARNING PER SHARE FOR THE PERIOD**

	For the six months ended		For the three months ended	
	30/6/2017	30/6/2016	30/6/2017	30/6/2016
<b>The holding company owners' equity :</b>				
Net profit for the period (LE 000)	2 607 663	2 315 058	1 267 830	1 039 339
Number of shares available during the period (share)	1707 071 600	1707 071 600	1707 071 600	1707 071 600
<b>Basic and diluted earning per share for the period (LE / share)</b>	<b>1.53</b>	<b>1.36</b>	<b>0.74</b>	<b>0.61</b>

**11. FIXED ASSETS**

Description	30/6/2017	31/12/2016	30/6/2017	31/12/2016	30/6/2017	31/12/2016
	Cost	Cost	Accumulated depreciation	Accumulated depreciation	Net	Net
	<u>L.E.(000)</u>	Reclassified <u>L.E.(000)</u>	<u>L.E.(000)</u>	Reclassified <u>L.E.(000)</u>	<u>L.E.(000)</u>	Reclassified <u>L.E.(000)</u>
Land	2 371 593	2 371 572	-	-	2 371 593	2 371 572
Buildings & Infrastructure *	23 489 958	22 716 669	14 547 713	14 170 689	8 942 245	8 545 980
Centrals and technical equipment & information technologies	23 229 635	22 855 752	20 044 552	19 746 696	3 185 083	3 109 056
Vehicles	144 831	145 558	109 203	107 881	35 628	37 677
Furniture*	569 449	516 198	421 683	391 121	147 766	125 077
Tools & supplies*	112 511	96 179	70 452	67 072	42 059	29 107
Decoration & fixtures	125 344	119 574	107 641	100 042	17 703	19 532
Fixtures on trunk radio network	315	315	315	315	-	-
<b>Total</b>	<b>50 043 636</b>	<b>48 821 817</b>	<b>35 301 559</b>	<b>34 583 816</b>	<b>14 742 077</b>	<b>14 238 001</b>

- The increase in net book value of fixed assets mainly due to the additions during the period by an amount of L.E. 1 226 211 K, however the depreciation of the period by an amount of L.E. 744 935 K which led to limitation of this increase.

- The cost of fixed assets as of June 30, 2017 includes an amount of L.E. 23 334 million fully depreciated fixed assets and still in use.

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



Notes To The Condensed Consolidated Interim Financial Statements  
For The Six Months Ended June 30, 2017 (continued)

Translation from Arabic

**12. PROJECTS IN PROGRESS**

	<b>30/6/2017</b>	<b>31/12/2016</b>
	<b><u>L.E. (000)</u></b>	<b><u>L.E. (000)</u></b>
Land	15 576	15 576
Buildings and Infrastructure	929 988	536 324
Centrals and information technologies equipment	1 222 660	875 231
Furniture	-	250
Other Assets (cables)	35 581	407 681
Other Assets ( fourth generation network license 4G)*	8 326 607	5 293 798
Advance payments	254 667	289 428
	<b><u>10 785 079</u></b>	<b><u>7 418 288</u></b>

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

\*\*This item is represented in the acquisition cost of Fourth generation network license ,TE obtained license to provide 4G services from the National Telecommunication Regulatroy Authority (NTRA), under the terms of the granted license, Telecom Egypt can establish, operate and manage a full-fledged mobile operation to service the Egyptian market, effective from August 31, 2016.

The summary of the license agreement as follows:

1. 4G spectrum of 2×5 MHZ in the frequency band 1800 MHZ and 2×10 MHZ in frequency band 700 MHZ for the period of 15 years from the signature date of license, in addition to the right of renew license for another five years against specified amount.
2. The total value of the license is equivalent to EGP 10 545 Million includes the amount of license renewal for another five years, of which equivalent to EGP 5 200 Million was paid up front by 50% paid in Egyptian pound and 50% paid in US dollar.
3. The remaining portion will be paid in equal installments over the next Four years, 50% paid in Egyptian pound, 50% paid in US dollar.
4. The initial license term is for a period of 15 years from the signature date of license in addition to the right of renew the license for another five years against EGP 2000 Million as maximum.
5. Specified annual fixed fees in license in addition to percentage of annual revenue which is specified in the license.
6. The amount of the license includes EGP 403 488 K which is represented in the finance cost of credit facilities which granted to the company to finance part of the license, the company is currently completing the equipment and necessary initial infrastructure for operating the fourth generation network license.





Notes To The Condensed Consolidated Interim Financial Statements  
For The Six Months Ended June 30, 2017 (continued)

Translation from Arabic

**13. INVESTMENTS IN ASSOCIATES**

	30/6/2017		31/12/2016	
	Ownership %	amount L.E. (000)	Ownership %	amount L.E. (000)
- Vodafone Egypt Telecommunication company*	44.95	10 600 056	44.95	9 452 142
- Wataneya for Telecommunication**	50.00	125	50.00	125
- International Telecommunication Consortium Limited, (ITCL)**	50.00	54	50.00	54
- Egypt Trust**	35.71	7 500	35.71	7 500
- Consortium Algerien de Telecommunications (CAT)**	33.00	133	33.00	133
- Sofisat	25.00	-	25.00	-
		<u>10 607 868</u>		<u>9 459 954</u>
<b>Add:</b>				
<b><u>Payments for investments purchase</u></b>				
Egypt Trust***	35.71	443		449
<b>Less</b>				
Impairment loss on investment in associates		( 7 812)		( 7 812)
		<u>10 600 499</u>		<u>9 452 591</u>

\* The investments in Vodafone Egypt on June 30, 2017 represents the ownership of 107 869 799 shares with a percentage of 44.95% from the total shares of Vodafone Egypt.

The financial year of Vodafone Egypt ends on March 31 of each year and the equity method was applied in recognizing the investment in Vodafone Egypt during preparing the Condensed Consolidated Interim Financial Statements as of June 30, 2017 by using the consolidated financial statements of Vodafone Egypt for the financial year ended in March 31, 2017 that were approved by Board Of Directors which presents the 12 months from the 1st of April 2016 till March 31, 2017, deduct the movements of the period from April 1, 2016 till December 31, 2016 from the interim financial data of Vodafone Egypt as of December 31, 2016, and add the movements of the period from April 1, 2017 till June 30, 2017 from the interim financial data of Vodafone Egypt as of June 30, 2017 to determine the share of financial period from January 1 to June 30, 2017 of business results.

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

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



Notes To The Condensed Consolidated Interim Financial Statements  
For The Six Months Ended June 30, 2017 (continued)

Translation from Arabic

**14. OTHER ASSETS**

	30/06/2017	31/12/2016
	<u>L.E. (000)</u>	<u>Reclassified</u> <u>L.E. (000)</u>
<b><u>Cost</u></b>		
Submarine Cables (right of way)*	1 630 613	1 231 136
Right of Use (ROU)	152 239	152 565
License (internet service - programs )	79 401	79 515
Land (possession-usufruct)	440 684	440 684
	<u>2 302 937</u>	<u>1 903 900</u>
<b><u>Less:</u></b>		
Accumulated amortization & Impairment	579 228	512 573
<b>Net other assets</b>	<u><u>1 723 709</u></u>	<u><u>1 391 327</u></u>

- The increase in net carrying value of other assets is due to period additions by an amount L.E. 371 169 K, however the amortization of the period by an amount of 55 278 K led to limitation of this increase.

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

**15. INVENTORIES**

	30/6/2017	31/12/2016
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Spare parts	473 648	445 918
Project cables and supplies	171 363	76 737
Others	308 140	139 442
	<u>953 151</u>	<u>662 097</u>

The value of inventories was written down by L.E. 25 621 K (against LE 25 466 K as at December 31, 2016) for obsolete and slow moving items directly from the cost of each type of inventory.



Notes To The Condensed Consolidated Interim Financial Statements  
For The Six Months Ended June 30, 2017 (continued)

Translation from Arabic

### 16. TRADE AND NOTES RECEIVABLE

	30/6/2017	31/12/2016
	<u>L.E. (000)</u>	<u>Reclassified</u> <u>L.E. (000)</u>
Trade Receivables - National	4 275 336	4 131 189
Trade Receivables - International	2 425 834	3 260 775
	<u>6 701 170</u>	<u>7 391 964</u>
<b>Less:</b>		
Impairment loss on trade receivables	2 658 012	2 653 293
	4 043 158	4 738 671
<b>Add:</b>		
Notes receivable	3 472	-
	<u>4 046 630</u>	<u>4 738 671</u>

Trade and notes receivable balance have decreased by an amount of L.E. 692 041 K is mainly due to the increase in collection during the period specially for international carrier and international cables and networks customers.

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

### 17. DEBTORS AND OTHER DEBIT BALANCES

	30/6/2017	31/12/2016
	<u>L.E.(000)</u>	<u>Reclassified</u> <u>L.E.(000)</u>
Accrued revenues	65 436	42 885
Deposits to other	167 478	171 758
Suppliers – debit balances	286 142	130 382
Tax Authority - withholding tax	88 664	160 319
Due from organizations and companies	182 886	347 935
Payments on the account of income tax	84 967	27 796
Due from employees	224 631	288 956
Other debit balances*	1 302 593	850 507
	<u>2 402 797</u>	<u>2 020 538</u>
<b>Less:</b>		
Impairment loss on debtors and other debit balances*	190 050	190 380
	<u>2 212 747</u>	<u>1 830 158</u>

Debtors and other debit balances have increased by an amount of L.E. 382 589 K mainly due to the increase in debit at banks by an amount of L.E. 199 235 K in addition to the increase in suppliers – debit balances by an amount of L.E. 155 760 K and payment on account of income tax item by an amount of L.E 57 171 K, however the decrease in due from organizations and companies item by an amount of L.E. 165 049 K and tax authority – withholding tax item by an amount of L.E. 71 655 K led to limitation of the increase.

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



Notes To The Condensed Consolidated Interim Financial Statements  
For The Six Months Ended June 30, 2017 (continued)

Translation from Arabic

### 18. CASH AND CASH EQUIVALENTS

	Note No.	30/6/2017 L.E. (000)	31/12/2016 L.E. (000)
Banks - time deposits (less than 3 months)		1 644 788	726 419
Banks - current accounts		281 214	142 575
Cash on hand		132 198	83 720
Treasury bills (less than 3 months)		39 295	55 998
Money market funds (less than 3 months)		73 166	103 574
<b>Cash and cash equivalents</b>		<b>2 170 661</b>	<b>1 112 286</b>
<b>Less:</b>			
Restricted cash and cash equivalents	(26)	11 892	11 123
<b>Cash and cash equivalents as per statement of cash flows</b>		<b>2 158 769</b>	<b>1 101 163</b>

### 19. LOANS AND CREDIT FACILITIES

The increase in the balance of loans and credit facilities by an amount of L.E 3 683 806 K is mainly resulting from obtaining of credit facilities from banks with local currencies amounted to L.E. 6 347 089 K (against LE 2 521 031 K for the year ended 31 December, 2016), taking into consideration that this balance includes foreign suppliers facilities in Euro amounted to L.E. 1 615 K equivalent to Euro 79 K against letters of guarantee issued by National Bank of Egypt in favor of "Siemens" as a guarantee for payment of this facility and there are no other guarantees.

### 20. CREDITORS AND OTHER CREDIT BALANCES

	30/6/2017 L.E. (000)	31/12/2016 L.E. (000)
Suppliers and notes payable	657 151	522 242
Tax Authority-Income Tax	533 869	384 819
Tax Authority (taxes other than income tax)	242 615	222 763
Deposits from others	651 992	648 274
Fixed assets creditors	4 048 720	2 495 289
Dividends payable	3 500	3 043
Accrued expenses	559 838	482 954
Trade receivables - credit balances	248 213	181 798
Due to organizations and companies	1 014 949	829 019
Advanced revenues	548 772	193 524
National Telecommunication Regulatory Authority (NTRA)	246 958	347 642
Other credit balances	459 239	348 626
	<b>9 215 816</b>	<b>6 659 993</b>
<b>Less balances due within more than one year:</b>		
Fixed assets creditors	1 978 689	-
Credit balances - organizations and companies	36 490	114 226
	<b>7 200 637</b>	<b>6 545 767</b>



Notes To The Condensed Consolidated Interim Financial Statements  
For The Six Months Ended June 30, 2017 (continued)

*Translation from Arabic*

Creditors and other credit balances have increased by an amount of L.E. 2 555 823 K mainly due to the increase in fixed assets creditors item by an amount of L.E. 1 553 431 K which mainly represents 4G license liabilities (note no.12), in addition to credit balances – organizations and companies item by an amount of L.E. 185 930 K and prepaid revenues item by an amount of L.E. 355 248 K which represent in transmission system lease balance for the mobile companies, however the decrease in national telecommunication regulatory authority (NTRA) by an amount of L.E. 100 684 K led to limitation of the increase.

**21. PROVISIONS**

	30/6/2017 <u>L.E.(000)</u>	31/12/2016 <u>L.E.(000)</u>
Balance at the beginning of the period /year	1 102 111	1 017 686
Reclassification during the period/year	-	( 14 311)
Charged to income statement for the period / year	30 963	502 194
Provision used during the period / year	( 221 158)	( 403 508)
Translation differences	4	50
<b>Balance at the end of the period / year</b>	<u><u>911 920</u></u>	<u><u>1 102 111</u></u>

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

**22. CAPITAL**

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

**23. RESERVES**

	30/6/2017 <u>L.E.(000)</u>	31/12/2016 <u>L.E.(000)</u>
Legal reserve	1 822 401	1 649 745
Other reserves	2 796 578	2 796 578
	<u><u>4 618 979</u></u>	<u><u>4 446 323</u></u>

The increase in the legal reserve balance mainly as a result of retaining an amount of L.E. 172 656 K from 2016 profit in accordance with the company's article of association and its subsidiaries.



Notes To The Condensed Consolidated Interim Financial Statements  
For The Six Months Ended June 30, 2017 (continued)

Translation from Arabic

## 24. DEFERRED TAX

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

	30/6/2017		31/12/2016	
	Assets L.E.(000)	(Liabilities) L.E.(000)	Assets L.E.(000)	(Liabilities) L.E.(000)
Total deferred tax asset / (liability)	375 486	( 594 842)	418 502	( 638 295)
Net deferred tax (liability)	-	( 219 356)	-	( 219 793)
Deferred tax charged to income statement for the period	437		( 212 926)	

### 24-2 Unrecognized deferred tax assets

	30/6/2017 L.E.(000)	31/12/2016 L.E.(000)
Unrecognized deferred tax assets	591 886	609 364

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

## 25. CAPITAL COMMITMENTS

The group's capital commitments for the unexecuted parts of contracts until June 30, 2017 amounted to L.E. 414 Million (against L.E. 2 956 Million for the year ended December 31, 2016) investees' share in capital haven't been claimed yet by an amount of L.E. 1 million. These commitments are expected to be settled in the subsequent period except for the uncalled installments of investees' share in capital, which shall be settled when required by the Board of Directors of those investees companies.

## 26. CONTINGENT LIABILITIES

In addition to the amounts included in the condensed consolidated statement of financial position as of June 30, 2017, the company has the following contingent liabilities:

	30/6/2017 L.E. (000)	31/12/2016 L.E. (000)
- Letters of guarantee issued by banks on behalf of the company*	691 682	688 021
- Letters of credit	732 224	373 301

\* letters of guarantee which were issued by banks on behalf of the company and for the benefits of others as at June 30,2017 include letters of guarantee issued against cash margin (restricted cash and cash equivalents) (Note no.18)



Notes To The Condensed Consolidated Interim Financial Statements  
For The Six Months Ended June 30, 2017 (continued)

Translation from Arabic

## **27. TAX POSITION (Telecom Egypt Company)**

### **27-1 Corporate tax**

- Tax inspection was performed for the years till December 31, 2015 and all due taxes were settled.
- Tax return was submitted for the year 2016 and all taxes were paid during the legal dates.

### **27- 2 Sales Tax**

- Tax inspection was performed for the years till December 31, 2010 and all due taxes were settled.
- Tax inspection for the years 2011 and 2012 was performed and the company was notified with 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 was performed and the company was notified with inspections differences, the company objected on the disputed item on the due date and follow up the matter.
- Tax inspection for the year 2014 and 2015 is in process.

### **27- 3 Value Added Tax**

- On September 7, 2016, Value added tax law no. 67 for the year 2016 was issued and to be effective starting from September 8,2016.
- Tax returns were submitted according to the value added tax law on the due legal dates.

### **27- 4 Salary Tax**

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

### **27- 5 Stamp Tax**

- Tax inspection for the period from March 27, 1998 to December 31, 2000 was performed for certain sectors and the company was notified with tax differences, the company objected on the disputed items on the due dates.
- Tax inspection for the period from January 1, 2001 till July 31, 2006 was performed for certain sectors of the company and taxes due were settled. Tax inspection for the remaining sectors is currently being undertaken for the same period.
- Tax inspection for period from August 1, 2006 to December 31, 2012 was performed and due taxes were settled .
- Tax inspection for the years 2013 and 2014 was performed and the disputed items were settled with the except for the relative stamp on salaries and wages which have been transferred to the Appeal Committee.

### **27- 6 Real Estate Tax**

- All taxes are paid according to the tax forms received by the company. The company's Legal Department follows up the disputes according to the real estate tax law.
- Tax returns were submitted according to the new real estate tax law No.196 for the year 2008 on the due dates. .
- The new tax law was came into force on 1/7/2013 and the received claims notice are being studied and taking the related legal actions.

Provisions were formed to meet any tax liabilities that may arise from the tax inspection.



**Notes To The Condensed Consolidated Interim Financial Statements  
For The Six Months Ended June 30, 2017 (continued)**

*Translation from Arabic*

**28. RELATED PARTY TRANSACTIONS**

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

Nature of transactions during the period	Transactions volume during the period stated in the statement of income		Movement during the period		Balance as of	
	L.E.000	L.E.000	Debit L.E.000	Credit L.E.000	30/6/2017	
					Debit (Credit) L.E.000	Debit (Credit) L.E.000
<u>Balances included in trade receivables</u>						
- Vodafone Egypt Telecommunications Company	877,627		2,718,743	2,827,333	(454,600)	(346,010)
		600,789				
<u>Debit balances included in debit balances - long term</u>						
- Consortium Algerien de Telecommunications (CAT)*	-				(453,902)	(453,902)
<u>Debit balances included in debtors and other debit balances</u>						
- International Telecommunication Consortium Limited (ITCL)**	-				(453,902)	(453,902)
<u>Credit balances included in creditors and other credit balances</u>						
- Vodafone Egypt Telecommunications Company	10,570		16,463	17,796	(11,496)	(10,163)

\* 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.





*Notes To The Condensed Consolidated Interim Financial Statements  
For The Six Months Ended Jun 30, 2017(continued)*

*Translation from Arabic*

**29. GROUP ENTITIES**

TE direct and indirect share in subsidiaries companies on June 30, 2017 which were included in the condensed consolidated interim financial statements is as follows:

<u>Company name:</u>	<u>Country of incorporation</u>	<u>Ownership Interest</u>	
		<u>30/6/2017</u>	<u>31/12/2016</u>
Telecom Egypt France	France	100.00 %	100.00 %
T.E Data	Egypt	100.00 %	100.00 %
T.E Data Jordan	Jordan	100.00 %	100.00 %
TE Investment Holding	Egypt	100.00 %	100.00 %
The Egyptian Telecommunication Company for Information Systems (Xceed)	Egypt	100.00 %	100.00 %
Xceed Customer Care Maroc	Morocco	100.00 %	100.00 %
Centra Technologies	Egypt	100.00 %	100.00 %
Centra Industries	Egypt	100.00 %	99.89 %
Centra Distribution	Egypt	99.99 %	99.99 %
Middle East Radio Communication (MERC)	Egypt	51.00 %	51.00 %
Telecom Egypt Globe	Singapore	100.00 %	100.00 %

**30. SIGNIFICANT CLAIMS AND LITIGATIONS**

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

On September 2009, Orange Egypt – Mobinil previously - 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 periods before year 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 June 2017 is approximately an amount of L.E 628 150 K.



### **30-2 Dispute with Etisalat Misr regarding interconnection rates**

A case was brought by Etisalat Misr against Telecom Egypt on 6th of June 2015 regarding the International Incoming Voice Services, TE external legal counsel stated that currently the court appoint an expert to calculate of Etisalat Misr entitlement from Telecom Egypt if there is, As such, it differs from the claim for which the plaintiff seeks to ask the other party to pay a certain amount , the case is still pending before the experts' committee formed by a preliminary ruling issued by the Court, since the experts' committee has not yet issued its report, the financial exposure which may resulting from this case cannot yet be assessed.

### **30-3 Interconnection dispute with Vodafone Egypt Company**

The Ordinary General Assembly dated March 30, 2016 approved the frame agreement of settling all the current disputes between TE and VFE and the same frame was approved by the Ordinary General Assembly of VFE dated April 13, 2016. Subject to such settlement, TE and VFE settled all disputes raised between both of them, till December 31, 2015.

### **30-4 Dispute with one of the investees**

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

On August 31, 2015, The tribunal rejected TE claims for compensations, it also decided that it has jurisdiction over the investee claims and decided to terminate the contract and awarded compensation to the investees. The company started to take the necessary legal actions to cease the implementation of such award according to acceptable law princibals, as per the external advisor recommended to the company.

And the company's Board of Directors meeting held on January 20, 2016 and March 29, 2016 approved the frame agreement of settling all the current disputes between TE and the investee, the agreements which are related to the frame settlement were signed between the dispute parties on May 31, 2016.

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



Notes To The Condensed Consolidated Interim Financial Statements  
For The Six Months Ended June 30, 2017 (continued)

Translation from Arabic

**31. COMPARATIVE FIGURES**

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

**31-1 Effect on condensed consolidated statement of financial position**

<u>Description</u>	31/12/2016		31/12/2016
	<u>As previously reported</u>	<u>Reclassification</u>	<u>Reclassified</u>
	<u>L.E.(000)</u>	<u>debit/(credit)</u>	<u>L.E.(000)</u>
Fixed assets	14 386 396	( 148 395)	14 238 001
Other assets	1 242 932	148 395	1 391 327
Trade and note receivable	4 739 351	( 680)	4 738 671
Debtors and other debit balance	1 829 478	680	1 830 158

**31-2 Effect on condensed consolidated statement of income**

Reclassification was made to comparative figures of the condensed consolidated statement of income 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 three months ended</u>	
	<u>30/6/2016</u>	<u>Reclassification</u>	<u>30/6/2016</u>	<u>30/6/2016</u>	<u>Reclassification</u>	<u>30/6/2016</u>	<u>30/6/2016</u>	
	<u>as previously reported</u>	<u>(debit) / credit</u>	<u>Reclassified</u>	<u>as previously reported</u>	<u>(debit) / credit</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>	<u>L.E(000)</u>	<u>L.E(000)</u>	<u>L.E(000)</u>	
Operating cost	(3 225 026)	( 124 417)	(3 349 443)	(1 668 918)	( 61 925)	(1 730 843)	(1 730 843)	
Selling and distribution expenses	( 672 090)	30 738	( 641 352)	( 335 357)	16 920	( 318 437)	( 318 437)	
General and administrative expenses	(1 044 938)	93 679	( 951 309)	( 549 520)	45 005	( 504 515)	( 504 515)	

**32- SIGNIFICANT ACCOUNTING POLICIES**

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

Reclassification was made to some of comparative figures of the condensed consolidated interim financial statements (note no.31).