



Translation from Arabic

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Condensed Separate 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 Separate Interim Financial Statements
For The Six Months Ended June 30, 2017
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, 2017 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, 2017 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".

Emphasis of Matter

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

- a- As explained in 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.

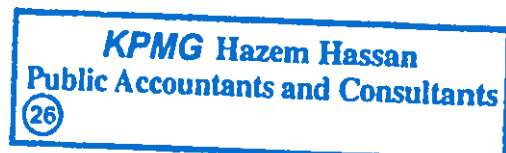
According to the opinion of the company's legal consultant, the company has the right to apply the interconnection rates used between Mobile Operators, and that the company's position is based on the relevant agreements and laws, and there are several arbitral and judicial stages to finalize this dispute. 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.

- b- As explained in note no note no. (29-2) of the notes to the condensed separate 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





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Telecom Egypt Company

(An Egyptian Joint Stock Company)

Condensed Separate Statement of Financial Position As of:

	Note	30/6/2017	31/12/2016
	No.	L.E. (000)	Reclassified L.E. (000)
Assets			
Non Current Assets			
Fixed assets	(11)	14 374 420	13 872 262
Projects in progress	(12)	10 715 529	7 384 247
Investments in subsidiaries and associates	(13)	6 377 283	6 377 283
Available-for-sale investments		81 273	81 273
Other assets	(14)	1 699 884	1 363 904
Deferred tax assets	(24-1)	363 249	408 552
Total Non Current Assets		33 611 638	29 487 521
Current Assets			
Inventories	(15)	890 620	612 467
Trade receivables	(16)	4 772 171	4 652 069
Debtors and other debit balances	(17)	1 942 191	1 613 138
Held-to-maturity investments - treasury bills		102 130	101 922
Cash and cash equivalents	(18)	1 632 618	530 195
Total Current Assets		9 339 730	7 509 791
Total Assets		42 951 368	36 997 312
Equity			
Capital	(22)	17 070 716	17 070 716
Reserves	(23)	4 550 115	4 380 491
Retained earnings		3 747 614	4 782 442
Total Equity		25 368 445	26 233 649
Non Current Liabilities			
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)	183 407	317 167
Total Non Current Liabilities		2 809 816	1 057 628
Current Liabilities			
Loans and credit facilities installments due within one year	(19)	6 409 465	2 710 704
Creditors and other credit balances	(20)	7 509 266	5 937 674
Provisions	(21)	854 376	1 057 657
Total Current Liabilities		14 773 107	9 706 035
Total Liabilities		17 582 923	10 763 663
Total Equity and Liabilities		42 951 368	36 997 312

The attached notes on pages (8) to (25) are an integral part of these condensed separate interim financial statements.

Financial Director

Wael Hanafy

"Wael Hanafy"

Senior Financial Director

Shaher Shokry

"Shaher Shokry"

Chief Financial Officer

M. Shamroukh

"Mohamed Shamroukh"

Managing Director
& Chief Executive Officer

Almed El Bakhry

"Almed El Bakhry"

Board of Directors approval

Chairman

M.O.

"Maged Osman"

Limited review report "attached"



Translation from Arabic

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Condensed Separate 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
		L.E.(000)	<u>Reclassified</u> L.E.(000)	L.E.(000)	<u>Reclassified</u> L.E.(000)
Operating revenues	(3)	7 419 793	5 406 630	3 832 568	2 825 513
Operating cost	(4)	(4 301 097)	(2 916 831)	(2 316 116)	(1 507 664)
Gross Profit		3 118 696	2 489 799	1 516 452	1 317 849
Other income		125 306	173 710	58 785	86 606
Selling and distribution expenses	(5)	(566 816)	(506 790)	(298 793)	(251 531)
General and administrative expenses	(6)	(812 633)	(836 035)	(431 785)	(448 750)
Other expenses		(65 466)	(79 690)	(65 424)	(39 582)
Operating profit		1 799 087	1 240 994	779 235	664 592
Finance income		47 748	467 408	25 515	49 432
Finance cost		(185 281)	(2 780)	(30 988)	(726)
Net finance (cost) \ income	(7)	(137 533)	464 628	(5 473)	48 706
Income from investments in subsidiaries and associates	(8)	108 014	1 511 879	26 968	1 510 177
Net profit before tax		1 769 568	3 217 501	800 730	2 223 475
Income tax expense		(448 056)	(254 224)	(149 856)	(82 861)
Deferred tax	(24-1)	88 457	(106 913)	1 798	(106 265)
Total income tax		(359 599)	(361 137)	(148 058)	(189 126)
Net profit for the period		1 409 969	2 856 364	652 672	2 034 349
Basic and diluted earning per share for the period (L.E. / Share)	(10)	0.83	1.67	0.38	1.19

The attached notes on pages (8) to (25) 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>30/6/2017</u>	<u>30/6/2016</u>	<u>30/6/2017</u>	<u>30/6/2016</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	1 409 969	2 856 364	652 672	2 034 349
<u>Other Comprehensive Income Items</u>				
Other Comprehensive Income items	-	-	-	-
Total Comprehensive Income	<u>1 409 969</u>	<u>2 856 364</u>	<u>652 672</u>	<u>2 034 349</u>

The attached notes on pages (8) to (25) 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 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)	Total L.E. (000)
Balance as of 1/1/2016	17 070 716	1 520 837	4 796 578	1 289 817	24 677 948
Comprehensive income					
Net profit for the period	-	-	-	2 856 364	2 856 364
Other comprehensive income items	-	-	-	-	-
Total comprehensive income	-	-	-	2 856 364	2 856 364
Transactions with shareholders					
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 shareholders	-	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
Balance as of 1/1/2017	17 070 716	1 583 913	2 796 578	4 782 442	26 233 649
Comprehensive income					
Net profit for the period	-	-	-	1 409 969	1 409 969
Other comprehensive income items	-	-	-	-	-
Total comprehensive income	-	-	-	1 409 969	1 409 969
Transactions with shareholders					
Transferred to legal reserve	-	169 624	-	(169 624)	-
Dividends for year 2016 (Shareholders)	-	-	-	(1 707 071)	(1 707 071)
Dividends for year 2016 (Employees & Board of Directors)	-	-	-	(568 102)	(568 102)
Total transactions with shareholders	-	169 624	-	(2 444 797)	(2 275 173)
Balance as of June 30, 2017	17 070 716	1 753 537	2 796 578	3 747 614	25 368 445

The attached notes on pages (8) to (25) 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:	
		30/6/2017	30/6/2016
		L.E.(000)	L.E.(000)
<u>Cash flows from operating activities</u>			
Cash receipts from customers		6 671 968	5 519 441
Sales tax collected from customers		150 411	113 953
Stamp tax and fees collected (from third party)		24 700	27 120
Deposits (payments) returned to customers		(5)	2 886
Cash paid to suppliers		(641 525)	(556 452)
Payments of NTRA license fees		(271 464)	(129 100)
Dividends paid to employees		(491 679)	(423 736)
Cash paid to employees		(1 298 417)	(1 295 370)
Cash paid on behalf of employees to third party		(284 180)	(268 924)
Cash provided by operating activities		3 859 809	2 989 818
Interest paid		(9 354)	(4 680)
Payments to Tax Authority - income tax		(220 808)	(211 961)
Payments to Tax Authority - sales tax		(852 292)	(347 491)
Payments to Tax Authority - other taxes		(299 789)	(191 721)
Other (payments) proceeds		(371 255)	105 624
Net cash provided by operating activities		2 106 311	2 339 589
<u>Cash flows from investing activities</u>			
Payments for purchase of fixed assets and projects in progress		(2 793 397)	(1 502 506)
Payments for purchase of other assets - Fourth generation network license		(269 426)	-
Payments for purchase of held-to-maturity investment - treasury bills		(100 025)	(100 005)
Interest received		11 346	18 559
Dividends collected from investments		89 198	1 094 875
Proceeds from sale available for sale investment		-	11 183
proceeds from retrieval of held-to-maturity investment - treasury bills		100 013	-
Proceeds from securities - treasury bills interest		8 687	32 372
Net cash used in investing activities		(2 953 604)	(445 522)
<u>Cash flows from financing activities</u>			
Payments for loans and other facilities		(108 754)	(49 790)
Proceeds from credit facilities		3 765 541	-
Dividends paid to shareholders		(1 707 071)	(1 280 304)
Net cash provided by (used in) financing activities		1 949 716	(1 330 094)
Net change in cash and cash equivalents during the period		1 102 423	563 973
Cash and cash equivalents at the beginning of the period	(18)	520 730	1 636 917
Cash and cash equivalents at the end of the period	(18)	1 623 153	2 200 890

The attached notes on pages (8) to (25) are an integral part of these condensed separate interim financial statements.



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Telecom Egypt Company
(An Egyptian Joint Stock Company)

Notes to the Condensed Separate 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 the condensed separate interim financial statements

- These Condensed Separate Interim Financial Statements were approved by the company's Board of Directors for issuance on August 14, 2017.

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, 2017 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, 2016.

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.



*Notes to the Condensed Separate Interim Financial Statements
For The Six Months Ended June 30, 2017 (continued)*

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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 is determined based on the market value of the financial instrument or similar financial instruments at the date of the condensed separate 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 Separate 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
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Home	715 900	693 975	361 839	339 247
Enterprise	758 719	743 498	456 360	390 740
Domestic wholesale	2 913 312	2 332 938	1 385 908	1 227 173
International carriers	2 512 567	1 389 495	1 325 929	742 619
International cables and networks	519 295	246 724	302 532	125 734
	<u>7 419 793</u>	<u>5 406 630</u>	<u>3 832 568</u>	<u>2 825 513</u>

Total operating revenues have increased by an amount of L.E. 2 013 163 K mainly due to the increase in international carriers revenues by an amount of L.E. 1 123 072 K as a result of the increase in foreign currencies exchange rates in addition to domestic wholesale revenue by an amount of L.E. 580 374 K due to increase in infrastructure revenues especially provided to TE Data (subsidiary company) by an amount of L.E. 402 835 K in addition to the increase in international carriers revenues by an amount of L.E. 272 571 K due to increase in foreign currencies exchange rates.

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
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Interconnection cost	2 030 603	1 052 916	1 088 111	558 006
Depreciation and amortization	710 342	558 100	370 359	285 726
Other operating cost*	1 560 152	1 305 815	857 646	663 932
	<u>4 301 097</u>	<u>2 916 831</u>	<u>2 316 116</u>	<u>1 507 664</u>

Operating costs have increased by an amount of L.E. 1 384 266 K mainly due to the following: -

- The increase of interconnection cost by an amount of L.E. 977 687 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 152 242 K due to the additions of the last year after the first quarter and the current period.
- The increase of salaries and wages item to an amount of L.E. 116 246 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 52 184 K due to the increase in revenues of the current period.

*Reclassification was made to comparative figures as shown in Note no (30-2).



Notes to the Condensed Separate Interim Financial Statements
For The Six Months Ended June 30, 2017 (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>30/6/2017</u>	<u>30/6/2016</u>	<u>30/6/2017</u>	<u>30/6/2016</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*	386 650	303 300	206 810	152 825
Company's social insurance contribution*	41 757	37 738	20 987	18 782
Discount allowed	91 331	93 805	44 315	47 781
Advertising & marketing	4 727	23 907	4 712	9 048
Organizations service cost	34 972	37 747	17 544	18 936
Other expenses*	7 379	10 293	4 425	4 159
	<u>566 816</u>	<u>506 790</u>	<u>298 793</u>	<u>251 531</u>

The increase in selling and distribution expenses by an amount of L.E 60 026 K due to the increase in salaries and wages by an amount of L.E. 88 548 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 19 180 K led to limitation this increase.

*Reclassification was made to comparative figures as shown in Note no (30-2).

6. GENERAL AND ADMINISTRATIVE EXPENSES

	<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>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>	<u>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>
Salaries and wages*	541 338	548 444	294 389	289 596
Company's social insurance contribution*	54 855	50 703	26 999	25 234
End of service compensation - early retirement program	-	6 204	-	5 720
The company's contribution in loyalty and belonging fund	-	103 750	-	51 875
Depreciation	15 801	13 579	8 238	6 913
Tax and duty*	59 779	47 136	37 614	33 057
Service cost from organizations and consultations	114 911	36 511	45 027	20 010
Other expenses*	25 949	29 708	19 518	16 345
	<u>812 633</u>	<u>836 035</u>	<u>431 785</u>	<u>448 750</u>

The decrease in general and administrative expenses by an amount of L.E. 23 402 K is mainly due to the decrease in the company's contribution in loyalty and belonging fund item by an amount of L.E. 103 750 K, however the increase in service cost from organization and consultations item by an amount of L.E 78 400 K led to limitation this decrease.

*Reclassification was made to comparative figures as shown in Note no (30-2).



Notes to the Condensed Separate Interim Financial Statements
For The Six Months Ended June 30, 2017 (continued)

Translation from Arabic

7. NET FINANCE (COST) \ 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>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Total finance income	47 748	467 408	25 515	49 432
Total finance cost	(185 281)	(2 780)	(30 988)	(726)
Net finance (cost) \ income	<u>(137 533)</u>	<u>464 628</u>	<u>(5 473)</u>	<u>48 706</u>

The decrease in net finance (cost) \ income by an amount of L.E 602 161 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 546 957 K which realized loss during the current period by and amount of L.E 147 101 K.

8. INCOME FROM INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

	<u>For the six months ended</u>		<u>For the three months ended</u>	
	<u>30/6/2017</u>	<u>30/6/2016</u>	<u>30/6/2017</u>	<u>30/6/2016</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	26 968	1 510 177	26 968	1 510 177
TE-Data	76 000	-	-	-
Middle East Radio Communication (MERC)	1 921	1 702	-	-
The Egyptian Telecommunication Company for information system (Xceed)	3 125	-	-	-
	<u>108 014</u>	<u>1 511 879</u>	<u>26 968</u>	<u>1 510 177</u>

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

9. EMPLOYEE'S BENEFITS

9-1 Early retirement scheme

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 note no (6) and now the company doesn't apply any early retirement scheme.



Notes to the Condensed Separate Interim Financial Statements
For The Six Months Ended June 30, 2017 (continued)

Translation from Arabic

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, 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% 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 as shown in note no (6).

10. BASIC AND DILUTED EARNING PER SHARE.

	<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>
Net profit for the period (LE (000))	1 409 969	2 856 364	652 672	2 034 349
Number of shares available during the period	1707 071 600	1707 071 600	1707 071 600	1707 071 600
Basic and diluted earnings per share for the period (LE / share)	<u>0.83</u>	<u>1.67</u>	<u>0.38</u>	<u>1.19</u>

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>	<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	2 368 993	2 368 972	-	-	2 368 993	2 368 972
Buildings & Infrastructure*	23 446 508	22 673 219	14 527 917	14 151 976	8 918 591	8 521 243
Centrals and information technology equipment	21 921 832	21 572 635	18 984 699	18 733 910	2 937 133	2 838 725
Vehicles	139 088	140 374	104 929	103 993	34 159	36 381
Furniture	303 582	297 544	229 877	219 600	73 705	77 944
Tools & supplies	112 051	95 862	70 212	66 865	41 839	28 997
Total	<u>48 292 054</u>	<u>47 148 606</u>	<u>33 917 634</u>	<u>33 276 344</u>	<u>14 374 420</u>	<u>13 872 262</u>

- The increase in net book value of fixed assets mainly due to the additions during period by an amount of L.E. 1 164 919 K however the depreciation of the period by an amount of L.E. 674 252 K which led to limitation of this increase.

- The cost of fixed assets as of June 30, 2017 includes an amount of L.E. 22 957 million fully depreciated fixed assets and still in use.

*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, 2017 (continued)

Translation from Arabic

12. PROJECTS IN PROGRESS

	30/6/2017	31/12/2016
	<u>LE (000)</u>	<u>LE (000)</u>
Land	15 576	15 576
Buildings and Infrastructure	929 988	536 324
Furniture	-	250
Centrals and information technology equipment	1 153 110	841 190
Other Assets (cables)	35 581	407 681
Advanced payments	254 667	289 428
Other assets (fourth generation network license 4G)*	8 326 607	5 293 798
	<u>10 715 529</u>	<u>7 384 247</u>

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 advanced 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 the 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 Separate Interim Financial Statements
For The Six Months Ended June 30, 2017 (continued)

Translation from Arabic

13. INVESTMENTS IN SUBSIDIARIES & ASSOCIATES

	30/6/2017		31/12/2016	
	Ownership %	Amount L.E. (000)	Ownership %	Amount L.E. (000)
- 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	39 980	99.95	39 980
- 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
- Sofsat company	25.00	-	25.00	-
		<u>6 382 864</u>		<u>6 382 864</u>
<u>Payments for investments purchase</u>				
- 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 company has been underwriting in the remaining 25% that represent share's 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, 2017 (continued)

Translation from Arabic

14. OTHER ASSETS

	30/6/2017	31/12/2016
	<u>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>
Cost		
Submarine cables (right of way)*	1 627 780	1228 303
Land (possession-usufruct)	440 684	440 684
Licenses and programs	56 382	56 382
	<u>2 124 846</u>	<u>1 725 369</u>
Less:		
Accumulated amortization	424 962	361 465
Net carrying amount	<u>1699 884</u>	<u>1 363 904</u>

- The increase in net carrying value of other assets is mainly due to the period additions by an amount of L.E. 371 169 K.

- Other assets amortization is charged to operating costs.

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

15. INVENTORIES

	30/6/2017	31/12/2016
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Spare parts	473 648	445 918
Material supplies , Merchandise for sale and Letters of credit	245 609	89 812
Others – project cables and supplies	171 363	76 737
	<u>890 620</u>	<u>612 467</u>

The value of inventories was written down by an amount of L.E. 22 294 K (against L.E. 22 294 K as at December 31, 2016) for obsolete and slow moving items directly from the cost of each type of inventory.

16. TRADE RECEIVABLES

	30/6/2017	31/12/2016
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Trade Receivables - National	5 063 426	4 071 640
Trade Receivables - International	2 293 919	3 165 603
	<u>7 357 345</u>	<u>7 237 243</u>
Less:		
Impairment loss on trade receivables	2 585 174	2 585 174
	<u>4 772 171</u>	<u>4 652 069</u>

Trade receivables balance have increased by an amount of L.E. 120 102 K due to the increase in trade receivables – national carrier which is represented in trade receivables – domestic wholesale by an amount of L.E 1 052 848 K, however the decrease in both of trade receivables – international carrier and international cables and networks by an amount of L.E. 721 618 K and L.E. 150 066 K respectively led to limitation of this increase.



Notes to the Condensed Separate Interim Financial Statements
For The Six Months Ended June 30, 2017 (continued)

Translation from Arabic

17. DEBTORS AND OTHER DEBIT BALANCES

	30/6/2017	31/12/2016
	<u>LE (000)</u>	<u>LE (000)</u>
Accrued revenues	56 420	16 377
Suppliers – debit balances	110 356	47 617
Tax Authority - withholding tax	57 834	123 535
Due from organizations and companies	196 779	268 133
Payments on the account of income tax	71 926	24 916
Due from employees	212 601	288 956
Other debit balances	1 367 276	974 722
	<u>2 073 192</u>	<u>1 744 256</u>
Less:		
Impairment loss on debtors and other debit balances	131 001	131 118
	<u>1 942 191</u>	<u>1 613 138</u>

Debtors and other debit balances have increased by an amount of L.E. 329 053 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. 62 739 K and accrued revenues item by an amount of L.E. 40 043 K, however the decrease in payments on the account of employee dividends by an amount of L.E. 76 355 K and tax authority – withholding tax item by an amount of L.E. 65 701 K led to limitation of the increase.

18. CASH AND CASH EQUIVALENTS

	Note	30/6/2017	31/12/2016
	<u>No.</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Banks - time deposits (less than 3 months)		1 523 980	584 551
Banks - current accounts		102 733	(57 047)
Cash on hand		5 905	2 691
Cash and cash equivalents		<u>1 632 618</u>	<u>530 195</u>
Less:			
Restricted time deposits	(26)	9 465	9 465
Cash and cash equivalents as per cash flows statement		<u>1 623 153</u>	<u>520 730</u>

19. LOANS AND CREDIT FACILITIES

- The increase in the balance of loans and credit facilities by an amount of L.E. 3 683 756 K 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



Notes to the Condensed Separate Interim Financial Statements
For The Six Months Ended June 30, 2017 (continued)

Translation from Arabic

20. CREDITORS AND OTHER CREDIT BALANCES

	30/6/2017	31/12/2016
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Suppliers	1 609 855	564 102
Tax Authority-Income Tax	448 056	344 940
Tax Authority (taxes other than income tax)	194 281	165 797
Deposits from others	649 471	645 747
Accrued expenses	387 882	309 369
Trade receivables - credit balances	186 582	132 028
Fixed assets creditors	4 041 752	2 472 507
Accrued interest	43 756	6 608
Prepaid revenues	306 301	-
Public Authority for Social Insurance	43 893	37 531
Due to organizations and companies	1 014 949	829 744
National Telecommunication Regulatory Authority (NTRA)	176 756	207 315
Other credit balances	420 911	336 212
	<u>9 524 445</u>	<u>6 051 900</u>
<u>Less balances due within more than one year:</u>		
Fixed assets creditors	1 978 689	-
Credit balances - organizations and companies	36 490	114 226
	<u>7 509 266</u>	<u>5 937 674</u>

Creditors and other credit balances have been increased by an amount of L.E. 3 472 545 K mainly due to the increase in fixed assets creditors item by an amount of L.E. 1 569 245 K which mainly represents 4G license liabilities (note no. 12), in addition to suppliers item by an amount of L.E. 1 045 753 K and prepaid revenues item by an amount of L.E. 306 301 K which represent in transmission system lease balance for the mobile companies.

21. PROVISIONS

	30/6/2017	31/12/2016
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Balance at the beginning of the period / year	1 057 657	996 790
Reclassification during the period/year	-	(14 312)
Charged to income statement for the period / year	-	477 145
Used during the period / year	(203 281)	(401 966)
Balance at the end of the period/ year	<u>854 376</u>	<u>1 057 657</u>



Notes to the Condensed Separate Interim Financial Statements
For The Six Months Ended June 30, 2017 (continued)

Translation from Arabic

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

	30/6/2017	31/12/2016
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Legal reserve	1 753 537	1 583 913
Other reserves	2 796 578	2 796 578
	<u>4 550 115</u>	<u>4 380 491</u>

The balance of legal reserve have increased as a result of retaining an amount of L.E. 169 624 K from 2016 profit in accordance with the company's articles of association.

24. DEFERRED TAX

24-1 Recognized deferred tax assets and liabilities

	30/6/2017		31/12/2016	
	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 (liability)	363 249	(183 407)	408 552	(317 167)
Net deferred tax asset	<u>179 842</u>	<u>-</u>	<u>91 385</u>	<u>-</u>
Deferred tax charged to the income statement for the period / year	<u>88 457</u>		<u>243 219</u>	

24-2 Unrecognized deferred tax assets

	30/6/2017	31/12/2016
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Unrecognized deferred tax assets	<u>548 906</u>	<u>570 082</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, 2017 amounted to L.E. 375 Million (against L.E. 2 921 Million as at 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 Separate balance sheet, the company has the following contingent liabilities:

	<u>30/6/2017</u>	<u>31/12/2016</u>
	<u>LE (000)</u>	<u>LE (000)</u>
- Letters of guarantee issued by banks on behalf of the company*	633 382	613 668
- Letters of credit	732 224	373 301

* 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, 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 inspection 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.



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

27- 5 Stamp Tax

- Tax inspection for the period from March 27, 1998 to December 31, 2000 was performed for certain sectors and the company was notified 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 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 Separate Interim Financial Statements
For The Six Months Ended June 30, 2017 (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 contains 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		Movement during the period		Balance as of	
		Debit	Credit	Debit	Credit	Debit/(Credit)	Debit/(Credit)
		L.E. 000	L.E. 000	L.E. 000	L.E. 000	L.E. 000	L.E. 000
Debit balances included in trade receivables							
- Egyptian Telecommunication Company for Information Systems	Lease of company premises, electricity claims, maintenance and Leased circuits	1 142	6 797	13 087	20 609	14 319	
- TE Data	Leased circuits and information network circuits	1 208 658	596 111	1 459 834	1 105 266	241 543	
- Middle East Radio Communication (MERC)	Leased information circuits	823	930	930	-	-	
- Jordanian Egyptian Company for data transfer	participation contract	8 127	8 012	-	(12 093)	(4 081)	
- Jordanian Egyptian Company for data transfer	The movement of international clearing	869	-	963	(1 246)	(2 209)	
		<u>1 174 814</u>	<u>611 850</u>	<u>1 112 536</u>	<u>1 112 536</u>	<u>249 572</u>	
Debit balances included in debtors and other debit balances							
- Egyptian Telecommunication Company for Information Systems	Purchasing of fixed assets	-	-	-	145	145	
- TE investment Holding	payments of expenses on behalf of the subsidiary company	-	23 010	-	-	23 010	
		<u>-</u>	<u>23 010</u>	<u>-</u>	<u>145</u>	<u>23 155</u>	
Credit balances included in suppliers balances							
- Centra for Technologies	Maintenance & supplying computers	9 333	65 047	47 417	(31 336)	(13 706)	
- Centra for Electronic Industries	Maintenance & supplying computers	718	904	555	(1 168)	(819)	
- Middle East Radio Communication (MERC)	Supplying & installing communication networks	-	1 405	326	(1 079)	-	
- TE Data	Purchasing of fixed assets and services rendered from subsidiary company	17 380	1 115 427	124 557	(1 233 742)	(242 872)	
- Egyptian Telecommunication Company for Information Systems	Services rendered from subsidiary company	39 518	39 518	39 992	(6 755)	(7 229)	
		<u>212 847</u>	<u>1 222 301</u>	<u>1 274 080</u>	<u>(1 274 080)</u>	<u>(264 626)</u>	
Credit balance included in creditors and other credit balances							
- TE Data	Supplying information technology equipment	-	224	-	(9 527)	(9 303)	
- TE investment Holding	Lease of premises	9	18	9	(9)	-	
- TE France	participation contract	12 291	15 410	171	(67 692)	(52 453)	
		<u>180</u>	<u>15 652</u>	<u>(77 228)</u>	<u>(77 228)</u>	<u>(61 756)</u>	



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

Translation from Arabic

28. RELATED PARTY TRANSACTIONS (continued)

28-2 Transactions with associates

	Amount of transactions recorded in the statement during the period		Movement during the period		Balance as of	
	Nature of transactions during the period	of income L.E. 000	Debit L.E. 000	Credit L.E. 000	Debit/(Credit) L.E. 000	Debit/(Credit) L.E. 000
<u>Balances included in trade receivables</u>						
- Vodafone Egypt Telecommunications Company	Outgoing calls and voice services to the associate company	877 627		2 827 333	(454 600)	(346 010)
	Incoming and international calls, transmission claims premises and towers to the associate company	600 789				
<u>Debit balances included in debit balances - long term</u>						
- Consortium Algerien de Telecommunications (CAT)*	Paid on behalf of associate to finance operating expenses	-		-	453 902	453 902
<u>Debit balances included in debtors and other debit balances</u>						
- International Telecommunication Consortium Limited (ITCL)**		-		-	66	66

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

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



29. SIGNIFICANT CLAIMS AND LITIGATIONS

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

On September 2009, Orange Egypt had filed an Arbitration Case requesting the application of the interconnection rates mentioned in the signed agreements with TE, and objecting the application of NTRA abovementioned decisions, claiming that TE made a contractual violations by complaining at NTRA, also request damages for not entering into services level agreements related to the transmission leased line and International gateway service, also te had filed the Arbitration Case against Orange Egypt, that's where TE's management believes that Orange Egypt charged TE with rates exceeds the rates where Orange Egypt and other operator charging each other.

On March 29, 2015, The tribunal in Orange Egypt Case rejected Orange Egypt's request to apply the interconnection rates stated in the interconnection agreement, also the tribunal submit its interpretation to the Egyptian law and the principles that should be followed by both parties to agree on the interconnection rates. Also the tribunal rejected a part of TE's claims for the periods before 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.

29-2 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.

29-3 Interconnection dispute with Vodafone Egypt

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.

29-4 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 principals, 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.



30. Comparative figures

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

30-1 Condensed Separate Statement of Financial Position

	<u>31/12/2016</u> <u>as previously</u> <u>reported</u> <u>LE(000)</u>	<u>Reclassification</u> <u>debit / (credit)</u> <u>LE(000)</u>	<u>31/12/2016</u> <u>Reclassified</u> <u>LE(000)</u>
Fixed assets	14 020 657	(148 395)	13 872 262
Other assets	1 215 509	148 395	1 363 904

30-2 Condensed Separate Statement of Income

Reclassifications was made to some of the comparative figures of the condensed separate 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>as previously</u> <u>reported</u> <u>LE(000)</u>	<u>Reclassification</u> <u>(debit) / credit</u> <u>LE(000)</u>	<u>30/6/2016</u> <u>Reclassified</u> <u>LE(000)</u>	<u>30/6/2016</u> <u>as previously</u> <u>reported</u> <u>LE(000)</u>	<u>Reclassification</u> <u>(debit) / credit</u> <u>LE(000)</u>	<u>30/6/2016</u> <u>Reclassified</u> <u>LE(000)</u>	<u>30/6/2016</u> <u>Reclassified</u> <u>LE(000)</u>	
Operating cost	(2 792 414)	(124 417)	(2 916 831)	(1 445 739)	(61 925)	(1 507 664)	(1 507 664)	
Selling and distribution expenses	(537 528)	30 738	(506 790)	(268 451)	16 920	(251 531)	(251 531)	
General and administrative expenses	(929 714)	93 679	(836 035)	(493 755)	45 005	(448 750)	(448 750)	

31- SIGNIFICANT ACCOUNTING POLICIES

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

Reclassification was made to some of comparative figures of the condensed separate interim financial statements (note no.30).