

**ORANGE EGYPT FOR TELECOMMUNICATIONS (S.A.E)
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018
TOGETHER WITH REVIEW REPORT**



Hazem Hassan
Public Accountants & Consultants

Translation of review report
originally issued in Arabic

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Limited review report on consolidated interim financial statements
To: The Board of Directors of Orange Egypt for Telecommunications (S.A.E)

Introduction

We have performed a limited review for the accompanying consolidated interim statement of financial position of Orange Egypt for Telecommunications (S.A.E) as at June 30, 2018, and the related consolidated interim statements of profit or loss, 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 consolidated interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these 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 (no. 2410), "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity." A limited review of 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 consolidated interim financial statements.

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2018, and of its consolidated interim financial performance and its consolidated interim cash flows for the six-months then ended in accordance with Egyptian Accounting Standards.

Emphasis of matter

Without qualifying our conclusion, we draw attention to:

As per note number (29) of the notes to the consolidated interim financial statements, the Company has submitted a notice of arbitration against another operator in Egypt "Etisalat Egypt" in response to the other operator's refrainment from settling the interconnect charges according to NTRA decree issued during February 2014. On March 27, 2016, the Cairo Regional Center for International Commercial Arbitration (CRCICA) decided that the interconnection rates set out in the interconnection agreement are binding upon all parties and constitute the only applicable rates between Orange Egypt for Telecommunications and Etisalat Egypt, accordingly Etisalat Egypt shall pay the amount stipulated in the arbitration decision and shall pay interest from February 11, 2014, until the date of payment thereof by Etisalat Egypt. Etisalat Egypt ("Etisalat") filed two cases before Cairo Court of Appeal seeking Nullity of the Arbitral Award dated March 27, 2016 rendered in favor of OEG in the CRCICA Arbitration Case No 960/2014 ("Etisalat Nullity Action"). Both cases are adjourned to June 25, 2018 then September 25, 2018 for translation of the arbitration case file by Etisalat. Accordingly, the request for execution filed by OEG to Cairo Court of appeal was rejected in the hearing held on March 26, 2018. The Company filed a petition against such rejection and the first session for such petition held on June 25, 2018 during such session the court decided to adjourn for review and the petition will be heard again on September 26, 2018.



KPMG Hazem Hassan
Public Accountants & Consultants

Cairo July 30, 2018

KPMG Hazem Hassan
Public Accountants and Consultants

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Orange Egypt for Telecommunications (S.A.E)

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As Of 30 June 2018

	Note	30/6/2018 LE	31/12/2017 LE
Non-current assets			
Fixed assets	(5)	10 792 294 471	10 852 838 854
Intangible assets	(6)	9 695 566 598	9 937 330 181
Rent deposits		44 266 513	42 544 587
Total non-current assets		20 532 127 582	20 832 713 622
Current assets			
Inventory	(7)	136 022 108	161 023 257
Accounts and notes receivable	(8)	2 224 869 321	1 770 993 589
Prepayments and other debit balances	(9)	1 167 194 424	1 241 174 379
Cash on hand and at banks	(10)	3 180 715 659	3 443 686 220
Total current assets		6 708 801 512	6 616 877 445
Total assets		27 240 929 094	27 449 591 067
Equity			
Paid up capital	(11)	16 320 723 540	1 000 000 000
Amounts paid in respect of capital increase	(11)	—	15 231 260 800
Treasury shares		(22 378 868)	(22 378 868)
Issuance fees of capital increase shares	(11)	5 374 219	15 231 261
Reserve (gain from sale of treasury shares)		59 363 966	59 363 966
Legal reserve		200 000 000	200 000 000
Share based payments	(12)	(17 153 370)	(17 153 370)
Carry forward losses		(4 292 285 009)	(4 039 705 397)
Equity attributable to equity holders of the Company		12 253 644 478	12 426 618 392
Non-controlling interests		(814 644)	(838 460)
Total equity		12 252 829 834	12 425 779 932
Non-current liabilities			
Loans	(13)	4 251 322 126	2 116 398 736
Other non-current liabilities	(14)	962 922 806	1 025 986 825
Deferred tax liabilities	(21)	86 324 672	202 053 708
Total non-current liabilities		5 300 569 604	3 344 439 269
Current liabilities			
Banks credit facilities	(15)	2 798 926 060	1 664 819 209
Current portion of long term loans	(13)	—	1 705 418 204
Accounts and notes payable	(16)	2 531 291 446	3 915 854 515
Accrued expenses and other credit balances	(17)	3 948 861 188	3 957 415 590
Provisions	(18)	408 450 962	435 864 348
Total current liabilities		9 687 529 656	11 679 371 866
Total liabilities		14 988 099 260	15 023 811 135
Total equity and liabilities		27 240 929 094	27 449 591 067

Chief Financial Officer
Marwa El Ayouti



Chief Executive Officer
Yasser Shaker



Chairman
Bruno Mettling



- The accompanying notes are an integral part of these consolidated interim financial statements.
- Review report attached.

Orange Egypt for Telecommunications (S.A.E)

CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

For The Period Ended 30 June 2018

	Note	From 1/4/2018 To 30/6/2018 LE	From 1/1/2018 To 30/6/2018 LE	From 1/4/2017 To 30/6/2017 LE	From 1/1/2017 To 30/6/2017 LE
Operating revenues		3 318 883 717	6 609 139 364	3 061 792 593	6 124 174 027
Cost of services (excluding depreciation & amortization)		(785 550 540)	(1 556 137 580)	(725 564 074)	(1 464 882 914)
Other operating costs		(843 135 574)	(1 714 766 831)	(715 698 754)	(1 475 926 015)
Depreciation, amortization and impairment	(5,6)	(730 222 574)	(1 497 682 651)	(607 033 508)	(1 187 102 892)
Selling, general and administrative expenses		(793 821 529)	(1 536 136 845)	(730 263 171)	(1 424 961 406)
Remuneration, allowances and salaries of board of directors		(537 055)	(1 147 193)	(847 027)	(1 543 740)
Impairment in value of accounts and notes receivable	(8)	(61 350 301)	(130 085 872)	(92 713 901)	(141 387 010)
Provisions	(18)	(10 708 260)	(28 979 580)	(57 169 223)	(95 981 490)
Provisions no longer required	(18)	—	3 074 038	—	—
Other income	(19)	31 294 011	68 144 248	18 724 940	35 999 422
Net gain from disposal of fixed assets		5 775 995	175 159 541	4 138 971	792 292
Foreign exchange differences		(71 680 604)	11 772 980	(12 132 628)	(76 637 533)
NET OPERATING PROFITS		58 947 286	402 353 619	143 234 218	292 542 741
Finance income		15 165 351	25 817 130	15 670 713	20 843 406
Finance expenses	(20)	(409 402 141)	(796 455 581)	(981 475 678)	(1 279 011 924)
(LOSSES) BEFORE INCOME TAXES		(335 289 504)	(368 284 832)	(822 570 747)	(965 625 777)
Income taxes	(21)	66 792 536	115 729 036	19 526 765	(138 022 558)
(LOSSES) FOR THE PERIOD		(268 496 968)	(252 555 796)	(803 043 982)	(1 103 648 335)
Attributable to:					
Equity holders of the company		(268 511 290)	(252 579 612)	(803 068 428)	(1 103 666 733)
Non-controlling interests		14 322	23 816	24 446	18 398
(LOSSES) FOR THE PERIOD		(268 496 968)	(252 555 796)	(803 043 982)	(1 103 648 335)
(LOSSES) PER SHARE	(22)	(0.16)	(0.15)	(8.03)	(11.05)

- The accompanying notes are an integral part of these consolidated interim financial statements.

Translation of consolidated interim financial statements
originally issued in Arabic

Orange Egypt for Telecommunications (S.A.E)

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For The Period Ended 30 June 2018

	From 1/4/2018 To 30/6/2018 LE	From 1/1/2018 To 30/6/2018 LE	From 1/4/2017 To 30/6/2017 LE	From 1/1/2017 To 30/6/2017 LE
(LOSSES) FOR THE PERIOD	(268 496 968)	(252 555 796)	(803 043 982)	(1 103 648 335)
Other comprehensive income	—	—	—	—
TOTAL COMPREHENSIVE INCOME	(268 496 968)	(252 555 796)	(803 043 982)	(1 103 648 335)
Attributable to:				
Equity holders of the company	(268 511 290)	(252 579 612)	(803 068 428)	(1 103 666 733)
Non-controlling interests	14 322	23 816	24 446	18 398

- The accompanying notes are an integral part of these consolidated interim financial statements.

Orange Egypt for Telecommunications (S.A.E)
CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
For The Period Ended 30 June 2018

	Paid up capital		Amounts paid in respect of capital increase		Treasury shares		Issuance fees of capital increase shares		Reserve (gain from sale of treasury shares)		Legal reserve		Share based payments		Carry forward losses		Total		Non-controlling interests		Total equity		
	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	
Balance as of 1 January 2017	1 000 000 000	—	—	(22 378 868)	—	—	—	—	59 363 966	200 000 000	(17 153 370)	(2 393 164 144)	(1 173 332 416)	(892 908)	(1 174 225 324)								
Total comprehensive income (Losses) for the period	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Balance as of 30 June 2017	1 000 000 000	—	—	(22 378 868)	—	—	—	—	59 363 966	200 000 000	(17 153 370)	(3 496 830 877)	(2 276 999 149)	(874 510)	(2 277 873 659)								
Balance as of 1 January 2018	1 000 000 000	15 231 260 800	—	(22 378 868)	15 231 261	—	—	—	59 363 966	200 000 000	(17 153 370)	(4 039 705 397)	12 426 618 392	(838 460)	12 425 779 932								
Amounts paid in respect of capital increase	15 320 723 540	(15 231 260 800)	—	—	—	—	—	—	—	—	—	—	89 462 740	—	89 462 740								
Issuance fees of capital increase shares	—	—	—	—	(9 857 042)	—	—	—	—	—	—	—	(9 857 042)	—	(9 857 042)								
Total comprehensive income (Losses) for the period	—	—	—	—	—	—	—	—	—	—	—	(252 579 612)	(252 579 612)	23 816	(252 555 796)								
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Balance as of 30 June 2018	16 320 723 540	—	—	(22 378 868)	5 374 219	—	—	—	59 363 966	200 000 000	(17 153 370)	(4 292 285 009)	12 253 644 478	(814 644)	12 252 829 834								

- The accompanying notes are an integral part of these consolidated interim financial statements.

Orange Egypt for Telecommunications (S.A.E)

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For The Period Ended 30 June 2018

	Note	30/6/2018 LE	30/6/2017 LE
CASH FLOWS FROM OPERATING ACTIVITIES			
(Losses) before income taxes		(368 284 832)	(965 625 777)
Depreciation, amortization and impairment	(5,6)	1 497 682 651	1 187 102 892
Net gains from disposal of fixed assets		(175 159 541)	(792 292)
Unrealized foreign exchange differences		(33 792 683)	(189 799 320)
Finance income		(25 817 130)	(20 843 406)
Finance expense		796 455 581	1 279 011 924
Change in write down in value of inventories	(7)	(112 080)	3 709 495
Change in impairment in value of accounts and notes receivable	(8)	63 820 154	58 029 455
Provisions	(18)	28 979 580	95 981 490
Provisions no longer required	(18)	(3 074 038)	—
		1 780 697 662	1 446 774 461
Change in rent deposits		(1 623 530)	(1 387 011)
Change in inventory		25 113 229	(49 216 436)
Change in accounts and notes receivable		(578 880 470)	(341 450 781)
Change in prepayments and other debit balances		58 657 838	(75 123 527)
Change in accounts and notes payable		(432 986 057)	773 737 002
Change in accrued expenses and other credit balances		(124 352)	447 718 300
Change in other non-current liabilities		(3 376 867)	(7 193 835)
Cash flows provided from operating activities		847 477 453	2 193 858 173
Income tax paid		(17 620 190)	(41 771 665)
Finance expense paid		(752 336 718)	(718 573 861)
Provisions used	(18)	(53 318 928)	(38 624 606)
NET CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES		24 201 617	1 394 888 041
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to acquire fixed assets and assets under construction	(25)	(1 732 134 885)	(1 902 220 095)
Proceeds from sale of fixed assets		12 008 195	65 175 585
Payments to acquire intangible assets		(177 844 369)	(393 800 000)
Finance income received		25 128 424	27 484 533
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(1 872 842 635)	(2 203 359 977)
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in banks credit facilities		1 134 106 851	(436 406 891)
Proceeds from loans		4 749 000 000	—
Payments of loans		(4 338 816 000)	(839 728 000)
Amounts paid in respect of capital increase		89 462 740	—
Issuance fees of capital increase shares		(9 857 042)	—
Fixed assets financing		(20 184 997)	26 485 335
NET CASH FLOWS PROVIDED FROM (USED IN) FINANCING ACTIVITIES		1 603 711 552	(1 249 649 556)
Effect of exchange rates on cash and cash equivalent		(18 041 095)	(1 858 460)
Net change in cash and cash equivalent during the period		(262 970 561)	(2 059 979 952)
Cash and cash equivalent – beginning of the period		3 443 686 220	2 938 086 621
CASH AND CASH EQUIVALENT – END OF THE PERIOD	(10)	3 180 715 659	878 106 669

- The accompanying notes are an integral part of these consolidated interim financial statements.

Orange Egypt for Telecommunications (S.A.E)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2018

1 BACKGROUND

Egyptian Company for Mobile Services (S.A.E) is an Egyptian Joint Stock Company established under the Investment Incentives and Guarantees Law No. 8 of 1997 and was registered in the commercial registry under No. 312032 on 4/3/1998 which was later modified to No.2231 on 14/1/1999. The purpose of the company is to execute, manage, operate, develop, maintain a digital cellular mobile telecommunication system (G.S.M), selling and distributing mobile lines, scratch cards, mobile equipment and mobile maintenance and accessories. The company provides its services to subscribers inside and outside the Arab Republic of Egypt.

The extraordinary general assembly meeting held on 20 March 2016 decided to change the Company's name to Orange Egypt for Telecommunications (S.A.E), and it is registered in the commercial registry on 5 April 2016.

The Company's duration is 25 years starting from the date of registration in the commercial registry.

The Company started operations on 21 May 1998.

2 BASIS OF PREPARATION

The consolidated financial statements of the Company are prepared in accordance with the Egyptian Accounting Standards and the applicable laws and regulations.

Consolidated financial statements were approved by the Board of Directors on 24 July 2018.

3 FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements are presented in Egyptian Pound, which is the Company's functional currency.

4 USE OF ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements in accordance with the Egyptian Accounting Standards requires for the management to use the personal judgement, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. The estimates and the relating assumptions are prepared based on the past experience and other factors. Actual results may differ from these estimates.

Estimates and the underlying assumptions are reviewed on a regular basis. Revisions to estimates are recognized prospectively.

a) Fair value measurement

- The fair value of the financial instruments is determined based on the market value of the financial instrument or similar financial instruments at the date of the 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 result 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.

Orange Egypt for Telecommunications (S.A.E)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2018

5 FIXED ASSETS

Cost	Land		Buildings		Telecommunication and network equipment		IT equipment		Office equipment		Furniture & fixtures		Vehicles		Leasehold improvements		Assets under construction		Total	
	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE
As of 1 January 2017	25 991 447*	586 751 703**	23 960 125 988	2 418 801 047	75 382 168	96 108 948	41 051 500	224 327 594	463 877 605	27 892 418 000										
Transferred from assets under construction	—	—	565 055 510	14 577 415	100 990	434 925	—	20 165 334	(600 334 174)	—										
Additions	—	—	2 812 988 286	300 986 415	878 165	1 609 879	1 421 000	11 521 402	820 683 551	3 950 088 698										
Disposals	—	—	(769 850 892)	(4 904 473)	(1 306 075)	(7 109 157)	(8 207 400)	(248 041)	(2 143 601)	(793 769 639)										
As of 31 December 2017	25 991 447	586 751 703	26 568 318 892	2 729 460 404	75 055 248	91 044 595	34 265 100	255 766 289	682 083 381	31 048 737 059										
As of 1 January 2018	25 991 447*	586 751 703**	26 568 318 892	2 729 460 404	75 055 248	91 044 595	34 265 100	255 766 289	682 083 381	31 048 737 059										
Transferred from assets under construction	—	—	555 215 972	7 968 458	327 861	559 208	—	5 686 612	(569 758 111)	—										
Additions	—	268 742 500	556 309 448	92 638 927	3 645 250	2 143 450	—	70 955 580	180 438 184	1 174 873 339										
Disposals	—	(128 991 624)	(154 374 073)	(2 246 136)	(2 547 481)	(7 685 640)	(3 487 725)	(6 753 258)	(2 750)	(306 088 687)										
As of 30 June 2018	25 991 447	736 502 579	27 525 470 239	2 827 821 653	76 480 878	86 061 613	30 777 375	325 655 223	292 760 704	31 917 521 711										
Accumulated depreciation																				
As of 1 January 2017	—	111 768 584	16 173 326 943	1 894 780 553	68 595 318	74 276 100	31 971 848	175 786 396	98 049 515	18 628 555 257										
Depreciation for the year	—	12 934 158	1 941 881 256	204 174 785	3 795 927	6 068 154	3 084 811	31 936 324	—	2 203 875 415										
Impairment	—	—	83 994 112	6 231 896	—	323 958	—	889 751	(35 486 633)	57 953 084										
Disposals	—	—	(672 798 649)	(4 846 046)	(1 306 075)	(7 109 157)	(8 177 583)	(248 041)	—	(694 485 551)										
As of 31 December 2017	—	124 702 742	17 528 403 662	2 100 341 188	71 085 170	73 559 055	26 879 076	208 364 430	62 562 882	20 195 898 205										
As of 1 January 2018	—	124 702 742	17 528 403 662	2 100 341 188	71 085 170	73 559 055	26 879 076	208 364 430	62 562 882	20 195 898 205										
Depreciation for the period	—	7 197 080	980 397 502	108 072 532	1 390 548	2 098 065	1 392 057	13 563 900	—	1 114 111 684										
Impairment	—	—	15 968 923	59 079	—	—	—	—	(280 618)	15 747 384										
Disposals	—	(29 382 318)	(148 492 971)	(2 180 640)	(2 547 481)	(7 685 640)	(3 487 725)	(6 753 258)	—	(200 530 033)										
As of 30 June 2018	—	102 517 504	18 376 277 116	2 206 292 159	69 928 237	67 971 480	24 783 408	215 175 072	62 282 264	21 125 227 240										
Net book value as of																				
1 January 2017	25 991 447	474 983 119	7 786 799 045	524 020 494	6 786 850	21 832 848	9 079 652	48 541 198	365 828 090	9 263 862 743										
31 December 2017	25 991 447	462 048 961	9 039 915 230	629 119 216	3 970 078	17 483 540	7 386 024	47 401 859	619 520 499	10 852 838 854										
30 June 2018	25 991 447	623 985 075	9 149 193 123	621 529 494	6 552 641	18 090 133	5 993 967	110 480 151	230 478 440	10 792 294 471										

* This item includes an amount of LE 11 677 123 which is represented in the purchase price of pieces of land in different areas according to a preliminary contracts which have not yet been registered in the notarization office.

** This item includes:

- 1- An amount of LE 32 076 155 which is represented in the purchase price of a building for Switches in 6th of October City according to a preliminary contract which has not yet been registered in the notarization office.
- 2- An amount of LE 31 619 475 which is represented in the construction cost of a building for Switches in Alexandria City and has not yet been registered in the notarization office.

Orange Egypt for Telecommunications (S.A.E)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2018

6 INTANGIBLE ASSETS

	Licenses	Indefeasible right of use (IRU)	International circuits (ROUs)	Other intangibles	* Goodwill	Total
	LE	LE	LE	LE	LE	LE
Cost						
As of 1 January 2017	12 444 843 755	198 660 000	110 545 813	163 641 003	82 000 000	12 999 690 571
Additions	1 351 569 122	151 200 000	—	—	—	1 502 769 122
As of 31 December 2017	13 796 412 877	349 860 000	110 545 813	163 641 003	82 000 000	14 502 459 693
As of 1 January 2018	13 796 412 877	349 860 000	110 545 813	163 641 003	82 000 000	14 502 459 693
Additions	—	126 060 000	—	—	—	126 060 000
As of 30 June 2018	13 796 412 877	475 920 000	110 545 813	163 641 003	82 000 000	14 628 519 693
Accumulated amortization						
As of 1 January 2017	3 962 870 723	25 140 576	110 545 813	163 641 003	—	4 262 198 115
Amortization for the year	274 875 326	28 056 071	—	—	—	302 931 397
As of 31 December 2017	4 237 746 049	53 196 647	110 545 813	163 641 003	—	4 565 129 512
As of 1 January 2018	4 237 746 049	53 196 647	110 545 813	163 641 003	—	4 565 129 512
Amortization for the period	347 179 048	20 644 535	—	—	—	367 823 583
As of 30 June 2018	4 584 925 097	73 841 182	110 545 813	163 641 003	—	4 932 953 095
Net book value as of						
1 January 2017	8 481 973 032	173 519 424	—	—	82 000 000	8 737 492 456
31 December 2017	9 558 666 828	296 663 353	—	—	82 000 000	9 937 330 181
30 June 2018	9 211 487 780	402 078 818	—	—	82 000 000	9 695 566 598

7 INVENTORY

	30/6/2018	31/12/2017
	LE	LE
Goods for sale	153 059 401	178 172 630
Write down in value of inventories	(17 037 293)	(17 149 373)
	136 022 108	161 023 257

WRITE DOWN IN VALUE OF INVENTORIES

	30/6/2018	31/12/2017
	LE	LE
Opening balance	(17 149 373)	(13 143 112)
Charged during the period / year	(141 205)	(4 507 601)
No Longer required	253 285	501 340
Ending balance	(17 037 293)	(17 149 373)

Orange Egypt for Telecommunications (S.A.E)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2018

8 ACCOUNTS AND NOTES RECEIVABLE

	30/6/2018	31/12/2017
	LE	LE
Service receivables	1 385 217 856	1 266 485 002
Distributors' receivables	10 563 632	19 033 042
Franchise receivable	6 475 248	4 597 897
Roaming receivables	157 431 399	107 664 146
National roaming receivables	16 083 720	14 932 107
Interconnect receivables (note 29)	868 738 026	647 350 335
Notes receivable	294 914 752	161 408 530
Others	—	257 688
	2 739 424 633	2 221 728 747
Impairment in value of accounts and notes receivable	(514 555 312)	(450 735 158)
	2 224 869 321	1 770 993 589

IMPAIRMENT IN VALUE OF ACCOUNTS AND NOTES RECEIVABLE

	30/6/2018	31/12/2017
	LE	LE
Opening balance	(450 735 158)	(329 645 457)
Charged during the period / year	(130 085 872)	(324 935 280)
Used during the period / year	66 265 718	203 845 579
Ending balance	(514 555 312)	(450 735 158)

9 PREPAYMENTS AND OTHER DEBIT BALANCES

	30/6/2018	31/12/2017
	LE	LE
Prepaid expenses	392 777 784	247 552 603
Deposits with others	1 360 465	1 364 465
Advances to suppliers	101 417 102	116 123 899
Accrued revenues	374 901 835	526 325 411
Sundry debtors	1 531 400	25 475 887
Margin on letters of guarantee (note 24-2)	13 079 669	13 077 169
Mobinil for Telecommunications	157 429	—
Orange Group	9 809 517	9 809 517
Tax authority	253 327 972	252 928 748
Social insurance authority	22 558	22 559
Letters of Credit	9 643 238	20 934 341
Others	9 165 455	27 559 780
	1 167 194 424	1 241 174 379

10 CASH ON HAND AND AT BANKS

	30/6/2018	31/12/2017
	LE	LE
Cash on hand	4 102 253	3 206 987
Current accounts	2 398 183 731	3 300 075 888
Checks under collection	778 429 675	140 403 345
	3 180 715 659	3 443 686 220

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11 CAPITAL

The Company's authorized capital amounts to LE 3 000 M, whereas the issued and paid up capital amounts to LE 1 000 M divided over 100 M shares of par value LE 10 each.

The extraordinary general assembly meeting held on 4 December 2017, decided to increase the Company's authorized capital to LE 20 B, and the issued capital to LE 16 400 M, whereas the subscription in the capital increase shares amounting to 1 540 000 000 shares will be at par value LE 10 plus LE 0.01 as issuance fees per share. The subscription period was opened on 27 December 2017.

	30/6/2018	31/12/2017
	LE	LE
Amounts paid in respect of capital increase	—	15 231 260 800
Issuance fees of capital increase shares	5 374 219	15 231 261

The subscription period was closed on 28 January 2018 with total subscribed shares of 1 532 072 354 amounting to LE 15 320 723 540, and it was ratified in the commercial register on 15 February 2018. The Company's authorized capital amounts to LE 20 B, whereas the issued and paid up capital amounts to LE 16 320 723 540 divided over 1 632 072 354 shares of par value LE 10 each.

12 SHARE BASED PAYMENTS

The extraordinary Company's general assembly meeting held on 11 March 2007 approved the establishment of the employee share plan (ESP) as per the corporate law by granting the employees free shares of the company. This plan will be applied to the company's employees, managers and executive members of the company's board that qualified according to certain conditions regarding their performance, position, years of experience at the company and anticipated accomplishments.

The Company's Board of Directors approved the allocation of 409 000 shares owned by Mobinil Invest in the Company in order to proceed with the employees' share plan. Furthermore the Company's extraordinary general assembly meeting held on 3 September 2007 approved the increase of allocated shares to 450 000 shares by purchasing the required shares from the stock market.

On 10 March 2010 the Company's extraordinary general assembly meeting approved extending the employees' share plan for four years and also approved the allocation of additional 884 160 shares in order to proceed with the plan.

The plan can be summarized as follows:

The plan's beneficiaries will be granted free shares that will be allocated over a number of years. Furthermore supervising committee will nominate the beneficiaries according to the plan's criteria the number and dates of granted shares.

During the vesting period the ESP's shares will be in the custody of the trustee. Thus the beneficial employee has no right to attend or vote in the company's ordinary & extraordinary general assembly meetings of the company. Hence the beneficial employee cannot exercise his or her rights till the date of transferring shares' ownership. However the beneficial employee will have the right of profit distributed on his or her allocated shares from the granting date.

The granted shares according to the plan are as follows:

	30/6/2018	31/12/2017
	No of shares	No of shares
Allocated Shares at the beginning of the plan	409 000	409 000
Purchased & allocated shares to the plan	413 528	413 528
Exercised	(675 875)	(675 875)
Available shares	146 653	146 653

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12 SHARE BASED PAYMENTS (CONTINUED)

The following summarizes the exercise dates of the allocated shares :

	Shares
31 December 2007 (Exercised)	126 384
31 December 2008 (Exercised)	131 205
31 December 2009 (Exercised)	133 886
During 2010 (Exercised)	12 390
During 2011 (Exercised)	145 285
During 2012 (Exercised)	124 085
* 31 December 2012	148 613
During 2013 (Exercised)	1 150
* 31 December 2013	138 195
During 2014 (Exercised)	1 490
* 31 December 2014	75 115

* During December 2012, December 2013 and December 2014, it was mutually agreed between the company and employees who have the right to exercise 148 613 shares, 138 195 and 75 115 shares on 31 December 2012, 31 December 2013 and 31 December 2014 respectively to cancel the transfer of the shares and in return the company paid them in cash compensation.

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13 LOANS

Contract date	Agreement amount	Carrying amount	Current portion		Non-current portion		Maturity Date	Interest payment	Terms of Payment	Interest Rate Factors
			30/6/2018 LE	31/12/2017 LE	30/6/2018 LE	31/12/2017 LE				
11 April 2011	2 000 000 000	—	—	571 262 204	—	—	10/4/2018	Semi-annually	14 semi-annual installments starting after 6 months from the contract signing date and due on 11 October & 11 April every year.	
2 September 2012	2 900 000 000	—	—	632 500 000	1 073 239 142	—	1/9/2019	Semi-annually	12 semi-annual installments starting after 21 months from the contract signing date and due on 20 June & 20 December every year.	
19 February 2014	2 260 000 000	—	—	351 656 000	697 104 877	—	20/12/2020	Semi-annually	11 semi-annual installments starting after 22 months from the contract signing date and due on 20 June & 20 December every year.	*CBE Mid Corridor rate. *Margin
17 July 2014	1 000 000 000	—	—	150 000 000	346 054 717	—	20/12/2019	Semi-annually	3 semi-annual installments starting after 54 months from the contract signing date and due on 20 December & 20 June every year.	
5 April 2018	7 000 000 000	4 251 322 126	—	—	4 251 322 126	—	5/4/2025	Semi-annually	Tranche (A) EGP 4.3 B: 11 equal semi-annual installments starting 20 June 2020. Tranche (B) EGP 2.7B: will be repaid gradually starting two years prior the final maturity (7 years from agreement signature date).	
		4 251 322 126	—	1 705 418 204	4 251 322 126	2 116 398 756				

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14 OTHER NON-CURRENT LIABILITIES

	30/6/2018	31/12/2017
	LE	LE
Licenses liabilities – non-current portion	924 124 748	981 584 754
IRU liabilities – non-current portion	22 396 854	24 624 000
Other non-current liabilities	16 401 204	19 778 071
	962 922 806	1 025 986 825

15 BANKS CREDIT FACILITIES

The Company has short term credit facilities in Egyptian Pound with different local banks amounting to LE 4 178 M. The net balance of the banks' credit facilities amounted to LE 2 799 M as of 30 June 2018.

16 ACCOUNTS AND NOTES PAYABLE

	30/6/2018	31/12/2017
	LE	LE
Fixed assets suppliers	1 413 069 212	2 224 291 553
Trade suppliers	1 118 222 234	1 691 562 962
	2 531 291 446	3 915 854 515

17 ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	30/6/2018	31/12/2017
	LE	LE
Accrued expenses	2 298 992 123	2 171 887 097
Orange Group	199 717 605	102 782 490
Deposits from others	102 525 230	94 593 038
Tax authority	681 325 798	898 769 881
Social insurance authority	5 246 883	4 905 552
Deferred revenues	535 215 601	559 452 468
Sundry creditors	90 588 547	82 162 620
Others	35 249 401	42 862 444
	3 948 861 188	3 957 415 590

18 PROVISIONS

	Balance as of 1/1/2018	Charged during the period	Used during the period	No longer required	Balance as of 30/6/2018
	LE	LE	LE	LE	LE
Provisions	435 864 348	28 979 580	(53 318 928)	(3 074 038)	408 450 962

The Company has not disclosed some of the information required by the Egyptian Accounting Standard No.28 (Provisions, Contingent Liabilities and Contingent Assets) as the Company believes that it can prejudice seriously the position of the Company in disputes with other parties on the subject matter of the provisions.

19 OTHER INCOME

	30/6/2018	30/6/2017
	LE	LE
Interest on interconnect receivables (note 29)	53 017 048	34 418 578
Other income	15 127 200	1 580 844
	68 144 248	35 999 422

20 FINANCE EXPENSES

	30/6/2018	30/6/2017
	LE	LE
Interest expense	(796 455 581)	(1 187 607 963)
Foreign exchange differences on the subordinated loans from the major shareholder	—	(91 403 961)
	(796 455 581)	(1 279 011 924)

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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21 INCOME TAXES

	30/6/2018	30/6/2017
	LE	LE
Current income tax	—	(73 066 942)
Deferred income tax	115 729 036	(64 955 616)
Income taxes	115 729 036	(138 022 558)

RECONCILIATION OF EFFECTIVE INCOME TAX RATE

		30/6/2018		30/6/2017
		LE		LE
(Losses) before income taxes		(368 284 832)		(965 625 777)
Income tax using the domestic corporation tax rate	22.5%	82 864 087	22.5%	217 265 799
Non- deductible expenses / income		29 965 496		(333 422 088)
Tax return difference		—		(12 584 938)
Unrecorded deferred tax assets		2 899 453		(9 281 331)
	31.42%	115 729 036	14.29%	(138 022 558)

DEFERRED INCOME TAX

	Financial position		Statement of profit or loss	
	30/6/2018	31/12/2017	30/6/2018	30/6/2017
	LE	LE	LE	LE
Fixed assets	595 632 611	590 186 561	(5 446 050)	18 546 947
Intangible assets	449 318 460	439 600 036	(9 718 424)	15 691 332
Provisions	(44 331 768)	(42 398 547)	1 933 221	1 967 203
Carried forward tax losses	(894 741 495)	(836 686 355)	58 055 140	—
Unrealized forex	6 728 218	77 633 367	70 905 149	(101 161 098)
Others	(26 281 354)	(26 281 354)	—	—
Net deferred income tax	86 324 672	202 053 708	115 729 036	(64 955 616)

22 (LOSSES) PER SHARE

	30/6/2018	30/6/2017
	LE	LE
(Losses) for the period	(252 555 796)	(1 103 648 335)
Number of shares	1 631 925 701	99 853 347
(Losses) per share	(0.15)	(11.05)

23 SEGMENT REPORTING

The Company considers primary segment information by business activity. The method used to identify the business segments includes the factors used by the management to manage the Group and assign managerial responsibilities. The methodology adopted to identify the components of revenues and costs attributable to each business segment is based on the identification of each component of costs and revenues directly attributable to each segment. The operating activities of the Group are organized and managed separately based on the nature of the products and services provided. Each segment offers different products and services.

The following primary business segments have been identified:

- a. **GSM:** covering the mobile telecommunications services activities of the Group including the sale of pre-paid scratch cards, post-paid and monthly subscriptions packages, handsets bundles and roaming services.
- b. **Internet:** covering the internet services of the Group.

	GSM	Internet	Total
	LE	LE	LE
Net revenues	6 249 699 357	359 440 007	6 609 139 364
Depreciation , amortization and impairment	(1 481 289 942)	(16 392 709)	(1 497 682 651)
Operating profits	396 732 846	5 620 773	402 353 619
(Losses) profits before income taxes	(374 764 653)	6 479 821	(368 284 832)
(Losses) profits for the period	(257 111 534)	4 555 738	(252 555 796)
Total assets	26 855 074 360	385 854 734	27 240 929 094
Total capital expenditure (tangible & intangible assets)	1 336 322 250	16 395 458	1 352 717 708
Total liabilities	14 624 911 356	363 187 904	14 988 099 260

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24 COMMITMENTS AND CONTINGENCIES

24-1 Capital commitments

Capital commitments represent the fixed assets and intangible assets contracts entered into and not yet executed at the financial position date which amounts to LE 1 534 M as of 30 June 2018 (LE 1 204 M as of 31 December 2017).

24-2 Contingent liabilities

The company is a party in a number of legal cases which resulted from carrying out its activities. Based on the legal advice obtained the company's management believes that the outcome of these lawsuits - individually or in aggregate - would not be material to the company's results.

The letters of guarantee issued at the Company's request by banks in favor of third parties as of 30 June 2018 amounted to LE 324 M whereas the cash margin of these letters amounted to LE 13 M as follows:

	Amount in currency	Equivalent in LE	Cash margin LE
Letters of guarantee – Egyptian pound	322 476 834	322 476 834	12 003 869
Letters of guarantee – US Dollar	91 080	1 633 064	1 075 800
		324 109 898	13 079 669

25 PAYMENTS TO ACQUIRE OF FIXED ASSETS AND ASSETS UNDER CONSTRUCTION

For the purpose of the preparation of the cash flows statement the fixed assets additions and net movement of fixed assets under construction are reconciled to the cash outflow resulting from these transactions as follows:

Description	30/6/2018 LE
Fixed assets additions during the period	994 435 155
Assets under constructions additions during the period	180 438 184
Non-cash reconciliations	
Fixed assets and fixed assets under construction suppliers	825 971 546
Swapped assets	(268 710 000)
Payments for the purchase of fixed assets and assets under construction	1 732 134 885

26 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The financial instruments of the company are represented in the financial assets, (cash on hand and at banks, rent deposits, accounts and notes receivable and other debit balances) and the financial liabilities (banks credit facilities, accounts and notes payable, accrued expenses and other credit balances and loans).

a) Credit risk

This risk is represented in the inability of customers to pay their debts. The company retains deposits from them and may suspend services for delinquent customers.

b) Liquidity risk

This risk represents the Company's inability to fulfill its financial obligations when mature.

The Company managed this risk through continuous monitoring of the liquidity position to make sure (with acceptable degree) of the adequacy of cash balances available to meet its financial obligations when mature whether in normal or difficult cases and without incurring any unacceptable losses or damaging its reputation.

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26 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

c) **Foreign currencies exchange risk**

The foreign currencies risk is represented in the fluctuations in exchange rates which in turn affect the company's cash inflows and outflows as well as the value of its foreign currency assets and liabilities. As at the date of the financial position the company has foreign currency assets and liabilities equivalent to LE 3 475 M and LE 2 173 M respectively. The company's net exposure in foreign currencies as at the financial position date:

Foreign currencies	Surplus (shortage)
US Dollars	(4 629 243)
Euro	66 312 273
GBP	(43 640)
JPY	(17 421)

As disclosed in note (31-2) the company has used the prevailing exchange rates at the financial position date to retranslate monetary assets and liabilities.

d) **Interest rate risk**

The interest rate risk is represented in the fluctuations in the interest rates which in turn affects the related monetary assets and liabilities. During 2018 the interest rate decreased by 200 basis points and the possibility of moving the interest rate in future is possible according to the political and economic situation in the country.

e) **Fair value**

Based on the valuation basis used for the company's assets and liabilities described earlier the fair value of the financial instruments does not materially differ from the book value as at the financial position date.

27 RELATED PARTIES TRANSACTIONS

Summary of major related parties' agreements:

27-1 **Management fee agreement**

Based on the General Service Agreement signed between the Company and Orange SA dated 3 July 2003 (effective retrospectively since 1 July 2002), which was amended on 10 September 2012 and the General Service Agreement signed between the Company and Orascom Telecom (replaced by Orascom Telecom Media and Technology Holding on 29 December 2011), which was assigned to Orange SA on 15 October 2012, the Company is charged by a fees as 1.5% of the Company's gross service revenues (excluding taxes) to Orange SA.

The ordinary general assembly meeting held on 29 March 2017 approved amending the management fees rate to be a yearly variable fee based on the invoices received from Orange SA up to 1.2% of the total revenues (excluding taxes), and to sign the new management agreement effective 8 March 2017.

27-2 **Brand license agreement (Orange)**

Based on the brand license agreement (Orange) signed between the Company and Orange Brand Services Limited on 27 January 2016 for ten years starting 8 March 2016 (launch date), the Company will be charged by royalty as 1.6% of the operating revenues (excluding taxes) starting 8 March 2017 after 12 months grace period from the launch date. The grace period was extended till 31 December 2017.

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27 RELATED PARTIES TRANSACTIONS (CONTINUED)

27-3 Related parties' transactions are as follows

Description	Transaction type	Period ended			
		30/6/2018		30/6/2017	
		Debit	Credit	Debit	Credit
		LE	LE	LE	LE
Ultimate parent					
Orange SA	Management fees / Technical assistance/ Roaming Services	123 915 519	76 022 661	122 528 981	14 697 312
MT Telecom (Major shareholder)	Cash Transfer / Interest expense / capital increase	—	—	317 799 140	—
Other related parties					
Orange Group	Technical assistance / Roaming Services/ refund of rebranding expenses / Brand fees	101 214 329	10 392 889	72 419 220	10 842 971
Mobinil For Telecommunications	Payments on behalf of the company	—	157 429	—	148 257

27-4 Related parties' balances are as follows

Description	Balance type	30/6/2018		31/12/2017	
		Due from	Due to	Due from	Due to
		LE	LE	LE	LE
Ultimate parent					
Orange SA	Accounts and notes payable / Accrued expenses and other credit balances / Accounts and notes receivable	152 337 420	245 975 742	90 536 568	168 685 031
Other related parties					
Orange Group	Accounts and notes payable / Accrued expenses and other credit balances / Accounts and notes receivable	9 809 517	78 008 135	9 809 517	33 843 899
Mobinil For Telecommunications	Prepayments and other debit balances	157 429	—	—	—

27-5 The nature of the relationships is as follows

- MT Telecom is a direct Company's shareholder with 99.39 %.
- Orange is the major shareholder of MT Telecom with 100% which is the Company's major shareholder.

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28 TAX SITUATION

1. Orange Egypt for Telecommunications

a) Corporate tax

From inception till 2015

These years have been inspected and settled with tax authority.

Years 2016 and 2017

Tax returns were provided and have not yet been inspected.

b) Salary tax

From inception till 2000

A tax inspection was performed for this period and the resulting differences were paid according to the resolution of the appealing committee except special increase item which were transferred to the appealing court.

Years 2001 till 2016

These years have been inspected and settled with tax authority.

Year 2017

This year have not yet been inspected.

c) Stamp tax

From inception till 31 July 2006

A tax inspection was performed and disputes were settled except for tax on Alo connection fees which were transferred to the preliminary court but not yet resolved.

From 1 August 2006 till 31 December 2014

These years have been inspected and settled with tax authority.

Years 2015 till 2017

These years have not yet been inspected.

d) Sales tax / value added tax

From inception till 2012

This period has been inspected and differences were paid, except for the inspection differences for 2005 which is being inspected by the high appeal committee. During June 2016, the Company received a notification from the tax authority approved by the Minister of Finance cancelling the conciliation committee decision relating to the tax assessment for the years 2010, 2011 and 2012. The Company objected that the conciliation committee decision is irrevocable by law.

Year 2013

This year has been inspected, and the Company objected on the tax claim.

Years 2014/2015, and till 7 September 2016

This period is currently been inspected.

Period from 8 September 2016 till 31 December 2017

This period has not yet been inspected.

e) Withholding tax

Years 2003 and 2004

These years have been inspected and settled with tax authority.

Years 2005 till 2017

These years have not yet been inspected.

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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29 DISPUTE OF INTERCONNECT AGREEMENTS

- The National Telecommunication Regulatory Authority ('NTRA') has issued on 3 September 2008 a decree; Based on the complaint received from Telecom Egypt, to amend the interconnection rates between Telecom Egypt and the three mobile operators contrary to the interconnection agreements signed between them.
- On 31 December 2009, the NTRA has updated the interconnection rates referred to in the above decree between Telecom Egypt and the three mobile operators effective 1 September 2009.
- The Company has protested to the decrees issued by the NTRA and filed a summary administrative lawsuit to suspend and abolition the NTRA decrees and to safeguard the Company's interests.
- On 5 June 2010, the administrative court suspended the NTRA decrees until final ruling on the merits. NTRA appealed the summary court ruling before the Supreme Administrative Court.
- On 25 May 2013 the supreme administrative court rejected NTRA appeal against the summary court ruling Supporting the decision of the Administrative Court to suspend the implementation of the NTRA decisions.
- On 5 October 2013 the Administrative Court issued a judgment in similar case filed by Vodafone Egypt against NTRA; for the cessation of the rate setting decree. NTRA appealed the court ruling.
- Subsequent to the three court judgments issued in this regard, ruling to suspend the NTRA interconnection rate setting decrees, the NTRA issued on 10 February 2014, a decree states that the NTRA acknowledge and will execute the above mentioned administrative court judgments .
- On 21 June 2016, the Administrative Court issued its judgment on the case of Orange Egypt on the merits favoring the right of NTRA to set the interconnection rates .
- Orange Egypt filed an appeal on this judgment on 18 August 2016 before the supreme administrative court. An appeal was transferred to the commissioners to session dated 5 March 2018. The commissioners report was issued in favor of Orange Egypt for Telecommunications, the proceeding are now adjourned to 16 April 2018 for review of the state commissioners division report advisory opinion on the dispute.
- In hearing session on 16 April 2018 The commissioner issued a report in favor of Orange stating clearly that the NTRA has no right to set the interconnection rates and the appeal examiner committee will decide either to accept the appeal in principle and refer it to the court or to reject the appeal during the session dated 21 May 2018.
- The appeal examination committee decided initially to accept the appeal, and the file has been sent to Supreme Administrative Court the first session on 3 November 2018.
- Based on the above mentioned, and in accordance to the three court rulings were issued with the same outcome favoring the suspension and cancellation of the said NTRA Interconnection rate setting decrees, and given by the Company's external legal advisors opinion the risk of losing the appeal is remote.
- On 3 September 2009 the Company filed arbitration against Telecom Egypt mandating Telecom Egypt to execute the interconnection rates; as per the interconnection agreement dated 18 April 1998 and its amendment dated 27 January 2005.
- A settlement has been signed on 22 November 2017 between the Company and Telecom Egypt on these disputes.
- Based on the suspension of the NTRA's decrees relating to the amendment of the interconnection rates between the telecommunication companies, and in response to Etisalat Egypt refrainment from payment of the variance between the interconnection rate set earlier by the NTRA and the applicable rate as per the bilateral interconnection agreement, the Company has filed an arbitration against Etisalat Egypt before the Cairo Regional Centre for International Commercial Arbitration "CRCICA" to collect the outstanding interconnection balance together with the contractually applicable interest at rate of 2% per annum above base lending rate determined by the Central Bank of Egypt pursuant to article (4-10) of the interconnection agreement.
- On 27 March 2016 the arbitration tribunal ordered and awarded that Etisalat Egypt shall pay the outstanding balance amounting to LE 285M due to the Company, and shall pay interest at the rate of 2% above base lending rate determined by the Central Bank of Egypt from 11 February 2014 till the date of payment thereof by Etisalat Egypt.
- Those two cases are filed before Cairo Court of Appeal filed by Etisalat Misr ("Etisalat") seeking Nullity of the Arbitral Award dated 27 March 2016 rendered in favor of OEG in the CRCICA Arbitration Case No. 960/2014 ("Etisalat Nullity Action"). adjourned to 25 June 2018 for translation of documents by Etisalat on this hearing session the court was adjourned to 25 September 2018 for translation of documents by Etisalat
- The court was of view that the execution shall not be granted "at this point of time" and rejected the application. OEG filed a petition against such rejection and the first session for such petition held on 25 June 2018, during such session the court decided to adjourn for review and the petition will be heard again on 26 September 2018.

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30 BASIS OF MEASUREMENT

The financial statements are prepared under the going concern assumption on a historical cost basis.

31 SIGNIFICANT ACCOUNTING POLICIES

31-1 Basis of consolidation

a- Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired.

Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately.

Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, there contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

1- Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The accompanying consolidated financial statements include the assets, liabilities and results of operations of the company and its subsidiaries (hereafter referred to as "the Group") which are controlled by the Company. The bases of the preparation of the consolidated financial statements are as follows:

- All intra-group balances and transactions have been eliminated.
- Non controlling interests in the equity and results of operations of the subsidiaries controlled by the Company is shown as a separate item in the consolidated financial statements and is calculated based on their share in the assets and liabilities of the subsidiaries.

The consolidated financial statements include the following subsidiaries:

Company Name	Ownership
* Orange Services (Egyptian Joint Stock Company)	98%
* Mobinil for Importing (Egyptian Joint Stock Company)	99.9%
Egyptian Company for Mobile Towers Services (Egyptian Joint Stock Company)	99.99%
**Orange Data (Egyptian Joint Stock Company)	99.99%
**Link Egypt for Trading and Services (Egyptian Joint Stock Company)	99.99%

* Mobinil for Telecommunications owns 2% in Orange Services and 0.05% in Mobinil for Importing and Orange Services owns 0.05% in Mobinil for Importing.

** Orange Data and Link Egypt for Trading and Services owns 29% and 70.75% respectively in Orange One for Telecommunication Services.

2- Non controlling interest

Non controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

3- Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

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31 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

31-2 Foreign currency translation

The financial statements are prepared and presented in Egyptian pound which is the Company's functional currency.

Transactions in foreign currencies are initially recorded using fixed exchange rates that are revised monthly.

Monetary assets and liabilities denominated in foreign currencies are retranslated using the exchange rates prevailing at the financial position date. All differences are recognized in the statement of profit or loss.

Nonmonetary assets and liabilities that are measured at historical cost in foreign currencies are translated using the exchange rates prevailing on the date of the initial recognition.

Nonmonetary assets and liabilities measured at fair value in foreign currencies are translated using the exchange rates prevailing on the date when the fair value is determined.

31-3 Fixed assets

Fixed assets are stated at historical cost net of accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the fixed assets when that cost is incurred if the recognition criteria are met. Likewise when a major improvement is performed its cost is recognized in the carrying amount of the fixed assets as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the statement of profit or loss as incurred.

Depreciation of an asset begins when it is in the location and condition necessary for it to be capable of operating in the manner intended by management and is computed using the straight-line method according to the estimated useful life of the asset as follows:

	Years
Buildings	50
Telecommunication and network equipment	3 – 15
IT equipment	2 – 5
Office equipment	5 – 10
Furniture & fixtures	8 – 10
Vehicles	5 – 7
Leasehold improvements	5

Fixed assets are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing the asset is included in the statement of profit or loss when the asset is derecognized.

The assets residual values useful lives and methods of depreciation are reviewed at each financial year end.

The Company assesses at each financial position date whether there is an indication that fixed assets may be impaired. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the statement of profit or loss.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount nor exceed the carrying amount that would have been determined net of depreciation had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

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31 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

31-4 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost.

After initial recognition intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at each financial year end.

Intangible assets represent the following:

a. Licenses:

Licenses / Indefeasible Right of Use (IRU)	Fees and amortization
1. On 18 April 1998, the Company signed a license agreement with National Telecommunication Regulatory Authority (NTRA) to establish and operate a digital cellular mobile network in Egypt for a period of 15 years starting 21 May 1998.	LE 1 755 M plus the payment of annual fees. It is amortized using the straight line method over its estimated useful life (15 years). Useful life was amended to end on October 2022 based on the signed license agreement appendix No. 4 on 17 October 2007. Useful life was amended to end on October 2031 based on the signed license agreement appendix No.7 on 13 October 2016.
2. On 27 January 2005, the Company has signed a license agreement appendix No. 2 with Vodafone Egypt and Telecom Egypt; based on it National Telecommunication Regulatory Authority (NTRA) has granted the Company and Vodafone Egypt access to 7.5 MHZ of the 1800 MHZ spectrum that will be supplied by Telecom Egypt, which surrendered its 1800 MHZ GSM license.	LE 1 240 M paid based on agreed schedule of payment. The license was recorded at the net present value of total payments, and it is amortized using the straight line method over its estimated useful life (15 years). Useful life was amended to end on October 2022 based on the signed license agreement appendix No. 4 on 17 October 2007. Useful life was amended to end on October 2031 based on the signed license agreement appendix No. 7 on 13 October 2016.
3. On 17 October 2007, the Company has signed a license agreement appendix No. 4 with National Telecommunication Regulatory Authority (NTRA) to obtain 3G license, 10 MHZ spectrum and extension of existing licenses for a period of 15 years starting from appendix signature date.	LE 3 668 M paid based on agreed schedule of payment. The license was recorded at the cash price, and it is amortized using the straight line method over its estimated useful life (15 years). Useful life was amended to end on October 2031 based on the signed license agreement appendix No.7 on 13 October 2016.
4. Internet Services Provider class A	The license was acquired in a business combination and the cost amounting to LE 100 M is its fair value as at the date of acquisition. It is amortized using the straight line method over its estimated useful life (5 years).
5. On 3 July 2011, Orange One for Telecommunication Services has signed a license agreement with National Telecommunication Regulatory Authority (NTRA) for constructing the infrastructure for the networks in the compounds.	LE 1 M plus the payment of annual fees. The license was recorded at cost amounting to LE 1 M and it is amortized using the straight line method over its estimated useful life (15 years).
6. During December 2014, the Company has signed annex A to the letter agreement with Telecom Egypt regarding the leased and IRU transmission services to obtain IRU for ten years per each transmission link starting from the activation date of that link.	The IRUs is recorded at the cash price, and it is amortized using the straight line method over its estimated useful life (10 years).
7. On 13 October 2016, the Company has signed a license agreement appendix No. 7 with National Telecommunication Regulatory Authority (NTRA) to obtain 4G license, 10 MHZ spectrum and extension of existing licenses for a period of 15 years starting from signature date.	The license was fully paid over two payments, the first equivalent to USD 242 M (LE 2 149 M), and the second USD 242 M. The license was recorded at its cost amounting to LE 6 285 M, and it is amortized using the straight line method over its estimated useful life (15 years). The start of amortization was postponed until the commercial launch of 4G services. The amortization started on October 2017 over the remaining useful life (14 years). The fixed amounts that will be paid over the license period (15 years) were recorded at the net present value of total amounts.
8. On 13 October 2016, the Company has signed a license agreement with National Telecommunication Regulatory Authority (NTRA) to obtain license for virtual fixed telephone services for a period of 15 years starting from signature date.	The license was fully paid over two payments, the first equivalent to USD 5.631 M (LE 99.669 M), and the second USD 5.631 M. The license was recorded at its cost amounting to LE 195.9 M, and it is amortized using the straight line method over its estimated useful life (15 years). The start of amortization was postponed until the commercial launch of 4G services. The amortization started on October 2017 over the remaining useful life (14 years). The fixed amounts that will be paid over the license period (15 years) were recorded at the net present value of total amounts.

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31 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

31-4 Intangible assets (continued)

- b. The rights of use of international circuits and the related interconnection fees are measured at cost and are amortized using the declining method over its estimated useful life (15 years). Starting 1 September 2015 the amortization changed from the declining method to be straight line method.
- c. Business combination:
The cost of other intangible assets (customers' list and trade name) acquired in a business combination is its fair value as the date of acquisition and are amortized using the straight line method over its estimated useful life (7 – 8 years).

31-5 Assets under construction

Assets under construction represent the amounts that are incurred for the purpose of constructing or purchasing fixed assets until it is ready to be used in the operation upon which it is transferred to fixed assets. Assets under construction are valued at cost less impairment.

31-6 Inventory

Inventory of goods for sale is stated at the lower of cost (using the moving average method) or net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

The amount of any write down of inventory to net realizable value or the reversal of any write down of inventory arising from any increase in net realizable value shall be recognized in cost of service in the statement of profit or loss in the period in which it occurs.

31-7 Accounts receivable and other debit balances

Accounts receivable and other debit balances are stated at original invoice amount net of any impairment losses.

Impairment losses are measured as the difference between the accounts receivable and other debit balances carrying amount and the present value of estimated future cash flows. The impairment loss or the reversal of impairment loss is recognized in the statement of profit or loss in the period in which it occurs.

31-8 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at the financial position date and adjusted to reflect the current best estimate.

31-9 Legal reserve

According to the Company's articles of association 5% of the profits of the year are transferred to the legal reserve until this reserve reaches 20% of the issued capital. The reserve is used upon a decision from the general assembly meeting based on the proposal of the board of directors.

31-10 Borrowings

Borrowings are initially recognized at the value of the consideration received. Amounts maturing within one year are classified as current liabilities unless the Company has the right to postpone the settlement for a period exceeding one year after the financial position date then the loan balance should be classified as long term liabilities.

After initial recognition interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance expense in the statement of profit or loss.

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31 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

31-11 Income taxes

The current and deferred income tax are recognized as income or expense in profit or loss for the period, except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

a. Current tax

The current income taxes for the current and previous periods that are not yet paid are recognized as a liability, and if the actual taxes paid for the current and previous periods exceed the tax liability for these periods, the excess is recognized as an asset. The amount of current tax liability (asset) for the current and previous periods is measured as the tax amount expected to be paid to or (received from) the tax authority using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

b. Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- Initial recognition for goodwill,
Or the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognized for carry forward tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based business plans for individual subsidiaries in the Group. Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset only if certain criteria are met.

31-12 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received excluding trade discounts rebates and sales taxes or duty.

The following specific recognition criteria must also be met before revenue is recognized:

- **Service revenue**
Revenue from airtime SMS and value added services are recognized when the service is rendered.
- **Internet revenue**
Revenue from internet is recognized when the service is rendered.
- **Connection fees**
Revenue from connection fees is recognized when the line is activated.
- **Sale of goods**
Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer usually on delivery of the goods to the customer.
- **Loyalty program**
The Company operates a loyalty points program which allows subscribers to accumulate points based on their service revenue. The points can then be redeemed for free service or free good.
The revenue is allocated between service revenue and the points accumulated based on their relative fair values. The fair value of the points accumulated is deferred and recognized as revenue when the points are redeemed.

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31 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

31-13 Expenses

All expenses including operating expenses, selling and distribution expenses, general and administrative expenses and other expenses are recognized and charged to the statement of profit or loss in the financial period in which these expenses were incurred.

31-14 Finance income and finance costs

The Group's finance income and finance costs include:

interest income;

interest expense;

dividend income;

the net gain or loss on the disposal of available-for-sale financial assets;

the net gain or loss on financial assets at fair value through profit or loss;

impairment losses recognized on financial assets (other than trade receivables);

Interest income or expense is recognized using the effective interest method. Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

31-15 Related party transactions

Related parties represent affiliated companies, shareholders, directors, key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties.

31-16 Impairment of assets

Impairment of financial assets

The Company assesses at each financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if and only if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Impairment of non-financial assets

The Company assesses at each financial position date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the statement of profit or loss.

A previously recognized impairment loss is only reversed if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount nor exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

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31 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

31-17 Employees benefits

a- Share-based payments

• Equity settled transactions

The cost of equity settled share based payments plan is recognized as expense together with a corresponding increase in equity over the vesting period based on the fair value of the equity settled transactions at the grant date.

• Cash settled transactions

The cost of cash settled transactions is measured initially at fair value at the grant date. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each financial position date up to and including the settlement date with changes in fair value recognized in the statement of profit or loss.

b- Defined Contribution Plan

The Company operates a defined contribution plan for its employees' end of service. The contribution is 13% of the employees' annual basic salary where the Company's share is 10% and the employees' share is 3%.

The Company's obligation for each period is determined by the amounts to be contributed based on the salary at the end of that period. The obligations are measured on an undiscounted basis.

31-18 Lease

Lease contracts are classified as operating lease in accordance with the Egyptian laws and regulations where the lease payments are recognized as an expense on a straight line basis over the lease term.

31-19 Statement of cash flows

The statement of cash flows is prepared using the indirect method.

31-20 Cash and cash equivalent

For the purpose of preparing the statement of cash flows the cash and cash equivalent comprise cash on hand, current accounts with banks and time deposits maturing within three months less bank credit balances.