ORANGE EGYPT FOR TELECOMMUNICATIONS (S.A.E)
SEPARATE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2018
TOGETHER WITH REVIEW REPORT

KPMG

Hazem Hassan
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Translation of review report
Originally issued in Arabic

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Limited review report on the separate 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 separate interim statement of financial position of Orange Egypt for Telecommunications (S.A.E), as at March 31, 2018, and the related separate interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-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 separate interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these 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 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 separate interim financial statements.

Conclusion

Based on our limited review nothing has come to our attention that causes us to believe that the accompanying separate interim financial statements do not present fairly, in all material respects, the separate financial position of the Company as at March 31, 2018, and of its separate interim financial performance and its separate interim cash flows for the period of three-months then ended in accordance with Egyptian Accounting Standards.

Emphasis of matter

Without qualifying our conclusion, we draw attention to:
As per note number (30) of the notes to the separate intreim 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 Feburary 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 partries and constitiute the only applicable rates between Orange Egypt for Telecommunications and Etisalat Egypt, accordingly Etisalat Egypt shal pay the amount stipulated in the arbitration decision and shall pay interest from February 11, 2014, untill 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 27 March 2016 rendered in favor of OEG in the CRCICA Arbitration Case No. 960/2014 (“Etisalat Nullity Action”). Both cases are adjourned to 25 June 2018 for translation of the arbitration case file by Etisalat.accordingly, the request for executer filed by OEG toy Cairo Court of appeal was rejected in the hearing held on 26 March 2018. OEG is entitled to file a petition against the said rejection within 30 days following the decision, which is in progress .

KPMG Hazem Hassan
Public Accountants & Consultants

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محاسبون قانونيون ومستشارون
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Cairo April 30, 2018

Orange Egypt for Telecommunications (S.A.E)

SEPARATE INTERIM STATEMENT OF FINANCIAL POSITION

As Of 31 March 2018

	Note	**31/3/2018 LE**	31/12/2017 LE
Non-current assets			
Fixed assets	(5)	**10 924 022 928**	10 852 818 036
Intangible assets	(6)	**9 799 054 139**	9 855 330 181
Investments in subsidiaries	(7)	**5 245 000**	5 245 000
Rent deposits		**44 038 753**	42 544 587
Total non-current assets		**20 772 360 820**	20 755 937 804
Current assets			
Inventory	(8)	**153 806 774**	154 807 003
Accounts and notes receivable	(9)	**1 737 878 309**	1 584 777 605
Prepayments and other debit balances	(10)	**1 557 707 081**	1 355 727 296
Cash on hand and at banks	(11)	**3 068 054 095**	3 350 595 558
Total current assets		**6 517 446 259**	6 445 907 462
Total assets		**27 289 807 079**	27 201 845 266
Equity			
Paid up capital	(12)	**16 320 723 540**	1 000 000 000
Amounts paid in respect of capital increase	(12)	**—**	15 231 260 800
Legal reserve		**200 000 000**	200 000 000
Issuance fees of capital increase shares	(12)	**5 387 744**	15 231 261
Share based payments	(13)	**(17 153 370)**	(17 153 370)
Carry forward losses		**(3 774 354 530)**	(3 795 619 761)
Total equity		**12 734 603 384**	12 633 718 930
Non-current liabilities			
Loans	(14)	**2 568 885 603**	2 116 398 736
Other non-current liabilities	(15)	**1 000 865 889**	1 025 986 825
Deferred tax liabilities	(23)	**191 535 468**	241 136 723
Total non-current liabilities		**3 761 286 960**	3 383 522 284
Current liabilities			
Banks credit facilities	(16)	**2 190 667 739**	1 664 819 209
Current portion of long term loans	(14)	**1 755 897 428**	1 705 418 204
Accounts and notes payable	(17)	**2 594 091 922**	3 740 717 636
Accrued expenses and other credit balances	(18)	**3 898 888 231**	3 683 266 105
Provisions	(19)	**354 371 415**	390 382 898
Total current liabilities		**10 793 916 735**	11 184 604 052
Total liabilities		**14 555 203 695**	14 568 126 336
Total equity and liabilities		**27 289 807 079**	27 201 845 266

Financial Controller	Vice Chairman	Chairman
Tarek El Sayed Effat	**Michel Jean-Marie Monzani**	**Bruno Mettling**

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

Orange Egypt for Telecommunications (S.A.E)

SEPARATE INTERIM STATEMENT OF PROFIT OR LOSS

For The Period Ended 31 March 2018

	Note	31/3/2018 LE	31/3/2017 LE
Operating revenues		**3 114 574 465**	2 891 164 382
Cost of services (excluding depreciation & amortization)		**(689 347 273)**	(660 788 022)
Other operating costs		**(818 720 145)**	(708 077 972)
Depreciation & amortization	(5,6)	**(755 837 644)**	(559 464 545)
Selling, general and administrative expenses		**(719 407 309)**	(673 783 500)
Remuneration, allowances and salaries of board of directors		**(610 138)**	(696 712)
Impairment in value of accounts and notes receivable	(9)	**(68 747 053)**	(45 203 152)
Provisions	(19)	**(15 831 370)**	(36 556 267)
Provisions no longer required	(19)	**3 074 038**	—
Other income	(20)	**34 318 337**	17 237 709
Net gain from disposal of fixed assets		**169 324 229**	(3 354 289)
Foreign exchange differences		**84 323 983**	(58 090 029)
NET OPERATING PROFITS		**337 114 120**	162 387 603
Finance income	(21)	**22 118 752**	8 024 541
Finance expense	(22)	**(387 053 440)**	(297 536 245)
Impairment in value of due from related parties		**(515 456)**	—
(LOSSES) BEFORE INCOME TAXES		**(28 336 024)**	(127 124 101)
Income taxes	(23)	**49 601 255**	(158 920 852)
PROFITS (LOSSES) FOR THE PERIOD		**21 265 231**	(286 044 953)
EARNINGS (LOSSES) PER SHARE	(24)	**0.01**	(2.86)

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

Orange Egypt for Telecommunications (S.A.E)

SEPARATE INTERIM STATEMENT OF COMPREHENSIVE INCOME

For The Period Ended 31 March 2018

	31/3/2018 LE	31/3/2017 LE
PROFITS (LOSSES) FOR THE PERIOD	**21 265 231**	(286 044 953)
Other comprehensive income	—	—
TOTAL COMPREHENSIVE INCOME	**21 265 231**	(286 044 953)

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

Orange Egypt for Telecommunications (S.A.E)

SEPARATE INTERIM STATEMENT OF CHANGES IN EQUITY

For The Period Ended 31 March 2018

	Paid up capital	Amounts paid in respect of capital increase	Legal reserve	Issuance fees of capital increase shares	Share based payments	Carry forward losses	Total
	LE	LE	LE	LE	LE	LE	LE
Balance as of 1 January 2017	1 000 000 000	—	200 000 000	—	(17 153 370)	(2 307 542 793)	(1 124 696 163)
Total comprehensive income							
(Losses) for the period	—	—	—	—	—	(286 044 953)	(286 044 953)
Other comprehensive income	—	—	—	—	—	—	—
Balance as of 31 March 2017	**1 000 000 000**	**—**	**200 000 000**	**—**	**(17 153 370)**	**(2 593 587 746)**	**(1 410 741 116)**
Balance as of 1 January 2018	1 000 000 000	15 231 260 800	200 000 000	15 231 261	(17 153 370)	(3 795 619 761)	12 633 718 930
Amounts paid in respect of capital increase	15 320 723 540	(15 231 260 800)	—	—	—	—	89 462 740
Issuance fees of capital increase shares	—	—	—	(9 843 517)	—	—	(9 843 517)
Total comprehensive income							
Profits for the period	—	—	—	—	—	21 265 231	21 265 231
Other comprehensive income	—	—	—	—	—	—	—
Balance as of 31 March 2018	**16 320 723 540**	**—**	**200 000 000**	**5 387 744**	**(17 153 370)**	**(3 774 354 530)**	**12 734 603 384**

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

Translation of separate interim financial statements originally issued in Arabic

Orange Egypt for Telecommunications (S.A.E)

SEPARATE INTERIM STATEMENT OF CASH FLOWS

For The Period Ended 31 March 2018

	Note	31/3/2018 LE	31/3/2017 LE
CASH FLOWS FROM OPERATING ACTIVITIES			
(Losses) before income taxes		**(28 336 024)**	(127 124 101)
Depreciation and amortization	(5,6)	**755 837 644**	559 464 545
Net gain from disposal of fixed assets		**(169 324 229)**	3 354 289
Unrealized foreign exchange differences		**70 743**	(405 133 705)
Finance income	(21)	**(22 118 752)**	(8 024 541)
Finance expense		**387 053 440**	297 536 245
Change in write down in value of inventories		**4 591 097**	1 016 941
Change in impairment in value of accounts and notes receivable		**43 638 317**	5 997 438
Change in impairment in value of due from related parties		**515 456**	—
Provisions	(19)	**15 831 370**	36 556 267
Provisions no longer required	(19)	**(3 074 038)**	—
		984 685 024	363 643 378
Change in rent deposits		**(1 581 001)**	(656 823)
Change in inventory		**(3 590 868)**	(25 222 762)
Change in accounts and notes receivable		**(252 707 189)**	(6 456 764)
Change in prepayments and other debit balances		**(93 654 873)**	17 530 711
Change in accounts and notes payable		**(676 402 565)**	469 162 957
Change in accrued expenses and other credit balances		**(19 565 161)**	70 995 847
Change in other non-current liabilities		**(6 468 611)**	—
Cash flows (used in) provided from operating activities		**(69 285 244)**	888 996 544
Finance expense paid		**(139 765 803)**	(107 955 531)
Provisions used	(19)	**(48 768 815)**	(34 331 241)
NET CASH FLOWS (USED IN) PROVIDED FROM OPERATING ACTIVITIES		**(257 819 862)**	746 709 772
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to acquire fixed assets and assets under construction	(26)	**(862 820 003)**	(720 562 738)
Proceeds from sale of fixed assets		**289 288**	52 350
Payments for intangibles		**(140 692 677)**	(267 800 000)
Change in finance to related party		**(123 075 305)**	26 632 000
Finance income received		**8 972 387**	12 296 834
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		**(1 117 326 310)**	(949 381 554)
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in banks credit facilities		**525 848 530**	(607 744 167)
Proceeds from loans		**500 000 000**	—
Payments of loans		—	(250 000 000)
Amounts paid in respect of capital increase		**89 462 740**	—
Issuance fees of capital increase shares		**(9 843 517)**	—
Fixed assets financing		**(20 184 998)**	26 485 335
NET CASH FLOWS PROVIDED FROM (USED IN) FINANCING ACTIVITIES		**1 085 282 755**	(831 258 832)
Effect of exchange rates on cash and cash equivalent		**7 321 954**	291 853 478
Net change in cash and cash equivalent during the period		**(282 541 463)**	(742 077 136)
Cash and cash equivalent – beginning of the period		**3 350 595 558**	2 907 418 552
CASH AND CASH EQUIVALENT – END OF THE PERIOD	(11)	**3 068 054 095**	2 165 341 416

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

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

Separate financial statements were approved by the Board of Directors on 24 April 2018.

The Company has subsidiaries and in accordance with Egyptian Accounting Standard No.17 (Consolidated and Separate Financial Statements) and article 188 of the executive regulations of law 159 of 1981, the company prepares consolidated financial statements for the group that present the financial position, results of operation and cash flows of the group as a whole.

3 FUNCTIONAL AND PRESENTATION CURRENCY

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

4 USE OF ESTIMATES AND ASSUMPTIONS

The preparation of the separate 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.

5 FIXED ASSETS

	Land	Buildings	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
Cost										
As of 1 January 2017	25 991 447*	586 647 701**	23 432 079 389	2 330 333 815	75 344 868	85 618 525	40 984 600	221 267 948	365 594 261	27 163 862 554
Transferred from assets under construction	—	—	504 629 867	11 522 873	100 990	159 425	—	20 165 334	(536 578 489)	—
Additions	—	—	2 783 319 022	297 296 186	878 165	1 550 943	1 421 000	10 563 212	790 505 497	3 885 534 025
Disposals	—	—	(760 982 326)	(3 466 460)	(1 306 075)	(2 054 674)	(8 199 200)	—	(770)	(776 009 505)
As of 31 December 2017	25 991 447	586 647 701	25 959 045 952	2 635 686 414	75 017 948	85 274 219	34 206 400	251 996 494	619 520 499	30 273 387 074
As of 1 January 2018	25 991 447*	586 647 701**	25 959 045 952	2 635 686 414	75 017 948	85 274 219	34 206 400	251 996 494	619 520 499	30 273 387 074
Transferred from assets under construction	—	—	298 410 197	28 615 617	327 861	572 258	—	5 686 612	(333 612 545)	—
Additions	—	268 710 000	385 927 477	4 186 327	2 271 983	717 285	—	32 362 119	56 087 206	750 262 397
Disposals	—	(128 991 624)	(115 069 106)	(1 815 791)	(2 547 481)	(6 902 053)	—	(6 753 258)	—	(262 079 313)
As of 31 March 2018	25 991 447	726 366 077	26 528 314 520	2 666 672 567	75 070 311	79 661 709	34 206 400	283 291 967	341 995 160	30 761 570 158
Accumulated depreciation										
As of 1 January 2017	—	111 664 584	15 645 280 341	1 806 309 143	68 558 018	63 812 314	31 904 948	172 730 930	—	17 900 260 278
Depreciation for the year	—	12 934 158	1 937 780 461	203 661 908	3 795 927	6 051 858	3 084 811	31 867 885	—	2 199 177 008
Disposals	—	—	(663 930 083)	(3 408 033)	(1 306 075)	(2 054 674)	(8 169 383)	—	—	(678 868 248)
As of 31 December 2017	—	124 598 742	16 919 130 719	2 006 563 018	71 047 870	67 809 498	26 820 376	204 598 815	—	19 420 569 038
As of 1 January 2018	—	124 598 742	16 919 130 719	2 006 563 018	71 047 870	67 809 498	26 820 376	204 598 815	—	19 420 569 038
Depreciation for the period	—	3 565 838	506 789 795	53 744 946	709 157	1 083 964	703 365	6 904 537	—	573 501 602
Disposals	—	(29 382 318)	(109 188 006)	(1 750 294)	(2 547 481)	(6 902 053)	—	(6 753 258)	—	(156 523 410)
As of 31 March 2018	—	98 782 262	17 316 732 508	2 058 557 670	69 209 546	61 991 409	27 523 741	204 750 094	—	19 837 547 230
Net book value as of										
1 January 2017	25 991 447	474 983 117	7 786 799 048	524 024 672	6 786 850	21 806 211	9 079 652	48 537 018	365 594 261	9 263 602 276
31 December 2017	25 991 447	462 048 959	9 039 915 233	629 123 396	3 970 078	17 464 721	7 386 024	47 397 679	619 520 499	10 852 818 036
31 March 2018	**25 991 447**	**627 583 815**	**9 211 582 012**	**608 114 897**	**5 860 765**	**17 670 300**	**6 682 659**	**78 541 873**	**341 995 160**	**10 924 022 928**

* 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.

6 INTANGIBLE ASSETS

	Licenses LE	Indefeasible rights of use (IRU) LE	Total LE
Cost			
As of 1 January 2017	12 343 743 755	198 660 000	12 542 403 755
Additions	1 351 569 122	151 200 000	1 502 769 122
As of 31 December 2017	13 695 312 877	349 860 000	14 045 172 877
As of 1 January 2018	13 695 312 877	349 860 000	14 045 172 877
Additions	—	126 060 000	126 060 000
As of 31 March 2018	13 695 312 877	475 920 000	14 171 232 877
Accumulated amortization			
As of 1 January 2017	3 861 870 723	25 140 576	3 887 011 299
Amortization for the year	274 775 326	28 056 071	302 831 397
As of 31 December 2017	4 136 646 049	53 196 647	4 189 842 696
As of 1 January 2018	4 136 646 049	53 196 647	4 189 842 696
Amortization for the period	173 589 524	8 746 518	182 336 042
As of 31 March 2018	4 310 235 573	61 943 165	4 372 178 738
Net book value as of			
1 January 2017	8 481 873 032	173 519 424	8 655 392 456
31 December 2017	9 558 666 828	296 663 353	9 855 330 181
31 March 2018	**9 385 077 304**	**413 976 835**	**9 799 054 139**

7 INVESTMENTS IN SUBSIDIARIES

	% of ownership	**31/3/2018 LE**	31/12/2017 LE
Orange Services	98	**240 000**	240 000
Mobinil for Importing	99.9	**4 995 000**	4 995 000
Egyptian Company for Mobile Towers Services	99.99	**250 000**	250 000
Orange Data	99.99	**469 040 398**	469 040 398
Link Egypt for Trading and Services	99.99	**67 325 035**	67 325 035
		541 850 433	541 850 433
Impairment in value of investments in subsidiaries		**(536 605 433)**	(536 605 433)
		5 245 000	5 245 000

IMPAIRMENT IN VALUE OF INVESTMENTS IN SUBSIDIARIES

	31/3/2018 LE	31/12/2017 LE
Opening balance	**(536 605 433)**	(536 605 433)
Charged during the period / year	—	—
Ending balance	**(536 605 433)**	(536 605 433)

8 INVENTORY

	31/3/2018 LE	31/12/2017 LE
Goods for sale	**174 792 974**	171 202 106
Write down in value of inventories	**(20 986 200)**	(16 395 103)
	153 806 774	154 807 003

WRITE DOWN IN VALUE OF INVENTORIES

	31/3/2018 LE	31/12/2017 LE
Opening balance	**(16 395 103)**	(11 887 502)
Charged during the period / year	**(4 591 097)**	(4 507 601)
No longer required	—	—
Ending balance	**(20 986 200)**	(16 395 103)

9 ACCOUNTS AND NOTES RECEIVABLE

	31/3/2018 LE	31/12/2017 LE
Service receivables	**937 881 699**	900 800 622
Distributors' receivables	**10 510 759**	19 033 042
Franchise receivable	**9 478 681**	4 597 897
Roaming receivables	**151 645 126**	107 664 146
National roaming receivables	**15 138 640**	14 932 107
Interconnect receivables (note 30)	**633 006 399**	647 350 335
Notes receivable	**295 122 084**	161 408 530
Others	—	257 688
	2 052 783 388	1 856 044 367
Impairment in value of accounts and notes receivable	**(314 905 079)**	(271 266 762)
	1 737 878 309	1 584 777 605

IMPAIRMENT IN VALUE OF ACCOUNTS AND NOTES RECEIVABLE

	31/3/2018 LE	31/12/2017 LE
Opening balance	**(271 266 762)**	(206 657 291)
Charged during the period / year	**(68 747 053)**	(198 240 603)
Used during the period / year	**25 108 736**	133 631 132
Ending balance	**(314 905 079)**	(271 266 762)

10 PREPAYMENTS AND OTHER DEBIT BALANCES

	31/3/2018 LE	31/12/2017 LE
Prepaid expenses	**487 839 392**	231 000 519
Advances to suppliers	**92 223 396**	115 083 130
Accrued revenues	**417 443 266**	502 313 511
Sundry debtors	**445 113**	25 475 887
Margin on letters of guarantee	**77 425**	77 425
Mobinil for Telecommunications	**7 875**	—
Mobinil for importing	—	729 241
Orange Services	**26 278 243**	26 270 368
Egyptian Company for Mobile Towers Services	**33 904 931**	33 389 474
Orange Data *	**614 445 176**	479 268 946
Link Egypt for Trading and Services	**139 642 927**	139 642 927
Orange One for Telecommunication Services	**2 726 971**	2 726 971
Orange Group	**9 809 517**	9 809 517
Trust	**22 193 645**	22 193 645
Tax authority	**198 233 887**	231 511 103
Letters of Credit	**10 358 771**	20 934 341
Others	**7 471 993**	20 180 282
	2 063 102 528	1 860 607 287
Impairment in value of due from related parties	**(505 395 447)**	(504 879 991)
	1 557 707 081	1 355 727 296

*This amount includes credit facility amounted to LE 256 455 705 (note 28-3).

IMPAIRMENT IN VALUE OF DUE FROM RELATED PARTIES

	31/3/2018 LE	31/12/2017 LE
Opening balance	**(504 879 991)**	(481 490 517)
Charged during the period / year	**(515 456)**	(23 389 474)
Ending balance	**(505 395 447)**	(504 879 991)

11 CASH ON HAND AND AT BANKS

	31/3/2018 LE	31/12/2017 LE
Cash on hand	**3 495 471**	2 771 712
Current accounts	**2 720 793 967**	3 214 278 862
Checks under collection	**343 764 657**	133 544 984
	3 068 054 095	3 350 595 558

12 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.

	31/3/2018 LE	31/12/2017 LE
Amounts paid in respect of capital increase	—	15 231 260 800
Issuance fees of capital increase shares	**5 387 744**	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.

13 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:

	31/3/2018 Shares	31/12/2017 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

The following summarizes the exercise dates of the allocated share :

	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.

14 LOANS

Contract date	Agreement amount	Carrying amount	Current portion		Non-current portion		Maturity Date	Interest payment	Terms of Payment	Interest Rate Factors
			31/3/2018 LE	31/12/2017 LE	31/3/2018 LE	31/12/2017 LE				
11 April 2011	2 000 000 000	**571 741 428**	**571 741 428**	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.	*CBE Mid Corridor rate. *Margin
2 September 2012	2 900 000 000	**1 706 860 330**	**632 500 000**	632 500 000	**1 074 360 330**	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	**1 049 545 834**	**351 656 000**	351 656 000	**697 889 834**	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	**996 635 439**	**200 000 000**	150 000 000	**796 635 439**	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.	
		4 324 783 031	**1 755 897 428**	1 705 418 204	**2 568 885 603**	2 116 398 736				

Subsequent event:

On 5 April 2018, the Company has signed a syndicated medium term facility agreement in two tranches amounting to LE 7 B with interest rate (CBE mid corridor plus margin) as follows:

- Tranche (A) facility not exceeding LE 4.3 B to refinance the above outstanding syndicated facilities. Tranche (A) will be repaid over 11 equal semi installments starting 20 June 2020.
- Tranche (B) facility not exceeding LE 2.7 B to finance capital expenditures and operating expenses. Tranche (B) will be repaid gradually starting two years prior the final maturity (7 years from agreement signature date).

15 OTHER NON-CURRENT LIABILITIES

	31/3/2018 LE	31/12/2017 LE
Licenses liabilities – non-current portion	**965 159 575**	981 584 754
IRU liabilities – non-current portion	**22 396 854**	24 624 000
Other non-current liabilities	**13 309 460**	19 778 071
	1 000 865 889	1 025 986 825

16 BANKS CREDIT FACILITIES

The Company has short term credit facilities in Egyptian Pound with different local banks amounting to LE 3 278 M. The net balance of the banks' credit facilities amounted to LE 2 191 M as of 31 March 2018.

17 ACCOUNTS AND NOTES PAYABLE

	31/3/2018 LE	31/12/2017 LE
Fixed assets suppliers	**1 816 711 951**	2 186 863 072
Trade suppliers	**777 379 971**	1 553 854 564
	2 594 091 922	3 740 717 636

18 ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	31/3/2018 LE	31/12/2017 LE
Accrued expenses	**2 369 968 912**	1 978 625 434
Orange Group	**165 154 421**	102 782 490
Mobinil for Importing	**32 827 635**	—
Deposits from others	**79 305 179**	72 312 702
Tax authority	**642 995 550**	855 318 846
Social insurance authority	**4 016 967**	4 055 955
Deferred revenues	**496 908 708**	554 957 429
Sundry creditors	**86 878 408**	82 162 620
Others	**20 832 451**	33 050 629
	3 898 888 231	3 683 266 105

19 PROVISIONS

	Balance as of 1/1/2018 LE	Charged during the period LE	Used during the period LE	No longer required LE	**Balance as of 31/3/2018 LE**
Provisions	390 382 898	15 831 370	(48 768 815)	(3 074 038)	**354 371 415**

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.

20 OTHER INCOME

	31/3/2018 LE	31/3/2017 LE
Interest on interconnect receivables (note 30)	**25 424 068**	16 427 221
Other income	**8 894 269**	810 488
	34 318 337	17 237 709

21 FINANCE INCOME

	31/3/2018 LE	31/3/2017 LE
Interest income	**9 782 198**	4 902 844
Interest on loan to subsidiary	**12 336 554**	3 121 697
	22 118 752	8 024 541

22 FINANCE EXPENSES

	31/3/2018	31/3/2017
	LE	LE
Interest expense	**(387 053 440)**	(516 112 080)
Foreign exchange differences on the subordinated loans from the major shareholder	—	218 575 835
	(387 053 440)	(297 536 245)

23 INCOME TAXES

	31/3/2018	31/3/2017
	LE	LE
Current income tax	—	—
Deferred income tax	**49 601 255**	(158 920 852)
Income taxes	**49 601 255**	(158 920 852)

RECONCILIATION OF EFFECTIVE INCOME TAX RATE

		31/3/2018		31/3/2017
		LE		LE
(Losses) before income taxes		**(28 336 024)**		(127 124 101)
Income tax using the domestic corporation tax rate	**22.5%**	**6 375 606**	22.5%	28 602 923
Non- deductible expenses / income		**43 225 649**		(187 523 775)
	175%	**49 601 255**	125%	(158 920 852)

DEFERRED INCOME TAX

	Financial position		**Statement of profit or loss**	
	31/3/2018	31/12/2017	**31/3/2018**	31/3/2017
	LE	LE	**LE**	LE
Fixed assets	**621 728 614**	629 269 576	**7 540 962**	18 365 375
Intangible assets	**444 577 431**	439 600 036	**(4 977 395)**	7 845 667
Provisions	**(43 176 626)**	(42 398 547)	**778 079**	581 284
Carried forward tax losses	**(805 296 680)**	(836 686 355)	**(31 389 675)**	36 020 683
Unrealized forex	**(15 917)**	77 633 367	**77 649 284**	(221 733 861)
Others	**(26 281 354)**	(26 281 354)	—	—
Net deferred income tax	**191 535 468**	241 136 723	**49 601 255**	(158 920 852)

24 EARNINGS (LOSSES) PER SHARE

	31/3/2018	31/3/2017
	LE	LE
Profits (losses) for the period	**21 265 231**	(286 044 953)
Number of shares	**1 632 072 354**	100 000 000
Earnings (losses) per share	**0.01**	(2.86)

25 COMMITMENTS AND CONTINGENCIES

25-1 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 2 036 M as of 31 March 2018 (LE 1 204 M as of 31 December 2017).

25 COMMITMENTS AND CONTINGENCIES (CONTINUED)

25-2 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 31 March 2018 amounted to LE 297 M whereas the cash margin of these letters amounted to LE 77 425 as follows:

	Amount in currency	Equivalent in LE	Cash margin LE
Letters of guarantee – Egyptian pound	296 032 019	296 032 019	77 425
Letters of guarantee – US Dollar	31 080	549 494	—
		296 581 513	77 425

26 PAYMENTS TO ACQUIRE 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	31/3/2018 LE
Fixed assets additions during the period	**694 175 191**
Assets under construction additions during the period	**56 087 206**
Non-cash reconciliations	
Fixed assets and fixed assets under construction suppliers	**387 148 450**
Swapped assets	**(274 590 844)**
Payments for the purchase of fixed assets and assets under construction	**862 820 003**

27 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.

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 3 599 M and LE 2 238 M respectively. The company's net exposure in foreign currencies as at the financial position date:

Foreign currencies	Surplus (shortage)
U.S Dollars	(14 575 380)
Euro	74 087 733
GBP	2 375
JPY	(16 730)

As disclosed in note (33-1) the company has used the prevailing exchange rates at the financial position date to retranslate monetary assets and liabilities.

27 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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 in the notes of the financial statements, the fair value of the financial instruments does not materially differ from the book value as at the financial position date.

28 RELATED PARTIES TRANSACTIONS

Summary of major related parties' agreements:

28-1 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.

28-2 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.

28-3 Credit facility to related party

On 4 May 2015, the company has granted a credit facility to Orange Data (The Company's subsidiary) amounting to LE 90 M repayable on 20 June 2020 with an annual interest rate equivalent to the average CBE corridor rate plus 3%.

The Ordinary general assembly meeting held on 29 March 2017 approved the increase of the credit facility to be LE 500 M, and the addendum credit facility agreement was signed on 7 June 2017.

The balance of the credit facility as of 31 March 2018 amounts to LE 256 455 705 included in prepayments and other debit balances (note 10).

28 RELATED PARTIES TRANSACTIONS (CONTINUED)

28-4 Related parties' transactions are as follows

Description	Transaction type	Period ended 31/3/2018 Debit LE	31/3/2018 Credit LE	31/3/2017 Debit LE	31/3/2017 Credit LE
Ultimate parent					
Orange SA	Management fees / Technical assistance / Roaming Services	**58 588 644**	**34 240 111**	79 719 285	5 779 210
MT Telecom (Major shareholder)	Cash Transfer / Interest expense / capital increase	—	—	154 842 842	—
Other related parties					
Orange Group	Technical assistance/ Roaming Services/ refund of rebranding expenses/ Brand fees	**52 062 157**	**3 717 045**	5 328 910	6 744 656
Orange Services	Rent / Payments on behalf of the company	—	**7 875**	—	1 058 201
Mobinil For Telecommunications	Payments on behalf of the company	—	**7 875**	—	—
Mobinil For Importing	Purchases /Rent / Payments on behalf of the company	**53 863 844**	**27 564 574**	32 278 590	26 229 628
Egyptian Company for Mobile Towers Services	Rent / Management fees	—	—	11 741 152	—
Orange Data	Internet services / Leased lines / sales / Payments on behalf of the company/ Mobile services / Credit facility / Management fees	**2 703 012**	**33 239 981**	16 823 550	6 096 685
Orange One for Telecommunication Services	Mobile services / Management fees	—	**1 126**	—	1 786

28-5 Related parties' balances are as follows

Description	Balance type	31/3/2018 Due from LE	31/3/2018 Due to LE	31/12/2017 Due from LE	31/12/2017 Due to LE
Ultimate parent					
Orange SA	Accounts and notes payable / Accrued expenses and other credit balances / Accounts and notes receivable	**114 151 543**	**207 188 670**	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 / credit facility	**9 809 517**	**73 595 793**	9 809 517	33 843 899
Orange Services	Prepayments and other debit balances	**26 278 243**	—	26 270 368	—
Mobinil For Telecommunications	Prepayments and other debit balances	**7 875**	—	—	—
Mobinil For Importing	Accrued expenses and other credit balances	—	**32 827 635**	729 241	—
Trust	Prepayments and other debit balances	**22 193 645**	—	22 193 645	—
Egyptian Company for Mobile Towers Services	Prepayments and other debit balances	**33 904 931**	—	33 389 474	—
Orange Data	Accounts and notes payable / Accrued expenses and other credit balances / Prepayments and other debit balances / Accounts and notes receivable / Due from related party	**616 254 832**	**30 978 427**	487 519 150	15 907 655
Link Egypt for Trading and Services	Prepayments and other debit balances / Accounts and notes receivable	**139 642 927**	—	139 642 927	—
Orange One for Telecommunication Services	Prepayments and other debit balances / Accrued expenses and other credit balances	**2 727 599**	—	2 727 436	—

28-6 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.
- Orange Services, Mobinil for Importing, Orange Data, Link Egypt for Trading and Services, Egyptian Company for Mobile Towers Services and Orange One for Telecommunication Services are subsidiaries.

29 TAX SITUATION

a) Corporate tax

From inception till 2015
These years have been inspected and settled with tax authority.

Years 2016 and 2017
Tax return was provided and has 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.

30 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.
- 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"). Both cases are adjourned to 25 June 2018 for translation of the arbitration case file by Etisalat.
- The application re-filed by OEG under NO.2\135 JY in request for exequatur was reviewed by the 50th Circuit of Cairo Court of appeal . However, the latter was of view that the exequatur may not be granted "at this point in time" and hence, rejected the application in the hearing held on 26 March 2018. OEG is entitled to file a petition against the said rejection within 30 days following the decision, which is now in progress .

31 COMPARATIVE FIGURES

Certain comparative figures for the year 2017 have been reclassified to conform with the current period presentation of the separate financial statements.

32 BASIS OF MEASUREMENT

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

33 SIGNIFICANT ACCOUNTING POLICIES

33-1 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.

33-2 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
Network equipment	5 – 15
IT equipment	2 – 5
Office equipment	5
Furniture & fixtures	10
Vehicles	5
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.

33 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

33-3 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:

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. 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 IRU is recorded at the cash price, and it is amortized using the straight line method over its estimated useful life (10 years).
5. 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.
6. 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.

33 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

33-4 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.

33-5 Investments in subsidiaries

Investments in subsidiaries are investments in entities which the Company has control. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries more than half of the voting power of the investee, unless, in exceptional circumstances, it can be clearly demonstrated that this is not the case.

Investments in subsidiaries are accounted for at cost inclusive transaction cost and in case the investment is impaired, the carrying amount is adjusted by the value of this impairment and is charged to the statement of profit or loss for each investment separately.

33-6 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.

33-7 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.

33-8 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.

33-9 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.

33-10 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.

33 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

33-11 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 due 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 (refund 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 on a business plan for the Company. 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.

33-12 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 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.

33-13 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.

33 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

33-14 Finance income and finance costs

The Company'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.

33-15 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.

33-16 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.

33-17 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.

33 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

33-18 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.

33-19 Statement of cash flows

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

33-20 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.