

ORANGE EGYPT FOR TELECOMMUNICATIONS (S.A.E)
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2016
TOGETHER WITH REVIEW REPORT



Hazem Hassan

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Translation of review report
originally issued in Arabic

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 September 30, 2016 and the related consolidated interim statements of profit or loss and other comprehensive income, consolidated interim changes in equity and consolidated interim cash flows for the nine-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 September 30, 2016 and of its consolidated interim financial performance and its consolidated interim cash flows for the nine-months then ended in accordance with Egyptian Accounting Standards.

Emphasis of matter

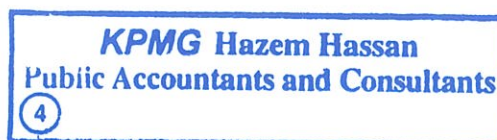
Without qualifying our conclusion:

- As per note number (28) of the notes to the consolidated interim financial statements, On June 21, 2016, the Administrative Court issued its judgment on the case on the merits favoring the right of NTRA to set the Interconnection rates amongst the operators; Orange Egypt is in the process of filing for appeal on this court ruling within the legal window. The Company's management and its external legal advisor believe that the risk of losing the appeal is remote based on the previous three court rulings were issued with the same outcome favoring the suspension and cancelation of the said NTRA interconnection rate setting decree.
- As per note number (28) 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.



KPMG Hazem Hassan
Public Accountants & Consultants

Cairo October 27, 2016



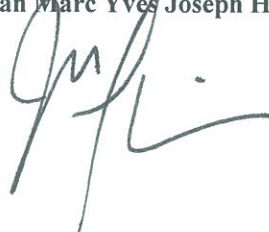
Orange Egypt for Telecommunications (S.A.E)
CONSOLIDATED INTERIM FINANCIAL POSITION
As Of 30 September 2016

| | Note | 30/9/2016 LE | 31/12/2015 LE |
|---|------|-----------------------|-----------------------|
| Non-current assets | | | |
| Fixed assets | (5) | 8 817 392 645 | 8 545 097 079 |
| Intangible assets | (6) | 2 547 668 834 | 2 690 339 622 |
| Rent deposits | | 25 738 527 | 23 889 709 |
| Total non-current assets | | 11 390 800 006 | 11 259 326 410 |
| Current assets | | | |
| Inventory | (7) | 127 335 161 | 97 351 511 |
| Accounts and notes receivable | (8) | 1 249 831 003 | 1 360 946 505 |
| Prepayments and other debit balances | (9) | 1 189 960 140 | 869 905 446 |
| Cash on hand and at banks | (10) | 487 562 964 | 335 312 393 |
| Non current assets held for sale | (11) | — | 759 084 327 |
| Total current assets | | 3 054 689 268 | 3 422 600 182 |
| Total assets | | 14 445 489 274 | 14 681 926 592 |
| Equity | | | |
| Paid up capital | (12) | 1 000 000 000 | 1 000 000 000 |
| Treasury shares | | (22 378 868) | (22 378 868) |
| Reserve (gain from sale of treasury shares) | | 59 363 966 | 59 363 966 |
| Legal reserve | | 200 000 000 | 200 000 000 |
| Share based payments | (13) | (17 153 370) | (17 153 370) |
| Retained earnings | | 27 483 663 | 160 396 480 |
| Equity attributable to equity holders of the Company | | 1 247 315 391 | 1 380 228 208 |
| Non-controlling interests | | (964 258) | (961 822) |
| Total equity | | 1 246 351 133 | 1 379 266 386 |
| Non-current liabilities | | | |
| Loans | (14) | 3 769 217 702 | 5 170 096 347 |
| Other non-current liabilities | | 60 439 929 | 15 208 283 |
| Deferred tax liabilities | (20) | 891 302 700 | 853 812 611 |
| Total non-current liabilities | | 4 720 960 331 | 6 039 117 241 |
| Current liabilities | | | |
| Banks credit facilities | (15) | 1 097 215 323 | 1 220 387 811 |
| Current portion of long term loans | (14) | 1 251 956 000 | 1 092 628 000 |
| Accounts and notes payable | (16) | 1 793 354 703 | 1 330 016 595 |
| Accrued expenses and other credit balances | (17) | 3 987 967 592 | 3 301 019 884 |
| Current income tax | (20) | 584 500 | 6 196 193 |
| Provisions | (18) | 347 099 692 | 313 294 482 |
| Total current liabilities | | 8 478 177 810 | 7 263 542 965 |
| Total liabilities | | 13 199 138 141 | 13 302 660 206 |
| Total equity and liabilities | | 14 445 489 274 | 14 681 926 592 |

Chief Financial Officer
Francois Fernand Pierre Vitte



Chief Executive Officer
Jean Marc Yves Joseph Harion



Chairman
Atef Ahmed Helmy Naguib



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

Orange Egypt for Telecommunications (S.A.E)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE
INCOME

For The Period Ended 30 September 2016

| | Note | From 1/7/2016 To 30/9/2016 LE | From 1/1/2016 To 30/9/2016 LE | From 1/7/2015 To 30/9/2015 LE | From 1/1/2015 To 30/9/2015 LE |
|---|-------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Operating revenues | | 3 041 096 258 | 8 800 687 220 | 2 869 565 993 | 8 506 043 841 |
| Cost of services (excluding depreciation & amortization) | | (708 846 004) | (2 066 739 714) | (635 950 910) | (1 934 114 087) |
| Other operating costs | | (681 798 104) | (1 989 950 789) | (682 843 318) | (1 942 981 045) |
| Depreciation & amortization | (5,6) | (728 249 424) | (1 946 706 287) | (611 427 796) | (1 869 275 720) |
| Selling, general and administrative expenses | | (666 392 544) | (1 926 656 824) | (608 094 339) | (1 839 286 238) |
| Remuneration, allowances and salaries of board of directors | | (7 262 465) | (16 798 024) | (3 960 757) | (9 513 515) |
| Impairment in value of accounts and notes receivable | (8) | (64 427 097) | (136 883 740) | (37 297 124) | (124 218 552) |
| Provisions | (18) | (28 390 405) | (75 963 952) | (48 684 669) | (127 430 823) |
| Provisions no longer required | (18) | — | 5 000 000 | 20 000 000 | 37 303 996 |
| Other income | (19) | 43 358 660 | 122 143 594 | 1 011 534 | 6 945 726 |
| Net gain (losses) from disposal of fixed assets | | 4 114 068 | 6 485 177 | (883 786) | (992 899) |
| Foreign exchange differences | | (64 839 298) | (161 154 965) | (16 589 059) | (16 488 297) |
| NET OPERATING PROFITS | | 138 363 645 | 613 461 696 | 244 845 769 | 685 992 387 |
| Finance income | | 9 233 458 | 27 911 748 | 7 408 744 | 23 399 504 |
| Finance expense | | (259 624 351) | (736 291 287) | (252 841 669) | (756 690 868) |
| (LOSSES) BEFORE INCOME TAXES | | (112 027 248) | (94 917 843) | (587 156) | (47 298 977) |
| Income taxes | (20) | 12 503 793 | (37 997 410) | 71 049 413 | 26 695 340 |
| (LOSSES) PROFITS FOR THE PERIOD | | (99 523 455) | (132 915 253) | 70 462 257 | (20 603 637) |
| Attributable to: | | | | | |
| Equity holders of the company | | (99 535 956) | (132 912 817) | 70 465 739 | (20 588 034) |
| Non-controlling interests | | 12 501 | (2 436) | (3 482) | (15 603) |
| (LOSSES) PROFITS FOR THE PERIOD | | (99 523 455) | (132 915 253) | 70 462 257 | (20 603 637) |
| Other comprehensive income | | — | — | — | — |
| TOTAL COMPREHENSIVE INCOME | | (99 523 455) | (132 915 253) | 70 462 257 | (20 603 637) |
| (LOSSES) EARNINGS PER SHARE | (21) | (1.00) | (1.33) | 0.71 | (0.21) |

- 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 September 2016

| | Paid up capital | Treasury shares | Reserve (gains from sale of treasury shares) | Legal reserve | Share based payments | Retained earnings | Total | Non- controlling interests | Total equity |
|--|----------------------|---------------------|--|--------------------|-------------------------|----------------------|----------------------|----------------------------------|----------------------|
| | LE | LE | LE | LE | LE | LE | LE | LE | LE |
| Balance as of 1 January 2015 | 1 000 000 000 | (22 378 868) | 59 363 966 | 200 000 000 | (17 153 370) | 149 982 842 | 1 369 814 570 | (942 631) | 1 368 871 939 |
| Total comprehensive income | | | | | | | | | |
| Losses for the period | — | — | — | — | — | (20 588 034) | (20 588 034) | (15 603) | (20 603 637) |
| Other comprehensive income | — | — | — | — | — | — | — | — | — |
| Balance as of 30 September 2015 | 1 000 000 000 | (22 378 868) | 59 363 966 | 200 000 000 | (17 153 370) | 129 394 808 | 1 349 226 536 | (958 234) | 1 348 268 302 |
| Balance as of 1 January 2016 | 1 000 000 000 | (22 378 868) | 59 363 966 | 200 000 000 | (17 153 370) | 160 396 480 | 1 380 228 208 | (961 822) | 1 379 266 386 |
| Total comprehensive income | | | | | | | | | |
| Losses for the period | — | — | — | — | — | (132 912 817) | (132 912 817) | (2 436) | (132 915 253) |
| Other comprehensive income | — | — | — | — | — | — | — | — | — |
| Balance as of 30 September 2016 | 1 000 000 000 | (22 378 868) | 59 363 966 | 200 000 000 | (17 153 370) | 27 483 663 | 1 247 315 391 | (964 258) | 1 246 351 133 |

- 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 September 2016

| | Note | 30/9/2016 LE | 30/9/2015 LE |
|---|-------|------------------------|------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| (Losses) before income taxes | | (94 917 843) | (47 298 977) |
| Depreciation and amortization | (5,6) | 1 946 706 287 | 1 869 275 720 |
| Net (gains) losses from disposal of fixed assets | | (6 485 177) | 992 899 |
| Unrealized foreign exchange differences | | 89 474 353 | 32 255 260 |
| Finance income | | (27 911 748) | (23 399 504) |
| Finance expense | | 736 291 287 | 756 690 868 |
| Change in write down in value of inventories | (7) | 2 592 764 | 2 139 175 |
| Change in impairment in value of accounts and notes receivable | (8) | 60 783 043 | (22 869 240) |
| Provisions | (18) | 75 963 952 | 127 430 823 |
| Provisions no longer required | (18) | (5 000 000) | (37 303 996) |
| | | 2 777 496 918 | 2 657 913 028 |
| Change in rent deposits | | (1 848 818) | (1 441 853) |
| Change in inventory | | (32 576 414) | (2 823 616) |
| Change in accounts and notes receivable | | 69 996 020 | 40 144 546 |
| Change in prepayments and other debit balances | | (296 242 403) | 53 751 785 |
| Change in accounts and notes payable | | 197 661 763 | (216 221 795) |
| Change in accrued expenses and other credit balances | | 487 286 610 | 245 493 250 |
| Cash flows provided from operating activities | | 3 201 773 676 | 2 776 815 345 |
| Income tax paid | | (28 292 467) | (13 353 300) |
| Finance expense paid | | (511 941 443) | (631 343 742) |
| Provisions used | (18) | (37 158 742) | (124 504 724) |
| NET CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES | | 2 624 381 024 | 2 007 613 579 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments to acquire fixed assets and assets under construction | (24) | (1 118 135 143) | (1 388 680 211) |
| Proceeds from sale of fixed assets | | 25 604 269 | 14 235 099 |
| Payments to acquire intangible assets | | (152 460 000) | (5 378 383) |
| Finance income received | | 26 487 818 | 23 578 238 |
| NET CASH FLOWS (USED IN) INVESTING ACTIVITIES | | (1 218 503 056) | (1 356 245 257) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Change in banks credit facilities | | (123 172 488) | (106 133 267) |
| Proceeds from loans | | — | 1 600 000 000 |
| Payments of loans | | (1 252 900 000) | (399 450 000) |
| Payments of bonds | | — | (1 500 000 000) |
| Fixed assets financing | | 85 010 867 | — |
| NET CASH FLOWS (USED IN) FINANCING ACTIVITIES | | (1 291 061 621) | (405 583 267) |
| Effect of exchange rates on cash and cash equivalent | | 37 434 224 | 5 091 187 |
| Net change in cash and cash equivalent during the period | | 152 250 571 | 250 876 242 |
| Cash and cash equivalent – beginning of the period | | 335 312 393 | 275 190 709 |
| CASH AND CASH EQUIVALENT – END OF THE PERIOD | (10) | 487 562 964 | 526 066 951 |

- 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 September 2016

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 20th of October 2016.

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 September 2016

5 FIXED ASSETS

| | 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 |
| Cost | | | | | | | | | | |
| As of 1 January 2015 | 20 004 297* | 582 741 349** | 21 873 242 987 | 2 007 225 328 | 74 257 642 | 94 402 677 | 66 606 346 | 198 744 662 | 395 503 007 | 25 312 728 295 |
| Transferred from assets under construction | — | — | 458 785 530 | 12 574 253 | 427 111 | — | — | 12 888 881 | (484 675 775) | — |
| Additions | 5 352 750 | 4 499 991 | 1 491 641 223 | 152 715 025 | 2 185 009 | 3 752 255 | 7 624 998 | 9 386 740 | 479 862 929 | 2 157 020 920 |
| Disposals | — | (489 637) | (331 787 431) | (7 792 280) | (2 506 840) | (3 962 147) | (23 703 954) | (2 915 839) | (196 617) | (373 354 745) |
| Non-current assets held for sale | — | — | (1 633 401 792) | — | — | — | — | — | — | (1 633 401 792) |
| As of 31 December 2015 | 25 357 047 | 586 751 703 | 21 858 480 517 | 2 164 722 326 | 74 362 922 | 94 192 785 | 50 527 390 | 218 104 444 | 390 493 544 | 25 462 992 678 |
| As of 1 January 2016 | 25 357 047 * | 586 751 703 ** | 21 858 480 517 | 2 164 722 326 | 74 362 922 | 94 192 785 | 50 527 390 | 218 104 444 | 390 493 544 | 25 462 992 678 |
| Transferred from assets under construction | — | — | 270 973 619 | 3 588 287 | 24 600 | — | — | 1 776 395 | (276 362 901) | — |
| Additions | 634 400 | — | 885 412 565 | 112 696 758 | 744 450 | 2 679 948 | 2 636 300 | 5 912 475 | 173 637 202 | 1 184 354 098 |
| Disposals | — | — | (1 071 896 211) | (5 513 473) | (706 652) | (391 017) | (10 851 692) | (263 180) | (574 593) | (1 090 196 818) |
| Non-current assets held for sale | — | — | 1 633 401 792 | — | — | — | — | — | — | 1 633 401 792 |
| As of 30 September 2016 | 25 991 447 | 586 751 703 | 23 576 372 282 | 2 275 493 898 | 74 425 320 | 96 481 716 | 42 311 998 | 225 530 134 | 287 193 252 | 27 190 551 750 |
| Accumulated depreciation | | | | | | | | | | |
| As of 1 January 2015 | — | 88 656 191 | 14 130 099 589 | 1 513 706 422 | 64 567 625 | 65 003 201 | 58 683 913 | 134 316 687 | — | 16 055 033 628 |
| Depreciation for the year | — | 11 441 992 | 1 852 267 692 | 188 061 413 | 3 727 621 | 7 041 291 | 5 135 156 | 23 233 425 | — | 2 090 908 590 |
| Disposals | — | (92 099) | (313 459 398) | (7 765 372) | (2 441 707) | (3 624 952) | (23 452 664) | (2 892 962) | — | (353 729 154) |
| Non-current assets held for sale | — | — | (874 317 465) | — | — | — | — | — | — | (874 317 465) |
| As of 31 December 2015 | — | 100 006 084 | 14 794 590 418 | 1 694 002 463 | 65 853 539 | 68 419 540 | 40 366 405 | 154 657 150 | — | 16 917 895 599 |
| As of 1 January 2016 | — | 100 006 084 | 14 794 590 418 | 1 694 002 463 | 65 853 539 | 68 419 540 | 40 366 405 | 154 657 150 | — | 16 917 895 599 |
| Depreciation for the period | — | 8 800 453 | 1 475 104 596 | 139 392 939 | 2 587 490 | 4 614 133 | 2 828 911 | 18 246 977 | — | 1 651 575 499 |
| Disposals | — | — | (1 053 140 257) | (5 465 433) | (628 773) | (325 324) | (10 809 026) | (260 645) | — | (1 070 629 458) |
| Non-current assets held for sale | — | — | 874 317 465 | — | — | — | — | — | — | 874 317 465 |
| As of 30 September 2016 | — | 108 806 537 | 16 090 872 222 | 1 827 929 969 | 67 812 256 | 72 708 349 | 32 386 290 | 172 643 482 | — | 18 373 159 105 |
| Net book value as of | | | | | | | | | | |
| 1 January 2015 | 20 004 297 | 494 085 158 | 7 743 143 398 | 493 518 906 | 9 690 017 | 29 399 476 | 7 922 433 | 64 427 975 | 395 503 007 | 9 257 694 667 |
| 31 December 2015 | 25 357 047 | 486 745 619 | 7 063 890 099 | 470 719 863 | 8 509 383 | 25 773 245 | 10 160 985 | 63 447 294 | 390 493 544 | 8 545 097 079 |
| 30 September 2016 | 25 991 447 | 477 945 166 | 7 485 500 060 | 447 563 929 | 6 613 064 | 23 773 367 | 9 925 708 | 52 886 652 | 287 193 252 | 8 817 392 645 |

* 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 September 2016

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 2015 | 5 964 101 265 | 46 200 000 | 110 545 813 | 158 362 620 | 277 715 446 | 6 556 925 144 |
| Additions | 100 000 | — | — | 5 278 383 | — | 5 378 383 |
| As of 31 December 2015 | 5 964 201 265 | 46 200 000 | 110 545 813 | 163 641 003 | 277 715 446 | 6 562 303 527 |
| As of 1 January 2016 | 5 964 201 265 | 46 200 000 | 110 545 813 | 163 641 003 | 277 715 446 | 6 562 303 527 |
| Additions | — | 152 460 000 | — | — | — | 152 460 000 |
| As of 30 September 2016 | 5 964 201 265 | 198 660 000 | 110 545 813 | 163 641 003 | 277 715 446 | 6 714 763 527 |
| Accumulated amortization | | | | | | |
| As of 1 January 2015 | 3 308 166 926 | — | 91 134 594 | 84 617 493 | — | 3 483 919 013 |
| Amortization for the year | 350 565 578 | 4 620 000 | 4 170 193 | 28 689 121 | — | 388 044 892 |
| As of 31 December 2015 | 3 658 732 504 | 4 620 000 | 95 304 787 | 113 306 614 | — | 3 871 963 905 |
| As of 1 January 2016 | 3 658 732 504 | 4 620 000 | 95 304 787 | 113 306 614 | — | 3 871 963 905 |
| Amortization for the period | 252 924 162 | 15 554 058 | 1 923 833 | 24 728 735 | — | 295 130 788 |
| As of 30 September 2016 | 3 911 656 666 | 20 174 058 | 97 228 620 | 138 035 349 | — | 4 167 094 693 |
| Net book value as of | | | | | | |
| 1 January 2015 | 2 655 934 339 | 46 200 000 | 19 411 219 | 73 745 127 | 277 715 446 | 3 073 006 131 |
| 31 December 2015 | 2 305 468 761 | 41 580 000 | 15 241 026 | 50 334 389 | 277 715 446 | 2 690 339 622 |
| 30 September 2016 | 2 052 544 599 | 178 485 942 | 13 317 193 | 25 605 654 | 277 715 446 | 2 547 668 834 |

* The Company performed an impairment test for internet services cash generating unit as of 31 December 2015. The recoverable amount of internet services cash generating unit has been determined based on the value in use calculation using cash flow projections approved by the management covering a seven years period. The post-tax discount rate applied to cash flow projections is 14.7%. The test did not result any impairment for this cash generating unit.

The calculation of value in use is most sensitive to the multi-service access node (MSAN) cost assumption, while holding other key assumptions constant (discount rate 14.7% and growth rate 3%).

7 INVENTORY

| | 30/9/2016 LE | 31/12/2015 LE |
|------------------------------------|-----------------|------------------|
| Goods for sale | 145 059 769 | 112 483 355 |
| Write down in value of inventories | (17 724 608) | (15 131 844) |
| | 127 335 161 | 97 351 511 |

WRITE DOWN IN VALUE OF INVENTORIES

| | 30/9/2016 LE | 31/12/2015 LE |
|----------------------------------|-----------------|------------------|
| Opening balance | 15 131 844 | 18 230 248 |
| Charged during the period / year | 2 592 764 | — |
| No Longer required | — | (3 098 404) |
| Ending balance | 17 724 608 | 15 131 844 |

Orange Egypt for Telecommunications (S.A.E)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 September 2016

8 ACCOUNTS AND NOTES RECEIVABLE

| | 30/9/2016 | 31/12/2015 |
|--|---------------|---------------|
| | LE | LE |
| Service receivables | 883 490 389 | 866 474 189 |
| Distributors' receivables | 4 602 555 | 233 255 333 |
| Franchise receivable | 7 157 989 | — |
| Roaming receivables | 93 808 697 | 99 399 980 |
| National roaming receivables | 14 438 888 | 14 438 888 |
| Interconnect receivables | 518 239 676 | 358 663 889 |
| Notes receivable | 58 929 | 187 929 |
| Others | 302 315 | 11 689 |
| | 1 522 099 438 | 1 572 431 897 |
| Impairment in value of accounts and notes receivable | (272 268 435) | (211 485 392) |
| | 1 249 831 003 | 1 360 946 505 |

IMPAIRMENT IN VALUE OF ACCOUNTS AND NOTES RECEIVABLE

| | 30/9/2016 | 31/12/2015 |
|----------------------------------|--------------|---------------|
| | LE | LE |
| Opening balance | 211 485 392 | 257 828 025 |
| Charged during the period / year | 136 883 740 | 159 354 694 |
| Used during the period / year | (76 100 697) | (205 697 327) |
| Ending balance | 272 268 435 | 211 485 392 |

9 PREPAYMENTS AND OTHER DEBIT BALANCES

| | 30/9/2016 | 31/12/2015 |
|--------------------------------|---------------|-------------|
| | LE | LE |
| Prepaid expenses | 365 495 108 | 264 760 830 |
| Deposits with others | 2 487 534 | 2 419 833 |
| Advances to suppliers | 71 203 391 | 103 525 316 |
| Accrued revenues | 429 361 355 | 347 583 450 |
| Sundry debtors | 10 573 347 | 7 055 756 |
| Margin on letters of guarantee | 13 159 194 | 14 692 126 |
| Mobinil for Telecommunications | 97 196 | — |
| Orange Group | 167 349 770 | 39 216 141 |
| Tax authority | 112 229 020 | 73 392 531 |
| Social insurance authority | 22 559 | 20 728 |
| Others | 17 981 666 | 17 238 735 |
| | 1 189 960 140 | 869 905 446 |

10 CASH ON HAND AND AT BANKS

| | 30/9/2016 | 31/12/2015 |
|-------------------------|-------------|-------------|
| | LE | LE |
| Cash on hand | 7 063 933 | 3 444 039 |
| Current accounts | 321 186 919 | 330 099 220 |
| Time deposits | 140 000 000 | — |
| Checks under collection | 19 312 112 | 1 769 134 |
| | 487 562 964 | 335 312 393 |

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11 NON-CURRENT ASSETS HELD FOR SALE

Based on the contract signed between the Egyptian Company for Mobile Services (Orange Egypt for Telecommunications currently) and Eaton Company Towers Limited Egypt on 29/4/2015, it has determined the execution of certain requirements and conditions precedent needed to complete the transfer of the shares of the Egyptian Company for Mobile Towers Services upon long stop date to complete before 29/4/2016 and has been extended this period, then to 21/7/2016, and since the requirements and conditions precedent needed to complete the whole sale process of the company' shares in the Egyptian Company for Mobile Towers Services to Eaton Company Towers Limited Egypt have not been fulfilled in the agreed upon long stop date to complete, which is the end of 21/7/2016 .The Board of directors held on 21/7/2016 has decided not to extend the agreed upon long stop date and thus terminate the share purchase agreement. Accordingly we reclassified the non-current assets held for sale to fixed assets.

| | 30/9/2016 LE | 31/12/2015 LE |
|--|-----------------|------------------|
| Beginning balance | 759 084 327 | — |
| Transferred to fixed assets/ additions | (759 084 327) | 759 084 327 |
| Ending balance (note 5) | — | 759 084 327 |

12 CAPITAL

The Company's authorized capital amounts to LE 3 000 million whereas the issued and paid up capital amounts to LE 1 000 million divided over 100 million 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.

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13 SHARE BASED PAYMENTS (CONTINUED)

The granted shares according to the plan are as follows:

| | 30/9/2016 No of shares | 31/12/2015 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 |

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.

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14 LOANS

| Contract date | Agreement amount | Carrying amount | Current portion | Non-current portion | Maturity Date | Interest payment | Terms of Payment | Interest Rate Factors |
|------------------|------------------|-----------------|-----------------|---------------------|------------------|------------------|--|---|
| | | | 30/9/2016 LE | 30/9/2016 LE | 31/12/2015 LE | | | |
| 11 April 2011 | 2 000 000 000 | 1 032 801 394 | 392 800 000 | 640 001 394 | 959 594 716 | 10/4/2018 | 14 semi-annual installments starting after 6 months from the contract signing date and due on 11 October & 11 April every year. | *CBE Discount Rate (CDR). *The corporate time deposit rate. *CBE Mid Corridor rate. *Margin. |
| 2 September 2012 | 2 900 000 000 | 1 923 597 028 | 507 500 000 | 1 416 097 028 | 2 326 687 540 | 1/9/2019 | 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 | 1 571 364 663 | 351 656 000 | 1 219 708 663 | 1 391 805 825 | 20/12/2020 | 11 semi-annual installments starting after 22 months from the contract signing date and due on 20 June & 20 December every year. | |
| 17 July 2014 | 1 000 000 000 | 493 410 617 | — | 493 410 617 | 492 008 266 | 20/12/2019 | 3 semi-annual installments starting after 54 months from the contract signing date and due on 20 December & 20 June every year. | *CBE Mid Corridor rate. *Margin. |
| | | 5 021 173 702 | 1 251 956 000 | 3 769 217 702 | 5 170 096 347 | | | |

Orange Egypt for Telecommunications (S.A.E)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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15 BANKS CREDIT FACILITIES

The Company has short term credit facilities in Egyptian Pound with different local banks amounting to LE 2 042 M EGP, of which LE 1 097 M EGP is utilized as of 30 September 2016.

16 ACCOUNTS AND NOTES PAYABLE

| | 30/9/2016 LE | 31/12/2015 LE |
|------------------------|----------------------|----------------------|
| Fixed assets suppliers | 1 180 895 530 | 1 077 856 487 |
| Trade suppliers | 612 459 173 | 252 160 108 |
| | 1 793 354 703 | 1 330 016 595 |

17 ACCRUED EXPENSES AND OTHER CREDIT BALANCES

| | 30/9/2016 LE | 31/12/2015 LE |
|--------------------------------|----------------------|----------------------|
| Accrued expenses | 2 033 926 377 | 1 580 481 021 |
| Creditors - Roaming | 58 781 234 | 77 576 545 |
| Orange Group | 747 824 542 | 591 433 026 |
| Mobinil for Telecommunications | — | 30 000 |
| Deposits from others | 85 373 168 | 92 670 184 |
| Tax authority | 432 672 834 | 300 908 818 |
| Social insurance authority | 5 151 171 | 1 025 984 |
| Deferred revenues | 552 585 548 | 592 641 834 |
| Sundry creditors | 28 024 436 | 19 565 881 |
| Others | 43 628 282 | 44 686 591 |
| | 3 987 967 592 | 3 301 019 884 |

18 PROVISIONS

| | Balance as of 1/1/2016 LE | Charged during the period LE | Used during the period LE | No longer required LE | Balance as of 30/9/2016 LE |
|------------|---------------------------------|------------------------------------|---------------------------------|-----------------------------|----------------------------------|
| Provisions | 313 294 482 | 75 963 952 | (37 158 742) | (5 000 000) | 347 099 692 |

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

| | 30/9/2016 LE | 30/9/2015 LE |
|--|--------------------|------------------|
| Interest on collections of receivables * | 110 215 670 | — |
| Other income | 11 927 924 | 6 945 726 |
| | 122 143 594 | 6 945 726 |

* This amount represents the accrued interest on the balance of interconnect receivable due from Etisalat Egypt for the period from 11 February 2014 till 30 September 2016 based on the tribunal decision issued on 27 March 2016 (note 28).

Orange Egypt for Telecommunications (S.A.E)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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20 INCOME TAXES

| | 30/9/2016 LE | 30/9/2015 LE |
|---------------------|-----------------|-----------------|
| Current income tax | (507 321) | (13 672 896) |
| Deferred income tax | (37 490 089) | 40 368 236 |
| Income taxes | (37 997 410) | 26 695 340 |

RECONCILIATION OF EFFECTIVE INCOME TAX RATE

| | 30/9/2016 LE | 30/9/2015 LE |
|--|---------------------|-------------------|
| (Losses) before income taxes | (94 917 843) | (47 298 977) |
| Income tax using the domestic corporation tax rate | 22.50% 21 356 515 | 22.50% 10 642 270 |
| Non- deductible expenses | (43 570 395) | (91 253 057) |
| Tax return difference | (3 258 123) | 17 550 426 |
| Impact of income tax law amendment | — | 89 755 701 |
| Unrecorded deferred tax assets | (12 525 407) | — |
| | 40.03% (37 997 410) | 56.44% 26 695 340 |

DEFERRED INCOME TAX

| | Balance sheet | | Statement of income | |
|----------------------------|-----------------|------------------|---------------------|-----------------|
| | 30/9/2016 LE | 31/12/2015 LE | 30/9/2016 LE | 30/9/2015 LE |
| Fixed assets | 522 303 097 | 624 059 632 | 101 756 535 | 267 744 794 |
| Intangible assets | 497 486 848 | 404 138 614 | (93 348 234) | (131 164 882) |
| Provisions | (36 223 982) | (32 223 298) | 4 000 684 | (396 936) |
| Carried forward tax losses | (48 847 242) | (118 445 474) | (69 598 232) | (93 179 532) |
| Unrealized forex | (19 699 158) | — | 19 699 158 | — |
| Others | (23 716 863) | (23 716 863) | — | (2 635 208) |
| Net deferred income tax | 891 302 700 | 853 812 611 | (37 490 089) | 40 368 236 |

21 LOSSES PER SHARE

| | 30/9/2016 LE | 30/9/2015 LE |
|-----------------------|-----------------|-----------------|
| Losses for the period | (132 915 253) | (20 603 637) |
| Number of shares | 99 853 347 | 99 853 347 |
| Losses per share | (1.33) | (0.21) |

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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22 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 LE | Internet LE | Total LE |
|--|-----------------|----------------|-----------------|
| Net revenues | 8 377 216 941 | 423 470 279 | 8 800 687 220 |
| Depreciation and amortization | (1 874 362 187) | (72 344 100) | (1 946 706 287) |
| Operating profits (losses) | 705 773 876 | (92 312 180) | 613 461 696 |
| (Losses) before income taxes | (3 337 304) | (91 580 539) | (94 917 843) |
| (Losses) for the period | (43 896 731) | (89 018 522) | (132 915 253) |
| Total assets | 13 626 731 831 | 818 757 443 | 14 445 489 274 |
| Total capital expenditure (tangible & intangible assets) | 1 279 782 190 | 56 583 640 | 1 336 365 830 |
| Total liabilities | 12 840 196 790 | 358 941 351 | 13 199 138 141 |

23 COMMITMENTS AND CONTINGENCIES

23-1 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 1 188 M as of 30 September 2016 (LE 641 M as of 31 December 2015).

23-2 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 September 2016 amounted to LE 85 903 411 whereas the cash margin of these letters amounted to LE 13 159 194 as follows:

| | Amount in currency | Equivalent in LE | Cash margin LE |
|---------------------------------------|-----------------------|---------------------|-------------------|
| Letters of guarantee – Egyptian pound | 85 370 611 | 85 370 611 | 12 626 394 |
| Letters of guarantee – US Dollar | 60 000 | 532 800 | 532 800 |
| | | 85 903 411 | 13 159 194 |

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24 PAYMENTS FOR THE PURCHASE 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 | 30/9/2016 LE |
|---|-----------------|
| Fixed assets additions during the period | 1 010 716 896 |
| Assets under constructions additions during the period | 173 637 202 |
| Transferred to Inventory | (448 268) |
| <u>Non-cash reconciliations</u> | |
| Fixed assets and fixed assets under construction suppliers | (65 770 687) |
| Payments for the purchase of fixed assets and assets under construction | 1 118 135 143 |

25 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, current income tax, 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 554 MEGP and 2 053 MEGP respectively. The company's net exposure in foreign currencies as at the financial position date:

| Foreign currencies | Shortage |
|--------------------|-------------|
| US Dollars | 630 082 |
| Euro | 150 073 722 |
| GBP | 16 223 |
| CHF | 43 693 |

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 2016 the interest rate increased by 300 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.

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26 RELATED PARTIES TRANSACTIONS

Summary of major related parties' agreements:

26-1 Management fee agreements

Based on the General Service Agreement signed between the Company and Orange 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 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.

26-2 Related parties' transactions are as follows

| Description | Transaction type | Period ended | | | |
|--------------------------------|--|--------------|--------------|-------------|--------------|
| | | 30/9/2016 | | 30/9/2015 | |
| | | Debit LE | Credit LE | Debit LE | Credit LE |
| Ultimate parent | | | | | |
| Orange France | Management fees / Technical assistance/ Roaming Services | 221 085 853 | 10 619 610 | 156 154 709 | 12 204 033 |
| Other related parties | | | | | |
| Orange Group | Technical assistance / Roaming Services/ refund of rebranding expenses | 15 037 300 | 207 600 492 | 16 608 289 | 6 611 130 |
| Mobinil For Telecommunications | Payments on behalf of the company | 127 196 | — | 54 390 | — |

26-3 Related parties' balances are as follows

| Description | Balance type | 30/9/2016 | | 31/12/2015 | |
|--------------------------------|---|----------------|--------------|----------------|--------------|
| | | Due from LE | Due to LE | Due from LE | Due to LE |
| | | | | | |
| Ultimate parent | | | | | |
| Orange France | Accounts and notes payable / Accrued expenses and other credit balances / Accounts and notes | 38 744 | 763 508 814 | 35 494 | 603 042 947 |
| Other related parties | | | | | |
| Orange Group | Accounts and notes payable / Accrued expenses and other credit balances / Accounts and notes receivable / credit facility / refund of rebranding expenses | 171 175 026 | 4 186 693 | 40 453 964 | 3 650 496 |
| Mobinil For Telecommunications | Accrued expenses and other credit balances | 97 196 | — | — | 30 000 |

26-4 The nature of the relationships is as follows

- MT Telecom is a direct Company's shareholder with 98.92 %.
- Orange is the major shareholder of MT Telecom with 100% which is the Company's major shareholder.

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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27 TAX SITUATION

1. Orange Egypt for Telecommunications

a) Corporate tax

From inception till 2011

These years have been inspected and settled with tax authority.

Years 2012 till 2015

Tax returns were provided and have not yet been inspected.

b) Payroll 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 2011

These years have been inspected and settled with tax authority.

Years 2012 till 2015

These years have not yet been inspected.

c) Stamp tax

From inception till 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 for the years from 2004 till 2006.

Years 2007 to 2014

These years have been inspected and settled with tax authority.

For the year 2015

This year has not yet been inspected.

d) Sales 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.

Years 2013 to 2015

These years have not yet been inspected.

e) Withholding tax

Years 2003 and 2004

These years have been inspected and settled with tax authority.

Years 2005 to 2015

These years have not yet been inspected.

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27 TAX SITUATION (CONTINUED)

2. Mobinil Services (a subsidiary)

a) Corporate tax

From inception till 2003

This period has been inspected and settled with tax authority.

Years 2004 to 2015

Tax returns were provided for these years and have not yet been inspected.

b) Sales tax

From inception till 2006

This period had been inspected and settled with tax authority.

Years 2007 to 2015

These years have not yet been inspected.

c) Stamp tax

From inception till 31 July 2006

Tax inspection was performed for this period and all differences have been paid.

From 1 August 2006 till 31 December 2015

This period has not yet been inspected.

d) Withholding tax

From inception till 2002

A tax inspection was performed and differences were paid.

Years 2003 to 2015

These years have not yet been inspected.

3. Mobinil for Importing (a subsidiary)

a) Corporate tax

From inception till 2015

Tax return was provided for this period and has not yet been inspected.

b) Sales tax

From inception till 2013

This period has been inspected and the taxes due were paid.

For the years 2014 and 2015

These years have not yet been inspected.

4. Egyptian Company for Mobile Towers Services (a subsidiary)

a) Corporate tax

From inception till 2015

Tax return was provided for this period and has not yet been inspected.

b) Stamp tax

From inception till 2015

These years have not yet been inspected.

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27 TAX SITUATION (CONTINUED)

5. Orange Data (a subsidiary)

a) Corporate taxes

The Company enjoyed a tax exemption for ten years from 1 January 2002 till 31 December 2011.

For the years from 2001 till 2004

These years have been inspected and settled with tax authority.

For the years from 2006 till 2008

These years have been inspected and the company objected on the tax claim.

For the years from 2009 till 2015

These years have not yet been inspected.

b) Salary taxes

From inception till 2011

These years have been inspected and settled with tax authority.

For the years from 2012 till 2015

These years have not yet been inspected.

c) Sales taxes

From 2002 till 2011

These years have been inspected and settled with tax authority.

For the years from 2012 till 2015

The Company is under tax inspection.

d) Stamp duty taxes

From Inception till 31 July 2006

The Company's records were inspected till 31 July 2006 and the taxes due were paid.

For the years from from 1 August 2006 till 31 December 2015

These years have not yet been inspected.

e) Withholding Tax

From Inception till 2015

These years have not yet been inspected.

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27 TAX SITUATION (CONTINUED)

6. Link Egypt for Trading and Services (a subsidiary)

a) Corporate tax

For the years from inception till 2001

The Company's records were inspected and settled with tax authority.

For the years 2002 till 2004

The Company's records were inspected. The Company objected on the assessment and the issue is currently in the appeal committee.

For the years from 2006 till 2008

The Company's records were inspected and settled with tax authority.

For the years from 2009 till 2010

The Company is currently being inspected.

For the years from 2011 till 2015

These years have not yet been inspected.

b) Salary tax

From inception till 2007

The Company's records were inspected and settled with tax authority.

For the years from 2008 till 2014

These years are currently being inspected.

For the year 2015

This year has not yet been inspected.

c) Stamp duty tax

From inception till 31 July 2006

The Company's records were inspected the taxes due were paid.

For the years from 1 August 2006 till 2014

The Company's records are currently being inspected from 1 August 2006 till 31 December 2014.

For the year 2015

This year has not yet been inspected.

d) Sales tax

For the years from inception till 2013

The Company's records were inspected and settled with tax authority.

For the years 2014 and 2015

These years have not yet been inspected.

e) Withholding Tax

From Inception till 2015

These years have not yet been inspected.

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27 TAX SITUATION (CONTINUED)

7. Orange One for Telecommunication Services (a subsidiary)

a) Corporate taxes

From inception till 2015

These years have not yet been inspected.

b) Salary taxes

From inception till 2015

These years have not yet been inspected.

c) Stamp duty taxes

From Inception till 2012

The company is currently under inspection.

From 2013 till 2015

These years have not yet been inspected.

d) Sales tax

From Inception till 2015

These years have not yet been inspected.

e) Withholding Tax

From Inception till 2015

These years have not yet been inspected.

The Value Added Tax

On 7 September 2016, the VAT law No. 67 for 2016 were issued, which stipulates the cancellation of sales tax law No. 11 for 1991, the conciliation and the appealing committees to be continued according to the provisions of sales tax law for the current presented appeals for three months, and then will be transferred to the committees set forth in the VAT law. It was effective on 8 September 2016.

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28 DISPUTE OF INTERCONNECT AGREEMENTS

Based on the complaint received from Telecom Egypt, the National Telecommunication Regulatory Authority ('NTRA') has issued on 3 September 2008 a decree 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 objected to the decrees issued by the NTRA and filed a summary administrative lawsuit to suspend NTRA's decrees and to safeguard the Company's interests.

On 5 June 2010, the administrative court suspended, in summary, the NTRA's decrees until final ruling on the case on the merits. NTRA appealed the summary court ruling.

On 25 May 2013 the supreme administrative court rejected NTRA's appeal against the summary court ruling.

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.

On October 2013 the Administrative Court of Merits issued its judgment in the similar case filed by Vodafone Egypt against NTRA for the cessation of the rate setting decree. NTRA appealed the court ruling.

Following the three court judgments issued in this regard ruling to suspend the NTRA interconnection rate setting decrees, NTRA issued on 10 February 2014, a decree that state 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.

Based on the above, and given that three court rulings were issued with the same outcome favoring the suspension and cancellation of the said NTRA Interconnection rate setting decrees, and given the Company's external legal advisors opinion the risk of losing the appeal is remote.

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 the 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 EGP 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 until the date of payment thereof by Etisalat Egypt.

29 COMPARATIVE FIGURES

Certain comparative figures for the year 2015 have been reclassified to conform with the current period presentation of the consolidated financial statements.

30 BASIS OF MEASUREMENT

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

Orange Egypt for Telecommunications (S.A.E)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 September 2016

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 (Egyptian Company for Mobile Services) and its subsidiaries (thereafter 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 |
|--|-----------|
| * Mobinil Services (Egyptian Joint Stock Company) | 96% |
| * Mobinil for Importing (Egyptian Joint Stock Company) | 98% |
| 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 Telecommunication owns 2% in Mobinil Services and 1% in Mobinil for Importing. Mobinil Services owns 1% 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.

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 September 2016

31 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

31-1 Basis of consolidation (continued)

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.

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.

Orange Egypt for Telecommunications (S.A.E)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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31 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

31-3 Fixed assets (continued)

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.

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. |
| 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. |
| 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). |
| 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). |

- 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).

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31 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Non-current assets held for sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less cost of sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than continuing use. Fixed assets are not depreciated once classified as held for sale.

31-9 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.

31-10 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.

31-11 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.

Orange Egypt for Telecommunications (S.A.E)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 September 2016

31 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

31-12 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
- 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.

31-13 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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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 September 2016

31 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

31-14 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.

31-15 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.

31-16 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.

31-17 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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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 September 2016

31 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

31-18 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.

31-19 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.

31-20 Statement of cash flows

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

31-21 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.

Orange Egypt for Telecommunications (S.A.E)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 September 2016

31 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

31-22 New standards and amendments issued in the Egyptian Accounting Standards

During 2015, an amended version of the Egyptian Accounting Standards was issued including some new accounting standards and amendments effective 1 January 2016, taking into consideration that the early adoption is not allowed.

The major amendments applied on the financial statements as of 30 September 2016:

| New standard or amendment | Summary of changes | The effect on the financial statements |
|---|---|--|
| EAS 1 The presentation of financial statements | <p><u>Statement of financial position</u></p> <ul style="list-style-type: none"> The presentation of working capital is not required, and the attached standard format for the financial statements in version 2006 was deleted, which shows the presentation of working capital. A statement should be added to the statement of financial position includes the comparative figures in case it is affected by the application of accounting policy retrospectively or reclassification. <p><u>Statement of income (profits or losses) and statement of comprehensive income</u></p> <p>The Company should disclose all categories of revenues and expenses recognized during the period in two separate statements, the first presents the components of profit or loss (statement of income), and the second starts with the profit or loss to present the other comprehensive income (statement of comprehensive income).</p> | <ul style="list-style-type: none"> New presentation for all financial statements and disclosures with the comparative figures to be in line with the required amendments in the standard. Adding new statement (Statement of comprehensive income) for the period and the comparative. |
| EAS (41) Operating Segments | EAS 33 "Segment Reports" has been replaced with EAS (41) "Operating Segments". Accordingly, the disclosure and the volume of the required disclosures that the Segment Reports must disclose on; mainly depends on the Segments information presented to Chief Operating Decision Maker (CODM) of the entity to make decisions on the resources that must be allocated to the segment and assess its performance. | New presentation for the information corresponding to the earlier periods including the interim periods, unless the information is not available and the cost of preparing such information is too high. |
| EAS (42) The Consolidated Financial Statements | The new Egyptian Accounting Standard (42) "The Consolidated Financial Statements" was issued and accordingly Egyptian Accounting Standard (17) "The Consolidated and Separate Financial Statements" has changed to become "The Separate Financial Statements". Pursuant to the new Egyptian Accounting Standard (42) "The Consolidated Financial Statements" The control model has changed to determine the investee entity that must be consolidated. | There is no retroactive impact on the financial statements from the application of this standard. |
| | Accounting for the changes in the equity of the parent company in a subsidiary are accounted for as transactions with equity holders in their capacity as equity holders. Any Investment retained in a former subsidiary re-measured at fair value at the date when control is lost and recognize any resulting difference in the Income Statement. Losses applicable to the Non-Controlling Interest "NCI" in a subsidiary including component of Other Comprehensive Income are allocated to the owners of the holding entity and the NCI even if this causes the NCI to have a deficit balances. | No retroactive application for these amendments. |

32 SUBSEQUENT EVENTS

On 13 October 2016, the Company has signed with the National Telecom Regulatory Authority (NTRA) the following licenses:

- 4G license amounting to USD 484 m.
- Virtual fixed line license amounting to EGP 100 m.