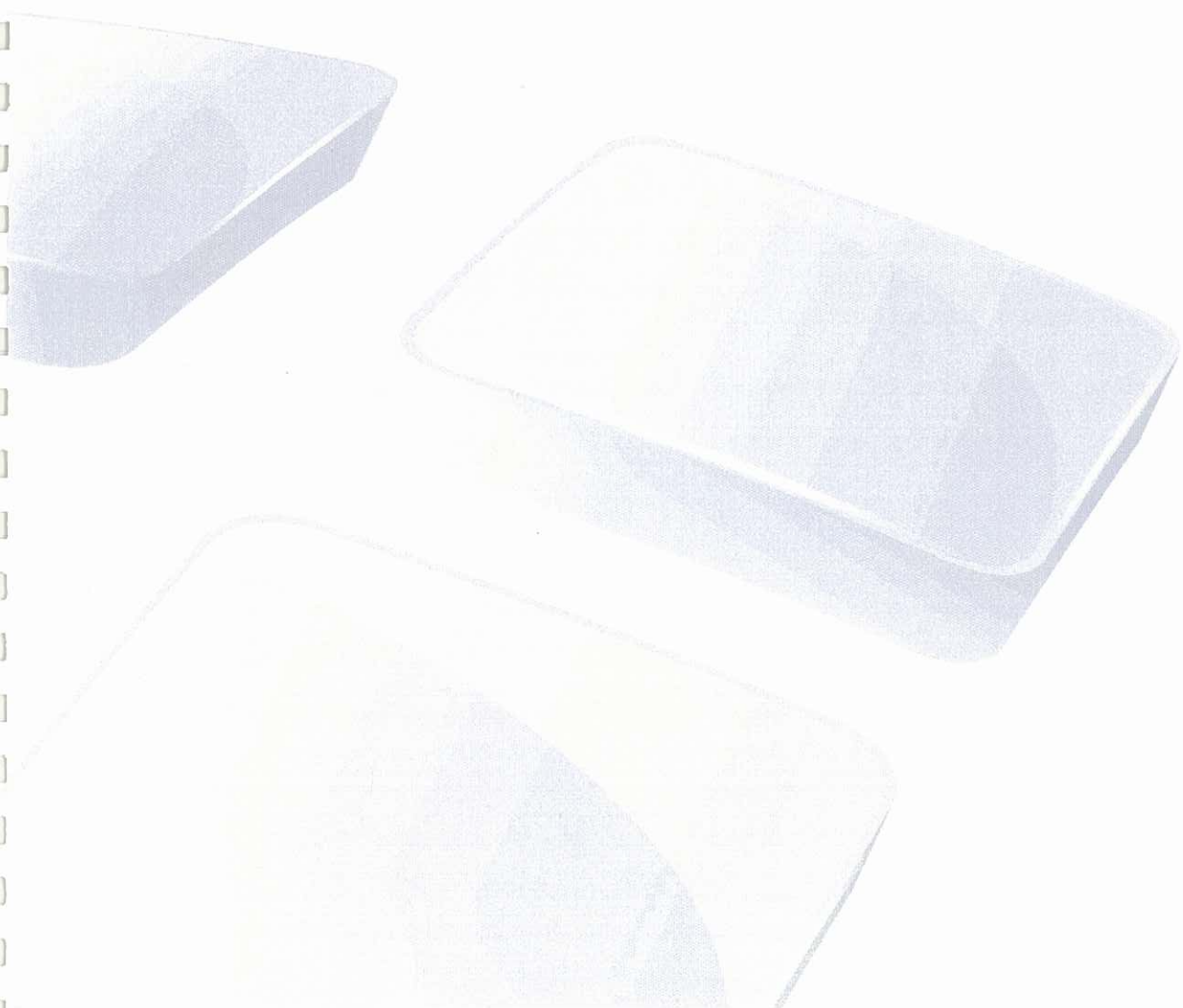




Translation from Arabic

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Condensed Separate Interim Financial Statements
For The Three Months Ended March 31, 2015
And The Limited Review Report





Translation from Arabic

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Condensed Separate Interim Financial Statements
For The Three Months Ended March 31, 2015
And The Limited Review Report

Index

<u>Explanation</u>	<u>Page Number</u>
- Limited Review Report	1:2
- Condensed Separate Balance Sheet	3
- Condensed Separate Income Statement	4
- Condensed Separate Statement of Cash Flows	5
- Condensed Separate Statement of Changes in Equity	6
- Notes to the Condensed Separate Interim Financial Statements	7:23



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Translation from Arabic

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

Introduction

We have performed a limited review on the accompanying condensed separate balance sheet of Telecom Egypt Company "an Egyptian joint stock company" as at March 31, 2015 and the related condensed separate statements of income, cash flows and changes in equity 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 condensed separate interim financial statements in accordance with Egyptian Accounting Standard number (30) "Interim Financial Reporting". Our responsibility is to express a conclusion on these condensed separate interim financial statements based on our limited review.

Scope of Limited Review

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

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying condensed separate interim financial statements do not present fairly, in all material respects, the financial position of the Company as at March 31, 2015 and of its financial performance and its cash flows for the three months then ended in accordance with Egyptian Accounting Standard number (30) "Interim Financial Reporting".

Translation from Arabic

Emphasis of Matter

Without qualifying our conclusion, we draw attention to note no. (30-1) of the notes to the condensed separate interim financial statements, which describes the dispute between the company and both companies Mobinil and Vodafone (Mobile Operators) in regards to the interconnection rates. The company filed a complaint before the Disputes Resolution Committee of the National Telecommunication Regulatory Authority requesting the application of interconnection rates used between the Mobile Operators in accordance with the provisions of the law and signed agreements, between the company and the Mobile Operators. Several resolutions were issued by the National Telecommunication Regulatory Authority (NTRA) determining the interconnection rates. As a result, the Mobile Operators filed lawsuits and arbitral litigations for ceasing the implementation of the said resolutions. In addition, to the lawsuits and arbitral litigations filed by or against the company and the dispute parties, several rulings were issued but were appealed before the relevant authorities. These litigations and appeals are still under deliberation before the court and the arbitral tribunals and the final ruling has not been issued yet.

According to the opinion of the company's legal consultant, the company has the right to apply the interconnection rates used between the Mobile Operators, and that the company's position is based on the agreements concluded between the company and the dispute parties and the provisions of the Telecommunication law as well as the provisions of the Protection of Competition and the Prohibition of Monopolistic Practices law, and there are several arbitral and judicial stages to finalize this dispute. The legal consultant is of the opinion that the company should recognize revenues and costs related to the interconnection services with the mobile operators, according to the resolutions in force issued by NTRA. It is difficult, in the meantime to determine the final outcome of the above mentioned lawsuits and arbitral litigations till the final ruling of the judicial and arbitral bodies is issued.

Cairo, May 12, 2015

KPMG Hazem Hassan

**KPMG Hazem Hassan
Public Accountants & Consultants**





Translation from Arabic

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Condensed Separate Balance Sheet As of:

	Note No.	31/3/2015 L.E. (000)	31/12/2014 L.E. (000)
Long Term Assets			
Fixed assets	(4)	10 941 858	10 831 035
Projects in progress	(5)	965 141	1 062 478
Investments in subsidiaries and associates	(6)	6 652 283	6 652 300
Available-for-sale investments		99 014	99 014
Other assets	(7)	976 406	1 013 274
Deferred tax assets	(17-1)	352 164	353 717
Total Long Term Assets		19 986 866	20 011 818
Current Assets			
Inventories	(8)	396 421	418 454
Trade and notes receivables	(9)	4 684 733	4 655 834
Debtors and other debit balances	(10)	1 058 518	1 527 587
Held-to-maturity investments - treasury bills		95 860	277 398
Cash and cash equivalents	(11)	2 718 344	2 267 112
Total Current Assets		8 953 876	9 146 385
Current Liabilities			
Loans and credit facilities installments due within one year	(12)	61 571	62 628
Creditors and other credit balances	(13)	4 415 891	3 996 871
Provisions	(14)	459 478	546 967
Total Current Liabilities		4 936 940	4 606 466
Working Capital		4 016 936	4 539 919
Total Investments		24 003 802	24 551 737
Financed as follows:			
Equity and Long Term Liabilities			
Equity			
Capital	(15)	17 070 716	17 070 716
Reserves	(16)	6 317 415	6 298 316
Retained earnings		28 290	18 054
Profit for the period / year		255 275	1 515 878
Interim dividends		-	(736 209)
Total Equity		23 671 696	24 166 755
Long Term Liabilities			
Loans and credit facilities	(12)	331 899	382 544
Creditors and other credit balances	(13)	207	2 438
Total Long Term Liabilities		332 106	384 982
Total Equity and Long Term Liabilities		24 003 802	24 551 737

The attached notes on pages (7) to (23) are an integral part of these condensed separate interim financial statements.

Financial Director

Shaher Shokry

" Shaher Shokry "

Chief Financial officer

M. Shamroukh

" Mohamed Shamroukh "

Vice Pres. of Financial,
Admin affairs and HR

T. Mashhor

" Taha Mashhor "

Managing Director
& Chief Executive Officer

Mohamed Amin Elnawawy

" Mohamed Amin Elnawawy "

Board of Directors approval

Chairman

Omar Elsheikh

Limited Review Report "attached"



Translation from Arabic

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Condensed Separate Income Statement

	Note	For the three months ended	
		31/3/2015	31/3/2014
	No.	L.E.(000)	L.E.(000)
Operating revenues	(18)	2 342 577	2 355 739
Operating cost	(19)	(1 527 188)	(1 384 527)
Gross Profit		815 389	971 212
Other income		57 813	47 203
Selling and distribution expenses	(20)	(238 205)	(211 683)
General and administrative expenses	(21)	(436 340)	(327 411)
Other expenses		(2 123)	(4 889)
Operating profit		196 534	474 432
Finance income		148 011	104 317
Finance cost		(1 654)	(11 276)
Net finance income	(22)	146 357	93 041
Income from investments in subsidiaries and associates	(23)	1 430	1 774
Profit before tax		344 321	569 247
Income tax expense		(87 493)	(150 020)
Deferred tax	(17-1)	(1 553)	1 650
Total income tax		(89 046)	(148 370)
Profit for the period		255 275	420 877
Basic earnings per share (L.E. / Share)	(25)	0.15	0.25

The attached notes on pages (7) to (23) are an integral part of these condensed separate interim financial statements



Translation from Arabic

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

	Note No.	For the three months ended:	
		31/3/2015	31/3/2014
		L.E.(000)	Reclassified L.E.(000)
<u>Cash flows from operating activities</u>			
Cash receipts from customers		1 952 820	2 384 075
Sales tax collected from customers		53 565	67 566
Stamp tax and fees collected (from third party)		22 662	25 443
Deposits returned to customers		(875)	(1 389)
Cash paid to suppliers		(164 723)	(162 569)
Payments of financial lease obligations		(68 355)	(144 807)
Dividends paid to employees		(3 697)	(2)
Cash paid to employees		(706 173)	(557 854)
Cash paid on behalf of employees to third party		(108 559)	(97 894)
Cash provided by operating activities		976 665	1 512 569
Interest paid		(4 791)	(6 728)
Payments to Tax Authority - sales tax		(98 992)	(75 809)
Payments to Tax Authority - other taxes except for income tax		(145 252)	(123 845)
Other proceeds (payments)		8 757	(59 439)
Net cash provided by operating activities		736 387	1 246 748
<u>Cash flows from investing activities</u>			
Payments for purchase of fixed assets, other assets and projects in progress		(641 920)	(142 947)
Interest received		9 371	5 312
Dividends collected		167 437	109 732
Proceeds from securities - treasury bills interest		43 341	83 161
proceeds from sale of held-to-maturity investment - treasury bills		176 396	-
Proceeds from money market fund - fund interest		-	940
Net cash (used in)provided by investing activities		(245 375)	56 198
<u>Cash flows from financing activities</u>			
Payments for loans and other facilities		(39 689)	(57 264)
Net cash used in financing activities		(39 689)	(57 264)
Net change in cash and cash equivalents during the period		451 323	1 245 682
Cash and cash equivalents at the beginning of the period	(11)	2 256 017	5 132 046
Cash and cash equivalents at the end of the period	(11)	2 707 340	6 377 728

The attached notes on pages (7) to (23) are an integral part of these condensed separate interim financial statements.



Telecom Egypt Company
(An Egyptian Joint Stock Company)
Condensed Separate Statement of Changes In Equity
For the Three Months Ended March 31, 2015

	Capital	Legal reserve	Other reserves	Retained earnings	Net profit	Interim dividends	Total
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Balance as of 1/1/2014	17 070 716	1 334 324	4 810 362	112 842	2 214 389	-	25 542 633
Transferred to retained earnings	-	-	-	2 214 389	(2 214 389)	-	-
Transferred to legal reserve	-	110 719	-	(110 719)	-	-	-
Dividends for year 2013 (Shareholders)	-	-	-	(1 707 072)	-	-	(1 707 072)
Dividends for year 2013 (Board of Directors & Employee Profit for the period)	-	-	-	(491 386)	-	-	(491 386)
	-	-	-	-	420 877	-	420 877
Balance as of March 31, 2014	17 070 716	1 445 043	4 810 362	18 054	420 877	-	23 765 052
Balance as of 1/1/2015	17 070 716	1 501 738	4 796 578	18 054	1 515 878	(736 209)	24 166 755
Transferred to retained earnings	-	-	-	1 515 878	(1 515 878)	-	-
Transferred to legal reserve	-	19 099	-	(75 794)	-	56 695	-
Dividends for year 2014 (Shareholders)	-	-	-	(952 977)	-	611 563	(341 414)
Dividends for year 2014 (Board of Directors & Employee Profit for the period)	-	-	-	(476 871)	-	67 951	(408 920)
	-	-	-	-	255 275	-	255 275
Balance as of March 31, 2015	17 070 716	1 520 837	4 796 578	28 290	255 275	-	23 671 696

The attached notes on pages (7) to (23) are an integral part of these condensed separate interim financial statements.



Telecom Egypt Company
(An Egyptian Joint Stock Company)

Notes to the Condensed Separate Interim Financial Statements
For The Three Months Ended March 31, 2015

1. BACKGROUND

1-1 Legal Entity

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

1-2 Purpose of the company

The main purpose of the company represents in the following:

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

1-3 Issuance of the condensed separate interim financial statements

These Condensed Separate Interim Financial Statements were approved by the company's Board of Directors on May 12, 2015.



2. BASIS OF PREPERATION OF THE CONDENSED SEPARATE INTERIM FINANCIAL STATEMENTS

2-1 Statement of compliance

These Condensed Separate Interim Financial Statements as of March 31, 2015 have been prepared in accordance with Egyptian Accounting Standard No.30 "Interim Financial Reporting" accordingly it is condensed comparative view to the annual separate financial statements for the company, and in the light of applicable Egyptian laws and regulations.

These condensed separate interim financial statements don't include all the required information needed for preparing the full annual financial statements and must be read with the annual separate financial statements as of December 31, 2014.

2-2 Basis of measurement

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

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

2-3 Functional and presentation currency

These Condensed Separate Interim Financial Statements are presented in Egyptian pound (LE), which is the Company's functional currency. All financial information presented in "L.E." has been rounded to the nearest thousands unless otherwise stated.

2-4 Use of estimates

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of the condensed separate interim financial statements as of March 31, 2015 is the same as the accounting policies applied in the preparation of the annual separate financial statements as of December 31, 2014, these accounting policies have been applied consistently to all periods presented in these condensed separate interim financial statements.



Notes to the Condensed Separate Interim Financial Statements
For The Three Months Ended March 31, 2015 (continued)

Translation from Arabic

4. FIXED ASSETS

Description	31/3/2015	31/3/2015	31/3/2015	31/12/2014
	Cost	Accumulated depreciation	Net	Net
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Land	2 371 356	-	2 371 356	2 372 492
Buildings & Infrastructure	20 275 754	13 604 708	6 671 046	6 539 915
Centrals and technical equipment & information technologies	20 157 252	18 353 380	1 803 872	1 826 259
Vehicles	124 534	105 074	19 460	20 964
Furniture	252 524	200 241	52 283	46 762
Tools & supplies	84 526	60 685	23 841	24 643
Total	43 265 946	32 324 088	10 941 858	10 831 035

- The increase in net carrying value of fixed assets mainly due to the period additions amounting to L.E. 473 641 K.
- The cost of fixed assets as of March 31, 2015 includes an amount of L.E. 21 089 million fully depreciated fixed assets and still in use.

5. PROJECTS IN PROGRESS

	31/3/2015	31/12/2014
	<u>LE (000)</u>	<u>LE (000)</u>
Land	14 577	8 542
Buildings and Infrastructure	184 013	268 059
Furniture	8 984	11 349
Technical equipment and information technologies	323 154	362 127
Other Assets (cables)	342 004	343 922
Advanced payments	92 409	68 479
	965 141	1 062 478

The balance of projects in progress and related advanced payments are represented in the part that have been completed from commitments and capital contracts until March 31, 2015.



Notes to the Condensed Separate Interim Financial Statements
For The Three Months Ended March 31, 2015 (continued)

Translation from Arabic

6. INVESTMENTS IN SUBSIDIARIES & ASSOCIATES

	31/3/2015		31/12/2014	
	Ownership %	Amount L.E. (000)	Ownership %	Amount L.E. (000)
- Telecom Egypt France	100.00	69 220	100.00	69 220
- TE Data	99.99	527 461	99.99	527 461
- TE Investment Holding	99.95	4 997	99.95	4 997
- Egyptian Telecommunication for Information System	97.66	31 250	97.66	31 250
- Centra Technology	58.76	14 737	58.76	14 737
- Wataneya for Telecommunications	50.00	125	50.00	125
- International Telecommunications Consortium limited (ITCL)	50.00	54	50.00	54
- Middle East Radio Communication	49.00	7 350	49.00	7 350
- Vodafone Egypt Telecommunications Company	44.95	5 960 054	44.95	5 960 054
- Egypt Trust	35.71	7 500	35.71	7 500
- Consortium Algerien de Telecommunications	33.00	133	33.00	133
- Sofisat company	25.00	-	25.00	-
		6 622 881		6 622 881
Payments for investments purchase				
- TE Investment Holding *		34 983		35 000
- Egypt Trust **		2 500		2 500
		6 660 364		6 660 381
Less:				
Impairment loss on investments of :-				
Consortium Algerien de Telecommunications, International Telecommunications Consortium Limited, Egypt Trust, Wataneya for Telecommunications and Telecom Egypt France		8 081		8 081
		6 652 283		6 652 300

* The Extra-Ordinary General Assembly for TE Investment Holding held on 16/2/2015 approved the increase of the authorized capital to be L.E. 100 Million, and the issued capital to be L.E. 40 Million and the commercial registration related to is in process.

** Subscription was made by 25% from the company's share in Egypt Trust capital and the commercial registration related to is in process.

7. OTHER ASSETS

	31/3/2015 L.E. (000)	31/12/2014 L.E. (000)
Cost		
Submarine cables (right of way)	809 596	841 285
Land (possession-usufruct)	440 684	440 684
Licenses and programs	71 009	69 092
	1 321 289	1 351 061
Less:		
Accumulated amortization	344 883	337 787
Net	976 406	1 013 274

- The decrease in net carrying value of other assets is due to the amortization of the period in addition to the disposals during the period by an amount of L.E. 31 874 K.

- Other assets amortization is charged to operating costs.



Notes to the Condensed Separate Interim Financial Statements
For The Three Months Ended March 31, 2015 (continued)

Translation from Arabic

8. INVENTORIES

	31/3/2015	31/12/2014
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Spare parts	332 988	349 719
Material supplies , Merchandise for sale and Letters of credit	22 828	21 715
Others – project cables and supplies	40 605	47 020
	<u>396 421</u>	<u>418 454</u>

The value of inventory was written down by an amount of L.E. 27 069 K (against L.E. 25 862 K as at December 31, 2014) for obsolete and slow moving items directly from the cost of each type of inventory.

9. TRADE AND NOTES RECEIVABLES

	Note	31/3/2015	31/12/2014
	No.	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Trade Receivables - National		4 123 509	4 713 970
Trade Receivables - International		<u>2 422 384</u>	<u>2 457 843</u>
		6 545 893	7 171 813
<u>Less:</u>			
Impairment loss on trade receivables		2 498 110	2 515 979
<u>Add:</u>			
Notes receivable - related parties	(29-1)	<u>636 950</u>	<u>-</u>
		<u>4 684 733</u>	<u>4 655 834</u>

Trade and notes receivables balance increased by an amount of L.E. 28 899 K due to increase in trade receivables – international carriers by an amount of L.E 106 679 K as a result of increase in international carriers revenues but the decrease in trade receivables – international cables and networks balance by an amount of L.E. 142 138 K as a result of collecting part of due debts which led to limitation of this increase in addition to the reversal of impairment on trade receivables by an amount of L.E. 17 869 K as a result of collecting part of past due debts on trade receivables during the period.



Notes to the Condensed Separate Interim Financial Statements
For The Three Months Ended March 31, 2015 (continued)

Translation from Arabic

10. DEBTORS AND OTHER DEBIT BALANCES

	31/3/2015	31/12/2014
	<u>LE (000)</u>	<u>LE (000)</u>
Suppliers – debit balances	84 493	34 492
Tax Authority - withholding tax	80 065	56 747
Due from organizations and companies	112 212	122 137
Payments on the account of corporate tax	135 926	114 198
Other debit balances	746 829	1 300 938
	<u>1 159 525</u>	<u>1 628 512</u>
Less:		
Impairment loss on debtors and other debit balances	101 007	100 925
	<u>1 058 518</u>	<u>1 527 587</u>

- Debtors and other debit balances have been decreased by an amount of L.E. 469 069 K mainly due to the decrease in other debit balances by L.E. 554 109 K as a result of collecting accrued revenues related to dividends of investments in subsidiaries by an amount of L.E. 167 437 in addition to the settlement of the paid amounts to the company's employees under the account of dividends for year 2014 by an amount of L.E. 196 256 K during the period.

11. CASH AND CASH EQUIVALENTS

	Note	31/3/2015	31/12/2014
	No.	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Banks - time deposits (less than 3 months)		995 110	2 088 304
Banks - current accounts		(81 702)	(49 798)
Cash on hand		3 839	1 787
Treasury bills (less than 3 months)		1 801 097	226 819
Cash and cash equivalents		<u>2 718 344</u>	<u>2 267 112</u>
Less:			
Restricted time deposits	(27)	11 004	11 095
Cash and cash equivalents as per cash flows statement		<u>2 707 340</u>	<u>2 256 017</u>

12. LOANS AND CREDIT FACILITIES

The decrease in the balance of loans and credit facilities mainly resulting from the payment of due loans installments during the period, and take into consideration the following points:

Foreign suppliers facilities in euro amounted to L.E. 651 K equivalent to Euro 79 K against letters of guarantee issued by National Bank of Egypt in favor of "Siemens" as a guarantee for payment of this facility and there are no other guarantees.

The unused amount of foreign loans and facilities as at March 31, 2015 which is available for use amounted to the equivalent to L.E. 8 675 K.



Notes to the Condensed Separate Interim Financial Statements
For The Three Months Ended March 31, 2015 (continued)

Translation from Arabic

13. CREDITORS AND OTHER CREDIT BALANCES

	31/3/2015	31/12/2014
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Suppliers	473 797	631 266
Tax Authority-Income Tax	780 936	693 443
Tax Authority (taxes other than income tax)	150 319	159 000
Deposits from others	671 396	668 561
Accrued expenses	225 635	291 925
Trade receivables - credit balances	279 634	283 086
Customers credit balances - Marine Cables	-	304
Fixed assets creditors	425 698	573 943
Deferred revenues	226 258	11 360
Dividends payable	550 686	770
Due to organizations and companies	135 062	231 524
Other credit balances	496 677	454 127
	<u>4 416 098</u>	<u>3 999 309</u>
Less:		
Credit balances due within more than one year (deferred revenues)	207	2 438
	<u>4 415 891</u>	<u>3 996 871</u>

Creditors and other credit balances has been increased by an amount of L.E. 416 789 K mainly due to the increase in dividends payable item by an amount of L.E. 549 916 K as a result of recording cash dividends for year 2014 according to the General Assembly decree on March 25, 2015.

14. PROVISIONS

	31/3/2015	31/12/2014
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Balance at the beginning of the period / year	546 967	467 690
Charged to income statement for the period / year*	-	330 000
Reversal of provision	-	(14 049)
Used during the period / year	(87 489)	(236 674)
Balance at the end of the period / year	<u>459 478</u>	<u>546 967</u>

*The provisions used during the period to adjust tax liabilities.



15. CAPITAL

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

16. RESERVES

	31/3/2015	31/12/2014
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Legal reserve	1 520 837	1 501 738
Other reserves	4 796 578	4 796 578
	<u>6 317 415</u>	<u>6 298 316</u>

The balance of legal reserve has increased as a result of retaining an amount of L.E. 19 099 K from 2014 profit in accordance with the company's articles of association.

17. DEFERRED TAX

17-1 Deferred tax assets and liabilities

	31/3/2015		31/12/2014	
	Assets	Liabilities	Assets	Liabilities
	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Total deferred tax asset	352 164	-	353 717	-
Net deferred tax asset	352 164	-	353 717	-
Deferred tax charged to the income statement for the period / year	(1 553)		44 895	

Deferred tax income is recorded in the income statement during 2014 mainly due to change in the tax rate as shown in Note no (28-1).

17-2 Unrecognized deferred tax assets

	31/3/2015	31/12/2014
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Unrecognized deferred tax assets	<u>667 862</u>	<u>680 834</u>

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



18. OPERATING REVENUES

	<u>For the three months ended</u>	
	<u>31/3/2015</u>	<u>31/3/2014</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Home	386 401	434 468
Enterprise	247 077	268 235
Domestic wholesale	832 668	823 405
international carrier	764 797	732 024
international cables and networks	111 634	97 607
	<u>2 342 577</u>	<u>2 355 739</u>

Total operating revenues have decreased by an amount of L.E. 13 162 K mainly due to the strong competition with mobile operators.

19. OPERATING COSTS

	<u>For the three months ended</u>	
	<u>31/3/2015</u>	<u>31/3/2014</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Interconnection cost	608 138	585 772
Depreciation and amortization	374 907	350 978
Other operating cost	544 143	447 777
	<u>1 527 188</u>	<u>1 384 527</u>

Operating costs have increased by an amount of L.E. 142 661 k due to the following:-

- The increase of interconnection cost by an amount of L.E. 22 366 K which is mainly due to the increase in international cost of transit service.
- The increase of depreciation and amortization by an amount of L.E. 23 929 K as a result of the increase in the investment cost on fixed assets during the last year and current period.
- The increase of other operating cost by an amount of L.E. 96 366 K is mainly due to the increase in licenses charges and frequencies by an amount of L.E. 21 746 K, IRU right of use outside Egypt item by L.E. 26 228 K, fuel, motors and maintenance item by an amount of L.E. 42 992 K.



Notes to the Condensed Separate Interim Financial Statements
For The Three Months Ended March 31, 2015 (continued)

Translation from Arabic

20. SELLING AND DISTRIBUTION EXPENSES

	<u>For the three months ended</u>	
	<u>31/3/2015</u>	<u>31/3/2014</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Salaries & wages	161 587	157 364
Discount allowed	50 573	18 199
Other expenses	26 045	36 120
	<u>238 205</u>	<u>211 683</u>

The increase in selling and distribution expenses by an amount of L.E 26 522 K is mainly due to the increase in discount allowed by LE 32 374 K and the decrease in other items.

21. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>For the three months ended</u>	
	<u>31/3/2015</u>	<u>31/3/2014</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Salaries and wages	265 985	208 450
Depreciation	5 940	4 219
Tax and duty	29 561	7 702
Service cost from organizations and consultations	54 029	31 366
Other expenses	80 825	75 674
	<u>436 340</u>	<u>327 411</u>

The increase in general and administrative expenses by an amount of L.E. 108 929 is mainly due to the increase in salaries and wages by an amount of L.E. 57 535 K as a result of the annual raise by 10 % from the basic salary starting from Jan 2015, service cost from organizations and consultations by an amount of L.E. 22 663 K as a result of the increase in services cost of some organizations during the period and tax and duty item by an amount of L.E. 21 859 K due to tax inspection differences adjustments during the period.



22. NET FINANCE INCOME

	<u>For the three months ended</u>	
	<u>31/3/2015</u>	<u>31/3/2014</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Total finance income	148 011	104 317
Total finance cost	(1 654)	(11 276)
	<u>146 357</u>	<u>93 041</u>

The increase in net finance income by an amount of L.E 53 316 K during the period is mainly due to the increase in foreign exchange currency gain by an amount of L.E. 71 659 K against the same period as a result of increase in price of main foreign currencies during the period in addition to reversal of impairment on financial assets by an amount of L.E. 17 787 K as a result of increase in collection from customers during the period, but the decrease in treasury bills interest by an amount of L.E. 44 963 led to the reduction of this increase.

23. INCOME FROM INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

	<u>For the three months ended</u>	
	<u>31/3/2015</u>	<u>31/3/2014</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Middle East Radio Communication (MERC)	1 430	1 774
	<u>1 430</u>	<u>1 774</u>

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

24. EMPLOYEE'S BENEFITS

24-1 Early retirement scheme

The Company has an early retirement scheme whereby employees who wish to retire, prior to the legal retirement age, are entitled to receive a compensation amounting to 75% of their latest basic salary for the remaining service period up to the retirement age with a maximum of 10 years for men and 15 years for women.

Compensations relating to early retirement amounted to L.E. 562 K for the financial period ending March, 2015 (against LE 439 K for the same period of year 2014) are included in general and administrative expenses.



24-2 End of service benefits

The employees are granted an end of service benefits through a Loyalty & belonging Fund established in January 2004. Employees' benefit are based on the employees' basic salary in January 1, 2005 increasing at a compound rate of 5%. The subscription for employees hired after January 1, 2005, is calculated according to a subscription schedule for new hires and increasing at a compound rate of 5% starting from the next year from the hiring date. The employees share in loyalty & belonging fund according to constant subscription are based on the same employees' basic salary where the end of service benefit calculated. The Company's contribution for the period ended March 31, 2015 amounted to L.E. 47 159 K (against L.E. 42 872 K for the same period as of the year 2014). The Company's contribution is included in general and administrative expenses.

25. BASIC EARNINGS PER SHARE.

	<u>For the three months ended</u>	
	<u>31/3/2015</u>	<u>31/3/2014</u>
Profit for the period (LE (000))	255 275	420 877
Number of shares available during the period	1707 071 600	1707 071 600
Basic earnings per share for the period (LE/ share)	<u>0.15</u>	<u>0.25</u>

26. CAPITAL COMMITMENTS

The company's capital commitments for the unexecuted parts of contracts until March 31, 2015 amounted to L.E. 136 million (against L.E. 205 million as at December 31, 2014) includes uncalled installments of investees' share in capital and haven't been claimed yet by an amount of L.E. 1 million. These commitments are expected to be settled in the subsequent period except for the uncalled installments of investees' share in capital, which shall be settled when required by the Board of Directors of those investees companies.

27. CONTINGENT LIABILITIES

In addition to the amounts included in the condensed Separate balance sheet as of March 31, 2015, the company has the following contingent liabilities:

	<u>31/3/2015</u>	<u>31/12/2014</u>
	<u>LE (000)</u>	<u>LE (000)</u>
- Letters of guarantee issued by banks on behalf of the company*	57 282	64 365
- Letters of credit	200 289	168 975

* letters of guarantee which were issued by banks on behalf of the company and for the benefits of other as at March 31,2015 include letters of guarantee have been issued against cash margin (restricted cash and cash equivalents) (Note no.11)



28. TAX POSITION

28-1 Corporate tax

- Tax inspection was performed for the years till December 31, 2013 and all due taxes were settled.
- Tax returns for the years till 2014 were submitted on the due dates and payments were made accordingly.
- On June 4, 2014, law no. 44 of 2014 was issued, imposing temporary additional 5% increase in the tax rate for three years on individuals and corporate entities whose annual income exceeds one million egyptian pounds. This tax will be calculated and collected according to the provisions of the income tax law, and shall come into force on 5 June 2014.
- And on June 30, 2014, a presidential decree no. 53 of 2014 was issued, amending certain provisions of the income tax Law No. 91 of 2005, the main amendments are:
 1. Imposing income tax on dividends.
 2. Imposing income tax on capital gains from selling shares and securities.
- On April 6, 2015 Ministerial Decree No. 172 of 2015 was issued, amending certain provisions of the executive regulations for the Income Tax Law issued by the Minister of Finance decree No. 991 for the year 2005.

28-2 Sales Tax

- Tax inspection was performed for the years till December 31, 2010 and all due taxes were settled.
- Tax inspection for the years 2011 till 2013 is in process.

28-3 Salary Tax

- Tax inspection was performed for the years till December 31 ,2008, and the Company was notified and all taxes due were settled.
- Tax inspection for the years 2009 till 2013 is in process.

28-4 Stamp tax

- Tax inspection for the period from March 27, 1998 to December 31, 2000 was performed for certain sectors and the company was notified, the company objected on the disputed items on the due dates and the related provisions were formed to meet the disputed tax liabilities.
- Tax inspection for the period from January 1, 2001 till July 31, 2006 was performed for certain sectors of the company and taxes due were settled. Tax inspection for the remaining sectors is currently being undertaken during the same period.
- Tax inspection for period from August 1, 2006 to December 31, 2009 and due taxes were settled.
- Tax inspection for the years 2010 till 2012 was performed and the disputed items were resolved with the exception of the relative stamp on salaries and wages which have been forwarded to the appeal committee.

28-5 Real estate taxes

- All taxes are paid according to the addition notices received by the company. The company's Legal Affairs Department follows up the disputes according to the Real Estate Tax Law.
- Tax returns were submitted according to the new Real Estate Tax Law No.196 for the year 2008 on the due dates. Provisions were formed to meet any tax liabilities that may arise from the tax inspection.



**Notes To The Condensed Separate Interim Financial Statements
For The Three Months Ended March 31, 2015 (continued)**

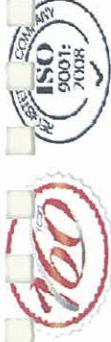
Translation from Arabic

29. RELATED PARTY TRANSACTIONS

There are transactions between Telecom Egypt and its subsidiaries and associates and such transactions to deal with others and approved by the company's management, the following statement contain the most important transactions during the financial period and the balances shown in the condensed separate interim financial statements date:

29-1 Transactions with subsidiaries

	Nature of transaction during the period	Amount of transactions during the period stated in the income statement		Transaction volume during the period		Balance as of	
		L.E.000	L.E.000	Debit L.E.000	Credit L.E.000	31/3/2015 Debit/(Credit) L.E.000	31/12/2014 Debit/(Credit) L.E.000
Debit balances included in trade receivables							
- Egyptian Telecommunication Company for Information Systems	Lease of company premises, electricity claims and Leased circuits maintenance	2 616	3 051	2 653	3 051	21	419
- TE Data	Variable services	209 026		286 906	943 703	459 502	1 116 299
- TE Data	Leased circuits and information transfer networks	-		636 950	-	636 950	-
- Middle East Radio Communication (MERC)	Leased circuits and information circuits	372	404	409	404	-	(5
- Jordanian Egyptian Company for data transfer	participation contract	1 354	1 622	3 342	1 622	(1 047)	(2 767
- Jordanian Egyptian Company for data transfer	The movement of international clearing	3 508	5 746	3 917	5 746	3 567	5 396
				934 177	954 526	1 098 993	1 119 342
Debit balances included in debtors and other debit balances							
- Egyptian Telecommunication Company for Information Systems	-	-	-	-	-	145	145
- Centra for Technologies	Maintenance & supplying computers	-	10 047	-	10 047	-	10 047
- TE Data	Variable services	702	12 134	772	12 134	772	12 134
				772	22 181	917	22 326
Credit balances included in suppliers balances							
- TE Data	Purchasing of fixed assets	-	-	-	-	(284 094)	(284 094
- Centra for Technologies	Maintenance & supplying computers	2 341	2 677	2 677	27 491	(24 814)	-
- Centra for Electronic Industries	Maintenance & supplying computers	391	564	564	442	(765)	(887
- Middle East Radio Communication (MERC)	Supplying & installing communication networks	-	-	-	-	(138)	(138
- TE Data	Services rendered from subsidiary company	16 551	196 840	196 840	46 227	(39 800)	(190 413
- Egyptian Telecommunication Company for Information Systems	Services rendered from subsidiary company	20 431	18 538	18 538	20 430	(6 830)	(4 938
				218 619	94 590	(356 441)	(480 470
Credit balance included in creditors and other credit balances							
- TE Data	Internet services	24	140	140	24	(31)	(147
- TE Data	Supplying information technology equipment	-	4 554	4 554	-	(3 910)	(8 464
- T E investment Holding	Lease of premises and payments of expenses on behalf of the company	5	5	5	-	(4)	(9
- TE France	participation contract	2 732	-	-	2 141	(11 074)	(8 933
				4 699	2 165	(15 019)	(17 553



Notes To The Condensed Separate Interim Financial Statements
For The Three Months Ended March 31, 2015 (continued)

Translation from Arabic

29. RELATED PARTY TRANSACTIONS (continued)

29-2 Related party transactions with associates

Nature of transactions during the period	Amount of transactions during the period recorded in the income statement	Transaction volume during the period		Balance as of
		Debit	Credit	31/3/2015
				Debit/(Credit)
	<u>L.E. 000</u>	<u>L.E. 000</u>	<u>L.E. 000</u>	<u>L.E. 000</u>
	<u>L.E. 000</u>	<u>L.E. 000</u>	<u>L.E. 000</u>	<u>L.E. 000</u>
Outgoing calls and voice services to the associates company	292 026			(145 231)
Incoming and international calls, transmission premises and towers to the associates company	249 500	758 595	813 873	(200 509)
		<u>758 595</u>	<u>813 873</u>	<u>(145 231)</u>

Debit balances included in trade receivables

- Vodafone Egypt Telecommunications Company

Debit balances included in debit balances - long term

- Consortium Algerien de Telecommunications (CAT)*

Debit balances included in debtors and other debit balances

- International Telecommunication Consortium Limited (ITCL)**

Paid on behalf of associates to finance operating expenses	-	-	-	453 902	453 902
	<u>-</u>	<u>-</u>	<u>-</u>	<u>453 902</u>	<u>453 902</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>66</u>	<u>66</u>

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

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



30. CLAIMS AND LITIGATIONS

The Company's external legal advisor's opinion is that the following court cases and disputes are still under deliberation before the judicial and arbitral authorities, it is difficult to determine the obligation for any of the disputed parties only after the issuance of the final ruling.

30-1 INTERCONNECT AGREEMENT WITH MOBILE COMPANIES.

Telecom Egypt had filed a complaint before the Dispute Resolution Committee of the National Telecommunication Regulatory Authority (NTRA) requesting the application of interconnection rates with the mobile operators (Mobinil and Vodafone), for the implementation of the law's obligation and signed agreements between Telecom Egypt and each of Mobinil and Vodafone. On September 3, 2008 NTRA issued the first decision in favor of Telecom Egypt and the second on December 31, 2009 and amended on January 14, 2010, the mobile operators (Vodafone and Mobinil) had appealed on NTRA Decisions to the administration court these appeals are still under deliberation, On another Vodafone is still applying the interconnection rates mentioned in those agreements till the appeal is resolved, However, Mobinil company does not apply those interconnection rates, Telecom Egypt is not a part of the filed appeal against NTRA to repeal the previous mentioned Decisions.

On September 2009, Mobinil had filed the Arbitration Case no. 644/2009 year requesting the application of the interconnection rates mentioned in the signed agreements with Telecom Egypt as an objection to evade NTRA mentioned decisions claiming that Telecom Egypt made a contractual violations and as a compensation to resort to NTRA and not to conclude the services agreements related to the Transmission and International portals and the compensation of this violation.

On October 2009, Telecom Egypt had filed the Arbitration Case against Mobinil and filed the Arbitration Case no. 650/2009 against Vodafone, that's where Telecom Egypt's management believes that these two companies charged Telecom Egypt with rates exceeds the rates where these two companies are charging each other and this violates the article no.(13) of the interconnection agreement between Telecom Egypt and these two companies. On January 10, 2015, the arbitration court refused interpretation of the article no.(13) from the company's view against Vodafone, Mobinil arbitration case is still in process.

The company's legal advisor believes that the company's legal position is grounded on applying the interconnection rates same as other mobile operators, and in the light of the provisions Telecommunication law and Protection of Competition and Monopolistic Practices law.

According to the legal advisor's opinion the company recognizes revenues and costs related to the interconnection service with mobinil and vodafone according to the applicable decisions released by the NTRA till cancellation of the said decision or the dispute is resolved and the court and arbitaiaion cases are finalized.

The amount in dispute as per the company's record between Telecom Egypt and both company " Mobinil, Vodafone " in relation to the said dispute for the period from September 3, 2008 to the end of March 2015 is approximtely an amount of L.E. 903 000 K.



30-2 Other Claims

- The company has filed an arbitration case against an investee, in which the company owns 25%, claiming compensations for breach of obligations stipulated in a revenue sharing agreement concluded between the company and the investee and requesting the termination of the said agreement.
Also, the investee has filed a counter arbitration case against "Telecom egypt" Company claiming compensation for an alleged breach of obligations stipulated in the same agreement.
- The company has filed arbitration cases against the three prepaid cards companies which filed a counter case against Telecom Egypt. one of these cases has been resolved in favor of Telecom Egypt where the other two cases are still under inspection at Cairo Regional Center Commercial Arbitration.

31. COMPARATIVE FIGURES

Reclassification was made to comparative figures for some of cash flow items to conform to the current presentation.
