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Telecom Egypt Company
Condensed Consolidated Interim Financial Statements
Prepared in Accordance with IFRSs
For The Three Months Ended March 31, 2019
And Independent Auditor's Review Report

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Index

KPMG

Hazem Hassan
Public Accountants & Consultants

Pyramids Heights Office Park
Km 22 Cairo/Alex Road
P.O. Box 48 Al Ahram
Giza - Cairo - Egypt

Telephone : (202) 35 36 22 00 - 35 36 22 11
Telefax : (202) 35 36 23 01 - 35 36 23 05
E-mail : egypt@kpmg.com.eg
Postal Code : 12556 Al Ahram

Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Statements
To the Board of Directors of Telecom Egypt Company

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Telecom Egypt Company and its subsidiaries ("the Group") as at March 31, 2019, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three months period then ended, and notes to the interim financial statements ('the condensed consolidated interim financial statements') . Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements number 2410, "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A 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 consolidated interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements do not give a true and fair view of the financial position of the Group as at March 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the three months period then ended in accordance with IAS 34 "Interim Financial Reporting".

KPMG Hazem Hassan

KPMG Hazem Hassan
Cairo, Egypt

September 29, 2019

KPMG Hazem Hassan
Public Accountants and Consultants
(26)

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Telecom Egypt Company

Condensed consolidated statement of financial position

In thousands of Egyptian Pound	Note	31 March 2019	31 December 2018 Reclassified
Assets			
Property, plant and equipment	11	27 595 586	26 827 223
Intangible assets	12	11 207 100	10 824 133
Equity-accounted investees	13	9 159 937	13 396 524
Available-for-sale investments		79 811	79 811
Other financial assets		68 749	74 672
Deferred tax assets	22	388 798	239 160
Non-current assets		48 499 981	51 441 523
Inventories	14	1 812 201	1 766 009
Held-to-maturity investment (treasury bills)		118 958	105 488
Trade and other receivables	15	9 148 933	8 863 905
Cash and cash equivalents	16	1 416 483	1 101 087
Current assets		12 496 575	11 836 489
Total assets		60 996 556	63 278 012
Equity			
Share capital	17	17 070 716	17 070 716
Reserves	17	4 883 526	4 872 335
Retained earnings		10 688 786	9 766 290
Equity attributable to owners of the company		32 643 028	31 709 341
Non–controlling interests		10 065	14 967
Total equity		32 653 093	31 724 308
Liabilities			
Loans and credit facilities	19	539 745	550 168
Trade and other payables	20	5 022 848	3 667 798
Deferred revenue		354 815	371 930
Deferred tax liabilities	22	1 108 063	1 294 839
Non-current liabilities		7 025 471	5 884 735
Loans and credit facilities	19	9 115 740	13 303 507
Trade and other payables	20	9 813 013	10 098 460
Deferred revenue		1 370 051	471 354
Credit accounts due to associates		273 469	1 055 119
Provisions	21	745 719	740 529
Current liabilities		21 317 992	25 668 969
Total liabilities		28 343 463	31 553 704
Total equity and liabilities		60 996 556	63 278 012

Senior Director of Financial Affairs	Chief Financial Officer	Managing Director & Chief Executive Officer
Wael Hanafy	M. Shamroukh	
"Wael Hanafy"	"Mohamed Shamroukh"	"Adel Hamed"

Board of Directors approval

Chairman

M.O

"Maged Osman"

Independent auditor's review report " attached "

The notes on pages 6 to 26 are an integral part of these condensed consolidated interim financial statements.

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Telecom Egypt Company

Condensed consolidated statement of profit or loss and other comprehensive income

In thousands of Egyptian Pound	Note	For the three months ended 31 March 2019	2018 Reclassified
Continuing operations			
Revenue	5	**6 097 317**	4 782 072
Operating costs	6	**(3 686 918)**	(2 972 973)
Gross profit		**2 410 399**	1 809 099
Other income		**99 771**	64 153
Selling and distribution expenses	7	**(597 778)**	(526 728)
Administrative expenses	8	**(871 845)**	(564 478)
Reversal (Impairment loss) on trade and other receivables		**26 865**	(3 452)
Other expenses		**(12 158)**	(28 211)
Operating profit		**1 055 254**	750 383
Finance income		**477 732**	48 413
Finance costs		**(417 169)**	(336 294)
Net finance income (cost)	10	**60 563**	(287 881)
Share of profit of equity-accounted investees, net of tax		**617 554**	298 444
Profit before tax		**1 733 371**	760 946
Income tax		**(269 551)**	(182 427)
Profit		**1 463 820**	578 519
Other comprehensive income			
Foreign operations - foreign currency translation differences		**(55 309)**	(4 443)
Other comprehensive income , net of tax		**(55 309)**	(4 443)
Total comprehensive income		**1 408 511**	574 076
Profit attributable to:			
Owners of the company		**1 462 805**	576 947
Non - controlling interests		**1 015**	1 572
		1 463 820	578 519
Total comprehensive income attributable to:			
Owners of the company		**1 407 496**	572 504
Non - controlling interests		**1 015**	1 572
		1 408 511	574 076
Earning per share			
Basic earnings per share (LE)	18	0.86	0.34
Diluted earnings per share (LE)	18	0.86	0.34

The notes on pages 6 to 26 are an integral part of these condensed consolidated interim financial statements.

Telecom Egypt Company
Condensed consolidated statement of changes in equity
For the Period ended 31 March 2019

In thousands of Egyptian Pound	Note	Share capital	Legal reserve	Translation reserve	Other reserve	Retained Earnings	Total equity attributable to equity holders of the company	Non-controlling interest	Total equity
		Attributable to owners of the company							
balance as at 1 January 2018		17 070 716	1 845 776	189 443	2 796 578	7 702 020	29 604 533	11 695	29 616 228
Total comprehensive income									
Profit for the period		-	-	-	-	576 947	576 947	1 572	578 519
Other comprehensive income		-	-	(4 443)	-	-	(4 443)	-	(4 443)
Total comprehensive income		-	-	**(4 443)**	-	**576 947**	**572 504**	**1 572**	**574 076**
Transactions with shareholders the company									
Transferred to legal reserves		-	53 252	-	-	(53 252)	-	-	-
Dividends		-	-	-	-	(426 768)	(426 768)	(3 002)	(429 770)
Total transactions with shareholders of the company		-	**53 252**	-	-	**(480 020)**	**(426 768)**	**(3 002)**	**(429 770)**
Balance as at 31 March 2018 (Restated)		**17 070 716**	**1 899 028**	**185 000**	**2 796 578**	**7 798 947**	**29 750 269**	**10 265**	**29 760 534**
Balance at 31 December 2018 *		17 070 716	1 899 028	176 729	2 796 578	9 766 290	31 709 341	14 967	31 724 308
Impact of initial application of IFRS (16)	3	-	-	-	-	(47 041)	(47 041)	-	(47 041)
Restated balance at 1 January 2019		17 070 716	1 899 028	176 729	2 796 578	9 719 249	31 662 300	14 967	31 677 267
Total comprehensive income for the period									
Profit for the period		-	-	-	-	1 462 805	1 462 805	1 015	1 463 820
Other comprehensive income		-	-	(55 309)	-	-	(55 309)	-	(55 309)
Total comprehensive income		-	-	**(55 309)**	-	**1 462 805**	**1 407 496**	**1 015**	**1 408 511**
Transactions with shareholders of the company									
Transferred to legal reserves		-	66 500	-	-	(66 500)	-	-	-
Dividends		-	-	-	-	(426 768)	(426 768)	(5 917)	(432 685)
Total transactions with shareholders of the company		-	**66 500**	-	-	**(493 268)**	**(426 768)**	**(5 917)**	**(432 685)**
Balance as at 31 March 2019		**17 070 716**	**1 965 528**	**121 420**	**2 796 578**	**10 688 786**	**32 643 028**	**10 065**	**32 653 093**

* The Group has initaly applied IFRS 16 at 1 Janaury 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. See Note 3.

The notes on pages 6 to 26 are an integral part of these condensed consolidated interim financial statements.

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Telecom Egypt Company

Condensed consolidated statement of cash flows

In thousands of Egyptian Pound	Note	2019	2018 Restated
		For the three months ended 31 March	
Cash flows from operating activities			
Cash receipts from customers		**6 420 356**	5 055 730
Value added tax collected from customers		**114 194**	98 682
Stamp tax and fees collected (from third party)		**25 645**	22 663
Deposits collected from customers		**205**	237
Cash paid to suppliers		**(1 822 477)**	(769 167)
Payments of NTRA license fees		**(198 598)**	(249 961)
Dividends paid to employees and board of directors		**(15 955)**	(47 245)
Cash paid to employees and board of directors		**(1 518 639)**	(1 029 883)
Cash paid on behalf of employees to third party		**(262 220)**	(190 259)
Interest paid		**(300 976)**	(230 930)
Payments to Tax Authority - income tax		**(17 989)**	(22 243)
Payments to Tax Authority - value added tax		**(343 247)**	(543 415)
Payments to Tax Authority - other taxes		**(347 730)**	(294 772)
Cash paid to third parties for claims		-	(847 053)
Other proceeds		**244 698**	327 834
Net cash provided by operating activities		**1 977 267**	1 280 218
Cash flows from investing activities			
Payments for purchase of property, plant and equipment and intangible assets		**(2 109 727)**	(1 172 387)
Payments for purchase of intangible assets		**(703)**	(25 000)
Proceeds from sale of property, plant and equipment and intangible assets		**18**	3
Payments for retrieval of held -to- maturity investments - treasury bills		**(8 529)**	-
Interest received		**11 436**	10 465
Dividends collected from investments		**4 614 084**	12 323
Proceeds from sale available for sale investment		-	7
Proceeds from retrieval of held-to-maturity investment - treasury bills		-	11 490
Proceeds from securities (treasury bills - mutual fund)		**227**	164
Net cash provided by (used in) investing activities		**2 506 806**	(1 162 935)
Cash flows from financing activities			
Payments for loans and other facilities		**(4 172 495)**	(15 709)
Proceeds from loans and other facilities		**2 112**	480 336
Net cash (used in) provided by financing activities		**(4 170 383)**	464 627
Net change in cash and cash equivalents		**313 690**	581 910
Cash and cash equivalents at 1 January		**1 081 867**	637 395
Effect of movements in exchange rate on cash held		**(8 074)**	(3 710)
Cash and cash equivalents at 31 March	16	**1 387 483**	1 215 595

The notes on pages 6 to 26 are an integral part of these condensed consolidated interim financial statements.

1. Reporting entity

- 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 consolidated interim financial statements of the Company for the period ended March 31, 2019 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.
- 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.
  - Real estate investment for serving its purposes and executing its projects.
- 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 London Stock Exchange.

2. Basis of preparation

a. *Basis of accounting*

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2018 ('last annual financial statements'). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.
This is the first set of the Group's financial statements where IFRS 16 have been applied. Changes to significant accounting policies are described in Note 3.
These condensed consolidated interim financial statements were authorized for issuance by the Company's Board of Directors on September 29, 2019

b. *Use of judgements and estimates*

In preparing these condensed consolidated interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.
The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 16, which are described in note no. 3B (i).

c. ***Measurement of fair values***

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the group audit committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

d. ***Functional and presentation currency***

These condensed consolidated financial statements are presented in Egyptian Pound (LE), which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

3. Changes in significant accounting polices

Except as described below, the accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the last annual financial statements.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2019.

The Group has initially adopted IFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's financial statements"

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

A. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as

leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019
At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

B. As a lessee

The Group leases many assets, including properties,
As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases - i.e. these leases are on condensed consolidated statement of financial position-balance sheet. However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets (e.g. IT equipment). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.
. The carrying amounts of right-of-use assets are as below.

	Intangible assets (ROU)
In thousands of L.E	Property
Balance at 1 January 2019	496 576
Balance at 31 March 2019	543 623

The Group presents lease liabilities in 'trade and other payables' in the condensed consolidated statement of financial position.

i. Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is presented in investment property. The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's accounting policies.
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.
The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.
The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

ii. Transition

Previously, the Group classified property leases as operating leases under IAS 17. These include buildings and outlets. The leases typically run for a period of 10 years. Some leases include an option to renew the lease for an additional five years after the end of the non-cancellable period. Some leases provide for additional rent payments that are based on changes in local price indices.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

-their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application - the Group applied this approach to its largest property lease; or

-an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments - the Group applied this approach to all other leases.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

-Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.

-Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

-Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Group leases a number of items of technical equipment. These leases were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

C. As a lessor

The accounting policies applicable to the Group as a lessor are not different from those under IAS 17. However, when the Group is an intermediate lessor the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. However, the Group has applied IFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

D. Impacts on financial statements

i. Impacts on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets, and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarized below.

In thousands of L.E	1 January 2019
Right-of-use assets presented in intangible assets	496 576
Deferred tax asset	116 842
Deferred tax liabilities	(111 730)
Trade and other receivables	(29 431)
Lease liabilities	(519 298)
Retained earnings	(47 041)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted- average rate applied is 18% for Egyptian Pound (all the lease contracts are concluded in Egyptian Pound).

Thousands of L.E	1 January 2019
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	1 265 290
Discounted using the incremental borrowing rate at 1 January 2019	519 298
Lease liabilities recognised at 1 January 2019	519 298

ii. Impacts for the period

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised L.E. 543 623 K of right-of-use assets and L.E. 573 126 K of lease liabilities as at 31 March 2019.
Also in relation to those leases under IFRS 16, the Group has recognised amortization and interest costs, instead of operating lease expense. During the three months ended 31 March 2019, the Group recognised L.E. 19 777 K of amortization charges and L.E. 23 824 K of interest costs from these leases.

E. New and amended standards not effective and not yet adopted by the Group

At the date of the condensed consolidated financial information, the following other standards, amendments and Interpretations have not been effective and have not been early adopted by the Group:

New and amended standards not effective and not yet adopted by the Group	Effective date
Sale or Contribution of Assets between an Investor and its Associates or Joint Venture *(Amendments to IFRS 10 and IAS 28)*	Available for optional adoption/effective date deferred indefinitely
Amendments to References to Conceptual Framework in IFRS	1 January 2020
Definition of a Business *(Amendments to IFRS 3)*	1 January 2020
Definition of Material *(Amendments to IAS 1 and IAS 8)*	1 January 2020
IFRS 17 *Insurance contracts*	1 January 2021

Management anticipates that the application of the above amendments in future periods will have no material impact on the condensed consolidated interim financial information of the Group in the period of initial application.

4. **Segment reporting**

Operating activities related to the company is managed by operating segments at the group activates level as integrated activity, based on the nature of product and the service provided. The segment reporting is prepared according to services provided by activities as a group as follows:

- Communications, marine cables and infrastructure services.
- Internet services.
- Outsourcing services.

For the three months ended March 31,2019

Description	Communications, marine cables and infrastructure L.E. (000)	Internet L.E. (000)	Outsourcing L.E. (000)	All other L.E. (000)	Total L.E. (000)
Revenue	3 996 615	1 918 407	165 507	16 788	**6 097 317**
Operating costs	(3 289 219)	(322 453)	(58 073)	(17 173)	**(3 686 918)**
Gross profit	**707 396**	**1 595 954**	**107 434**	**(385)**	**2 410 399**
Credit interest	8 488	11 582	844	3 592	**24 506**
Debit interest and Finance cost	(414 933)	-	(1 165)	(1 071)	**(417 169)**
Depreciation and amortization	(757 219)	(48 241)	(8 160)	(601)	**(814 221)**
share of profit of equity-accounted investees, net of tax	-	-	-	617 554	**617 554**
Non cash items					
Reversal of impairment on financial assets	25 913	-	-	952	**26 865**
Provisions	-	(5 100)	(95)	-	**(5 195)**
Total assets	**58 027 281**	**2 223 359**	**394 530**	**351 386**	**60 996 556**
Total liabilities	**26 075 766**	**1 449 269**	**206 057**	**612 371**	**28 343 464**

For the three months ended March 31,2018

Description	Communications, marine cables and infrastructure L.E. (000)	Internet L.E. (000)	Outsourcing L.E. (000)	All other L.E. (000)	Total L.E. (000)
Revenue	3 076 622	1 538 887	138 139	28 424	**4 782 072**
Operating costs	(2 575 116)	(238 508)	(127 224)	(32 125)	**(2 972 973)**
Gross profit	**501 506**	**1 300 379**	**10 915**	**(3 701)**	**1 809 099**
Credit interest	7 307	11 978	1 143	3 667	**24 095**
Debit interest and Finance cost	(335 734)	-	-	(560)	**(336 294)**
Depreciation and amortization	(463 094)	(35 430)	(7 005)	(467)	**(505 996)**
share of profit of equity-accounted investees, net of tax	-	-	-	298 444	**298 444**
Non cash items					
Impairment loss on financial assets	-	(3 452)	-	-	**(3 452)**
Provisions	-	(5 591)	-	-	**(5 591)**
Total assets	**50 753 802**	**1 708 705**	**404 670**	**267 098**	**53 134 275**
Total liabilities	**21 714 960**	**1 075 525**	**176 038**	**407 218**	**23 373 741**

5. Revenues

In thousands of Egyptian Pound	For the three months ended 31 March	
	2019	2018
Home and personal communications	2 411 662	1 829 392
Enterprise	749 938	623 632
Domestic wholesale	1 309 187	879 916
International carrier	1 128 307	1 096 357
International cables and networks	498 223	352 775
	6 097 317	4 782 072

Revenues has increased by an amount of L.E. 1 315 245 K mainly due to the increase in home and personal communications revenues by an amount of L.E. 582 270 K due to the increase in revenues resulting from internet services, fixed line services and mobile phone services, in addition to the increase in domestic wholesale revenues by an amount of L.E 429 271 K, in addition to the increase in International cables and networks and Enterprise revenue and by an amount of L.E 145 448 K and 126 306 K respectively.

6. Operating costs

In thousands of Egyptian Pound	For the three months ended 31 March	
	2019	2018
Interconnection cost	1 133 768	1 014 894
Property, plant and equipment depreciation	596 591	420 657
Amortization of intangible assets	180 712	151 353
Salaries and wages	675 444	488 059
Company's social insurance contribution	78 951	55 782
Employee's compensated absence	13	1 353
Employees' share in profit	87 017	87 647
Frequencies and licenses	230 610	186 772
Other operating costs	703 812	566 456
	3 686 918	2 972 973

Operating costs have increased by an amount of L.E. 713 945 K mainly due to the following: -

- The increase of interconnection cost by an amount of L.E. 118 874 K which is mainly due to the increase in cost of national roaming fees, however the decrease in cost of international connection fees led to limitation of this increase.

- The increase in the depreciation and amortization item by an amount of L.E 205 293 K due to the additions of the last year after the first quarter and the current period.

- The increase in salaries and wages and equivalent item by an amount of L.E. 210 554 K due to the annual increase by 10 % from the basic salary starting from January 2019

- The increase in other operating costs item is mainly due to the increase of Fuel item by an amount of L.E 42 017 K and organizations service cost by an amount of L.E 31 242 K and Frequencies and licenses by an amount of L.E 43 838 K.

7. Selling and distribution expenses

In thousands of Egyptian Pound	For the three months ended 31 March 2019	2018
Salaries & wages	**214 705**	252 088
Company's social insurance contribution	**25 468**	26 770
Employees' compensated absence	**-**	960
Employees' share in profit	**27 661**	45 270
Property, plant & equipment depreciation	**1 574**	154
Amortization of intangible assets	**2 109**	9
Advertising and marketing	**199 530**	119 385
Other selling and distribution expenses	**126 731**	82 092
	597 778	526 728

The increase in selling and distribution expenses by an amount of L.E 71 050 K mainly due to the increase in advertising and marketing item by an amount of L.E 80 145 K and the increase in other selling and distribution expenses by an amount of L.E. 44 639 K due to the increase in both of tax and duties item by an amount of L.E 8 979 K and selling and distribution commissions item by an amount of L.E 9 652 K.

8. Administrative expenses

In thousands of Egyptian Pound	For the three months ended 31 March 2019	2018
Salaries & wages	**514 483**	341 334
Company's social insurance contribution	**41 467**	33 201
Employees' compensated absence	**4 300**	2 051
End of service benefits	**69 045**	-
Employees' & BOD share in profit	**69 022**	63 323
Property, plant & equipment depreciation	**32 657**	19 726
Amortization of intangible assets	**578**	18
Other administration expenses	**140 293**	104 825
	871 845	564 478

The increase in administrative expenses by an amount of L.E. 307 367 K is mainly due to increase in salaries and wages by an amount of L.E 181 415 K due to the annual increase by 10 % from the basic salary starting from January 2019 in addition to the increase in the company's contribution in loyalty and belonging fund item by an amount of L.E 69 045 K and the increase in other administrative expenses by an amount of L.E 35 468 K due to the increase in organizations services costs by an amount of L.E 21 617 K.

9. EMPLOYEES' BENEFITS

9-1 Early retirement scheme (Telecom Egypt)

The Company applies an optional early retirement scheme under which a compensation is paid to employees who desired and meet the requirements to end their service before the legal age of retirement, therefore the company's Board of Directors decided in its meeting which have been held on March 24, 2019 to approve the application of the optional early retirement scheme for the employees of the company before the legal age of retirement. Also on June 9, 2019, internal instructions were issued under no. (8) to determine the mechanism of applying the optional early retirement scheme by specifying the conditions of enrollment in the scheme and the benefits offered to the employees of the company, enrollment application to be submitted during the period from June 9, 2019 till July 9, 2019 according to the following:

First: The important conditions of the optional early retirement

-The subscription duration in social insurance not less than Twenty years:

-Approval of the company's manpower planning committee of the company according to the requirement of work and the company has the right to reject any application.

-The subscription application submitted by the employee is final and not repealed at the expiration of seven days from the date of its submission.

Second: The important benefits of the optional early retirement

-Payment of compensation for the remaining period, which represents the total of the remaining salaries including periodic increment up to the legal age of retirement calculated at present value by a specified discount rate.

-Payment of compensation instead of the loyalty and belonging grant of 100 months on the basic salary on 1/1/2015 with an increase of 5% per annum.

-Payment of compensation for unused leaves in accordance with the regulations in force.

-Payment of an amount of 1500 per month for three years or until the age of sixty whichever is the earliest.

-Enjoying medical insurance system for employees and their families for three years or until the age of sixty whichever is the earliest.

-Enjoying the benefit of telecommunication services for employees for three years or until the age of sixty whichever is the earliest.

The company's manpower planning committee considers the applications for early retirement submitted by employees to enroll in the system to determine the extent to which those applications meet the conditions and whether the company needs the applicant employee or not, the said committee has completed the study of most of the applications submitted by the employees of the company, and based on its recommendations and after obtaining all the necessary approvals. During June 2019, a number of administrative orders have been issued for the end of the service of employees whose meet the requirements of the above scheme, Accordingly, an amount of L.E. 1 004 Million Egyptian Pounds was charged to the condensed consolidated statement of profit or loss and other comprehensive income during the second quarter of 2019 representing the liabilities that the company will bear as a result of the application of the optional early retirement up to the end of June 2019. Currently, the said committee is completing the study of the remaining applications submitted to it by the employees of the company, issuing its recommendations and preparing the final reports of the results of its work in order to determine all the liabilities that the company will bear as a result of the application of the optional early retirement scheme.

9-2 End of service benefits (the company's contribution in loyalty and belonging fund)

The employees are granted an end of service benefits through a Loyalty & belonging Fund established in January 2004. Employees' benefit are based on the employees' basic salary in January 1, 2012 increasing annually at a compound rate of 5%. The subscription for employees hired after January 1, 2012, is calculated according to a subscription schedule for new hires and increase annually at a compound rate of 5% annually starting from the next year from the hiring date with the same conditions of annual raise of employees.

The employees share in loyalty & belonging fund according to constant subscription are based on the same employees' basic salary where the end of service benefit calculated. The company's share represents annual defined contribution and the company had contributed by an amount of L.E 69 045 K for the period ended in March 31, 2019 (Nil for the same period of 2018) stated in the general and administrative expenses.

10. Net finance income (cost)

In thousands of Egyptian Pound	For the three months ended 31 March	
	2019	2018 Reclassified
Total finance income	477 732	48 413
Total finance costs *	(417 169)	(336 294)
Net finance income (cost)	**60 563**	(287 881)

The increase in net finance income by an amount of L.E 348 444 K during the period is mainly due to the increase in translation profits of foreign currencies balances and transaction by an amount of L.E 433 097 K, however the increase in interest expense by an amount of L.E 78 991 K led to limitation of this increase.

* Reclassification was made on comparative figures as shown in Note no (28-2).

11. Property, plant and equipment

Description	31/3/2019 Cost L.E.(000)	31/3/2018 Cost L.E.(000)	31/3/2019 Accumulated depreciation L.E.(000)	31/3/2018 Accumulated depreciation L.E.(000)	31/3/2019 Net L.E.(000)	31/3/2018 Net L.E.(000)	31/12/2018 Net L.E.(000)
Land,Buildings & Infrastructure	31 252 586	27 497 341	15 688 003	14 771 708	15 564 583	12 725 633	14 242 933
Technical equipments & information technologies	28 578 322	25 568 857	21 552 207	20 270 966	7 026 115	5 297 891	6 921 764
Vehicles	187 732	190 719	150 569	149 762	37 163	40 957	37 594
Office furniture & fixtures	1 016 679	930 585	810 516	730 374	206 163	200 211	206 277
Tools & supplies	143 578	131 540	86 409	75 654	57 169	55 886	59 675
Under construction	4 704 393	2 868 697	-	-	4 704 393	2 868 697	5 358 980
Total	**65 883 290**	**57 187 739**	**38 287 704**	**35 998 464**	**27 595 586**	**21 189 275**	**26 827 223**

- The increase in net carrying value of Property, plant and equipment by an amount of L.E. 6 406 311 K due to the increase in landing, buildings & infrastructure item and technical equipments & information technologies & fixtures on trunk radio network item by an amount of L.E. 2 831 836 K and L.E. 1 735 338 K respectively, and the increase in under construction item by an amount of L.E. 1 835 696 K.
- The cost of Property, plant and equipment as of March 31, 2019 includes an amount of L.E. 23 156 million fully depreciated Property, plant and equipment and still in use.

12. Intangible assets

	31/3/2019 L.E. (000)	31/12/2018 L.E. (000)	31/3/2018 L.E. (000)
Cost			
Fourth geneation network license	8 633 330	8 633 330	8 633 330
Submarine Cables (right of way)	2 400 805	2 407 087	1 853 468
Right of Use (ROU)	720 546	720 332	152 078
License (internet service - programs)	79 312	79 379	79 346
Land (possession-usufruct)	440 684	440 684	440 684
Under construction	74 506	70 776	-
Lease ROU	621 834	-	-
	12 971 017	12 351 588	11 158 906
Less:			
Accumulated amortization and impairment	1 763 917	1 527 455	937 658
Net intangible assets	**11 207 100**	**10 824 133**	**10 221 248**

- The increase in net carrying value of intangible assets mainly due to the increase in submarine cables (right of way) item by an amount of L.E. 547 337 K and the increase in right of use (ROU) item by an amount of L.E. 568 468 K and the increase in lease ROU item by an amount of L.E. 621 834 K as a result of the adoption of IFRS 16 "Leases".
- Intangible assets cost includes at March 31, 2019 an amount of L.E. 175 million, fully amortized intangible assets and still in use.

13. Equity-accounted investees

In thousands of Egyptian Pound	Ownership		Carrying amount	
	31 March 2019	**31 December 2018**	**31 March 2019**	**31 December 2018**
Wataneya for Telecommunication	**50.00%**	50.00%	-	-
International Telecommunication Consortium Limited. (ITCL)	**50.00%**	50.00%	-	-
Vodafone Egypt. (SAE)*	**44.95%**	44.95%	9 159 790	13 396 377
Egypt Trust	**35.71%**	35.71%	-	-
Consortium Algérien de Télé – communications (CAT)	**33.00%**	33.00%	-	-
Payments for investments purchase				
Egypt Trust**			147	147
Total			9 159 937	13 396 524

- Investment in Wataneya for Telecommunication amounted to LE 125 K is fully impaired.
- Investment in International Telecommunication Consortium Limited (ITCL) amounted to LE 54 K is fully impaired.
- Investment in Egypt Trust amounted to LE 7 500 k is fully impaired.
- Investment in Consortium Algerien de Telecommunications (CAT) amounted to LE 133 K is shown a nil balance as the Company sustained losses that exceed the investment's carrying amount.

* Investment in Vodafone – Egypt

The investments in Vodafone Egypt on March 31, 2019 represents the ownership of 107 869 799 shares with a percentage of 44.95% from the total shares of Vodafone Egypt.

The financial year of Vodafone Egypt ends on March 31 of each year and the equity method was applied in recognizing the investment in Vodafone Egypt during preparing the Condensed Consolidated Interim Financial Statements as of March 31, 2019 by using the consolidated financial data of Vodafone Egypt for the financial year ended in March 31, 2019 which presents the 12 months from the 1st of April 2018 till March 31, 2019, deduct the movements of the period from April 1, 2018 till December 31, 2018 from the interim financial data of Vodafone Egypt as of December 31, 2018, to determine the share of financial period from January 1 to March 31, 2019 of business results.

** Egypt Trust

The balance is represented in Subscription of the remaining 25% of the company's share in Egypt Trust capital after deduction the company's share in the associates accumulated losses, the commercial registration related to in process.

14. Inventories

In thousands of Egyptian Pound	31 March 2019	31 December 2018
Spare parts	**818 702**	754 080
Merchandise for sale telecommunication equipment and computers	**446 644**	385 586
Project cables and supplies	**406 610**	482 239
Others	**140 245**	144 104
	1 812 201	1 766 009

The value of inventories was written down by L.E. 19 074 K (against LE 19 215 K as at December 31, 2018) for obsolete and slow-moving items directly from the cost of each type of inventory.

15. Trade and other receivables

In thousands of Egyptian Pound	31 March 2019	31 December 2018 Reclassified
Trade receivables - National	**1 918 780**	2 182 172
Trade receivables - International	**2 488 610**	2 403 805
Notes Receivable	**1 512**	505
Other trade and notes receivable	**4 408 902**	4 586 482
suppliers- debit balances	**1 477 260**	439 761
Deposits with others	**258 806**	254 891
Due from ministries & organizations and companies and franchises *	**423 004**	920 859
Payments on the account of corporate tax	**45 442**	45 963
Tax authority - withholding tax	**357 569**	224 581
Tax authority - value added tax	**1 558 232**	1 910 067
Other receivables	**619 718**	481 301
Other receivables and pre-payments	**4 740 031**	4 277 423
	9 148 933	8 863 905

Trade and other receivables have increased by an amount of L.E. 285 028 K mainly due to the increase in suppliers- debit balances item by an amount of L.E. 1 037 499 K and the decrease in due from ministries & organizations and companies and franchise item by an amount of L.E. 497 855 K and the decrease in Tax authority – value added tax by an amount of L.E. 351 835 K which led to the limitation of this increase.

* Reclassification was made on comparative figures as shown in Note no (28-1).

16. Cash and cash equivalents

In thousands of Egyptian Pound	Note	31 March 2019	31 December 2018 Reclassified	31 March 2018 Reclassified
Bank balances		**788 723**	255 027	244 505
Time deposits (less than 3 months)		**226 723**	376 656	686 336
Cash on hand *		**233 543**	219 144	194 660
Treasury bills (less than 3 months)		**51 805**	135 063	36 776
Money market funds (less than 3 months)		**115 689**	115 197	79 695
Cash and cash equivalents		**1 416 483**	1 101 087	1 241 972
Restricted Cash	24	**(29 000)**	(19 220)	(26 377)
Cash and cash equivalents in the statement of cash flows		**1 387 483**	1 081 867	1 215 595

* Reclassification was made on comparative figures as shown in Note no (28-1).

17. Capital and reserves

Share capital

The Company's issued and fully paid up capital amounted to LE 17 070 716 K represented in 1 707 071 600 shares of par value LE 10.

In December 2005, the share capital ownership became as follows; 80% the Egyptian Government and 20% private investors.

The holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Company, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

18. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at March 31, 2019 based on the profit attributable to owners of the company of L.E. 1 462 805 K (March 31, 2018: L.E. 576 947 K) and a number of ordinary shares outstanding during the period ended March 31, 2019 of 1 707 071 600 (March 31, 2018:1 707 071 600), calculated as follows:

In thousands of Egyptian Pound	For the period ended 31 March 2019	2018
Profit for the period	**1 463 820**	578 519
Profit attributable to owners of the company	**1 462 805**	576 947

Number of ordinary shares In thousands	2019	2018
Issued ordinary shares at 1 January	**1 707 072**	1 707 072
Number of ordinary shares at 31 March	**1 707 072**	1 707 072
Basic earnings per share (L.E./share)	**0.86**	0.34
Diluted earnings per share (L.E./share)	**0.86**	0.34

19. Loans and credit facilities

- The decrease in the balance of loans and credit facilities by an amount of L.E. 4 198 190 K is mainly resulting from payments of loans and credit facilities from banks with local and foreign currencies amounted to L.E. 4 172 495 K where loans and credit facilities with local and foreign currencies in March, 31 2019 amounted to L.E. 9 655 485 K (against LE 13 853 675 K at 31 December, 2018).

- On October 18, 2018, Telecom Egypt has signed a USD 500 Million medium – term syndicated loan, which will be used to support its capital and operational expenditure, and refinance an existing short – term facility. First Abu Dhabi Bank PJSC (FAB) and Mashreq Bank NPSC (Mashreq) were mandated as joint Book runners and mandated lead arrangers of the facility. FAB is the facility agent for the transaction and Mashreq Bank is the designated Account Bank, the company didn't use any amount from the said loan yet.

20. Trade and other payables

In thousands of Egyptian Pound	31 March 2019	31 December 2018
Local suppliers	**1 103 709**	1 149 074
Notes payable	**45 884**	18 975
Accrued expenses	**773 015**	898 184
Assets creditors	**7 338 271**	8 114 940
Due to organizations and companies	**311 782**	532 003
Trade payables	**9 572 661**	10 713 176
Tax Authority - income tax	**625 995**	312 890
Tax Authority (taxes other than income tax)	**743 488**	638 569
Deposits from others	**462 634**	458 930
Customers advances	**571 959**	404 313
Dividends payable	**437 688**	3 442
Due to National Telecommuincation Reguletary Authority (NTRA)	**544 610**	384 843
Lease liabilities	**573 126**	-
Other credit balances	**1 303 700**	850 095
Other payables	**5 263 200**	3 053 082
	14 835 861	13 766 258
Non current	**5 022 848**	3 667 798
Current	**9 813 013**	10 098 460
	14 835 861	13 766 258

Trade and other payables have increased by an amount of L.E. 1 069 603 K mainly due to the increase in both of dividends payable item by an amount of L.E. 434 246 K due to 2018 dividends according to General Assembly decree on March 27, 2019 and Tax Authority – income tax by an amount of L.E. 313 105 K and the increase in lease liabilities by an amount of L.E. 573 126 K in addition to the increase in customers advances item by an amount of L.E. 167 646 K and other credit balances by an amount of L.E. 453 605 K, however the decrease in assets creditors item by an amount of L.E. 776 669 K led to the limitation of this increase.

21. Provisions

In thousands of Egyptian Pound	31 March 2019 Provision for liabilities	31 March 2018 Provision for liabilities, Claims	31 December 2018 Provision for liabilities, Claims
Balance at 1 January	**740 529**	1 829 848	1 829 960
Reclassification	**-**	-	811
Provisions formed	**5 195**	5 591	102 083
Provisions used	**-**	(1 112 892)	(1 192 320)
Translation differences	**(5)**	-	(5)
Balance at end of the period	**745 719**	722 547	740 529

* As at March 31, 2019 provisions are mainly related to taxes, liabilities, lawsuits, and compensation in respect of agreements concluded with others.

22. Deferred tax

Recognized deferred tax assets and liabilities

	31/3/2019		31/12/2018	
	Assets L.E.(000)	Liabilities L.E.(000)	Assets L.E.(000)	Liabilities L.E.(000)
Total deferred tax asset / (liability)	388 798	(1 108 063)	239 160	(1 294 839)
Net deferred tax liability	-	(719 265)	-	(1 055 679)
Deferred tax charged to income statement for the period / year	336 414			(688 507)

Unrecognized deferred tax assets

	31/3/2019 L.E.(000)	31/12/2018 L.E.(000)
Unrecognized deferred tax assets	527 399	554 303

Deferred tax assets have not been recognized in respect of the above items because there is no reasonable certainty concerning the company's ability to use the benefits in the future from these assets.

23. Capital commitments

The group's capital commitments for the unexecuted parts of contracts up to March 31, 2019 amounted to L.E 4 350 Million (against L.E. 3 206 Million up to December 31, 2018).

24. Contingencies

In addition to the amounts included in the condensed consolidated statement of financial position as of March 31, 2019, the company has the following contingent liabilities:

In thousands of Egyptian Pounds	31 March 2019	31 December 2018
Letters of guarantee issued by banks on behalf of the Group	1 285 604	913 002
Letters of credit	1 672 904	1 357 440

- letters of guarantee which were issued by banks at March 31, 2019 include letters of guarantee have been issued against restricted cash and cash equivalents at banks.

25. TAX POSITION (Telecom Egypt Company)

25-1 Corporate tax

- Tax inspection was performed for the years till December 31, 2015 and all due taxes were settled.
- Tax inspection for the year 2016, 2017 is in process.
- Tax returns were submitted according to the income tax law and all taxes were paid during the legal dates.

25- 2 Value added Tax /Sales

Tax inspection for the years 2010 untill 2015 was performed and the tax differences were settled and the company didn't pay the additional tax, lawsuit was raised regarding it.

- Tax returns were submitted according to the value added tax law and the accrued taxes were paid.

25- 3 Salary Tax

- Tax inspection was performed for the years till December 31 ,2014, and the Company was notified with tax differences and all due taxes were settled and the company objected on disputed item and follow up the matter.
- Tax inspection for the year 2015 is in process.

25- 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 with assessment basis, the company objected and apealed on the disputed items on the due dates and the provisions were formed to meet any tax liabilities that may arise.
- Tax inspection for the period from January 1, 2001 till July 31, 2006 was performed for certain sectors of the company and taxes due were settled. Tax inspection for the remaining sectors is currently being undertaken for the same period.
- Tax inspection for period from August 1, 2006 to December 31, 2009 was performed and due taxes were settled and the disputed item has been transferred to the internal committe .
- Tax inspection for the years from 2010 to 2014 was performed and the disputed items were settled except for the relative stamp on salaries and wages which have been transfered to the Appeal Committee.
- Tax inspection for the years 2015 and 2016 is in process.

25- 5 Real Estate Tax

- All taxes are paid according to the tax forms received by the company. The company's Legal Department follows up the disputes according to the real estate tax law.
- Tax returns were submitted according to the new real estate tax law on the due dates.

Provisions were formed to meet any tax liabilities that may arise from the tax inspection.

26. Related parties

Identity of related parties

The Group has a relationship with its associate Vodafone Egypt and Consortium Algerian de Telecommunications (CAT).

Transaction with Associates

During the financial period ended March 31, 2019, fixed to mobile interconnection, audio text fees and sale of products and services in favor of Vodafone Egypt LE 431 911 K. Lease of company's premises and towers in favor of the group, transmission and international calls and telecommunication services amounted to L.E. 131 772 K and the balance due to Vodafone Egypt at March 31, 2019 amounted to LE 273 469 K.

27. Group entities

TE direct and indirect share in subsidiaries companies on March 31, 2019 which were included in the condensed consolidated interim financial statements is as follows:

Company name:	Country of incorporation	Ownership interest 31/3/2019	Ownership interest 31/12/2018
Telecom Egypt France	France	100.00 %	100.00 %
WE Data	Egypt	100.00 %	100.00 %
T.E Data Jordan	Jordan	100.00 %	100.00 %
TE Investment Holding	Egypt	100.00 %	100.00 %
The Egyptian Telecommunication Company for Information Systems (Xceed)	Egypt	100.00 %	100.00 %
Xceed Customer Care Maroc	Morocco	100.00 %	100.00 %
Centra Technologies	Egypt	100.00 %	100.00 %
Centra Industries	Egypt	100.00 %	100.00 %
Telecom Egypt Globe	Singabore	100.00 %	100.00 %
Egyptian international submarine cables company (Eiscc)*	Egypt	100.00 %	100.00 %
Middle East and North Africa Submarine Cable Company (MENA CABLE)	Egypt	100.00 %	100.00 %
Mena Company For Submarine Cable Company (MENA CABLE ITALY)	Italy	100.00 %	100.00 %
Centra Distribution	Egypt	99.99 %	99.99 %
Middle East Radio Communication (MERC)	Egypt	51.00 %	51.00 %

* During year 2018, Telecom Egypt Group has acquired the rest of the shares of the Egyptian International Submarine Cables Company (EISCC) which represent 50% by an amount of USD 15 Million the necessary legal procedures which related to this acquisition of that company were finalized and Telecom Egypt announced the acquisition of Middle East and North Africa Submarine Cable "MENA Cable" from Orascom Investment Holding "OIH" through its subsidiary Egyptian International Submarine Cable Company "EISCC". The total enterprise value of MENA Cable is USD 90 Million of which USD 40 Million represents the equity value and the remaining amount USD 50 Million represents its outstanding debt, the deal was financed by a loan granted by the company to the said subsidiary with an amount of USD 90 Million at annual interest rate libor, in addition to profit margin which will be paid within one year from the date of obtaining the loan at most and the loan was compeletly paid during 2018.

28. Comparative figures

- Reclassification was made to some of the comparative figuers of the condensed consolidated statement of financial position, condensed consolidated statement of profit or loss and other comprehensive income and condensed consolidated statement of cash flows to conform to the current presentation of the condensed consolidated interim financial statements.
- The following is the effect of reclassification on the condensed consolidated interim financial statements:

28.1 Effect on the condensed consolidated statement of financial position

	31/12/2018 as previously reported debit / (credit) LE(000)	Reclassification debit / (credit) LE(000)	31/12/2018 Reclassified debit / (credit) LE(000)
Trade and other receivables	9 072 217	(208 312)	8 863 905
Cash and cash equivalents	892 775	208 312	1 101 087

28.2 Effect on the condensed consolidated statement of profit or loss and other comprehensive income

	For the three months ended 31/3/2018 as previously reported debit / (credit) LE(000)	Reclassification debit / (credit) LE(000)	For the three months ended 31/3/2018 Reclassified debit / (credit) LE(000)
Reversal (Impairment loss) on trade and other receivables	-	(3 452)	(3 452)
Finance costs	(339 746)	3 452	(336 294)

28.3 Effect on the condensed consolidated statement of Cash Flows

	For the three months ended 31/3/2018	Restatement	For the three months ended 31/3/2018
Cash flows from operating activities	as previously reported LE(000)	LE(000)	Restated LE(000)
Dividends paid to employees and Board of Directors	(47 265)	20	(47 245)
Cash paid to employees and Board of Directors	(1 029 863)	(20)	(1 029 883)
Other proceeds	400 697	(72 863)	327 834

29. Business Combination

29.1 Acquisition of non- controlling interest (NCI) in subsidiary- "Egyptian International Submarine Cables Company- EISCC"

According to the Board of Directors decision on September 30, 2018 which approved the acquisition of non-controlling interest (NCI) (New Kimit Media For Announcing and Advertising) which represent 50% from total share of The Egyptian International Submarine Cables Company (EISCC) by an amount of USD 15 Million which equivalent to amount L.E 267 455 K.

The net of assets and liabilities of the Egyptian International Submarine Cables Company and also the result of acquisition process are stated as follows:

	30/9/2018 LE(000)
Net assets (L.E 250 K * 50%)	125
Consideration paid to NCI	(267 455)
The decrease in equity attributable to shareholders of the company	(267 330)

29.2 Acquisition on subsidiary- "Middle East and North Africa Submarine Cables Company-"MENA"

According to the Board of Directors decision on May 9, 2018 Telecom Egypt announces the conclusion of the acquisition of 100% of Middle East and North Africa Submarine cable "MENA Cable" through its subsidiary Egyptian International

Submarine Cable Company "EISCC". By an amount of USD 90 Million of which USD 40 Million represents the equity and USD 50 Million represent MENA Cable outstanding debt.

The company determined the primary study for consolidation related to the acquisition of "MENA" company using provisional value on July 31, 2018 till complete the study of PPA (Purchase Price Allocation) to determine the fair value for the acquired assets and liabilities including the intangible assets on the acquisition date. The recognition of the adjustments related to the provisional value for the assets and liabilities will be within 12 months according to Egyptian Accounting Standard no. (29) "Business Combination".

The net of assets and liabilities of Middle East and North Africa Submarine Cable "MENA Cable" company as of acquisition date are shown as follows:

	31/7/2018 LE(000)
Assets	
Property, plant and equipment	1 215 660
Project in progress	43 008
Intangible assets	733 004
Total assets	**1 991 672**
Total liabilities	**(1 267 789)**
Net assets	**723 883**
Company's share of net assets 100%	**723 883**