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Telecom Egypt Company
Condensed Consolidated Interim Financial Statements
Prepared in Accordance with IFRSs
For The Six Months Ended June 30, 2019
And Independent Auditor's Review Report

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KPMG

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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 June 30, 2019, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six 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 June 30, 2019, and of its consolidated financial performance and its consolidated cash flows for the six 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
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Telecom Egypt Company
Condensed consolidated statement of financial position

In thousands of Egyptian Pound	Note	30 June 2019	31 December 2018 Reclassified
Assets			
Property, plant and equipment	11	**29 187 609**	26 827 223
Intangible assets	12	**11 036 000**	10 824 133
Equity-accounted investees	13	**9 599 955**	13 396 524
Available-for-sale investments		**79 811**	79 811
Other financial assets		**64 691**	74 672
Deferred tax assets	22	**393 309**	239 160
Non-current assets		**50 361 375**	51 441 523
Inventories	14	**1 859 607**	1 766 009
Held-to-maturity investment (treasury bills)		**-**	105 488
Trade and other receivables	15	**9 991 539**	8 863 905
Cash and cash equivalents	16	**1 522 458**	1 101 087
Current assets		**13 373 604**	11 836 489
Total assets		**63 734 979**	63 278 012
Equity			
Share capital	17	**17 070 716**	17 070 716
Reserves	17	**4 826 953**	4 872 335
Retained earnings		**10 945 451**	9 766 290
Equity attributable to owners of the company		**32 843 120**	31 709 341
Non–controlling interests		**11 323**	14 967
Total equity		**32 854 443**	31 724 308
Liabilities			
Loans and credit facilities	19	**5 759 902**	550 168
Trade and other payables	20	**5 033 130**	3 667 798
Deferred revenue		**336 504**	371 930
Deferred tax liabilities	22	**1 222 502**	1 294 839
Non-current liabilities		**12 352 038**	5 884 735
Loans and credit facilities	19	**5 920 605**	13 303 507
Trade and other payables	20	**10 007 423**	10 098 460
Deferred revenue		**1 242 387**	471 354
Credit accounts due to associates		**582 616**	1 055 119
Provisions	21	**775 467**	740 529
Current liabilities		**18 528 498**	25 668 969
Total liabilities		**30 880 536**	31 553 704
Total equity and liabilities		**63 734 979**	63 278 012

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

Board of Directors approval **Chairman**

"Maged Osman"

M. O

Independent auditor's review report " attached "

The notes on pages 6 to 25 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 six months ended 30 June 2019	2018	For the three months ended 30 June 2019	2018
Continuing operations					
Revenue	5	12 694 846	10 220 070	6 597 529	5 437 998
Operating costs	6	(7 835 369)	(6 111 050)	(4 148 451)	(3 138 077)
Gross profit		4 859 477	4 109 020	2 449 078	2 299 921
Other income		172 117	189 230	72 346	125 077
Selling and distribution expenses	7	(1 526 310)	(1 196 824)	(928 532)	(670 096)
Administrative expenses	8	(2 623 266)	(1 133 201)	(1 751 421)	(568 723)
Other expenses		(109 988)	(47 520)	(97 830)	(19 309)
Reversal (Impairment loss) on trade and other receivables		20 655	(5 696)	(6 210)	(2 244)
Operating profit		792 685	1 915 009	(262 569)	1 164 626
Finance income		956 783	110 798	479 051	62 385
Finance costs		(714 850)	(667 567)	(297 681)	(331 273)
Net finance income (cost)	10	241 933	(556 769)	181 370	(268 888)
Share of profit of equity-accounted investees, net of tax		1 084 540	874 649	466 986	576 205
Profit before tax		2 119 158	2 232 889	385 787	1 471 943
Income tax		(397 415)	(463 647)	(127 864)	(281 220)
Profit		1 721 743	1 769 242	257 923	1 190 723
Other comprehensive income					
Foreign operations - foreign currency translation differences		(111 882)	(13 495)	(56 573)	(9 052)
Other comprehensive income , net of tax		(111 882)	(13 495)	(56 573)	(9 052)
Total comprehensive income		1 609 861	1 755 747	201 350	1 181 671
Profit attributable to:					
Owners of the company		1 719 470	1 765 236	256 665	1 188 289
Non - controlling interests		2 273	4 006	1 258	2 434
		1 721 743	1 769 242	257 923	1 190 723
Total comprehensive income attributable to:					
Owners of the company		1 607 588	1 751 741	200 092	1 179 237
Non - controlling interests		2 273	4 006	1 258	2 434
		1 609 861	1 755 747	201 350	1 181 671
Earning per share					
Basic earnings per share (LE)	18	1.01	1.03	0.15	0.70
Diluted earnings per share (LE)	18	1.01	1.03	0.15	0.70

The notes on pages 6 to 25 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 30 June 2019

In thousands of Egyptian Pound	Note	Attributable to owners of the company						Non-controlling interest	Total equity
		Share capital	Legal reserve	Translation reserve	Other reserve	Retained Earnings	Total equity attributable to equity holders 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		-	-	-	-	1 765 236	1 765 236	4 006	1 769 242
Other comprehensive income		-	-	(13 495)	-	-	(13 495)	-	(13 495)
Total comprehensive income		-	-	**(13 495)**	-	**1 765 236**	**1 751 741**	**4 006**	**1 755 747**
Transactions with shareholders the company									
Restatements on retained earnings in associates		-	-	-	-	4 495	4 495	-	4 495
Transferred to reserves		-	53 252	-	-	(53 252)	-	-	-
Dividends		-	-	-	-	(426 768)	(426 768)	(3 002)	(429 770)
Acqustion of non-controlling interest in subsidairies		-	-	-	-	-	-	125	125
Total transactions with shareholders of the company		-	**53 252**	-	-	**(475 525)**	**(422 273)**	**(2 877)**	**(425 150)**
Balance as at 30 June 2018		**17 070 716**	**1 899 028**	**175 948**	**2 796 578**	**8 991 731**	**30 934 001**	**12 824**	**30 946 825**
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		-	-	-	-	1 719 470	1 719 470	2 273	1 721 743
Other comprehensive income		-	-	(111 882)	-	-	(111 882)	-	(111 882)
Total comprehensive income		-	-	**(111 882)**	-	**1 719 470**	**1 607 588**	**2 273**	**1 609 861**
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 30 June 2019		**17 070 716**	**1 965 528**	**64 847**	**2 796 578**	**10 945 451**	**32 843 120**	**11 323**	**32 854 443**

* 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 25 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	For the six months ended 30 June 2019	2018 Restated
Cash flows from operating activities			
Cash receipts from customers		10 962 779	10 035 993
Value added tax collected from customers		243 803	194 811
Stamp tax and fees collected (from third party)		29 314	26 537
Deposits collected from customers		1 848	524
Cash paid to suppliers		(3 501 510)	(2 144 736)
Payments of NTRA license fees		(521 633)	(600 625)
Dividends paid to employees and board of directors		(37 652)	(384 050)
Cash paid to employees and board of directors		(2 787 127)	(2 124 753)
Cash paid on behalf of employees to third party		(525 456)	(388 161)
Interest paid		(428 000)	(449 569)
Payments to Tax Authority - income tax		(79 050)	(242 826)
Payments to Tax Authority - value added tax		(891 623)	(1 189 303)
Payments to Tax Authority - other taxes		(848 736)	(546 223)
Provision Used		(148)	-
Cash paid to third parties for claims		-	(919 278)
Other proceeds		107 298	370 143
Net cash provided by operating activities		**1 724 107**	1 638 484
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(3 465 414)	(2 918 038)
Payments for purchase of intangible assets		(48 998)	(73 307)
Proceeds from sale of property, plant and equipment and intangible assets		39	24
Payments for retrieval of held -to- maturity investments - treasury bills		(8 529)	(100 023)
Interest received		29 833	24 540
Dividends collected from investments		4 614 589	14 831
Proceeds from sale available for sale investment		-	7
Proceeds from retrieval of held-to-maturity investment - treasury bills		108 957	111 513
Proceeds from securities (treasury bills - mutual fund)		10 036	9 862
Net cash provided by (used in) investing activities		**1 240 513**	(2 930 591)
Cash flows from financing activities			
Payments for loans and other facilities		(9 522 029)	(35 017)
Proceeds from loans and other facilities		7 408 680	2 003 475
Dividends paid to shareholders		(432 683)	(429 927)
Net cash (used in) provided by financing activities		**(2 546 032)**	1 538 531
Net change in cash and cash equivalents		**418 588**	246 424
Cash and cash equivalents at 1 January		1 081 867	637 395
Effect of movements in exchange rate on cash held		(8 665)	(3 701)
Cash and cash equivalents at 30 June	16	**1 491 790**	880 118

The notes on pages 6 to 25 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 June 30, 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 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 categorised 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 recognises 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 recognizes 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 recognize right-of-use assets and lease liabilities for some leases of low-value assets (e.g. IT equipment). The Group recognizes 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 30 June 2019	536 062

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

i. Significant accounting policies

The Group recognizes 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 recognized.

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 recognize 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 recognized additional right-of-use assets, and additional lease liabilities, recognizing 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. 536 062 K of right-of-use assets and L.E. 544 378 K of lease liabilities as at 30 June 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 30 June 2019, the Group recognised L.E. 41 300 K of amortization charges and L.E. 47 449 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 six months ended June 30,2019

Description	Communications, marine cables and infrastructure	Internet	Outsourcing	All other	Total
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Revenue	8 215 633	4 064 715	353 996	60 502	**12 694 846**
Operating costs	(6 735 244)	(466 460)	(576 040)	(57 625)	**(7 835 369)**
Gross profit	**1 480 389**	**3 598 255**	**(222 044)**	**2 877**	**4 859 477**
Credit interest	17 489	21 144	1 426	8 557	**48 616**
Debit interest and Finance cost	(710 414)	-	(2 320)	(2 116)	**(714 850)**
Depreciation and amortization	(1 461 771)	(78 979)	(16 596)	(1 199)	**(1 558 545)**
share of profit of equity-accounted investees, net of tax	-	-	-	1 084 540	**1 084 540**
Non cash items					
Reversal of impairment on financial assets	19 632	-	-	1 023	**20 655**
Provisions	(24 796)	(10 200)	(95)	-	**(35 091)**
Total assets	**60 265 655**	**2 617 603**	**452 879**	**397 842**	**63 733 979**
Total liabilities	**28 595 408**	**1 477 406**	**210 485**	**597 237**	**30 880 536**

For the six months ended June 30,2018

Description	Communications, marine cables and infrastructure	Internet	Outsourcing	All other	Total
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Revenue	6 740 438	3 110 242	293 034	76 356	**10 220 070**
Operating costs	(5 325 333)	(454 929)	(259 956)	(70 832)	**(6 111 050)**
Gross profit	**1 415 105**	**2 655 313**	**33 078**	**5 524**	**4 109 020**
Credit interest	17 673	19 857	1 744	8 822	**48 096**
Debit interest and Finance cost	(666 475)	-	-	(1 092)	**(667 567)**
Depreciation and amortization	(1 145 762)	(71 067)	(14 852)	(936)	**(1 232 617)**
share of profit of equity-accounted investees, net of tax	-	-	-	874 649	**874 649**
Non cash items					
Impairment loss on financial assets	-	(5 696)	-	-	**(5 696)**
Provisions	4 436	(10 700)	-	-	**(6 264)**
Total assets	**51 368 691**	**1 678 119**	**355 012**	**250 965**	**53 652 787**
Total liabilities	**21 279 928**	**1 014 568**	**164 940**	**246 526**	**22 705 962**

5. Revenues

In thousands of Egyptian Pound	For the six months ended 30 June		For the three monthes ended 30 June	
	2019	2018	2019	2018
Home and personal communications	**4 938 912**	3 859 910	**2 527 250**	2 030 518
Enterprise	**1 600 936**	1 212 065	**850 998**	588 433
Domestic wholesale	**2 249 934**	1 965 016	**940 747**	1 085 100
International carrier	**2 269 736**	2 236 002	**1 141 429**	1 139 645
International cables and networks	**1 635 328**	947 077	**1 137 105**	594 302
	12 694 846	10 220 070	**6 597 529**	5 437 998

Revenues has increased by an amount of L.E. 2 474 776 K mainly due to the increase in home and personal communications revenues by an amount of L.E. 1 079 002 K due to the increase in revenues resulting from internet services, fixed line services and mobile phone services, in addition to the increase in International cables and networks and Enterprise revenue by an amount of L.E 688 251 K and 388 871 K respectively in addition to the increase in domestic wholesale revenues by an amount of L.E 284 918 K.

6. Operating costs

In thousands of Egyptian Pound	For the six months ended 30 June		For the three months ended 30 June	
	2019	2018	2019	2018
Interconnection cost	**2 357 528**	2 093 490	**1 223 760**	1 078 596
Property, plant and equipment depreciation	**1 137 562**	893 345	**540 971**	472 688
Amortization of intangible assets	**361 851**	300 024	**181 139**	148 671
Salaries and wages	**1 298 538**	961 319	**623 094**	473 260
Company's social insurance contribution	**156 801**	111 392	**77 850**	55 610
Employee's compensated absence	**3 867**	2 706	**3 854**	1 353
Employees' share in profit	**195 725**	167 691	**108 708**	80 044
Frequencies and licenses	**467 899**	369 128	**237 289**	182 356
Other operating costs	**1 855 598**	1 211 955	**1 151 786**	645 499
	7 835 369	6 111 050	**4 148 451**	3 138 077

Operating costs have increased by an amount of L.E. 1 724 319 K mainly due to the following: -

- The increase of interconnection cost by an amount of L.E. 264 038 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. 306 044 K due to the additions of the last year after the first half and the current period.

- The increase in salaries and wages and equivalent items by an amount of L.E. 382 628 K due to the annual increase by 10 % from the basic salary starting from January 2019

- The increase in other operating costs item by an amount of L.E. 643 643 K is mainly due to the increase of Right of use (IRU) outside Egypt by an amount of L.E. 223 050 K and organizations service cost by an amount of L.E. 151 991 K and Fuel item by an amount of L.E. 74 332 K.

7. Selling and distribution expenses

In thousands of Egyptian Pound	For the six months ended 30 June		For the three months ended 30 June	
	2019	2018	2019	2018
Salaries & wages	563 361	492 164	348 656	240 076
Company's social insurance contribution	53 822	53 289	28 354	26 519
Employees' compensated absence	1 547	1 920	1 547	960
Employees' share in profit	84 914	85 852	57 253	40 582
Property, plant & equipment depreciation	3 348	281	1 774	127
Amortization of intangible assets	4 589	18	2 480	9
Advertising and marketing	487 573	314 600	288 043	195 215
Other selling and distribution expenses	327 156	248 700	200 425	166 608
	1 526 310	1 196 824	928 532	670 096

The increase in selling and distribution expenses by an amount of L.E 329 486 K mainly due to the increase in advertising and marketing item by an amount of L.E 172 973 K and the increase in salaries and wages and equivalent items by an amount of L.E 71 730 K and the increase in other selling and distribution expenses by an amount of L.E. 78 456 K mainly due to the increase in tax and duties item by an amount of L.E 40 436 K.

8. Administrative expenses

In thousands of Egyptian Pound	Note.	For the six months ended 30 June		For the three months ended 30 June	
		2019	2018	2019	2018
Salaries & wages		904 088	682 300	389 605	340 966
Company's social insurance contribution		83 288	66 321	41 821	33 120
Employees' compensated absence		3 186	4 101	(1 114)	2 050
Early retirement compensations	(9-1)	1 004 252	-	1 004 252	-
End of service benefits		138 090	-	69 045	-
Employees' & BOD share in profit		141 757	122 869	72 735	59 546
Property, plant & equipment depreciation		50 279	38 914	17 622	19 188
Amortization of intangible assets		916	35	338	17
Other administration expenses		297 410	218 661	157 117	113 836
		2 623 266	1 133 201	1 751 421	568 723

The increase in administrative expenses by an amount of L.E. 1 490 065 K is mainly due to the increase in early retirement compensations item by an amount of L.E 1 004 252 K and salaries and wages and equivalent items by an amount of L.E 238 755 K due to the annual increase by 10 % from the basic salary starting from January 2019 and the increase in other administrative expenses by an amount of L.E 78 749 K due to the increase in Takaful contribution expense by an amount of L.E 41 137 K and organizations services costs by an amount of L.E 15 201 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. 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 for the period representing the liabilities that the company will bear as a result of the application of the optional early retirement scheme and was included in general and administrative expenses. 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 138 090 K for the period ended in June 30, 2019 (Nil for the same period of 2018) stated in the general and administrative expenses.

10. Net finance income (cost)

	For the six months ended 30 June		For the three months ended 30 June	
In thousands of Egyptian Pound	2019	2018	2019	2018
Finance income	956 783	110 798	479 051	62 385
Finance costs	(714 850)	(667 567)	(297 681)	(331 273)
Net finance income (cost)	**241 933**	(556 769)	**181 370**	(268 888)

The increase in net finance income by an amount of L.E 798 702 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 849 490 K, however the increase in interest expense by an amount of L.E 45 113 K led to limitation of this increase.

11. Property, plant and equipment

Description	30/6/2019 Cost L.E.(000)	30/6/2018 Cost L.E.(000)	30/6/2019 Accumulated depreciation L.E.(000)	30/6/2018 Accumulated depreciation L.E.(000)	30/6/2019 Net L.E.(000)	30/6/2018 Net L.E.(000)	31/12/2018 Net L.E.(000)
Land,Buildings & Infrastructure	31 487 741	27 853 368	15 882 297	14 897 798	15 605 444	12 955 570	14 242 933
Technical equipments & information technologies	28 533 312	26 512 911	21 475 482	20 563 208	7 057 830	5 949 703	6 921 764
Vehicles	198 563	190 362	151 838	150 804	46 725	39 558	37 594
Office furniture & fixtures	1 049 948	940 854	827 759	746 876	222 189	193 978	206 277
Tools & supplies	143 268	134 510	89 431	78 179	53 837	56 331	59 675
Under construction	6 201 584	2 581 560	-	-	6 201 584	2 581 560	5 358 980
Total	**67 614 416**	**58 213 565**	**38 426 807**	**36 436 865**	**29 187 609**	**21 776 700**	**26 827 223**

- The increase in net carrying value of Property, plant and equipment by an amount of L.E. 7 410 909 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. 2 649 874 K and L.E 1 108 127 K respectively, and the increase in under construction item by an amount of L.E 3 620 024 K.
- The cost of Property, plant and equipment as of June 30, 2019 includes an amount of L.E. 23 380 million fully depreciated Property, plant and equipment and still in use.

12. Intangible assets

	30/6/2019 L.E. (000)	31/12/2018 L.E. (000)	30/6/2018 L.E. (000)
Cost			
Fourth geneation network license	8 633 330	8 633 330	8 633 330
Submarine Cables (right of way)	2 391 490	2 407 087	1 880 558
Right of Use (ROU)	718 686	720 332	152 172
License (internet service - programs)	79 226	79 379	79 379
Land (possession-usufruct)	440 684	440 684	440 684
Under construction	78 920	70 776	-
Lease ROU	635 796	-	-
	12 978 132	12 351 588	11 186 123
Less:			
Accumulated amortization and impairment	1 942 132	1 527 455	1 086 416
Net intangible assets	**11 036 000**	**10 824 133**	**10 099 707**

- 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 510 932 K and the increase in right of use (ROU) item by an amount of L.E. 566 514 K and the increase in lease ROU item by an amount of L.E 635 796 K as a result of the adoption of IFRS 16 "Leases".
- Intangible assets cost includes at June 30, 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	
	30 June 2019	**31 December 2018**	**30 June 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%	9 599 803	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**	-	-	152	147
Total			9 599 955	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 June 30, 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 June 30, 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, and add the movement from April 1,2019 till June 30,2019 from interim financial data of Vodafone Egypt as of June 30,2019 to determine the share of financial period from January 1 to June 30, 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	30 June 2019	31 December 2018
Spare parts	**893 793**	754 080
Merchandise for sale telecommunication equipment and computers	**454 537**	385 586
Project cables and supplies	**330 445**	482 239
Others	**180 832**	144 104
	1 859 607	1 766 009

The value of inventories was written down by L.E. 19 062 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	30 June 2019	31 December 2018 Reclassified
Trade receivables - National	**2 660 533**	2 182 172
Trade receivables - International	**2 469 516**	2 403 805
Notes Receivable	**4 209**	505
Other trade and notes receivable	**5 134 258**	4 586 482
suppliers- debit balances	**1 594 052**	439 761
Deposits with others	**256 867**	254 891
Due from ministries & organizations and companies and franchises *	**490 469**	920 859
Payments on the account of corporate tax	**53 668**	45 963
Tax authority - withholding tax	**402 142**	224 581
Tax authority - value added tax	**1 377 852**	1 910 067
Other receivables	**682 231**	481 301
Other receivables and pre-payments	**4 857 281**	4 277 423
	9 991 539	8 863 905

Trade and other receivables have increased by an amount of L.E. 1 127 634 K mainly due to the increase in suppliers- debit balances item by an amount of L.E. 1 154 291 K and Trade receivables – National item by an amount of L.E. 478 361 K however the decrease in due from ministries & organizations and companies and franchise item by an amount of L.E. 430 390 K and the decrease in Tax authority – value added tax by an amount of L.E. 532 215 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	30 June 2019	31 December 2018 Reclassified	30 June 2018 Reclassified
Bank balances		801 939	255 027	335 392
Time deposits (less than 3 months)		194 278	376 656	226 154
Cash on hand		282 886	219 144	137 378
Treasury bills (less than 3 months)		135 699	135 063	49 097
Money market funds (less than 3 months)		107 656	115 197	148 946
Cash and cash equivalents		1 522 458	1 101 087	896 967
Restricted Cash	24	(30 668)	(19 220)	(16 849)
Cash and cash equivalents in the statement of cash flows		1 491 790	1 081 867	880 118

* 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 June 30, 2019 based on the profit attributable to owners of the company of L.E. 1 719 470 K (June 30, 2018: L.E 1 765 236 K) and a number of ordinary shares outstanding during the period ended June 30, 2019 of 1 707 071 600 (June 30, 2018:1 707 071 600), calculated as follows:

In thousands of Egyptian Pound	For the period ended 30 June 2019	2018
Profit for the period	1 721 743	1 769 242
Profit attributable to owners of the company	1 719 470	1 765 236

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 30 June	1 707 072	1 707 072
Basic earnings per share (L.E./share)	1.01	1.03
Diluted earnings per share (L.E./share)	1.01	1.03

19. Loans and credit facilities

- The decrease in the balance of loans and credit facilities by an amount of L.E. 2 173 168 K is mainly resulting from payments of loans and credit facilities from banks with local and foreign currencies amounted to L.E. 9 522 029 K, however the company obtained a foreign loan by the balance at June 30, 2019 USD 405 474 K equivalent to amount of L.E. 6 771 411 K which led to limitation of this decrease where loans and credit facilities with local and foreign currencies in June 30, 2019 amounted to L.E. 11 680 507 K (against LE. 13 853 675 K at December 31, 2018).

20. Trade and other payables

In thousands of Egyptian Pound	30 June 2019	31 December 2018
Local suppliers	1 214 585	1 149 074
Notes payable	17 615	18 975
Accrued expenses	825 536	898 184
Assets creditors	7 619 525	8 114 940
Due to organizations and companies	340 762	532 003
Trade payables	10 018 023	10 713 176
Tax Authority - income tax	374 516	312 890
Tax Authority (taxes other than income tax)	688 655	638 569
Deposits from others	476 801	458 930
Customers advances	571 683	404 313
Dividends payable	3 513	3 442
Liabilities of early retirement scheme	1 004 252	-
Due to National Telecommuincation Reguletary Authority (NTRA)	388 057	384 843
Lease liabilities	544 378	-
Other credit balances	970 675	850 095
Other payables	5 022 530	3 053 082
	15 040 553	13 766 258
Non current	5 033 130	3 667 798
Current	10 007 423	10 098 460
	15 040 553	13 766 258

Trade and other payables have increased by an amount of L.E. 1 274 295 K mainly due to the increase in Liabilities of early retirement scheme item by an amount of L.E. 1 004 252 K and lease liabilities item by an amount of L.E. 544 378 K and customers advances item by an amount of L.E. 167 370 K, however the decrease in assets creditors item by an amount of L.E. 495 415 K and due to organizations and companies item by an amount of L.E. 191 241 K led to the limitation of this increase.

21. Provisions

In thousands of Egyptian Pound	30 June 2019 Provision for liabilities	31 December 2018 Provision for liabilities, Claims	30 June 2018 Provision for liabilities, Claims
Balance at 1 January	740 529	1 829 960	1 829 848
Reclassification	-	811	793
Provisions formed	35 091	102 083	6 264
Provisions used	(148)	(1 192 320)	(1 185 119)
Translation differences	(5)	(5)	-
Balance at end of the period	775 467	740 529	651 786

* As at June 30, 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

	30/6/2019		31/12/2018	
	Assets	Liabilities	Assets	Liabilities
	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)
Total deferred tax asset / (liability)	393 309	(1 222 502)	239 160	(1 294 839)
Net deferred tax liability	-	(829 193)	-	(1 055 679)
Deferred tax charged to income statement for the period / year	**226 486**			**(688 507)**

Unrecognized deferred tax assets

	30/6/2019	31/12/2018
	L.E.(000)	L.E.(000)
Unrecognized deferred tax assets	527 627	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 June 30, 2019 amounted to L.E 4 351 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 June 30, 2019, the company has the following contingent liabilities:

In thousands of Egyptian Pounds	30 June 2019	31 December 2018
Letters of guarantee issued by banks on behalf of the Group	1 219 586	913 002
Letters of credit	2 989 660	1 357 440

- letters of guarantee which were issued by banks at June 30, 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 June 30, 2019, fixed to mobile interconnection, audio text fees and sale of products and services in favor of Vodafone Egypt LE 877 367 K. Lease of company's premises and towers in favor of the group, transmission and international calls and telecommunication services amounted to L.E. 630 671 K and the balance due to Vodafone Egypt at June 30, 2019 amounted to LE 582 616 K.

27. Group entities

TE direct and indirect share in subsidiaries companies on June 30, 2019 which were included in the condensed consolidated interim financial statements is as follows:

Company name:	Country of incorporation	Ownership interest 30/6/2019	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 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 Cash Flows

Cash flows from operating activities	For the three months ended 30/6/2018 as previously reported LE(000)	Restatement LE(000)	For the three months ended 30/6/2018 Restated LE(000)
Dividends paid to employees and Board of Directors	(600 034)	215 984	(384 050)
Cash paid to employees and Board of Directors	(1 908 769)	(215 984)	(2 124 753)
Other proceeds	426 438	(56 295)	370 143

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**