

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Condensed Consolidated Interim Financial Statements
For The Six Months Ended June 30, 2019
And Limited Review Report

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Translation from Arabic

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

Introduction

We have performed a limited review on the accompanying condensed consolidated statement of financial position of Telecom Egypt Company "an Egyptian joint stock company" as at June 30, 2019 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with Egyptian Accounting Standard number (30) "Interim Financial Reporting". Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our limited review.

Scope of Limited Review

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

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of the company as at June 30, 2019 and of its consolidated financial performance and its consolidated cash flows for the six months then ended in accordance with Egyptian Accounting Standard number (30) "Interim Financial Reporting".

KPMG Hazem Hassan

**KPMG Hazem Hassan
Public Accountants & Consultants**

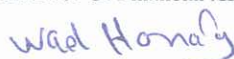
Cairo, August 7, 2019

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Condensed Consolidated Statement of Financial Position as of:

	Note No.	30/6/2019 <u>L.E. (000)</u>	31/12/2018 <u>Restated L.E. (000)</u>
Assets			
<u>Non Current Assets</u>			
Fixed assets	(11)	23 019 109	21 534 490
Projects in progress	(12)	6 280 504	5 429 756
Investments in associates	(13)	9 692 752	13 452 011
Available-for-sale investments		79 811	79 811
Long-term balances (prepaid expense)		64 691	74 672
Other assets	(14)	10 421 018	10 753 357
Deferred tax assets	(24-1)	270 824	239 160
Total Non Current Assets		<u>49 828 709</u>	<u>51 563 257</u>
<u>Current Assets</u>			
Inventories	(15)	1 859 607	1 766 009
Trade and notes receivable	(16)	4 994 190	4 378 759
Debtors and other debit balances	(17)	5 346 370	4 992 342
Held-to-maturity investments-treasury bills		-	105 488
Cash and cash equivalents	(18)	1 522 458	1 101 087
Total Current Assets		<u>13 722 625</u>	<u>12 343 685</u>
Total Assets		<u>63 551 334</u>	<u>63 906 942</u>
<u>Equity</u>			
Capital	(22)	17 070 716	17 070 716
Reserves	(23)	4 762 106	4 695 606
Retained earnings		11 431 299	10 529 562
Foreign entities translation reserve		64 847	176 729
Equity attributable to shareholders of the company		<u>33 328 968</u>	<u>32 472 613</u>
Non - controlling interest		<u>11 743</u>	<u>15 820</u>
Total Equity		<u>33 340 711</u>	<u>32 488 433</u>
<u>Non Current Liabilities</u>			
Loans and credit facilities	(19)	5 759 902	550 168
Creditors and other credit balances	(20)	4 941 341	4 039 728
Deferred tax liabilities	(24-1)	1 107 748	1 244 893
Total non current Liabilities		<u>11 808 991</u>	<u>5 834 789</u>
<u>Current Liabilities</u>			
Loans and credit facilities installments due within one year	(19)	5 920 605	13 303 507
Creditors and other credit balances	(20)	11 122 944	10 484 565
Accrued credit accounts due to associates	(28)	582 616	1 055 119
Provisions	(21)	775 467	740 529
Total Current Liabilities		<u>18 401 632</u>	<u>25 583 720</u>
Total Liabilities		<u>30 210 623</u>	<u>31 418 509</u>
Total Equity and Liabilities		<u>63 551 334</u>	<u>63 906 942</u>

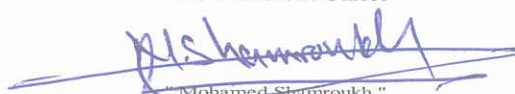
The accompanying notes on pages (7) to (29) are an integral part of these Condensed Consolidated Interim Financial Statements.

Senior Director Of Financial Affairs



" Wael Hanafy "

Chief Financial Officer



"Mohamed Shamroukh "

Managing Director
Chief Executive Officer



"Adel Hamed"

Board of Directors approval

Chairman



"Maged Osman"

Limited Review Report "attached"

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

	Note	<u>For the six months ended</u>		<u>For the three months ended</u>	
		30/6/2019	30/6/2018	30/6/2019	30/6/2018
		<u>No.</u>	<u>Restated</u>		<u>Restated</u>
		<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Operating revenues	(3)	12 695 853	10 124 612	6 608 992	5 342 540
Operating costs	(4)	(7 683 556)	(5 947 691)	(4 061 836)	(3 060 199)
Gross Profit		5 012 297	4 176 921	2 547 156	2 282 341
Other operating income		172 117	189 230	72 346	125 077
Selling and distribution expenses	(5)	(1 443 483)	(1 110 972)	(872 739)	(629 514)
General and administrative expenses	(6)	(2 482 069)	(1 010 342)	(1 679 086)	(509 182)
Other operating expenses		(109 988)	(47 520)	(97 830)	(19 309)
Operating profit (loss)		1 148 874	2 197 317	(30 153)	1 249 413
Finance income	(7)	977 438	110 798	472 841	62 385
Finance cost	(7)	(667 401)	(673 263)	(274 056)	(333 517)
Net finance income (cost)	(7)	310 037	(562 465)	198 785	(271 132)
Share of profit of equity accounted investees	(8)	1 124 997	873 751	477 778	586 991
Net profit for the period before tax		2 583 908	2 508 603	646 410	1 565 272
Income tax expense		(619 016)	(186 316)	(20 516)	(58 802)
Deferred tax	(24-1)	168 809	(260 555)	(108 852)	(220 291)
Total income tax		(450 207)	(446 871)	(129 368)	(279 093)
Net profit for the period		2 133 701	2 061 732	517 042	1 286 179
Profit attributable to :					
Shareholders of the company		2 130 996	2 057 500	515 568	1 283 632
Non-controlling interest		2 705	4 232	1 474	2 547
Net profit for the period		2 133 701	2 061 732	517 042	1 286 179
Basic and diluted earning per share for the period (L.E. / Share)	(10)	1.25	1.21	0.30	0.75

The accompanying notes on pages (7) to (29) are an integral part of these Condensed Consolidated Interim Financial Statements.

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Condensed Consolidated Statement of Comprehensive Income

	<u>For the six months ended</u>		<u>For the three months ended</u>	
	30/6/2019	30/6/2018	30/6/2019	30/6/2018
		<u>Restated</u>		<u>Restated</u>
	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Net profit for the period	2 133 701	2 061 732	517 042	1 286 179
<u>Other Comprehensive Income items :</u>				
Translation differences of foreign entities	(111 882)	(13 495)	(56 573)	(9 052)
Total Comprehensive Income	<u>2 021 819</u>	<u>2 048 237</u>	<u>460 469</u>	<u>1 277 127</u>
Attributable to :				
Shareholders of the company	2 019 114	2 044 005	458 995	1 274 580
Non-controlling interest	2 705	4 232	1 474	2 547
Total Comprehensive Income	<u>2 021 819</u>	<u>2 048 237</u>	<u>460 469</u>	<u>1 277 127</u>

The accompanying notes on pages (7) to (29) are an integral part of these Condensed Consolidated Interim Financial Statements.

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Condensed Consolidated Statement of Changes in Equity
For The Six Months Ended June 30, 2019

	Capital	Legal reserve	Other reserves	Retained earnings	Foreign entities translation reserve	Total of equity attributable to shareholders of the company	Non-controlling interest	Total
	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Balance as of January 1, 2018 (Restated)	17 070 716	1 845 776	2 796 578	8 575 146	189 443	30 477 659	12 135	30 489 794
Comprehensive Income								
Net profit for the period (Restated)	-	-	-	2 057 500	-	2 057 500	4 232	2 061 732
Translation differences of foreign entities	-	-	-	-	(13 495)	(13 495)	-	(13 495)
Total Comprehensive Income (Restated)	-	-	-	2 057 500	(13 495)	2 044 005	4 232	2 048 237
Transactions with shareholders								
Transferred to legal reserve	-	53 252	-	(53 252)	-	-	-	-
Acquisition of non controlling interest in subsidiaries	-	-	-	-	-	-	125	125
Dividends for year 2017 (shareholders)	-	-	-	(426 768)	-	(426 768)	(3 002)	(429 770)
Dividends for year 2017 (Employees & Board of Directors)	-	-	-	(720 224)	-	(720 224)	(451)	(720 675)
Dividends in associates (Employees & Board of Directors)	-	-	-	(49 890)	-	(49 890)	-	(49 890)
Restatements on retained earnings in associates	-	-	-	4 495	-	4 495	-	4 495
Total transactions with shareholders	-	53 252	-	(1 245 639)	-	(1 192 387)	(3 328)	(1 195 715)
Balance as of June 30, 2018 (Restated)	17 070 716	1 899 028	2 796 578	9 387 007	175 948	31 329 277	13 039	31 342 316
Balance as of January 1, 2019 (Restated)	17 070 716	1 899 028	2 796 578	10 529 562	176 729	32 472 613	15 820	32 488 433
Comprehensive Income								
Net profit for the period	-	-	-	2 130 996	-	2 130 996	2 705	2 133 701
Translation differences of foreign entities	-	-	-	-	(111 882)	(111 882)	-	(111 882)
Total Comprehensive Income	-	-	-	2 130 996	(111 882)	2 019 114	2 705	2 021 819
Transactions with shareholders								
Transferred to legal reserve	-	66 500	-	(66 500)	-	-	-	-
Dividends for year 2018 (shareholders)	-	-	-	(426 768)	-	(426 768)	(5 917)	(432 685)
Dividends for year 2018 (Employees & Board of Directors)	-	-	-	(732 844)	-	(732 844)	(865)	(733 709)
Dividends in associates (Employees & Board of Directors)	-	-	-	(3 147)	-	(3 147)	-	(3 147)
Total transactions with shareholders	-	66 500	-	(1 229 259)	-	(1 162 759)	(6 782)	(1 169 541)
Balance as of June 30, 2019	17 070 716	1 965 528	2 796 578	11 431 299	64 847	33 328 968	11 743	33 340 711

The accompanying notes on page from (7) to (29) are an integral part of these Condensed Consolidated Interim Financial Statements.

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

	Note	For the six months ended:	
		30/6/2019	30/6/2018
		<u>Restated</u>	<u>Restated</u>
	No.	L.E. (000)	L.E. (000)
<u>Cash flows from operating activities:-</u>			
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 returned 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)
Cash provided by operating activities		3 864 366	4 615 540
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)
Provisions 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
<u>Cash flows from investing activities:-</u>			
Payments for purchase of fixed assets, other assets and projects in progress		(3 465 414)	(2 918 038)
Payments for purchase of other assets		(48 998)	(73 307)
Proceeds from sales of fixed assets and other assets		39	24
Payments for retrieval of held-to-maturity investment - 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)
<u>Cash flows from financing activities:-</u>			
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 during the period		418 588	246 424
Translation differences of foreign entities		(8 665)	(3 701)
Cash and cash equivalents at the beginning of the period	(18)	1 081 867	637 395
Cash and cash equivalents at the end of the period	(18)	1 491 790	880 118

The accompanying notes on pages from (7) to (29) are an integral part of these Condensed Consolidated Interim Financial Statements.

Telecom Egypt Company
(An Egyptian Joint Stock Company)

Notes to the Condensed Consolidated Interim Financial Statements
For The Six Months Ended June 30, 2019

1. BACKGROUND

1-1 Legal Entity

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

1-2 Purpose of the company

The main purpose of the company represents in the following:

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

1-3 Issuance of Condensed Consolidated Interim Financial Statements

These Condensed Consolidated Interim Financial Statements were approved by the Board of Directors for issuance on August 7, 2019.

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

2-1 Statement of compliance

- These Condensed Consolidated Interim Financial Statements as of June 30, 2019 have been prepared in accordance with Egyptian Accounting Standard No.30 "Interim Financial Reporting" accordingly it is condensed comparative view to the annual consolidated financial statements for the company, and in the light of applicable Egyptian laws and regulations related to.
- These Condensed Consolidated Interim Financial Statements don't include all the required information needed for preparing the full annual financial statements and must be read with the consolidated annual financial statements of the company as of December 31, 2018

2-2 Basis of measurement

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

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

2-3 Functional and presentation currency

These Condensed Consolidated Interim Financial Statements are presented in Egyptian pound (L.E.), All financial information presented in "L.E." has been rounded to the nearest thousand unless otherwise stated.

2-4 Use of estimates

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

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

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

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

2-5 Fair value measurement

- The fair value of financial instruments is determined based on the market value of the financial instrument or similar financial instruments at the date of the condensed consolidated interim financial statements without deducting any estimated future selling costs. The financial assets values are determined with the current purchase prices; however, the financial liabilities values are determined with the current prices that could settle these liabilities.

-In case there is no active market to determine the fair value of the financial instruments, the fair value is estimated using different valuation techniques taking into consideration the prices of the latest transactions, and use the current fair value of the similar financial instruments as guideline – the discounted cash flows technique or any other valuation methods that results reliable values.

-When the discounted cash flows is used as a valuation technique, the future cash flows are estimated based on the management best estimate. The discount rate used is determined in line with the market rate at the date of the financial statements for the similar financial instruments in nature and conditions.

2-6 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.

3. OPERATING REVENUES

	<u>For the six months ended</u>		<u>For the three months ended</u>	
	<u>30/6/2019</u>	<u>30/6/2018</u>	<u>30/6/2019</u>	<u>30/6/2018</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Home and personal communications	4 939 919	3 764 452	2 538 713	1 935 060
Enterprise	1 600 936	1 212 065	850 998	628 616
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	554 119
Total operating revenues	12 695 853	10 124 612	6 608 992	5 342 540

Total operating revenues have increased by an amount of L.E. 2 571 241 K mainly due to the increase in home and personal communications revenues by an amount of L.E. 1 175 467 K due to the increase in revenues resulting from internet services, fixed line services and mobile phone services and the increase in International cables and networks revenue by an amount of L.E. 688 251 K in addition to the increase in both of Enterprise revenue by an amount of L.E. 388 871 K and domestic wholesale by an amount of L.E. 284 918 K due to the increase in access service revenue, infrastructure revenue.

4. OPERATING COSTS

	<u>For the six months ended</u>		<u>For the three months ended</u>	
	<u>30/6/2019</u>	<u>30/6/2018</u>	<u>30/6/2019</u>	<u>30/6/2018</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Interconnection cost	2 357 528	2 093 490	1 223 760	1 078 596
Depreciation and amortization	1 496 645	1 197 701	719 833	623 525
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
Frequencies and licenses charges (NTRA)	467 899	369 128	237 289	182 356
Other operating costs	1 906 145	1 214 661	1 180 010	646 852
	7 683 556	5 947 691	4 061 836	3 060 199

Operating costs have increased by an amount of L.E. 1 735 865 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 and international connection fees.
- The increase of salaries and wages and equivalent cost to 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 the depreciation and amortization item by an amount of L.E. 298 944 K due to the additions of the last year after the first half and the current period.
- The increase in Frequencies and licenses charges (National Telecom Regulatory Authority) by an amount of L.E. 98 771 K.
- The increase in other operating costs item by an amount of L.E. 691 484 K is mainly due to the increase in organizations services costs item by an amount of L.E. 151 991 K, right of use (IRU) outside Egypt item by an amount of L.E. 223 050 K, rents item by an amount of L.E. 73 501 K, fuel and power item by an amount of L.E. 74 332 K and merchandise for sale cost by an amount of L.E. 51 799 K.

5. SELLING AND DISTRIBUTION EXPENSES

	<u>For the six months ended</u>		<u>For the three months ended</u>	
	<u>30/6/2019</u>	<u>30/6/2018</u>	<u>30/6/2019</u>	<u>30/6/2018</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Salaries and wages	563 361	492 164	348 656	240 076
Company's social insurance contribution	53 822	53 289	28 354	26 519
Depreciation and amortization	3 394	299	1 797	136
Advertising and marketing	487 573	314 600	288 043	195 215
Other selling and distribution expenses	335 333	250 620	205 889	167 568
	<u>1 443 483</u>	<u>1 110 972</u>	<u>872 739</u>	<u>629 514</u>

The increase in selling and distribution expenses by an amount of L.E. 332 511 K mainly due to the increase in advertising and marketing item by an amount of L.E. 172 973 K and also the increase of salaries and wages and equivalent cost by an amount of L.E. 71 730 K due to the annual increase by 10 % from the basic salary starting from January 2019, in addition to the increase of other selling and distribution expenses by an amount of L.E. 84 713 K as a result of the increase of tax and duties item by an amount of L.E. 40 436 K and the increase of commissions item by an amount of L.E. 12 654 K.

6. GENERAL AND ADMINISTRATIVE EXPENSES

	Note No.	<u>For the six months ended</u>		<u>For the three months ended</u>	
		<u>30/6/2019</u>	<u>30/6/2018</u>	<u>30/6/2019</u>	<u>30/6/2018</u>
		<u>L.E. (000)</u>	<u>Restated L.E. (000)</u>	<u>L.E. (000)</u>	<u>Restated L.E. (000)</u>
Salaries and wages		904 088	682 300	389 605	340 966
Company's social insurance contribution		83 288	66 321	41 821	33 120
End of service compensation- early retirement scheme	(9-1)	1 004 252	-	1 004 252	-
The company's contribution in loyalty and belonging fund	(9-2)	138 090	-	69 045	-
Depreciation and amortization*		50 369	38 959	17 666	19 210
Organizations services costs and consultants		81 315	66 114	34 860	41 276
Bad debt expense		3 308	39	3 308	(5)
Tax and duties		65 652	43 084	32 178	24 365
Other general and administration expenses		151 707	113 525	86 351	50 250
		<u>2 482 069</u>	<u>1 010 342</u>	<u>1 679 086</u>	<u>509 182</u>

The increase in general and administrative expenses by an amount of L.E. 1 471 727 K is mainly due to the increase in early retirement compensation by an amount of L.E. 1 004 252 K as a result of applying the optional early retirement scheme for employees according to the Board of Director decree dated March 24, 2019 (note no. 9-1) in addition to the increase in salaries and wages and equivalent item by an amount of L.E. 238 755 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. 138 090 K in addition to the increase in other general and administration expenses by an amount of L.E. 38 182 K, tax and duties item by an amount of L.E. 22 658 K and the increase in organizations services costs and consultants item by an amount of L.E. 15 201 K.

* Restatement was made on comparative figures as shown in Note No. (30-2).

7. NET FINANCE INCOME (COST)

	<u>For the six months ended</u>		<u>For the three months ended</u>	
	<u>30/6/2019</u>	<u>30/6/2018</u>	<u>30/6/2019</u>	<u>30/6/2018</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Total finance income	977 438	110 798	472 841	62 385
Total finance cost	(667 401)	(673 263)	(274 056)	(333 517)
Net finance income (cost)	<u>310 037</u>	<u>(562 465)</u>	<u>198 785</u>	<u>(271 132)</u>

The increase in net finance income by an amount of L.E. 872 502 K during the period is mainly due to the increase in translation profits of foreign currencies balances and transactions by an amount of L.E. 849 490 K and the decrease in finance costs of credit contracts by an amount of L.E. 45 279 K, however the increase in finance expenses and interests by an amount of L.E. 45 113 K led to limitation of this increase.

8. SHARE OF PROFIT OF EQUITY ACCOUNTED INVESTEEES

	<u>For the six months ended</u>		<u>For the three months ended</u>	
	<u>30/6/2019</u>	<u>30/6/2018</u>	<u>30/6/2019</u>	<u>30/6/2018</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Vodafone Egypt	1 124 992	873 746	477 773	586 991
Egypt trust	5	5	5	-
	<u>1 124 997</u>	<u>873 751</u>	<u>477 778</u>	<u>586 991</u>

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 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 the 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 – Telecom Egypt)

The employees are granted an end of service benefits through a Loyalty & belonging Fund established in January 2004. Employees' benefit is based on the employees' basic salary in January 1, 2015 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% starting from the next year of 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 as shown in Note No. (6).

10. BASIC AND DILUTED EARNING PER SHARE FOR THE PERIOD

- The profit share of the period is calculated as follows:

	<u>For the six months ended</u>		<u>For the three months ended</u>	
	<u>30/6/2019</u>	<u>30/6/2018</u> <u>Restated</u>	<u>30/6/2019</u>	<u>30/6/2018</u> <u>Restated</u>
<u>The holding company owners' equity :</u>				
Net profit for the period (LE in thousand)*	2 130 996	2 057 500	515 568	1 283 632
Number of shares available during the period (share)	1 707 071 600	1 707 071 600	1707 071 600	1707 071 600
Basic and diluted earning per share for the period (LE / share)	1.25	1.21	0.30	0.75

* Restatement was made on comparative figures as shown in Note No. (30-2).

11. FIXED ASSETS

Description	30/6/2019	30/6/2018	30/6/2019	30/6/2018	30/6/2019	30/6/2018	31/12/2018
	Cost	Cost	Accumulated depreciation	Accumulated depreciation	Net	Net	Net
	<u>L.E.(000)</u>	<u>Restated L.E.(000)</u>	<u>L.E.(000)</u>	<u>Restated L.E.(000)</u>	<u>L.E.(000)</u>	<u>Restated L.E.(000)</u>	<u>Restated L.E.(000)</u>
Land	2 350 128	2 346 458	-	-	2 350 128	2 346 458	2 350 350
Buildings & Infrastructure *	29 396 723	25 766 020	16 108 318	15 086 526	13 288 405	10 679 494	11 932 458
Centrals & information technologies equipment	29 187 932	27 167 531	22 130 107	21 217 623	7 057 825	5 949 908	6 948 105
Vehicles	157 089	148 888	110 366	109 332	46 723	39 556	37 592
Furniture	755 461	652 351	549 092	474 630	206 369	177 721	190 374
Tools & supplies	143 268	134 510	89 431	78 179	53 837	56 331	59 675
Decoration & fixtures	137 676	131 692	121 854	115 433	15 822	16 259	15 936
Fixtures on trunk radio network	315	315	315	315	-	-	-
Total	62 128 592	56 347 765	39 109 483	37 082 038	23 019 109	19 265 727	21 534 490

-The increase in net carrying value of fixed assets mainly due to the additions during the period by an amount of L.E. 2 935 916 K, however the depreciation of the period by an amount of L.E. 1 224 352 K led to limitation of this increase.

-The cost of fixed assets as of June 30, 2019 includes an amount of L.E. 23 380 Million fully depreciated fixed assets and still in use.

* Restatement was made to comparative figures for cost and accumulated depreciation at June 30, 2018 as shown in Note No. (30-1).

12. PROJECTS IN PROGRESS

	30/6/2019	31/12/2018
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Land	21 025	21 025
Buildings and Infrastructure	1 988 625	2 616 751
Centrals and information technologies equipment	3 305 471	2 222 125
Tools and supplies	34 246	24 083
Vehicles	5 313	493
Furniture	4 692	2 108
Other Assets (cables)	78 920	70 776
Advance payments - Fixed assets	862 703	492 886
	6 300 995	5 450 247
Less:		
Impairment loss on projects in progress	20 491	20 491
	6 280 504	5 429 756

The balance of projects in progress is represented in the part that has been executed from commitments and capital contracts, and advanced payment at June 30,2019.

13. INVESTMENTS IN ASSOCIATES

	30/6/2019		31/12/2018	
	Ownership %	amount L.E. (000)	Ownership %	amount L.E. (000)
- Vodafone Egypt Telecommunication company*	44.95	9 692 600	44.95	13 451 864
- Wataneya for Telecommunication**	50.00	125	50.00	125
- International Telecommunication Consortium Limited. (ITCL)**	50.00	54	50.00	54
- Egypt Trust**	35.71	7 652	35.71	7 647
- Consortium Algerien de Telecommunications (CAT)**	33.00	133	33.00	133
		<u>9 700 564</u>		<u>13 459 823</u>
Less:				
Impairment loss on investment in associates		7 812		7 812
		<u>9 692 752</u>		<u>13 452 011</u>

* 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 statements 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 the 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.

** The impairment loss on investments value for Egypt Trust, Wataneya for Telecommunication, Consortium Algerian Telecommunications (CAT) and International Telecommunication Consortium Limited (ITCL) is due to the realized losses by these investee companies, which exceeded this investments amount, as the Extra Ordinary General Assembly meeting of Consortium Algeria Telecommunication held on July 1, 2009, approved the dissolution and liquidation of CAT.

14. OTHER ASSETS

	30/6/2019	31/12/2018
	L.E. (000)	L.E. (000)
Cost		
Fourth generation network license	8 633 330	8 633 330
Submarine Cables (right of way)	2 391 490	2 407 087
Right of Use (ROU)	718 686	720 332
License (internet service - programs)	79 226	79 379
Land (possession-usufruct)	440 684	440 684
	<u>12 263 416</u>	<u>12 280 812</u>
Less:		
Accumulated amortization and impairment	1 842 398	1 527 455
Net other assets	<u>10 421 018</u>	<u>10 753 357</u>

- The decrease in net carrying value of other assets mainly due to the amortization of the period by an amount of L.E 326 056 K.
- Other assets cost includes at June 30, 2019 an amount of L.E 175 Million, other assets fully amortized and still in use in operating.

15. INVENTORIES

	30/6/2019	31/12/2018
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Spare parts	893 793	754 080
Computers	7 075	8 333
Project cables and supplies	330 445	482 239
Material supplies , Merchandise for sale and Letters of credit	628 294	521 357
	<u>1 859 607</u>	<u>1 766 009</u>

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 related to.

16. TRADE AND NOTES RECEIVABLE

	30/6/2019	31/12/2018
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Trade Receivables - National	4 323 916	3 797 603
Trade Receivables - International	2 719 096	2 653 385
	<u>7 043 012</u>	<u>6 450 988</u>
Less:		
Impairment loss on trade receivables	2 053 031	2 072 734
	<u>4 989 981</u>	<u>4 378 254</u>
Add:		
Notes receivable	4 209	505
	<u>4 994 190</u>	<u>4 378 759</u>

Trade and notes receivable balance have increased by an amount of L.E. 615 431 K is mainly due to the increase in Trade Receivables –National due to the increase in revenues related to international cables and networks and domestic wholesale during the period against to the same period.

17. DEBTORS AND OTHER DEBIT BALANCES

	30/6/2019	31/12/2018
	<u>L.E.(000)</u>	<u>Reclassified L.E.(000)</u>
Accrued revenues	69 463	26 364
Deposits with others	256 867	254 891
Suppliers – debit balances	1 594 052	439 761
Tax Authority - withholding tax	402 142	224 581
Tax Authority - value added tax	1 377 852	1 910 067
Due from ministries, organizations and companies *	490 469	920 859
Tax Authority - income tax	53 668	45 963
Temporary debts due from employees	411 199	714 919
Other debit balances	845 750	610 981
	<u>5 501 462</u>	<u>5 148 386</u>
Less:		
Impairment loss on debtors and other debit balances	155 092	156 044
	<u>5 346 370</u>	<u>4 992 342</u>

Debtors and other debit net balances have increased by an amount of L.E. 354 028 K mainly due to the increase in suppliers – debit balances by an amount of L.E. 1 154 291 K and Tax Authority- withholding tax by an amount of L.E. 177 561 K, however the decrease in Temporary debts due from employees by an amount of L.E. 303 720 K and Tax Authority- value added tax item by an amount of L.E. 532 215 K and Due from ministers, organizations and companies by an amount of L.E. 430 390 K led to limitation of this increase.

* Reclassification was made on comparative figures as shown in Note No. (30-1).

18. CASH AND CASH EQUIVALENTS

	Note	30/6/2019	31/12/2018	30/6/2018
	No.	L.E. (000)	Reclassified L.E. (000)	Reclassified L.E. (000)
Banks - time deposits (less than 3 months)		194 278	376 656	226 154
Banks - current accounts*		801 939	255 027	335 392
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
Less:				
Restricted cash and cash equivalents at banks	(26)	30 668	19 220	16 849
Cash and cash equivalents as per statement of cash flows		1 491 790	1 081 867	880 118

- The increase in cash and cash equivalents due to the increase in proceeds from customers during the period.

* Reclassification was made on comparative figures as shown in Note No. (30-1).

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 \$ 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. CREDITORS AND OTHER CREDIT BALANCES

	Note	30/6/2019	31/12/2018
	No.	L.E. (000)	L.E. (000)
Suppliers and notes payable		1 232 200	1 168 049
Tax Authority-Income Tax		374 743	271 892
Tax Authority (taxes other than income tax)		688 795	613 059
Deposits from others		476 801	458 930
Assets creditors		7 619 525	8 114 940
Liabilities of early retirement scheme	(9-1)	1 004 252	-
Dividends payable		3 513	3 442
Accrued expenses		814 388	879 443
Trade receivables - credit balances		571 683	404 313
Credit balances organizations and companies		266 117	467 877
Deferred revenue		1 578 891	843 284
National Telecommunication Regulatory Authority (NTRA)		388 057	384 843
Other credit balances		1 045 320	914 221
		16 064 285	14 524 293
Less balances due within more than one year:			
Assets creditors		4 604 837	3 667 798
Deferred revenue		336 504	371 930
Creditors and non current liabilities balances		4 941 341	4 039 728
Creditors and current liabilities balances		11 122 944	10 484 565
Total Creditors and other balances		16 064 285	14 524 293

Creditors and other credit balances have increased by an amount of L.E. 1 539 992 K mainly due to the increase in liabilities of early retirement scheme by an amount of L.E. 1 004 252 K as a result of applying the optional early retirement scheme for employees, deferred revenue item by an amount of L.E. 735 607 K, Tax Authority – income tax item by an amount of L.E. 102 851 K and trade receivables – credit balances item by an amount of L.E. 167 370 K, however the

*Notes to the Condensed Consolidated Interim Financial Statements
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Translation from Arabic

decrease in assets creditors item by an amount of L.E. 495 415 K and Credit balances organization and companies by an amount of L.E. 201 760 K led to the limitation of this increase.

21. PROVISIONS

	30/6/2019	31/12/2018	30/6/2018
	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Balance at the beginning of the period / year	740 529	1 829 960	1 829 848
Reclassification during the period/year	-	811	793
Charged to income statement for the period / year	35 091	102 083	6 264
Provision used during the period / year	(148)	(1 192 320)	(1 185 119)
Translation differences	(5)	(5)	-
Balance at the end of the period / year	<u>775 467</u>	<u>740 529</u>	<u>651 786</u>

* The provisions charged to income statement during the period included in other expenses to meet contingent taxes liabilities.

22. CAPITAL

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

23. RESERVES

	<u>30/6/2019</u> <u>L.E.(000)</u>	<u>31/12/2018</u> <u>L.E.(000)</u>
Legal reserve	1 965 528	1 899 028
Other reserves	<u>2 796 578</u>	<u>2 796 578</u>
	<u>4 762 106</u>	<u>4 695 606</u>

The increase in the legal reserve balance as a result of retaining an amount of L.E. 66 500 K from the profit of 2018 in accordance with the company's article of association.

24. DEFERRED TAX

24-1 Recognized deferred tax assets and liabilities

	<u>30/6/2019</u>		<u>31/12/2018</u>	
	Assets <u>L.E.(000)</u>	(Liabilities) <u>L.E.(000)</u>	Assets <u>L.E.(000)</u>	(Liabilities) <u>L.E.(000)</u>
Total deferred tax asset / (liability)	270 824	(1 107 748)	239 160	(1 244 893)
Net deferred tax liability	<u>-</u>	<u>(836 924)</u>	<u>-</u>	<u>(1 005 733)</u>
Deferred tax charged to income statement for the period / year	<u>168 809</u>			<u>(646 992)</u>

24-2 Unrecognized deferred tax assets

	<u>30/6/2019</u> <u>L.E.(000)</u>	<u>31/12/2018</u> <u>L.E.(000)</u>
Unrecognized deferred tax assets	<u>529 627</u>	<u>554 303</u>

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

25. 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).

26. CONTINGENT LIABILITIES

In addition to the amounts included in the condensed consolidated statement of financial statements as of June 30, 2019, the company has the following contingent liabilities:

	<u>30/6/2019</u> <u>L.E. (000)</u>	<u>31/12/2018</u> <u>L.E. (000)</u>
- Letters of guarantee issued by banks on behalf of the company*	1 219 586	913 002
- Letters of credit	2 989 660	1 357 440

*Includes letters of guarantee which were issued by banks at June 30, 2019 against restricted cash and cash equivalents at banks (Note No.18).

27. TAX POSITION (Telecom Egypt Company)

27-1 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 return was submitted according to income tax law and all taxes were paid during the legal dates.

27- 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.

27- 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.

27- 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.

27- 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 no. 196 for the year 2008 on the due dates.

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

28. RELATED PARTY TRANSACTIONS

There are transactions between the group and its associates. The related transactions during the period and balances on the condensed consolidated interim financial statements date are stated as follows:-

Nature of transactions during the period	Transactions volume during the period stated in the statement of income		Movement during the period		Balance as of	
	LE 000	LE 000	Debit LE 000	Credit LE 000	30/6/2019	31/12/2018
			Debit (Credit)	Debit (Credit)		
Debit balances due from associates						
- Consortium Algerien de Telecommunications (CAT)*/**	-	-	-	-	453 902	453 902
- International Telecommunication Consortium Limited (ITCL)*/**	-	-	-	-	66	66
					453 968	453 968
Credit balances due to associates						
- Vodafone Egypt Telecommunications Company	874 365					
Outgoing calls and voice services to the associate company			3 095 925	2 626 317	(580 024)	(1 049 632)
Incoming and international calls, transmission & lease of company premises and towers to the associates company	630 671					
Telecommunications services	3 002		88 788	85 893	(2 592)	(5 487)
			3 184 713	2 712 210	(582 616)	(1 055 119)

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

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

29. GROUP ENTITIES

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

<u>Company name:</u>	<u>Country of incorporation</u>	<u>Ownership interest</u>	
		<u>30/6/2019</u>	<u>31/12/2018</u>
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	Singapore	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	100.00 %	100.00 %
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 completely paid during 2018.

30. COMPARATIVE FIGUERS

- Restatement was made to some of the comparative figures of the condensed consolidated statement of financial position and condensed consolidated statement of income and condensed consolidated statement of comprehensive income due to modify in fixed assets item as a result of applying EAS no 49 " Lease " instead of EAS no 20 "Accounting regulations and standards related to financial lease" which led to the increase in both of the cost of fixed assets costs by an amount of L.E. 385 K and accumulated depreciation by an amount of L.E. 289 K also retained earnings by an amount of L.E. 96 K and increase in the depreciation expense by an amount of L.E. 19 K at 31/12/2018 included L.E. 10 K related to the period from 1/1/2018 till 30/6/2018.
- Reclassification was made to some of the comparative figures 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 restatement and reclassification on the condensed consolidated interim financial statements:

30-1 Effect on the condensed consolidated statement of financial position:

	<u>31/12/2018</u> <u>as previously reported</u>	<u>Restatement</u>	<u>Reclassification</u>	<u>31/12/2018</u> <u>Reclassified</u>
	<u>debit / (credit)</u> <u>L.E.(000)</u>	<u>debit / (credit)</u> <u>L.E.(000)</u>	<u>debit / (credit)</u> <u>L.E.(000)</u>	<u>debit / (credit)</u> <u>L.E.(000)</u>
Fixed assets	21 534 394	96	-	21 534 490
Debtors and other debit balances	5 200 654	-	(208 312)	4 992 342
Cash and cash equivalents	892 775	-	208 312	1 101 087
Retained earnings	(10 529 466)	(96)	-	(10 529 562)

30-2 Effect on the condensed consolidated statement of income:

	<u>For the Six months ended</u> <u>30/6/2018</u> <u>as previously</u> <u>reported</u>		<u>For the Six months ended</u> <u>30/6/2018</u> <u>Restated</u>		<u>For the Three months ended</u> <u>30/6/2018</u> <u>as previously</u> <u>reported</u>		<u>For the Three months ended</u> <u>30/6/2018</u> <u>Restated</u>	
	<u>Restatement</u>	<u>Restatement</u>	<u>Restated</u>	<u>Restated</u>	<u>Restatement</u>	<u>Restatement</u>	<u>Restated</u>	<u>Restated</u>
	<u>(debit) / credit</u> <u>LE(000)</u>	<u>(debit) / credit</u> <u>LE(000)</u>	<u>(debit) / credit</u> <u>LE(000)</u>	<u>(debit) / credit</u> <u>LE(000)</u>	<u>(debit) / credit</u> <u>LE(000)</u>	<u>(debit) / credit</u> <u>LE(000)</u>	<u>(debit) / credit</u> <u>LE(000)</u>	<u>(debit) / credit</u> <u>LE(000)</u>
General and administrative expenses	(1 010 332)	(10)	(1 010 342)	(1 010 342)	(509 177)	(5)	(509 182)	(509 182)

30-3 Effect on the condensed consolidated statement of cash flows:

	<u>For the six months ended</u> <u>30/6/2018</u> <u>as previously</u> <u>reported</u>	<u>/Reclassification</u> <u>Restatement</u>	<u>For the six months ended</u> <u>30/6/2018</u> <u>Restated</u>
	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>
Cash flow from operating activities:			
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

31- BUSINESS COMBINATION

31-1 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
	<u>LE(000)</u>
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)

31-2 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
	<u>LE(000)</u>
<u>Assets</u>	
Fixed assets	1 215 660
Intangible assets	465 770
Project in progress	43 008
Other assets	267 234
Total assets	1 991 672
Total liabilities	(1 267 789)
Net assets	723 883
Company's share of net assets 100%	723 883

32- SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of the condensed consolidated interim financial statements as of June 30, 2019 is the same as the accounting policies applied in the preparation of the annual Consolidated financial statements as of December 31, 2018, these accounting policies have been applied consistently to all periods presented in these condensed Consolidated interim financial.

Restatement and reclassification were made to some of comparative figures of the condensed consolidated interim financial statements (Note No.30).

33- New issues and amendments issued to the Egyptian Accounting Standards:

On 18 March 2019, the Minister of Investment and International Cooperation amended some of the Egyptian Accounting Standards issued by the Minister of Investment Decree No. 110 of 2015, which include some new accounting standards and amendments to some existing standards as follows:

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
New Egyptian Accounting Standard No. (47) "Financial instruments"	<p>1. The new Egyptian Accounting Standard No. (47) "Financial Instruments" replaces the corresponding topics in Egyptian Accounting Standard (26) Financial Instruments: Recognition and Measurement. Accordingly, the Egyptian Accounting Standard No. (26) Was amended and reissued after the withdrawal of the paragraphs related to new EAS (47) and define the scope of the amended Standard (26) to work only with limited cases of hedge accounting according to the Entity's choice.</p> <p>2. In accordance with the requirements of the Standard, financial assets are classified based on subsequently measured at their amortized cost, at fair value through other comprehensive income or at fair value through profit or loss, in accordance with the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial asset.</p> <p>3. The realized loss model in the measurement of impairment of financial assets is replaced by the expected credit loss</p>	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Standard No. 47 is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted, on the condition of applying the Egyptian Accounting Standards No. (1), (25), (26) and (40) amended 2019 together at the same Date.

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	<p>models, which requires the measurement of impairment of all financial assets measured at amortized cost and financial instruments measured at fair value through other comprehensive income from the initial recognition regardless of the existence of an index of the loss event</p> <p>4. Pursuant to the requirements of this standard, the following criteria have been amended:</p> <ul style="list-style-type: none"> - Egyptian Accounting Standard No. (1) "Presentation of Financial Statements", amended 2019 - Egyptian Accounting Standard No. (4) "Statement of Cash Flows" - Egyptian Accounting Standard No. (25) "Financial Instruments: Presentation" - Egyptian Accounting Standard No. (26) "Financial Instruments: Recognition and Measurement" Egyptian Accounting Standard No. (40) "Financial Instruments: Disclosures" 		<p>These amendments shall be effective from the date of application of the standard 47.</p>
<p>New Accounting Egyptian Standard No. (48) "Revenue from contracts with customers"</p>	<p>1. The new Egyptian Accounting Standard No. 48, Revenue from Contracts with Customers, replaces and cancels the following criteria:</p> <ul style="list-style-type: none"> (A) Egyptian Accounting Standard No. (8) "Construction Contracts", amended 2015; (B) Egyptian Accounting Standard No. 11, "Revenue", amended 2015; <p>2. The control model was used to recognize revenue instead of the benefit and risk model.</p> <p>3. The incremental costs of obtaining a contract with a</p>	<p>Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.</p>	<p>Standard No. 48 is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted</p>

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	<p>customer are recognized as an asset if the entity expects to recover those costs and the recognition of the costs of fulfilling the contract as an asset when specific conditions are met.</p> <p>4. The standard requires that the contract has commercial substance in order for revenue to be recognized.</p> <p>5. Expanding disclosure and presentation requirements.</p>		
<p>New Egyptian Accounting Standard (49) "Leases"</p>	<p>1. The new Egyptian Accounting Standard No. (49) "Leases" replaces the Egyptian Accounting Standard No. (20) "Accounting Standards and Standards for Financial Leasing Operations 2015 and cancels it.</p> <p>2. The Standard introduces a single accounting model for the lessor and the lessee, the lessee recognizes the right of use of the leased asset within the assets of the company and recognizes an obligation that represents the present value of the unpaid lease payments within the company's obligations, taking into account that the lease contracts are not classified as operating lease or a finance lease.</p> <p>3. For the lessor, the lessor shall classify each contract of its lease contracts either as an operating lease or as a finance lease.</p> <p>4. For the finance lease, the lessor must recognize the assets held under a finance lease in the statement of financial position and present them as a due</p>		<p>Standard No. (49) Applies to financial periods beginning on or after 1 January 2020 and early adoption is permitted if the Egyptian Accounting standard No. (48) "Revenue from contracts with customers" 2019 in the same time.</p> <p>Except as of the effective date above, Standard No. 49 (2019) applies to leases that were subject to the Financial Leasing Law No. 95 of 1995 and its amendments which were treated in accordance with Egyptian Accounting Standard No. 20, "Accounting Standards and Standards Related to Finance Lease Operations" The finance lease contracts which are arise subject to the Law of Organizing Finance Lease and Factoring Activities No. 176 of 2018, from the beginning of the annual report period, in which law No. 95 of 1995 was canceled And issuing law No. 176 of 2018</p>

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	<p>amounts equal to the net investment in the lease contract. 5. For operating lease, the lessor should recognize the lease payments from operating leases as income either on a straight-line basis or on another regular basis.</p>		
<p>Amended Egyptian Accounting Standard No. (38) "Employees Benefits"</p>	<p>A number of paragraphs were added and amended to amend the accounting rules for the modification, reduction and settlement of the employee benefits scheme</p>	<p>Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.</p>	<p>Standard No. (38) is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted</p>
<p>Amended Egyptian Accounting Standard No. (42) "Consolidated financial statements"</p>	<p>Some of the paragraphs were added related to the exception of investment entities from the consolidation. This amendment resulted in an amendment to some standards related to the subject of investment entities. The following is the amended standards - Egyptian Accounting Standard No. (15) "Disclosure of Related Parties"</p>	<p>Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.</p>	<p>Standard No. 42 is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted The new or amended paragraphs are also applied to the standards that have been amended with respect to investment entities on the effective date of the Egyptian Accounting Standard No. 42</p>

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	<ul style="list-style-type: none"> - Egyptian Accounting Standard No. 17 "Separate Financial Statements" - Egyptian Accounting Standard No. (18) "Investments in Associates" - Egyptian Accounting Standard No. (24) "Income Tax" - Egyptian Accounting Standard No. (29) "Business Combinations" - Egyptian Accounting Standard No. (30) "interim Financial Statements" - Egyptian Accounting Standard No. (44) - " Disclosure of Interests in Other Entities " 		"Consolidated Financial Statements", and amended 2019.
<p>Issuance of an Egyptian Accounting Interpretation No. (1) "Arrangements for Privileges of Public Services"</p>	<p>This interpretation provides guidance on the accounting by operators of public service concession arrangements from a public entity to a private entity for the construction, operation and maintenance of public utility infrastructure such as roads, bridges, tunnels, hospitals, airports, water distribution facilities, power supplies and communications networks. ..., etc.</p> <p>This interpretation gives the option of continuing to apply the prior treatment of existing public service concession arrangements prior to 1 January 2019 to entities that had recognized and measured the assets of these arrangements as fixed assets in accordance with EAS 10 Fixed Assets and Depreciation until their expiry.</p>	<p>Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.</p>	<p>Interpretation No. (1) Applies to financial periods beginning on or after 1 January 2019.</p>
<p>Egyptian Accounting Standard No. (22) "Earnings per share"</p>	<p>The scope of adoption of the Standard has been amended to be binding on the separate, consolidated or individual financial statements issued to all entities.</p>	<p>Management is currently assessing the potential impact on the financial statements when applying the</p>	<p>Amendment applies to financial periods beginning on or after 1 January 2019.</p>

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
		amendment to the standard.	
Egyptian Accounting Standard No. (34) Investment Property	<p>- The use of the fair value model option for all properties is derecognized in subsequent measurement of its real estate investments and the obligation only to the cost model, with only real estate investment funds required to use the fair value model on subsequent measurement of all its real estate assets. Based on this amendment, both:</p> <ul style="list-style-type: none"> - EAS 32 "Non-current Assets Held for Sale and Discontinued Operations". - Egyptian Accounting Standard No. (31) "Impairment of Assets" 	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Amendment applies to financial periods beginning on or after 1 January 2019.
Amended Egyptian Accounting Standard No. (4) "Statement of Cash flows"	An entity is required to provide disclosures that enable users of the financial statements to assess changes in liabilities arising from financing activities, including both changes resulting from cash flows or non-cash changes.	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Amendment applies to financial periods beginning on or after 1 January 2019