

**Telecom Egypt Company**  
**(An Egyptian Joint Stock Company)**  
**Condensed Separate 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 Separate Interim Financial Statements To The Board of Directors of Telecom Egypt Company**

#### **Introduction**

We have performed a limited review on the accompanying condensed separate statement of financial position of Telecom Egypt Company "an Egyptian joint stock company" as at June 30, 2019 and the related condensed separate 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 separate interim financial statements in accordance with Egyptian Accounting Standard number (30) "Interim Financial Reporting". Our responsibility is to express a conclusion on these condensed separate interim financial statements based on our limited review.

#### **Scope of Limited Review**

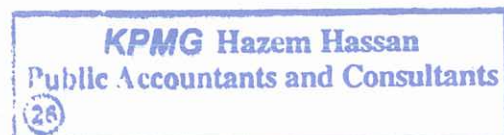
We conducted our limited review in accordance with Egyptian Standard on Review Engagements number (2410), "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity". A limited review of condensed separate interim financial statements consists of making inquiries,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

#### **Conclusion**

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

**KPMG Hazem Hassan**  
**Public Accountants & Consultants**

Cairo, August 7, 2019



**Telecom Egypt Company**  
**(An Egyptian Joint Stock Company)**  
**Condensed Separate Statement of Financial Position As of:**

	Note No.	30/6/2019 L.E. (000)	31/12/2018 L.E. (000)
<b>Assets</b>			
<b><u>Non Current Assets</u></b>			
Fixed assets	(11)	23 589 059	22 120 402
Projects in progress	(12)	6 230 237	5 336 110
Investments in subsidiaries and associates	(13)	6 644 879	6 644 879
Available-for-sale investments		78 561	78 561
Other assets	(14)	9 945 367	10 258 796
Deferred tax assets	(24-1)	270 675	238 797
<b>Total Non Current Assets</b>		<b>46 758 778</b>	<b>44 677 545</b>
<b><u>Current Assets</u></b>			
Inventories	(15)	1 450 935	1 422 011
Trade receivables	(16)	4 158 973	3 669 369
Debtors and other debit balances	(17)	4 516 739	4 521 831
Held-to-maturity investments (treasury bills)		-	102 259
Cash and cash equivalents	(18)	644 805	201 393
<b>Total Current Assets</b>		<b>10 771 452</b>	<b>9 916 863</b>
<b>Total Assets</b>		<b>57 530 230</b>	<b>54 594 408</b>
<b><u>Equity</u></b>			
Capital	(22)	17 070 716	17 070 716
Reserves	(23)	4 640 565	4 578 032
Retained earnings		6 867 550	2 953 141
<b>Total Equity</b>		<b>28 578 831</b>	<b>24 601 889</b>
<b><u>Non Current Liabilities</u></b>			
Loans and credit facilities	(19)	5 759 902	550 168
Creditors and other credit balances	(20)	4 634 888	3 696 799
Deferred tax liabilities	(24-1)	630 390	583 909
<b>Total Non Current Liabilities</b>		<b>11 025 180</b>	<b>4 830 876</b>
<b><u>Current Liabilities</u></b>			
Loans and credit facilities installments due within one year	(19)	5 902 302	13 290 192
Creditors and other credit balances	(20)	8 895 213	8 540 554
Accrued credit accounts due to subsidiaries and associates	(28)	2 465 700	2 692 893
Provisions	(21)	663 004	638 004
<b>Total Current Liabilities</b>		<b>17 926 219</b>	<b>25 161 643</b>
<b>Total Liabilities</b>		<b>28 951 399</b>	<b>29 992 519</b>
<b>Total Equity and Liabilities</b>		<b>57 530 230</b>	<b>54 594 408</b>

The accompanying notes on pages (7) to (26) are an integral part of these condensed separate interim financial statements.

Senior Director of Financial affairs

*Wael Hanafy*

"Wael Hanafy"

Chief Financial Officer

*M. Shamroukh*

"Mohamed Shamroukh"

Managing Director  
& Chief Executive Officer

*Adel Hamed*

"Adel Hamed"

Board of Directors approval

Chairman

*M. Osman*

"Maged Osman"

Limited Review Report "attached"



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

	Note	For the six months ended:		For the three months ended:	
		30/6/2019	30/6/2018	30/6/2019	30/6/2018
	No.	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)
Operating revenues	(3)	10 232 788	8 394 501	5 301 801	4 452 008
Operating costs	(4)	(6 666 790)	(5 343 025)	(3 504 930)	(2 684 661)
<b>Gross Profit</b>		<b>3 565 998</b>	<b>3 051 476</b>	<b>1 796 871</b>	<b>1 767 347</b>
Other operating income		188 851	204 123	81 731	132 941
Selling and distribution expenses	(5)	(1 047 168)	( 809 583)	( 682 961)	( 460 781)
General and administrative expenses	(6)	(2 254 009)	( 846 459)	(1 573 368)	( 428 496)
Other operating expenses		( 99 920)	( 41 266)	( 92 949)	( 18 645)
<b>Operating profit (loss)</b>		<b>353 752</b>	<b>1 558 291</b>	<b>( 470 676)</b>	<b>992 366</b>
Finance income	(7)	873 251	89 439	417 719	55 376
Finance cost	(7)	( 665 444)	( 666 475)	( 273 090)	( 330 740)
<b>Net finance income (cost)</b>	(7)	<b>207 807</b>	<b>( 577 036)</b>	<b>144 629</b>	<b>( 275 364)</b>
<b>Income from investments in subsidiaries and associates</b>	(8)	<b>4 899 321</b>	<b>687 034</b>	<b>26 968</b>	<b>449 458</b>
<b>Net profit (loss) for the period before tax</b>		<b>5 460 880</b>	<b>1 668 289</b>	<b>( 299 079)</b>	<b>1 166 460</b>
Income tax expense		( 407 866)	( 34 464)	85 535	( 22 565)
Deferred tax	(24-1)	( 14 603)	( 210 357)	( 56 274)	( 168 558)
<b>Total income tax</b>		<b>( 422 469)</b>	<b>( 244 821)</b>	<b>29 261</b>	<b>( 191 123)</b>
<b>Net profit (loss) for the period</b>		<b>5 038 411</b>	<b>1 423 468</b>	<b>( 269 818)</b>	<b>975 337</b>
Basic and diluted earning per share for the period (L.E. / Share)	(10)	2.95	0.83	(0.16)	0.57

The accompanying notes on pages (7) to (26) are an integral part of these condensed separate interim financial statements.

**Telecom Egypt Company**  
**(An Egyptian Joint Stock Company)**  
**Condensed Separate 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>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Net profit (loss) for the period	5 038 411	1 423 468	( 269 818)	975 337
<b><u>Other Comprehensive Income Items</u></b>				
Other Comprehensive Income items	-	-	-	-
<b>Total Comprehensive Income</b>	<u><u>5 038 411</u></u>	<u><u>1 423 468</u></u>	<u><u>( 269 818)</u></u>	<u><u>975 337</u></u>

The accompanying notes on pages (7) to (26) are an integral part of these condensed separate interim financial statements.

Translation from Arabic

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

	Capital	Legal reserve	Other reserves	Retained earnings	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>
<b>Balance as of January 1, 2018</b>	17 070 716	1 753 537	2 796 578	2 797 513	24 418 344
<b><u>Comprehensive income</u></b>					
Net profit for the period	-	-	-	1 423 468	1 423 468
Other comprehensive income items	-	-	-	-	-
<b>Total comprehensive income</b>				<b>1 423 468</b>	<b>1 423 468</b>
<b><u>Transactions with shareholders</u></b>					
Transferred to legal reserve	-	27 917	-	(27 917)	-
Dividends for year 2017 (Shareholders)	-	-	-	(426 768)	(426 768)
Dividends for year 2017 (Employees & Board of Directors)	-	-	-	(640 345)	(640 345)
<b>Total transactions with shareholders</b>	<b>-</b>	<b>27 917</b>	<b>-</b>	<b>(1 095 030)</b>	<b>(1 067 113)</b>
<b>Balance as of June 30, 2018</b>	<b>17 070 716</b>	<b>1 781 454</b>	<b>2 796 578</b>	<b>3 125 951</b>	<b>24 774 699</b>
<b>Balance as of January 1, 2019</b>	<b>17 070 716</b>	<b>1 781 454</b>	<b>2 796 578</b>	<b>2 953 141</b>	<b>24 601 889</b>
<b><u>Comprehensive income</u></b>					
Net profit for the period	-	-	-	5 038 411	5 038 411
Other comprehensive income items	-	-	-	-	-
<b>Total comprehensive income</b>				<b>5 038 411</b>	<b>5 038 411</b>
<b><u>Transactions with shareholders</u></b>					
Transferred to legal reserve	-	62 533	-	(62 533)	-
Dividends for year 2018 (Shareholders)	-	-	-	(426 768)	(426 768)
Dividends for year 2018 (Employees & Board of Directors)	-	-	-	(634 701)	(634 701)
<b>Total transactions with shareholders</b>	<b>-</b>	<b>62 533</b>	<b>-</b>	<b>(1 124 002)</b>	<b>(1 061 469)</b>
<b>Balance as of June 30, 2019</b>	<b>17 070 716</b>	<b>1 843 987</b>	<b>2 796 578</b>	<b>6 867 550</b>	<b>28 578 831</b>

The accompanying notes on pages (7) to (26) are an integral part of these condensed separate interim financial statements.

**Telecom Egypt Company**  
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**Condensed Separate Statement of Cash Flows**

	Note	For the six months ended:	
		30/6/2019	30/6/2018
		<b>Reclassified</b>	
	No.	L.E.(000)	L.E.(000)
<b><u>Cash flows from operating activities</u></b>			
Cash receipts from customers		6 036 273	6 328 586
Cash receipts from related party		2 094 835	1 445 371
Value added tax collected from customers		198 370	175 565
Stamp tax and fees collected from third party		29 314	26 537
Deposits returned from customers		1 848	524
Cash paid to suppliers		(2 254 772)	(1 475 073)
Payments for NTRA license fees		( 322 994)	( 447 331)
Dividends paid to employees and Board of Directors		( 5 619)	( 311 768)
Cash paid to employees and Board of Directors		(2 258 864)	(1 662 847)
Cash paid on behalf of employees to third party		( 441 544)	( 326 209)
<b>Cash provided by operating activities</b>		<b>3 076 847</b>	<b>3 753 355</b>
Interest paid		( 426 593)	( 449 132)
Payments to Tax Authority - income tax		-	( 182 447)
Payments to Tax Authority - value added tax		( 582 689)	( 975 594)
Payments to Tax Authority - other taxes		( 538 105)	( 414 336)
Cash paid to third parties for claims		-	( 919 278)
Other proceeds		144 401	457 199
<b>Net cash provided by operating activities</b>		<b>1 673 861</b>	<b>1 269 767</b>
<b><u>Cash flows from investing activities</u></b>			
Payments for purchase of fixed assets , other assets and projects in progress		(3 387 562)	(2 850 481)
Payments for purchase of other assets		( 48 307)	( 73 307)
Payments for purchase of investments		-	( 123)
Payments for purchase of held-to-maturity investment - treasury bills		-	( 100 023)
Interest received		8 838	7 830
Dividends collected from investments		4 631 891	240 517
Proceeds from sale of available for sale investment		-	7
Proceeds from retrieval of held-to-maturity investment - treasury bills		100 051	100 023
Proceeds from securities - treasury bills interest		9 749	9 177
<b>Net cash provided by ( used in ) investing activities</b>		<b>1 314 660</b>	<b>(2 666 380)</b>
<b><u>Cash flows from financing activities</u></b>			
Proceeds from loans and other facilities		7 408 680	2 003 475
Payments for loans and other facilities		(9 527 018)	( 40 816)
Dividends paid to shareholders		( 426 768)	( 426 768)
<b>Net cash ( used in ) provided by financing activities</b>		<b>(2 545 106)</b>	<b>1 535 891</b>
<b>Net change in cash and cash equivalents during the period</b>		<b>443 415</b>	<b>139 278</b>
Cash and cash equivalents at the beginning of the period	(18)	187 604	46 226
<b>Cash and cash equivalents at the end of the period</b>	(18)	<b>631 019</b>	<b>185 504</b>

The accompanying notes on pages (7) to (26) are an integral part of these condensed separate interim financial statements



**Telecom Egypt Company**  
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**Notes to the Condensed Separate 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 the condensed separate interim financial statements**

- These Condensed Separate Interim Financial Statements were approved by the company's Board of Directors for issuance on August 7, 2019.

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

**2-1 Statement of compliance**

- These Condensed Separate 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 separate financial statements for the company, and in the light of applicable Egyptian laws and regulations related to.
- These Condensed Separate Interim Financial Statements don't include all the required information needed for preparing the full annual financial statements and must be read with the separate annual financial statements as of December 31, 2018

**2-2 Basis of measurement**

- These Condensed Separate Interim Financial Statements have been prepared under the historical cost basis, except for certain financial investments which are evaluated at fair value in according to the Egyptian Accounting Standards.
- For presentational purposes, the current and non-current classification has been used for the condensed separate statement of Financial Position, while expenses are analysed in condensed separate statement of income using a classification based on their function. The direct method has been used in preparing the condensed separate statement of cash flows.

### **2-3 Functional and presentation currency**

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

### **2-4 Use of estimates**

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

The estimates and underlying assumptions are reviewed on ongoing basis. Accounting recognition estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods. Information about the most significant accounts used the estimation and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the condensed separate interim financial statements is included in the following notes:-

- Impairment of financial and non-financial assets.
- Provisions and contingencies.
- Deferred tax assets 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 separate 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	1 595 441	1 228 954	815 815	649 989
Enterprise	916 192	871 494	430 457	377 186
Domestic wholesale	4 212 449	3 441 889	1 977 907	1 897 960
International carriers	2 269 736	2 236 002	1 141 429	1 139 645
International cables and networks	1 238 970	616 162	936 193	387 228
	<u>10 232 788</u>	<u>8 394 501</u>	<u>5 301 801</u>	<u>4 452 008</u>

Total operating revenues have increased by an amount of L.E 1 838 287 K mainly due to the increase in domestic wholesale revenue by an amount of L.E 770 560 K due to the increase in access service revenue and infrastructure revenue in addition to increase in home and personal communications revenues by an amount of L.E 366 487 K due to the increase in revenues resulting from subscription fees of fixed line and rendering mobile phone services, in addition to the increase in international cables and networks revenue by an amount of L.E 622 808 K and also the international carriers revenue by an amount of L.E 33 734 K.

**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	1 430 307	1 135 032	688 424	591 395
Salaries and wages	1 037 970	747 134	485 132	365 499
Company's social insurance contribution	135 979	93 335	67 362	46 645
Frequencies and licenses charges (NTRA)	289 737	241 382	150 429	126 326
Other operating costs	1 415 269	1 032 652	889 823	476 200
	<u>6 666 790</u>	<u>5 343 025</u>	<u>3 504 930</u>	<u>2 684 661</u>

Operating costs have increased by an amount of L.E. 1 323 765 K mainly due to the following: -

- The increase of salaries and wages and equivalent item by an amount of L.E. 333 480 K due to the annual increase by 10 % from the basic salary starting from January 2019.
- 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 interconnection fees.
- The increase in the depreciation and amortization item of the period by an amount of L.E 295 275 K due to the additions of the last year after the first half and the current period.
- The increase in the other operating costs by an amount of L.E. 382 617 K which is mainly due to the increase in Right of use (IRU) outside Egypt by an amount of L.E 260 931 K, fuel and power item by an amount of L.E 74 332 K and the organizations services costs item by an amount of L.E 104 855 K, however the decrease of merchandise for sale cost by an amount of L.E 199 441 K led to the limitation of this increase.

**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	426 695	385 162	276 777	190 031
Company's social insurance contribution	43 131	43 651	22 232	21 709
Advertising and marketing	246 213	144 793	154 285	98 128
Organizations services costs from third party	139 828	102 632	104 953	55 233
Fixed assets depreciation	3 168	-	1 684	-
Other selling and distribution expenses	188 133	133 345	123 030	95 680
	<u>1 047 168</u>	<u>809 583</u>	<u>682 961</u>	<u>460 781</u>

The increase in selling and distribution expenses by an amount of L.E 237 585 K mainly due to the increase in Advertising and marketing item by an amount of L.E 101 420 K, the increase in salaries and wages and equivalent item by an amount of L.E 41 013 K due to the annual increase by 10 % from the basic salary starting from January 2019 and organizations services costs by an amount of L.E 37 196 K in addition to the increase in the other selling and distribution expenses by an amount of L.E 54 788 K mainly due to the increase in commissions item by an amount of L.E 48 064 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>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Salaries and wages		746 570	577 928	313 847	287 794
Company's social insurance contribution		74 174	60 462	36 670	30 072
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	-
Fixed assets depreciation		18 386	18 759	9 158	9 392
Tax and duties		61 246	40 295	31 787	23 389
Organizations services costs and consultants		136 215	88 464	73 319	53 471
Other general and administrative expenses		75 076	60 551	35 290	24 378
		<u>2 254 009</u>	<u>846 459</u>	<u>1 573 368</u>	<u>428 496</u>

The increase in general and administrative expenses by an amount of L.E 1 407 550 K 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 Directors' 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 182 354 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 also the increase in organizations services costs and consultants item by an amount of L.E 47 751 K and tax and duties item by an amount of L.E 20 951 K.



## 7. NET FINANCE INCOME (COST)

	For the six months ended		For the three months ended	
	30/6/2019	30/6/2018	30/6/2019	30/6/2018
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Total finance income	873 251	89 439	417 719	55 376
Total finance cost	( 665 444)	( 666 475)	( 273 090)	( 330 740)
<b>Net finance income (cost)</b>	<b>207 807</b>	<b>( 577 036)</b>	<b>144 629</b>	<b>( 275 364)</b>

The increase in net finance income by an amount of L.E 784 843 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 758 625 K, decrease in Finance cost for credit contract by an amount of L.E 45 138 K, however the increase in debit interests by an amount of L.E 44 107 K led to limitation of this increase.

## 8. INCOME FROM INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

	For the six months ended		For the three months ended	
	30/6/2019	30/6/2018	30/6/2019	30/6/2018
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Vodafone Egypt Telecommunications Company	4 881 109	449 458	26 968	449 458
WE-Data	10 000	200 000	-	-
Middle East Radio Communication (MERC)	5 915	2 998	-	-
The Egyptian Telecommunication Company for information system (Xceed)	1 562	31 250	-	-
Centra for Technology	735	3 328	-	-
	<b>4 899 321</b>	<b>687 034</b>	<b>26 968</b>	<b>449 458</b>

This income is represented in the company's share in the cash dividends from investment in those companies according to the resolutions of the General Assembly of investees.

## 9. EMPLOYEE'S BENEFITS

### 9.1 Early retirement scheme

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 separate 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.

**10. BASIC AND DILUTED EARNING PER SHARE.**

	<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>
Net profit (loss) for the period(L.E in thousand)	5 038 411	1 423 468	( 269 818)	975 337
Number of shares available during the period	1 707 071 600	1 707 071 600	1 707 071 600	1 707 071 600
Basic and diluted earnings per share for the period (LE / share)	<u>2.95</u>	<u>0.83</u>	<u>(0.16)</u>	<u>0.57</u>



**11. FIXED ASSETS**

Description	30/6/2018	30/6/2019	30/6/2018	30/6/2019	30/6/2018	30/6/2019	31/12/2018
	Cost	Cost	Accumulated depreciation	Accumulated depreciation	Net	Net	Net
	<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>
Land	2 344 390	2 344 458	-	-	2 344 390	2 344 458	2 344 437
Buildings & Infrastructure	25 722 186	29 882 124	15 064 279	15 685 834	10 657 907	14 196 290	12 867 838
Centrals & information technologies equipment	25 766 131	27 659 965	20 037 541	20 795 333	5 728 590	6 864 632	6 723 934
Vehicles	143 131	148 919	104 635	105 764	38 496	43 155	35 810
Furniture	316 622	358 593	247 916	271 619	68 706	86 974	89 058
Tools & supplies	133 858	142 542	77 850	88 992	56 008	53 550	59 325
<b>Total</b>	<b>54 426 318</b>	<b>60 536 601</b>	<b>35 532 221</b>	<b>36 947 542</b>	<b>18 894 097</b>	<b>23 589 059</b>	<b>22 120 402</b>

- The increase in net carrying value of fixed assets mainly due to the additions during the period by an amount of L.E 2 821 622 K, however the depreciation of the period by an amount of L.E. 1 142 273 K led to limitation of this increase.
- The cost of fixed assets as of June 30, 2019 includes an amount of L.E. 22 699 Million fully depreciated fixed assets and still in use.

**12. PROJECTS IN PROGRESS**

	<b>30/6/2019</b>	<b>31/12/2018</b>
	<b><u>LE (000)</u></b>	<b><u>LE (000)</u></b>
Land	21 025	21 025
Buildings and Infrastructure	1 988 625	2 616 751
Vehicles	5 313	493
Furniture	4 692	2 108
Tools and supplies	34 246	24 083
Centrals and information technology equipment	3 234 713	2 107 988
Other Assets (cables)	78 920	70 776
Advanced payments - fixed assets	862 703	492 886
	<b><u>6 230 237</u></b>	<b><u>5 336 110</u></b>

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

**13. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES**

	30/6/2019		31/12/2018	
	Ownership %	Amount L.E. (000)	Ownership %	Amount L.E. (000)
Telecom Egypt France (TE France)	100.00	69 220	100.00	69 220
WE Data	99.99	252 461	99.99	252 461
TE Investment Holding	99.99	39 998	99.99	39 998
Egyptian international submarine cables company (Eiscc)	99.00	267 578	99.00	267 578
Egyptian Telecommunication for Information System (Xceed)	97.66	31 250	97.66	31 250
Centra Technology ( centra )	58.76	14 737	58.76	14 737
Wataneya for Telecommunications	50.00	125	50.00	125
International Telecommunications Consortium limited (ITCL)	50.00	54	50.00	54
Middle East Radio Communication ( Merc)	49.00	7 350	49.00	7 350
Vodafone Egypt Telecommunications Company	44.95	5 960 054	44.95	5 960 054
Egypt Trust	35.71	10 000	35.71	10 000
Consortium Algerien de Telecommunications	33.00	133	33.00	133
		<b>6 652 960</b>		<b>6 652 960</b>
<b>Less:</b>				
Impairment loss on investments of subsidiaries and associates*		8 081		8 081
		<b>6 644 879</b>		<b>6 644 879</b>

\*Impairment loss on investments of subsidiaries and associates is formed for Consortium Algerian de Telecommunications, International Telecommunications Consortium Limited, Egypt Trust, Wataneya for Telecommunications and Telecom Egypt France.

**14. OTHER ASSETS**

	30/6/2019 L.E. (000)	31/12/2018 L.E. (000)
<b>Cost</b>		
Fourth generation network license	8 633 330	8 633 330
Submarine cables (right of way)	1 813 773	1 818 948
Right of way ( National )	522 722	522 722
Land (possession-usufruct)	440 684	440 684
Licenses and programs	56 382	56 382
	<b>11 466 891</b>	<b>11 472 066</b>
<b>Less:</b>		
Accumulated amortization	1 521 524	1 213 270
<b>Net carrying amount</b>	<b>9 945 367</b>	<b>10 258 796</b>

- The decrease in net carrying value of other assets mainly due to the amortization of the period by an amount of L.E 309 588 K.
- Other assets amortization is charged to operating costs.
- Other assets cost includes at June 30, 2019 an amount of L.E 168 Million, other assets fully amortized and still in use in operating.

**15. INVENTORIES**

	30/6/2019 L.E. (000)	31/12/2018 L.E. (000)
Spare parts	892 786	753 004
Material supplies ,Merchandise for sale and Letters of credit	204 791	163 855
Others – cables and supplies	353 358	505 152
	<b>1 450 935</b>	<b>1 422 011</b>

The value of inventories was written down by an amount of L.E. 16 317 K (against L.E. 16 317 K as at December 31, 2018) for obsolete and slow-moving items directly from the cost of each type of related inventory.



**16. TRADE RECEIVABLES**

	30/6/2019	31/12/2018
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Trade Receivables - National	3 544 105	3 134 685
Trade Receivables - International	2 549 293	2 504 215
	<u>6 093 398</u>	<u>5 638 900</u>
<b>Less:</b>		
Impairment loss on trade receivables	1 934 425	1 969 531
	<u>4 158 973</u>	<u>3 669 369</u>

- Trade receivables balance has increased by an amount of L.E 489 604 K mainly due to the increase in trade receivables - international cables and networks by an amount of L.E 304 289 K and trade receivables-domestic wholesale by an amount of L.E 140 128 K and trade receivables-enterprise by an amount of L.E 256 967 K, however the decrease in trade receivables - international carriers by an amount of L.E 259 211 K led to limitation of this increase.

**17. DEBTORS AND OTHER DEBIT BALANCES**

	30/6/2019	31/12/2018
	<u>LE (000)</u>	<u>LE (000)</u>
Accrued revenues	41 832	9 492
Deposites with others	243 397	241 810
Suppliers – debit balances	1 095 623	284 659
Tax Authority - value added tax	1 304 180	1 785 732
Tax Authority - withholding tax	374 863	194 675
Tax authority - income tax	28 023	28 023
Due from ministries, organizations and companies	440 799	868 826
Temporary debts due from employees	351 599	628 401
Other debit balances	737 272	581 062
	<u>4 617 588</u>	<u>4 622 680</u>
<b>Less:</b>		
Impairment loss on debtors and other debit balances	100 849	100 849
	<u>4 516 739</u>	<u>4 521 831</u>

Debtors and other debit net balances have decreased by an amount of L.E. 5 092 K mainly due to the decrease in tax authority – value added tax item by an amount of L.E 481 552 K and due from ministers, organizations and companies item by an amount of L.E 430 427 K and temporary debts due from employees item by an amount of L.E 276 802 K, however the increase in suppliers - debit balances item by an amount of L.E 810 964 K and tax authority – withholding tax item by an amount of L.E 180 188 K and other debit balances item by an amount of L.E 156 210 led to limitation of this decrease .

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### 18. CASH AND CASH EQUIVALENTS

	Note No.	30/6/2019 L.E. (000)	31/12/2018 L.E. (000)	30/6/2018 L.E. (000)
Banks - time deposits (less than 3 months)		71 051	185 833	122 204
Banks - current accounts		563 970	14 143	69 459
Cash on hand		9 784	1 417	7 796
<b>Cash and cash equivalents</b>		<b>644 805</b>	<b>201 393</b>	<b>199 459</b>
<b>Less:</b>				
Restricted cash and cash equivalents at banks	(26)	13 786	13 789	13 955
<b>Cash and cash equivalents as per cash flows statement</b>		<b>631 019</b>	<b>187 604</b>	<b>185 504</b>

The increase in cash and cash equivalents due to the increase in the proceeds from the trade receivables within the period.

### 19. LOANS AND CREDIT FACILITIES

- The decrease in the balance of loans and credit facilities by an amount of L.E 2 178 156 K mainly resulting from payments of loans and credit facilities with local and foreign currencies amounted to L.E. 8 889 748 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. 11 662 204 K (against LE 13 840 360 K at December 31, 2018).

### 20. CREDITORS AND OTHER CREDIT BALANCES

	Note No.	30/6/2019 L.E. (000)	31/12/2018 L.E. (000)
Suppliers		547 570	625 484
Tax Authority-Income Tax		162 818	-
Tax Authority (taxes other than income tax)		536 654	546 558
Deposits from others		473 420	453 557
Assets creditors		7 600 690	8 096 103
Dividends payable		770	770
Accrued expenses		525 941	611 572
Public Authority for Social Insurance		62 954	55 559
Trade receivables - credit balances		286 583	285 574
Credit balances- organizations and companies		257 268	452 818
Deferred revenue		839 422	140 401
Liabilities of early retirement scheme	(9-1)	1 004 252	-
National Telecommunication Regulatory Authority (NTRA)		268 790	152 051
Other credit balances		962 969	816 906
		<b>13 530 101</b>	<b>12 237 353</b>
<b>Less balances due within more than one year:</b>			
Assets creditors		4 601 076	3 662 987
Deffered revenue		33 812	33 812
<b>Non current creditors and other credit balances</b>		<b>4 634 888</b>	<b>3 696 799</b>
<b>Current creditors and other credit balances</b>		<b>8 895 213</b>	<b>8 540 554</b>
<b>Total creditors and other credit balances</b>		<b>13 530 101</b>	<b>12 237 353</b>

Creditors and other credit balances have increased by an amount of L.E 1 292 748 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 pension scheme for employees, deferred revenue item by an amount of L.E 699 021 K, tax authority – income tax item by an amount of L.E 162 818 K, National Telecommunication Regulatory Authority (NTRA) item by an amount of L.E 116 739 K, however the decrease in both of assets creditors item by an amount of L.E 495 413 K, credit balances organizations and companies item by an amount of L.E 195 550 K, suppliers item by an amount of L.E 77 914 K and accrued expenses item by an amount of L.E 85 631 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	638 004	1 746 894	1 746 894
Reclassification during the period/year	-	793	793
Reversal of provisions	-	-	( 4 427)
Charged to income statement for the period / year	25 000	69 573	-
Used during the period / year	-	(1 179 256)	(1 179 256)
<b>Balance at the end of the period / year</b>	<b><u>663 004</u></b>	<b><u>638 004</u></b>	<b><u>564 004</u></b>

**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 LE 10 each.
- The Egyptian Government owns 80% after floating 20% of company's shares in public offering during December 2005.

**23. RESERVES**

	30/6/2019	31/12/2018
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Legal reserve	1 843 987	1 781 454
Other reserves	2 796 578	2 796 578
	<b><u>4 640 565</u></b>	<b><u>4 578 032</u></b>

The balance of legal reserve has increased as a result of retaining an amount of L.E. 62 533 K from the profit of year 2018 in accordance with the company's articles of association.

**24. DEFERRED TAX****24-1 Recognized deferred tax assets and liabilities**

	30/6/2019		31/12/2018	
	Assets	(Liabilities)	Assets	(Liabilities)
	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Total deferred tax asset / (liability)	270 675	( 630 390)	238 797	( 583 909)
Net deferred tax liability	-	( 359 715)	-	( 345 112)
Deferred tax charged to the income statement for the period / year		( 14 603)		( 476 644)

**24-2 Unrecognized deferred tax assets**

	30/6/2019	31/12/2018
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Unrecognized deferred tax assets	<b><u>468 303</u></b>	<b><u>498 164</u></b>

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

## 25. CAPITAL COMMITMENTS

The company's capital commitments for the unexecuted parts of contracts until June 30, 2019 amounted to L.E. 4 343 Million (against L.E. 3 186 Million at the year ended December 31, 2018).

## 26. CONTINGENT LIABILITIES

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

	30/6/2019	31/12/2018
	<u>LE (000)</u>	<u>LE (000)</u>
- Letters of guarantee issued by banks on behalf of the company*	949 978	816 278
- Letters of credit	2 989 660	1 357 440

\* Includes letters of guarantee which were issued by banks against restricted cash and cash equivalents at banks (note no.18).



## **27. TAX POSITION**

### **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 appealed 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 committee .
- 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 transferred 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.

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28. RELATED PARTY TRANSACTIONS

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

Transactions with subsidiaries & associates

	Nature of transaction during the period	Amount of transactions during the period stated in the income statement		Movement during the period		Balance as of	
		L.E. 000	L.E. 000	Debit L.E. 000	Credit L.E. 000	30/6/2019 Debit/(Credit) L.E. 000	31/12/2018 Debit/(Credit) L.E. 000
- Debit balances with associates and subsidiaries							
- Consortium Algerien de Telecommunications (CAT)*							
- International Telecommunication Consortium Limited (ITCL)*							
- Credit balances to associates and subsidiaries							
- WE Data	Participation contract and Purchasing of fixed assets and services rendered from subsidiaries company	34 947		106 690	199 792	(504 683)	(411 581)
- WE Data	Participation contract, selling of fixed assets, in advanced payments, leased circuits, information transfer network and services rendered	2 040 677		4 196 872	4 326 066	(269 650)	(140 456)
- Egyptian Telecommunication Company for Information Systems	Services rendered from subsidiary company	136 015		4 303 562	4 525 858	(774 333)	(552 037)
- Egyptian Telecommunication Company for Information Systems	lease of subsidiary company premises, electricity claims, maintenance and leased circuits and selling fixed assets	18 127		149 653	155 058	(89 744)	(83 744)
- Centre for Technologies	Maintenance & supplying devices	268 991		22 668	7 484	68 005	52 821
- Centre for Technologies	Expenses paid on behalf of associate	-		172 321	162 542	(21 144)	(30 923)
- Centre for Technologies	Expenses paid on behalf of parent company	-		246 558	375 882	(287 237)	(157 913)
- Centre for Electronic Industries	Maintenance & supplying devices	539		1 744	370	(370)	-
- Middle East Radio Communication (MERC)	Leased of information circuits	1 022		248 302	376 252	(285 863)	(157 913)
- Middle East Radio Communication (MERC)	Supplying & installing communication networks	-		820	1 008	(1 203)	(1 015)
- T E investment Holding	Rendered services from subsidiary company	61 728		1 165	1 165	-	-
- T E investment Holding	Leased sites for subsidiary company	9		224	-	-	(224)
- Jordanian Egyptian Company for data transfer	Leased services from subsidiary company	91 170		1 389	1 165	-	(224)
- TE France	Participation contract	10 484		91 160	73 489	(2 316)	(19 987)
- Egyptian International Submarine Cables Company (EISCC)	Participation contract	11 242		10	5	5	-
- Egyptian International Submarine Cables Company (EISCC)	Purchasing of other assets from subsidiaries company	3 398		91 170	73 494	(2 311)	(19 987)
- Egyptian International Submarine Cables Company (EISCC)	Selling of other assets to subsidiaries company	-		15 985	11 952	(1 933)	(5 966)
- Egyptian International Submarine Cables Company (EISCC)	Finance	-		15 985	11 952	(1 933)	(5 966)
- Menai Cable	Maintenance - Rendered services from subsidiary company	3 398		16 320	12 346	(73 489)	(77 463)
- Menai Cable	Paid of expenses on behalf of parent company	-		10	-	25	15
- Menai Cable	IRU Equipment upgrade - Rendered services from subsidiary company	37 881		80 384	-	(1 187 971)	(1 268 355)
- Menai Cable	Maintenance - Rendered services to subsidiary company	1 706		-	30 917	456 912	487 829
- Vodafone Egypt Telecommunications Company	Outgoing calls and voice services for associate company	874 365		65 628	-	65 628	-
- Vodafone Egypt Telecommunications Company	Incoming international calls, claims, transmissions, lease of locations and towers for the associate company	630 671		146 022	30 917	(665 406)	(780 511)
- Amount of transactions during the period which included in the statement of income does not include the value added tax.				171	3 398	(5 010)	(1 783)
				25 350	32 772	(22 861)	(15 439)
				1 335	37 881	(36 546)	-
				4 647	224	4 423	-
				31 503	74 275	(59 994)	(17 222)
				3 095 925	2 626 317	(580 024)	(1 049 632)
				8 123 319	7 896 126	(2 465 700)	(2 692 893)

\* Long-term debit balances amounted to L.E. 453 902 K are 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.



## 29. COMPARTIVE FIGURES

- Reclassification was made to some of the comparative figures of condensed separate statement of cash flows to conform to the current presentation of the condensed separate interim financial statements.

The following is the effect of reclassification on the condensed separate interim financial statements:

### Effect on condensed Separate Statement of Cash Flows

	<u>For the six months ended</u>		<u>For the six months ended</u>	
	<u>30/6/2018</u>	<u>Reclassification</u>	<u>30/6/2018</u>	<u>Reclassified</u>
	<u>as previously</u>			
	<u>reported</u>			
<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>	
Cash receipts from customers	7 773 957	(1 445 371)	6 328 586	
Cash receipts from related party	-	1 445 371	1 445 371	
Dividends paid to employees and Board of Directors	( 527 752)	215 984	( 311 768)	
Cash paid to employees and Board of Directors	(1 446 863)	( 215 984)	(1 662 847)	

## 30- SIGNIFICANT ACCOUNTING POLICIES

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

- Reclassification was made to some of comparative figures of the condensed separate interim financial statements (note no.29).

## 31- 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:

<u>New or Amended Standards</u>	<u>Summary of the Most Significant Amendments</u>	<u>Potential impact on the Financial Statements</u>	<u>Adoption date</u>
New Egyptian Accounting Standard No. (47) "Financial instruments"	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	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>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 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"> <li>- Egyptian Accounting Standard No. (1) "Presentation of Financial Statements", amended 2019</li> <li>- Egyptian Accounting Standard No. (4) "Statement of Cash Flows"</li> <li>- Egyptian Accounting Standard No. (25) "Financial Instruments: Presentation"</li> <li>- Egyptian Accounting Standard No. (26) "Financial Instruments: Recognition and Measurement"</li> <li>Egyptian Accounting Standard No. (40) "Financial Instruments: Disclosures"</li> </ul>		<p>These amendments shall be effective from the date of application of the standard 47.</p>
New Accounting Egyptian Standard No.	1. The new Egyptian Accounting Standard No. 48,	Management is currently assessing the	Standard No. 48 is effective for financial periods beginning on or



New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
(48) "Revenue from contracts with customers"	<p>Revenue from Contracts with Customers, replaces and cancels the following criteria:</p> <p>(A) Egyptian Accounting Standard No. (8) "Construction Contracts", amended 2015;</p> <p>(B) Egyptian Accounting Standard No. 11, "Revenue", amended 2015;</p> <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 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>potential impact on the financial statements when applying the amendment to the standard.</p>	<p>after 1 January 2020 and early adoption is permitted</p>
New Egyptian Accounting Standard (49) "Leases"	<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</p>	<p>Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.</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.</p>

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	<p>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 amounts equal to the net investment in the lease contract.</p> <p>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>95 of 1995 was canceled And issuing law No. 176 of 2018</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</p> <ul style="list-style-type: none"> <li>- Egyptian Accounting Standard No. (15) "Disclosure of Related Parties"</li> <li>- Egyptian Accounting Standard No. 17 "Separate Financial Statements"</li> <li>- Egyptian Accounting Standard No. (18) "Investments in Associates"</li> <li>- Egyptian Accounting Standard No. (24) "Income Tax"</li> <li>- Egyptian Accounting Standard No. (29) "Business Combinations"</li> <li>- Egyptian Accounting Standard No. (30) "interim Financial Statements"</li> <li>- Egyptian Accounting Standard No. (44) - " Disclosure of Interests in Other Entities "</li> </ul>	<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</p> <p>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 "Consolidated Financial Statements", and amended 2019.</p>



New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
<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 amendment to the standard.</p>	<p>Amendment applies to financial periods beginning on or after 1 January 2019.</p>
<p>Egyptian Accounting Standard No. (34) Investment Property</p>	<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> <p>- EAS 32 "Non-current Assets Held for Sale and Discontinued Operations".</p> <p>- Egyptian Accounting Standard No. (31) "Impairment of Assets"</p>	<p>Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.</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
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 ٢٠١٩