

telecomegypt



Translation from Arabic

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

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(An Egyptian Joint Stock Company)
Condensed Separate Interim Financial Statements
For The Nine Months Ended September 30, 2019
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Index

<u>Explanation</u>	<u>Page Number</u>
- Limited Review Report	1
- Condensed Separate Statement of Financial Position	2
- Condensed Separate Statement of Income	3
- Condensed Separate Statement of Comprehensive Income	4
- Condensed Separate Statement of Changes in Equity	5
- Condensed Separate Statement of Cash Flows	6
- Notes to the Condensed Separate Interim Financial Statements	7:25



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**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 September 30, 2019 and the related condensed separate statements of income, comprehensive income, changes in equity and cash flows for the nine 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

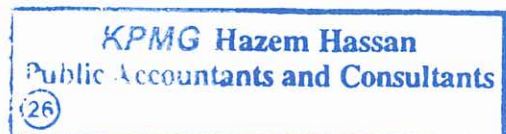
We conducted our limited review in accordance with Egyptian Standard on Review Engagements number (2410), "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity". A limited review of condensed separate interim financial statements consists of making inquiries, 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 September 30, 2019 and of its financial performance and its cash flows for the nine months then ended in accordance with Egyptian Accounting Standard number (30) “Interim Financial Reporting”.

KPMG Hazem Hassan
Public Accountants & Consultants

Cairo, November 13, 2019



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

	Note No.	30/9/2019 L.E. (000)	31/12/2018 L.E. (000)
Assets			
<u>Non Current Assets</u>			
Fixed assets	(11)	25 755 909	22 120 402
Projects in progress	(12)	5 751 241	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)	9 945 555	10 258 796
Deferred tax assets	(24-1)	191 385	238 797
Total Non Current Assets		48 367 530	44 677 545
<u>Current Assets</u>			
Inventories	(15)	1 459 971	1 422 011
Trade receivables	(16)	4 187 048	3 669 369
Debtors and other debit balances	(17)	5 252 177	4 521 831
Held-to-maturity investments (treasury bills)		-	102 259
Cash and cash equivalents	(18)	772 373	201 393
Total Current Assets		11 671 569	9 916 863
Total Assets		60 039 099	54 594 408
<u>Equity</u>			
Capital	(22)	17 070 716	17 070 716
Reserves	(23)	4 640 565	4 578 032
Retained earnings		7 035 532	2 953 141
Total Equity		28 746 813	24 601 889
<u>Non Current Liabilities</u>			
Loans and credit facilities	(19)	5 229 443	550 168
Creditors and other credit balances	(20)	3 826 273	3 696 799
Deferred tax liabilities	(24-1)	692 961	583 909
Total Non Current Liabilities		9 748 677	4 830 876
<u>Current Liabilities</u>			
Loans and credit facilities installments due within one year	(19)	9 874 908	13 290 192
Creditors and other credit balances	(20)	7 964 429	8 540 554
Accrued credit accounts due to subsidiaries and associates	(28)	3 041 268	2 692 893
Provisions	(21)	663 004	638 004
Total Current Liabilities		21 543 609	25 161 643
Total Liabilities		31 292 286	29 992 519
Total Equity and Liabilities		60 039 099	54 594 408

The accompanying notes on pages (7) to (25) are an integral part of these condensed separate 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 Separate Statement of Income

	Note	For the nine months ended:		For the three months ended:	
		30/9/2019	30/09/2018	30/9/2019	30/09/2018
	No.	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)
Operating revenues	(3)	15 064 536	13 526 149	4 831 748	5 131 648
Operating costs	(4)	(10 535 342)	(8 463 371)	(3 868 552)	(3 120 346)
Gross Profit		4 529 194	5 062 778	963 196	2 011 302
Other operating income		346 092	338 084	157 241	133 961
Selling and distribution expenses	(5)	(1 545 280)	(1 289 865)	(498 112)	(480 282)
General and administrative expenses	(6)	(3 116 847)	(1 380 102)	(862 838)	(533 643)
Other operating expenses		(108 148)	(49 663)	(8 228)	(8 397)
Operating profit		105 011	2 681 232	(248 741)	1 122 941
Finance income	(7)	1 268 291	73 802	395 040	7 710
Finance cost	(7)	(1 007 679)	(953 970)	(342 235)	(310 842)
Net finance income (cost)	(7)	260 612	(880 168)	52 805	(303 132)
Income from investments in subsidiaries and associates	(8)	5 348 779	687 034	449 458	-
Net profit for the period before tax		5 714 402	2 488 098	253 522	819 809
Income tax expense		(351 545)	(64 952)	56 321	(30 488)
Deferred tax	(24-1)	(156 464)	(379 390)	(141 861)	(169 033)
Total income tax		(508 009)	(444 342)	(85 540)	(199 521)
Net profit for the period		5 206 393	2 043 756	167 982	620 288
Basic and diluted earning per share for the period (L.E. / Share)	(10)	3.05	1.20	0.10	0.36

The accompanying notes on pages (7) to (25) 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 nine months ended :</u>		<u>For the three months ended :</u>	
	30/9/2019	30/09/2018	30/9/2019	30/09/2018
	<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	5 206 393	2 043 756	167 982	620 288
<u>Other Comprehensive Income Items</u>				
Other Comprehensive Income items	-	-	-	-
Total Comprehensive Income	<u>5 206 393</u>	<u>2 043 756</u>	<u>167 982</u>	<u>620 288</u>

The accompanying notes on pages (7) to (25) 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 Nine Months Ended September 30, 2019

	Capital L.E. (000)	Legal reserve L.E. (000)	Other reserves L.E. (000)	Retained earnings L.E. (000)	Total L.E. (000)
Balance as of January 1, 2018	17 070 716	1 753 537	2 796 578	2 797 513	24 418 344
Comprehensive income					
Net profit for the period	-	-	-	2 043 756	2 043 756
Other comprehensive income items	-	-	-	-	-
Total comprehensive income				2 043 756	2 043 756
Transactions with shareholders					
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)
Total transactions with shareholders	-	27 917	-	(1 095 030)	(1 067 113)
Balance as of September 30, 2018	17 070 716	1 781 454	2 796 578	3 746 239	25 394 987
Balance as of January 1, 2019	17 070 716	1 781 454	2 796 578	2 953 141	24 601 889
Comprehensive income					
Net profit for the period	-	-	-	5 206 393	5 206 393
Other comprehensive income items	-	-	-	-	-
Total comprehensive income				5 206 393	5 206 393
Transactions with shareholders					
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)
Total transactions with shareholders	-	62 533	-	(1 124 002)	(1 061 469)
Balance as of September 30, 2019	17 070 716	1 843 987	2 796 578	7 035 532	28 746 813

The accompanying notes on pages (7) to (25) are an integral part of these condensed separate interim financial statements.

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

	Note No.	<u>For the nine months ended:</u>	
		<u>30/9/2019</u>	<u>30/9/2018</u>
		<u>L.E.(000)</u>	<u>L.E.(000)</u>
<u>Cash flows from operating activities</u>			
Cash receipts from customers		8 724 128	7 888 133
Cash receipts from related party		3 307 204	2 062 562
Value added tax collected from customers		297 625	267 806
Stamp tax and fees collected from third party		31 973	29 511
Deposits returned from customers		2 413	815
Cash paid to suppliers		(3 412 644)	(1 345 405)
Payments for NTRA license fees		(323 857)	(450 919)
Dividends paid to employees and Board of Directors		(5 619)	(311 768)
Cash paid to employees and Board of Directors		(4 259 460)	(2 731 522)
Cash paid on behalf of employees to third party		(666 915)	(511 316)
Cash provided by operating activities		3 694 848	4 897 897
Interest paid		(688 322)	(646 315)
Payments to Tax Authority - income tax		-	(182 447)
Payments to Tax Authority - value added tax		(752 648)	(1 422 468)
Payments to Tax Authority - other taxes		(784 781)	(575 695)
Cash paid to third parties for claims		-	(919 278)
Other payments		(248 379)	(7 563)
Net cash provided by operating activities		1 220 718	1 144 131
<u>Cash flows from investing activities</u>			
Payments for purchase of fixed assets , other assets and projects in progress		(6 302 820)	(5 037 554)
Payments for purchase of other assets		(722 097)	(780 178)
Payments for purchase of investments		-	(268 579)
Payments for purchase of held-to-maturity investment - treasury bills		-	(100 023)
Payments for loans to subsidiaries		-	(1 604 700)
Interest received		12 991	8 733
Dividends collected from investments		5 084 495	679 404
Proceeds from sale of available for sale investment		-	7
Proceeds from retrieval of held-to-maturity investment - treasury bills		100 051	102 090
Proceeds from securities - treasury bills interest		9 749	9 177
Net cash used in investing activities		(1 817 631)	(6 991 623)
<u>Cash flows from financing activities</u>			
Payments for loans and credit facilities		(5 908 406)	(40 816)
Proceeds from loans and credit facilities		7 408 680	6 450 365
Dividends paid to shareholders		(426 768)	(426 768)
Net cash provided by financing activities		1 073 506	5 982 781
Net change in cash and cash equivalents during the period		476 593	135 289
Cash and cash equivalents at the beginning of the period	(18)	187 604	46 226
Cash and cash equivalents at the end of the period	(18)	664 197	181 515

The accompanying notes on pages (7) to (25) are an integral part of these condensed separate interim financial statements.

Telecom Egypt Company
(An Egyptian Joint Stock Company)

Notes to the Condensed Separate Interim Financial Statements
For The Nine Months Ended September 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 November 13, 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 September 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

	For the nine months ended		For the three months ended	
	30/9/2019	30/9/2018	30/9/2019	30/9/2018
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Home and personal communications	2 499 421	1 935 364	903 980	706 410
Enterprise	1 386 025	1 825 054	469 833	953 560
Domestic wholesale	6 255 378	5 079 196	2 042 929	1 637 307
International carriers	3 380 753	3 346 757	1 111 017	1 110 755
International cables and networks	1 542 959	1 339 778	303 989	723 616
	<u>15 064 536</u>	<u>13 526 149</u>	<u>4 831 748</u>	<u>5 131 648</u>

Total operating revenues have increased by an amount of L.E. 1 538 387 K mainly due to the increase in domestic wholesale revenue by an amount of L.E. 1 176 182 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. 564 057 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. 203 181 K and also the international carriers revenue by an amount of L.E. 33 996 K, however the decrease in enterprise revenue by an amount of L.E. 439 029 K led to the limitation of this increase.

4. OPERATING COSTS

	For the nine months ended		For the three months ended	
	30/9/2019	30/9/2018	30/9/2019	30/9/2018
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Interconnection cost	3 663 967	3 172 149	1 306 439	1 078 659
Depreciation and amortization	2 364 110	1 803 775	933 803	668 743
Salaries and wages	1 815 592	1 126 712	777 622	379 578
Company's social insurance contribution	202 018	146 835	66 039	53 500
Frequencies and licenses charges (NTRA)	403 695	399 654	113 958	158 272
Other operating costs	2 085 960	1 814 246	670 691	781 594
	<u>10 535 342</u>	<u>8 463 371</u>	<u>3 868 552</u>	<u>3 120 346</u>

Operating costs have increased by an amount of L.E. 2 071 971 K mainly due to the following: -

- The increase of interconnection cost by an amount of L.E. 491 818 K which is mainly due to the increase in cost of national roaming and interconnection fees.
- The increase of salaries and wages and equivalent item by an amount of L.E. 744 063 K due to the annual increase by 10 % from the basic salary starting from January 2019.
- The increase in the depreciation and amortization item of the period by an amount of L.E. 560 335 K due to the additions of the last year after the nine months and the current period.
- The increase in the other operating costs by an amount of L.E. 271 714 K which is mainly due to the increase in Right of use (IRU) outside Egypt by an amount of L.E. 96 299 K, fuel and power item by an amount of L.E. 102 690 K and the organizations services costs item by an amount of L.E. 148 854 K, however the decrease of merchandise for sale cost by an amount of L.E. 315 623 K led to the limitation of this increase.

5. SELLING AND DISTRIBUTION EXPENSES

	<u>For the nine months ended</u>		<u>For the three months ended</u>	
	<u>30/9/2019</u>	<u>30/9/2018</u>	<u>30/9/2019</u>	<u>30/9/2018</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Salaries and wages	642 696	573 534	216 001	188 372
Company's social insurance contribution	63 206	68 025	20 075	24 374
Advertising and marketing	337 546	320 341	91 333	175 548
Organizations services costs from third party	221 637	151 791	81 809	49 159
Commissions	137 239	53 657	53 628	24 444
Fixed assets depreciation	5 022	-	1 854	-
Other selling and distribution expenses	137 934	122 517	33 412	18 385
	<u>1 545 280</u>	<u>1 289 865</u>	<u>498 112</u>	<u>480 282</u>

The increase in selling and distribution expenses by an amount of L.E. 255 415 K mainly due to increase in commissions item by an amount of L.E. 83 582 K, the increase in organizations services costs by an amount of L.E. 69 846 K, the increase in salaries and wages and equivalent item by an amount of L.E. 64 343 K due to the annual increase by 10 % from the basic salary starting from January 2019 and Advertising and marketing item by an amount of L.E. 17 205 K.

6. GENERAL AND ADMINISTRATIVE EXPENSES

	Note No.	<u>For the nine months ended</u>		<u>For the three months ended</u>	
		<u>30/9/2019</u>	<u>30/9/2018</u>	<u>30/9/2019</u>	<u>30/9/2018</u>
		<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Salaries and wages		847 145	915 832	100 575	337 904
Company's social insurance contribution		109 329	94 546	35 155	34 084
End of service compensation - early retirement scheme	(9-1)	1 476 205	-	471 953	-
The company's contribution in loyalty and belonging fund	(9-2)	207 136	-	69 046	-
Fixed assets depreciation		27 824	28 480	9 438	9 721
Tax and duties		88 738	69 829	27 492	29 534
Organizations services costs and consultants		239 455	191 238	103 240	102 774
Other general and administrative expenses		121 015	80 177	45 939	19 626
		<u>3 116 847</u>	<u>1 380 102</u>	<u>862 838</u>	<u>533 643</u>

The increase in general and administrative expenses by an amount of L.E. 1 736 745 K mainly due to the increase in early retirement compensation by an amount of L.E. 1 476 205 K as a result of applying the optional early retirement scheme for employees according to the company's Board of Directors decree on March 24, 2019 (Note No. 9-1) in addition to the increase in the company's contribution in loyalty and belonging fund item by an amount of L.E. 207 136 K (Note No. 9-2) also the increase in organizations services costs and consultants item by an amount of L.E. 48 217 K and tax and duties item by an amount of L.E. 18 909 K.

7. NET FINANCE INCOME (COST)

	For the nine months ended		For the three months ended	
	30/9/2019	30/9/2018	30/9/2019	30/9/2018
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Total finance income	1 268 291	73 802	395 040	7 710
Total finance cost	(1 007 679)	(953 970)	(342 235)	(310 842)
Net finance income (cost)	260 612	(880 168)	52 805	(303 132)

The increase in net finance income by an amount of L.E. 1 140 780 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. 1 172 367 K, decrease in Finance cost for credit contracts by an amount of L.E. 72 401 K, however the increase in debit interests by an amount of L.E. 126 110 K led to limitation of this increase in net finance income.

8. INCOME FROM INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

	For the nine months ended		For the three months ended	
	30/9/2019	30/9/2018	30/9/2019	30/9/2018
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Vodafone Egypt Telecommunications Company	5 330 567	449 458	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	-	-
	5 348 779	687 034	449 458	-

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 most important benefits of an 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 has considered 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 all the applications submitted by the employees of the company, and based on its recommendations and after obtaining all the necessary approvals, administrative orders have been issued for the end of the service of employees whose meet the requirements of the above scheme. Currently, the said committee has prepared the study of all the applications submitted to it by the employees of the company, issuing its recommendations and preparing the final reports of the results of its works in order to determine all the liabilities that the company will bear as a result of the application of the optional early retirement scheme, the company's liabilities as a result of implementation of this scheme amounted to L.E. 1 476 205 K (Note no. 6).

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, 2015 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 207 136 K for the period ended in September 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.

	<u>For the nine months ended</u>		<u>For the three months ended</u>	
	<u>30/9/2019</u>	<u>30/9/2018</u>	<u>30/9/2019</u>	<u>30/9/2018</u>
Net profit for the period(L.E in thousand)	5 206 393	2 043 756	167 982	620 288
Number of shares available during the period (shares)	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>3.05</u>	<u>1.20</u>	<u>0.10</u>	<u>0.36</u>

11. FIXED ASSETS

Description	30/9/2018	30/9/2019	30/9/2018	30/9/2019	30/9/2018	30/9/2019	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	2 344 437	2 344 458	-	-	2 344 437	2 344 458	2 344 437
Buildings & Infrastructure	27 120 794	31 124 434	15 174 929	15 866 650	11 945 865	15 257 784	12 867 838
Centrals & information technologies equipment	26 436 910	29 208 780	20 358 128	21 254 704	6 078 782	7 954 076	6 723 934
Vehicles	142 280	167 693	105 153	107 829	37 127	59 864	35 810
Furniture	323 853	366 683	253 692	278 485	70 161	88 198	89 058
Tools & supplies	136 522	143 955	80 482	92 426	56 040	51 529	59 325
Total	56 504 796	63 356 003	35 972 384	37 600 094	20 532 412	25 755 909	22 120 402

- The increase in net carrying value of fixed assets mainly due to the additions during the period by an amount of L.E. 5 753 741 K, however the depreciation of the period by an amount of L.E. 1 903 943 K led to limitation of this increase.
- The cost of fixed assets as of September 30, 2019 includes an amount of L.E. 22 692 M fully depreciated fixed assets and still in use.

12. PROJECTS IN PROGRESS

	30/9/2019	31/12/2018
	<u>LE (000)</u>	<u>LE (000)</u>
Land	21 025	21 025
Buildings and Infrastructure	1 581 236	2 616 751
Vehicles	-	493
Furniture	10 257	2 108
Tools and supplies	34 864	24 083
Centrals and information technology equipment	3 398 072	2 107 988
Other Assets (cables)	17 534	70 776
Advanced payments - fixed assets	688 253	492 886
	5 751 241	5 336 110

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 September 30, 2019.

13. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

	30/9/2019		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 (Mere)	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
		<u>6 652 960</u>		<u>6 652 960</u>
Less:				
Impairment loss on investments of subsidiaries and associates*		8 081		8 081
		<u>6 644 879</u>		<u>6 644 879</u>

*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

	30/9/2019 L.E. (000)	31/12/2018 L.E. (000)
Cost		
Fourth generation network license	8 633 330	8 633 330
Submarine cables (right of way)	1 892 290	1 818 948
Right of way (National)	522 722	522 722
Land (possession- usufruct)	440 684	440 684
Licenses and programs	161 478	56 382
	<u>11 650 504</u>	<u>11 472 066</u>
Less:		
Accumulated amortization	1 704 949	1 213 270
Net carrying amount	<u>9 945 555</u>	<u>10 258 796</u>

- The decrease in net carrying value of other assets mainly due to the amortization of the period by an amount of L.E 493 013 K.
- Other assets amortization is charged to operating costs.
- Other assets cost includes at September 30, 2019 an amount of L.E 168 Million, other assets fully amortized and still in use in operating.

15. INVENTORIES

	30/9/2019 L.E. (000)	31/12/2018 L.E. (000)
Spare parts	954 171	753 004
Material supplies ,Merchandise for sale and Letters of credit	227 062	163 855
Others – cables and supplies	278 738	505 152
	<u>1 459 971</u>	<u>1 422 011</u>

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

	30/9/2019	31/12/2018
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Trade Receivables - National	3 811 461	3 134 685
Trade Receivables - International	2 310 012	2 504 215
	<u>6 121 473</u>	<u>5 638 900</u>
Less:		
Impairment loss on trade receivables	1 934 425	1 969 531
	<u>4 187 048</u>	<u>3 669 369</u>

- Trade receivables balance has increased by an amount of L.E. 517 679 K mainly due to the increase in trade receivables-enterprise by an amount of L.E. 381 839 K and trade receivables-domestic wholesale by an amount of L.E. 256 559 K and trade receivables - international cables and networks by an amount of L.E. 279 415 K due to the increase in the revenue of this business units , however the decrease in trade receivables - international carriers by an amount of L.E. 473 618 K due to the increase in collections from trade receivables which led to limitation of this increase.

17. DEBTORS AND OTHER DEBIT BALANCES

	30/9/2019	31/12/2018
	<u>LE (000)</u>	<u>LE (000)</u>
Accrued revenues	16 057	9 492
Deposites with others	245 093	241 810
Suppliers – debit balances	1 193 585	284 659
Tax Authority - value added tax	1 485 028	1 785 732
Tax Authority - withholding tax	447 650	194 675
Tax authority - income tax	28 023	28 023
Due from ministries, organizations and companies	694 703	868 840
Temporary debts due from employees	513 805	628 401
Other debit balances	729 082	581 048
	<u>5 353 026</u>	<u>4 622 680</u>
Less:		
Impairment loss on debtors and other debit balances	100 849	100 849
	<u>5 252 177</u>	<u>4 521 831</u>

Debtors and other debit net balances have increased by an amount of L.E. 730 346 K mainly due to the increase in suppliers - debit balances item by an amount of L.E 908 926 K and tax authority – withholding tax item by an amount of L.E. 252 975 K and other debit balances item by an amount of L.E. 148 034 K, however the decrease in tax authority – value added tax item by an amount of L.E. 300 704 K and due from ministers, organizations and companies item by an amount of L.E. 174 137 K and temporary debts due from employees item by an amount of L.E. 114 596 K led to limitation of this increase .

18. CASH AND CASH EQUIVALENTS

	Note	30/9/2019	31/12/2018	30/9/2018
	No.	L.E. (000)	L.E. (000)	L.E. (000)
Banks - time deposits (less than 3 months)		114 723	185 833	102 498
Banks - current accounts		648 938	14 143	86 106
Cash on hand		8 712	1 417	6 866
Cash and cash equivalents		772 373	201 393	195 470
Less:				
Restricted cash and cash equivalents at banks	(26)	108 176	13 789	13 955
Cash and cash equivalents as per cash flows statement		664 197	187 604	181 515

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 increase in the balance of loans and credit facilities by an amount of L.E. 1 263 991 K mainly resulting from the company obtaining a foreign loan by the balance at September 30, 2019 \$ 382 947 K equivalent to amount of L.E. 6 234 383 K however the payments of loans and credit facilities with local and foreign currencies amounted to L.E. 4 876 841 K, which led to limitation of this increase where loans and credit facilities with local and foreign currencies in September 30, 2019 amounted to L.E. 15 104 351 K (against LE 13 840 360 K at December 31, 2018).

20. CREDITORS AND OTHER CREDIT BALANCES

	30/9/2019	31/12/2018
	L.E. (000)	L.E. (000)
Suppliers	484 452	625 484
Tax Authority-Income Tax	84 023	-
Tax Authority (taxes other than income tax)	559 677	546 558
Deposits from others	462 968	453 557
Assets creditors	6 823 827	8 096 103
Dividends payable	770	770
Accrued expenses	486 076	611 572
Public Authority for Social Insurance	60 636	55 559
Trade receivables - credit balances	446 918	285 574
Credit balances- organizations and companies	217 183	452 818
Deferred revenue	538 377	140 401
Credit balances- retirement employees compensations	618 790	-
National Telecommunication Regulatory Authority (NTRA)	371 621	152 051
Other credit balances	635 384	816 906
	11 790 702	12 237 353
Less balances due within more than one year:		
Assets creditors	3 792 461	3 662 987
Deffered revenue	33 812	33 812
Non current creditors and other credit balances	3 826 273	3 696 799
Current creditors and other credit balances	7 964 429	8 540 554
Total creditors and other credit balances	11 790 702	12 237 353

Creditors and other credit balances have decreased by an amount of L.E. 446 651 K mainly due to the decrease in assets creditors item by an amount of L.E. 1 272 276 K, credit balances organizations and companies item by an amount of L.E. 235 635 K, other credit balances item by an amount of L.E. 181 522 K, suppliers item by an amount of L.E. 141 032 K and accrued expenses item by an amount of L.E. 125 496 K, however the increase in credit balances- retirement employees compensation by an amount of L.E. 618 790 K as a result of applying the optional early retirement scheme for employees, deferred revenue item by an amount of L.E. 397 976 K, National Telecommunication Regulatory Authority (NTRA) item by an amount of L.E. 219 570 K, trade receivables – credit balances item by an amount of L.E. 161 344 K, tax authority – income tax item by an amount of L.E. 84 023 K, led to the limitation of this decrease.

21. PROVISIONS

	30/9/2019	31/12/2018	30/9/2018
	<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)
Balance at the end of the period / year	<u><u>663 004</u></u>	<u><u>638 004</u></u>	<u><u>564 004</u></u>

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

	30/9/2019	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
	<u><u>4 640 565</u></u>	<u><u>4 578 032</u></u>

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

	<u>30/9/2019</u>		<u>31/12/2018</u>	
	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)	191 385	(692 961)	238 797	(583 909)
Net deferred tax liability	-	(501 576)	-	(345 112)
Deferred tax charged to the income statement for the period / year		<u>(156 464)</u>		<u>(476 644)</u>

24-2 Unrecognized deferred tax assets

	30/9/2019	31/12/2018
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Unrecognized deferred tax assets	<u>468 303</u>	<u>498 164</u>

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 September 30, 2019 amounted to L.E. 1 231 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 September 30, 2019:

	<u>30/9/2019</u>	<u>31/12/2018</u>
	<u>LE (000)</u>	<u>LE (000)</u>
- Letters of guarantee issued by banks on behalf of the company*	946 022	816 278
- Letters of credit	2 306 724	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 until 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 2008 on the due dates.

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

Notes To The Condensed Separate Interim Financial Statements
For The Nine Months Ended September 30, 2019 (continued)

Translation from Arabic

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	30/9/2019 Debit/(Credit) L.E. 000	31/12/2018 Debit/(Credit) L.E. 000
<u>Debit balances with associates and subsidiaries</u>						
- Consortium Algerien de Telecommunications (CAT)*	-	-	-	-	453 902	453 902
- International Telecommunication Consortium Limited (ITCL)*	-	-	-	-	66	66
<u>Credit balances to associates and subsidiaries</u>						
- WE Data	72 349	169 054	169 054	276 538	(519 065)	(411 581)
- WE Data	3 137 830	4 456 151	4 456 151	4 930 301	(614 606)	(140 456)
- Egyptian Telecommunication Company for Information Systems	225 382	4 625 205	4 625 205	5 206 839	(1 133 671)	(552 037)
- Egyptian Telecommunication Company for Information Systems	26 743	237 917	237 917	256 936	(102 763)	(83 744)
- Centra for Technologies	345 766	37 117	37 117	14 906	75 032	52 821
- Centra for Electronic Industries	808	275 034	275 034	271 842	(27 731)	(30 923)
- Middle East Radio Communication (MERC)	1 033	461 579	461 579	541 140	(237 474)	(157 913)
- Middle East Radio Communication (MERC)	-	915	915	1 463	(1 563)	(1 015)
- T E investment Holding	90 450	1 178	1 178	-	-	(224)
- T E investment Holding	14	224	224	-	-	(224)
- Jordanian Egyptian Company for data transfer	22 864	1 402	1 402	1 178	(224)	(224)
- TE France	19 637	129 924	129 924	119 385	(9 448)	(19 987)
- Egyptian International Submarine Cables Company (EISCC)	15	15	15	10	5	-
- Egyptian International Submarine Cables Company (EISCC)	-	129 939	129 939	119 395	(9 443)	(19 987)
- Egyptian International Submarine Cables Company (EISCC)	-	18 438	18 438	32 431	(19 959)	(5 960)
- Egyptian International Submarine Cables Company (EISCC)	-	28 089	28 089	20 353	(69 727)	(77 463)
- Egyptian International Submarine Cables Company (EISCC)	-	110 261	110 261	-	30	15
- Egyptian International Submarine Cables Company (EISCC)	-	-	-	42 408	445 421	487 829
- Egyptian International Submarine Cables Company (EISCC)	-	64 284	64 284	-	64 284	-
- Mena Cable	5 029	174 560	174 560	42 408	(648 359)	(780 511)
- Mena Cable	-	171	171	4 900	(6 512)	(1 783)
- Mena Cable	37 881	48 581	48 581	45 912	(12 770)	(15 439)
- Mena Cable	2 520	2 076	2 076	37 881	(35 805)	-
- Vodafone Egypt Telecommunications Company	1 355 372	56 369	56 369	89 118	(49 971)	(17 222)
- Vodafone Egypt Telecommunications Company	956 921	3 610 902	3 610 902	3 404 640	(843 370)	(1 049 632)
- Amount of transactions during the period which included in the statement of income does not include the value added tax.		9 382 432	9 382 432	9 730 807	(3 041 268)	(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- SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of the condensed separate interim financial statements as of September 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.

30- 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 models, which requires the measurement of impairment of all financial assets measured at amortized cost and financial instruments measured at fair</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>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 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>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
	5. Expanding disclosure and presentation requirements.		
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 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>	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	<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>
Amended Egyptian Accounting Standard No. (38) "Employees Benefits"	A number of paragraphs were added and amended to amend the accounting rules for the modification, reduction and settlement of the employee benefits scheme	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Standard No. (38) is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
<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"> - Egyptian Accounting Standard No. (15) "Disclosure of Related Parties" - 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 " 	<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 "Consolidated Financial Statements", and amended 2019.</p>
<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. 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</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>

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	Assets and Depreciation until their expiry.		
Egyptian Accounting Standard No. (22) "Earnings per share"	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.	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.
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> <p>- EAS 32 "Non-current Assets Held for Sale and Discontinued Operations".</p> <p>- Egyptian Accounting Standard No. (31) "Impairment of Assets"</p>	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.