

**Telecom Egypt Company**  
**(An Egyptian Joint Stock Company)**  
**Condensed Separate Interim Financial Statements**  
**For The Nine Months Ended September 30, 2018**  
**And Limited Review Report**

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(An Egyptian Joint Stock Company)**  
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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 September 30, 2018 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, 2018 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".



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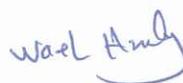
**Telecom Egypt Company**  
**(An Egyptian Joint Stock Company)**

**Condensed Separate Statement of Financial Position As of:**

	Note No.	30/9/2018 L.E. (000)	31/12/2017 Restated L.E. (000)	1/1/2017 Reclassified L.E. (000)
<b>Assets</b>				
<b>Non Current Assets</b>				
Fixed assets	(11)	20 532 412	17 852 509	13 872 262
Projects in progress	(12)	3 317 665	2 837 275	7 384 247
Investments in subsidiaries and associates	(13)	6 644 879	6 377 301	6 377 283
Available-for-sale investments		78 561	77 568	81 273
Other assets	(14)	9 803 446	10 320 926	1 363 904
Deferred tax assets	(24-1)	204 617	396 877	408 552
<b>Total Non Current Assets</b>		<b>40 581 580</b>	<b>37 862 456</b>	<b>29 487 521</b>
<b>Current Assets</b>				
Inventories	(15)	1 290 439	1 056 663	612 467
Trade receivables	(16)	4 595 207	3 902 221	4 748 507
Debtors and other debit balances	(17)	3 275 015	2 210 058	1 589 983
Debit balances with associates and subsidiaries		1 791 121	-	30 245
Held-to-maturity investments -treasury bills		106 824	102 090	101 922
Cash and cash equivalents	(18)	195 470	58 263	530 195
<b>Total Current Assets</b>		<b>11 254 076</b>	<b>7 329 295</b>	<b>7 613 319</b>
<b>Total Assets</b>		<b>51 835 656</b>	<b>45 191 751</b>	<b>37 100 840</b>
<b>Equity</b>				
Capital	(22)	17 070 716	17 070 716	17 070 716
Reserves	(23)	4 578 032	4 550 115	4 380 491
Retained earnings		3 746 239	2 797 513	4 782 442
<b>Total Equity</b>		<b>25 394 987</b>	<b>24 418 344</b>	<b>26 233 649</b>
<b>Non Current Liabilities</b>				
Loans and credit facilities	(19)	578 768	614 472	626 235
Creditors and other credit balances	(20)	1 064 612	1 303 429	114 226
Deferred tax liabilities	(24-1)	452 475	265 345	317 167
<b>Total Non Current Liabilities</b>		<b>2 095 855</b>	<b>2 183 246</b>	<b>1 057 628</b>
<b>Current Liabilities</b>				
Loans and credit facilities installments due within one year	(19)	13 107 262	6 678 314	2 710 704
Creditors and other credit balances	(20)	8 738 444	8 998 976	5 611 292
Credit accounts to subsidiaries and associates	(28)	1 935 104	1 165 977	429 910
Provisions	(21)	564 004	1 746 894	1 057 657
<b>Total Current Liabilities</b>		<b>24 344 814</b>	<b>18 590 161</b>	<b>9 809 563</b>
<b>Total Liabilities</b>		<b>26 440 669</b>	<b>20 773 407</b>	<b>10 867 191</b>
<b>Total Equity and Liabilities</b>		<b>51 835 656</b>	<b>45 191 751</b>	<b>37 100 840</b>

The attached notes on pages (7) to (23) are an integral part of these condensed separate interim financial statements.

Financial Director



" Wael Hanafy "

Senior Financial Director



" Shaher Shokry "

Chief Financial Officer



" Mohamed Shamroukh "

Managing Director  
& Chief Executive Officer



"Ahmed El Beheiry"

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 <u>No.</u>	For the nine months ended		For the three months ended	
		30/9/2018	30/9/2017	30/9/2018	30/9/2017
		L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)
Operating revenues	(3)	13 526 149	10 829 720	5 131 648	3 501 258
Operating cost	(4)	(8 463 371)	(6 702 929)	(3 120 346)	(2 379 647)
<b>Gross Profit</b>		<b>5 062 778</b>	<b>4 126 791</b>	<b>2 011 302</b>	<b>1 121 611</b>
Other income		338 084	160 194	133 961	34 888
Selling and distribution expenses	(5)	(1 289 865)	(765 803)	(480 282)	(290 318)
General and administrative expenses	(6)	(1 380 102)	(1 193 453)	(533 643)	(389 396)
Other expenses		(49 663)	(96 028)	(8 397)	(30 562)
<b>Operating profit</b>		<b>2 681 232</b>	<b>2 231 701</b>	<b>1 122 941</b>	<b>446 223</b>
Finance income		97 149	58 679	7 710	10 931
Finance cost		(977 317)	(317 570)	(310 842)	(132 289)
<b>Net finance cost</b>	(7)	<b>(880 168)</b>	<b>(258 891)</b>	<b>(303 132)</b>	<b>(121 358)</b>
Income from investments in subsidiaries and associates	(8)	687 034	108 014	-	-
<b>Net profit before tax</b>		<b>2 488 098</b>	<b>2 080 824</b>	<b>819 809</b>	<b>324 865</b>
Income tax expense		(64 952)	(515 791)	(30 488)	(61 722)
Deferred tax	(24-1)	(379 390)	87 534	(169 033)	(923)
<b>Total income tax</b>		<b>(444 342)</b>	<b>(428 257)</b>	<b>(199 521)</b>	<b>(62 645)</b>
<b>Net profit for the period</b>		<b>2 043 756</b>	<b>1 652 567</b>	<b>620 288</b>	<b>262 220</b>
<b>Basic and diluted earning per share for the period (L.E. / Share) (10)</b>		<b>1.20</b>	<b>0.97</b>	<b>0.36</b>	<b>0.15</b>

The attached notes on pages (7) to (23) 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>	
	<u>30/9/2018</u>	<u>30/9/2017</u>	<u>30/9/2018</u>	<u>30/9/2017</u>
		<u>Restated</u>		<u>Restated</u>
	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
<b>Net profit for the period</b>	<b>2 043 756</b>	<b>1 652 567</b>	<b>620 288</b>	<b>262 220</b>
Other Comprehensive Income items	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total Comprehensive Income</b>	<b><u>2 043 756</u></b>	<b><u>1 652 567</u></b>	<b><u>620 288</u></b>	<b><u>262 220</u></b>

The attached notes on pages (7) to (23) are an integral part of these condensed separate interim financial statements.



**Telecom Egypt Company**

**(An Egyptian Joint Stock Company)**

**Condensed Separate Statement of Changes In Equity**

**For the nine Months Ended September 30, 2018**

	<b>Capital</b> <u>L.E. (000)</u>	<b>Legal reserve</b> <u>L.E. (000)</u>	<b>Other reserves</b> <u>L.E. (000)</u>	<b>Retained earnings</b> <u>L.E. (000)</u>	<b>Total</b> <u>L.E. (000)</u>
<b>Balance as of January 1, 2017</b>					
<b>Comprehensive income</b>					
Net profit for the period ( Restated )	-	-	-	1 652 567	1 652 567
Other comprehensive income items	-	-	-	-	-
<b>Total comprehensive income ( Restated )</b>				<b>1 652 567</b>	<b>1 652 567</b>
<b>Transactions with shareholders</b>					
Transferred to legal reserve	-	169 624	-	( 169 624 )	-
Dividends for year 2016 ( Shareholders )	-	-	-	( 1 707 071 )	( 1 707 071 )
Dividends for year 2016 ( Employees & Board of Directors )	-	-	-	( 568 102 )	( 568 102 )
<b>Total transactions with shareholders</b>		<b>169 624</b>		<b>( 2 444 797 )</b>	<b>( 2 275 173 )</b>
<b>Balance as of September 30, 2017 ( Restated )</b>	<b>17 070 716</b>	<b>1 753 537</b>	<b>2 796 578</b>	<b>3 990 212</b>	<b>25 611 043</b>
<b>Balance as of January 1, 2018 ( Restated )</b>					
<b>Comprehensive income</b>					
Net profit for the period	-	-	-	2 043 756	2 043 756
Other comprehensive income items	-	-	-	-	-
<b>Total comprehensive income</b>				<b>2 043 756</b>	<b>2 043 756</b>
<b>Transactions with shareholders</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>27 917</b>		<b>( 1 095 030 )</b>	<b>( 1 067 113 )</b>
<b>Balance as of September 30, 2018</b>	<b>17 070 716</b>	<b>1 781 454</b>	<b>2 796 578</b>	<b>3 746 239</b>	<b>25 394 987</b>

The attached notes on pages (7) to (23) 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**

	<u>Note No.</u>	<u>For the nine months ended:</u>	<u>30/9/2018</u>	<u>30/9/2017</u>
			<u>Reclassified</u>	<u>L.E.(000)</u>
<b>Cash flows from operating activities</b>				
Cash receipts from customers			7 888 133	6 998 614
Cash receipts from related party			2 062 562	1 903 817
Value added tax collected from customers			267 806	224 356
Stamp tax and fees collected from third party			29 511	27 118
Deposits returned from customers			815	198
Cash paid to suppliers			(1 345 405)	( 618 926)
Payments of NTRA license fees			( 450 919)	( 273 275)
Dividends paid to employees and Board of Directors			( 311 768)	( 283 939)
Cash paid to employees and Board of Directors			(2 731 522)	(2 265 979)
Cash paid on behalf of employees to third party			( 511 316)	( 430 462)
<b>Cash provided by operating activities</b>			<b>4 897 897</b>	<b>5 281 522</b>
Interest paid			( 646 315)	( 84 524)
Payments to Tax Authority - income tax			( 182 447)	( 220 808)
Payments to Tax Authority - value added tax			(1 422 468)	(1 101 409)
Payments to Tax Authority - other taxes			( 575 695)	( 403 145)
Cash paid to third parties for claims			( 919 278)	-
Other payments			( 7 563)	( 14 284)
<b>Net cash provided by operating activities</b>			<b>1 144 131</b>	<b>3 457 352</b>
<b>Cash flows from investing activities</b>				
Payments for purchase of fixed assets , other assets and projects in progress			(5 037 554)	( 3 893 350)
Payments for purchase of other assets			( 780 178)	(1 419 828)
Payments for purchase of investments			( 268 579)	-
Payments for purchase of held-to-maturity investment - treasury bills			( 100 023)	( 100 025)
Payments for loans to subsidiaries			(1 604 700)	-
Interest received			8 733	18 719
Dividends collected from investments			679 404	114 817
Proceeds from sale of available for sale investment			7	-
Proceeds from retrieval of held-to-maturity investment - treasury bills			102 090	100 013
Proceeds from securities - treasury bills interest			9 177	8 687
<b>Net cash used in investing activities</b>			<b>(6 991 623)</b>	<b>(5 170 967)</b>
<b>Cash flows from financing activities</b>				
Payments for loans and other facilities			( 40 816)	( 108 754)
Proceeds from credit facilities			6 450 365	3 044 995
Dividends paid to shareholders			( 426 768)	(1 707 071)
<b>Net cash provided by financing activities</b>			<b>5 982 781</b>	<b>1 229 170</b>
<b>Net change in cash and cash equivalents during the period</b>			<b>135 289</b>	<b>( 484 445)</b>
Cash and cash equivalents at the beginning of the period	(18)		46 226	520 730
<b>Cash and cash equivalents at the end of the period</b>	(18)		<b>181 515</b>	<b>36 285</b>

The attached notes on pages (7) to (23) 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, 2018**

## **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 14, 2018.

## **2. BASIS OF PREPARATION OF THE CONDENSED SEPARATE INTERIM FINANCIAL STATEMENTS**

### ***2-1 Statement of compliance***

- These Condensed Separate Interim Financial Statements as of September 30, 2018 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, 2017

### ***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 if the revision affects both current 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	
	30/9/2018	30/9/2017	30/9/2018	30/9/2017
	L.E. (000)	Reclassified L.E. (000)	L.E. (000)	Reclassified L.E. (000)
Home and personal communications*	1 935 364	1 072 390	706 410	362 385
Enterprise*	1 825 054	1 049 754	953 560	294 151
Domestic wholesale*	5 079 196	4 177 399	1 637 307	1 346 407
International carriers	3 346 757	3 795 870	1 110 755	1 283 303
International cables and networks	1 339 778	734 307	723 616	215 012
	<b>13 526 149</b>	<b>10 829 720</b>	<b>5 131 648</b>	<b>3 501 258</b>

Total operating revenues have increased by an amount of L.E. 2 696 429 K mainly due to the increase in both of domestic wholesale revenue by an amount of L.E 901 797 K due to the increase in access service revenue in addition to increase in home and personal communications revenues by an amount of L.E 862 974 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 enterprise revenues by an amount of L.E 775 300 K due to the increase in sales of devices by an amount of L.E 313 585 K, complementally access service by an amount of L.E 379 788 K and also increase in international cables and networks revenue by an amount of L.E 605 471 K due to the increase in international leased circuits by an amount of L.E 589 420 K , however the decrease in international carriers revenue by an amount of L.E 449 113 K led to the limitation of this increase.

\*Reclassification was made to comparative figures as shown in note no (30-2).

### 4. OPERATING COSTS

	For the Nine months ended		For the three months ended	
	30/9/2018	30/9/2017	30/9/2018	30/9/2017
	L.E. (000)	Restated L.E. (000)	L.E. (000)	Restated L.E. (000)
Interconnection cost	3 172 149	3 112 907	1 078 659	1 082 304
Depreciation and amortization*	1 803 775	1 182 178	668 743	452 214
Salaries and wages	1 126 712	1 069 542	379 578	361 539
Company's social insurance contribution	146 835	124 652	53 500	41 459
Frequencies and licenses charges (NTRA)	399 654	325 379	158 272	112 418
Other operating cost*	1 814 246	888 271	781 594	329 713
	<b>8 463 371</b>	<b>6 702 929</b>	<b>3 120 346</b>	<b>2 379 647</b>

Operating costs have increased by an amount of L.E. 1 760 442 K mainly due to the following: -

- The increase in the depreciation and amortization item by an amount of L.E 621 597 K due to the additions of the last year after the nine months and the current period.
- The increase of other operating cost by an amount of L.E. 925 975 K which is mainly due to the increase of merchandise for sale cost by an amount of L.E 348 105 K also the increase of fuel and power item by an amount of L.E 146 028 K and the right of use of circles by IRU system outside Egypt item by an amount of L.E 172 954 K and maintenance item by an amount of L.E 89 370 K.
- The increase of interconnection cost by an amount of L.E. 59 242 K which is mainly due to the increase in cost of national roaming and interconnection fees, however the decrease in cost of international connection fees led to the limitation of this increase.

\*Restatement and reclassification were made to comparative figures as shown in note no (30-2).

## 5. SELLING AND DISTRIBUTION EXPENSES

	For the Nine months ended		For the three months ended	
	30/9/2018	30/9/2017	30/9/2018	30/9/2017
	L.E. (000)	Reclassified L.E. (000)	L.E. (000)	Reclassified L.E. (000)
Salaries and wages	573 534	577 571	188 372	190 921
Company's social insurance contribution	68 025	62 928	24 374	21 171
Advertising and marketing	320 341	57 528	175 548	52 801
Organizations services costs	151 791	52 890	49 159	17 918
Other selling and distribution expenses*	176 174	14 886	42 829	7 507
	<b>1 289 865</b>	<b>765 803</b>	<b>480 282</b>	<b>290 318</b>

The increase in selling and distribution expenses by an amount of L.E 524 062 K mainly due to the increase in Advertising and marketing item by an amount of L.E 262 813 K, also the increase in both of organizations services costs by an amount of L.E 98 901 K and other selling and distribution expenses by an amount L.E 161 288 K mainly due to the increase in tax and duties by an amount of L.E 59 481 K.

\*Reclassification was made to comparative figures as shown in note no (30-2).

## 6. GENERAL AND ADMINISTRATIVE EXPENSES

	For the Nine months ended		For the three months ended	
	30/9/2018	30/9/2017	30/9/2018	30/9/2017
	L.E. (000)	Reclassified L.E. (000)	L.E. (000)	Reclassified L.E. (000)
Salaries and wages	915 832	829 979	337 904	288 641
Company's social insurance contribution	94 546	82 658	34 084	27 803
Depreciation	28 480	23 871	9 721	8 070
Tax and duties*	69 829	71 859	29 534	18 093
Organizations services costs and consultants	191 238	147 028	102 774	32 117
Other general and administrative expenses*	80 177	38 058	19 626	14 672
	<b>1 380 102</b>	<b>1 193 453</b>	<b>533 643</b>	<b>389 396</b>

The increase in general and administrative expenses by an amount of L.E 186 649 K mainly due to the increase in salaries and wages and equivalent item by an amount of L.E 97 741 K due to the annual increase by 10 % from the basic salary starting from January 2018, also the increase in organizations services costs and consultants item by an amount of L.E 44 210 K.

\*Reclassification was made to comparative figures as shown in note no (30-2).

## 7. NET FINANCE COST

	For the nine months ended		For the three months ended	
	30/9/2018	30/9/2017	30/9/2018	30/9/2017
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Total finance income	97 149	58 679	7 710	10 931
Total finance cost	( 977 317)	( 317 570)	( 310 842)	( 132 289)
<b>Net finance cost</b>	<b>( 880 168)</b>	<b>( 258 891)</b>	<b>( 303 132)</b>	<b>( 121 358)</b>

The increase in net finance cost by an amount of L.E 621 277 K during the period is mainly due to the increase in debit interests for loans and credit facilities by an amount of L.E 535 298 K, also the finance cost of deferred payments contracts by an amount of L.E 177 115 K, however the decrease in translation losses of foreign currencies balances and transactions by an amount of L.E 104 646 K against the same period led to limitation of this increase.

## 8. INCOME FROM INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

	For the nine months ended		For the three months ended	
	30/9/2018	30/9/2017	30/9/2018	30/9/2017
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Vodafone Egypt Telecommunications Company	449 458	26 968	-	-
WE-Data	200 000	76 000	-	-
Middle East Radio Communication (MERC)	2 998	1 921	-	-
The Egyptian Telecommunication Company for information system (Xceed)	31 250	3 125	-	-
Centra for Technology ( centra )	3 328	-	-	-
	<b>687 034</b>	<b>108 014</b>	<b>-</b>	<b>-</b>

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

## 9. EMPLOYEE'S BENEFITS

### 9-1 Early retirement scheme

The Company had an early retirement scheme where employees who wishes to retire, prior to the legal retirement age, are entitled to receive a compensation amounting to 75% of their latest basic salary for the remaining service period up to the retirement age with a maximum of 10 years for men and 15 years for women – by the date of 30/3/2016, internal instructions no. 9 were issued related to apply the optional early retirement for employees during the period from 3/4/2016 until 31/5/2016 the employees who wishes to retire prior to the legal retirement age are entitled to receive a compensation amounting to 125% of their latest basic salary for the remaining service period up to the retirement age with a maximum of 15 years. and now the company doesn't apply any early retirement scheme.

## 9-2 End of service benefits (Company's Contribution in Loyalty & Belonging Fund)

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

The employees share in loyalty & belonging fund according to constant subscription are based on the same employees' basic salary where the end of service benefit calculated. The company's share represents annual defined contribution.

## 10. BASIC AND DILUTED EARNING PER SHARE.

	For the nine months ended		For the three months ended	
	30/9/2018	30/9/2017 Restated	30/9/2018	30/9/2017 Restated
	Net profit for the period (LE (000))*	2 043 756	1 652 567	620 288
Number of shares available during the period	1707 071 600	1707 071 600	1707 071 600	1707 071 600
Basic and diluted earnings per share for the period (LE / share)	1.20	0.97	0.36	0.15

\*Restatement was made to comparative figures as shown in note no (30-2).

## 11. FIXED ASSETS

Description	30/9/2017	30/9/2018	30/9/2017	30/9/2018	30/9/2017	30/9/2018	31/12/2017
	Cost	Cost	Accumulated depreciation	Accumulated depreciation	Net	Net	Net
	Restated	Restated	Restated	Restated	Restated	Restated	Restated
	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)
Land*	2 344 334	2 344 437	-	-	2 344 334	2 344 437	2 344 390
Buildings & Infrastructure*	24 214 908	27 120 794	14 709 023	15 174 929	9 505 885	11 945 865	10 122 463
Centrals & information technologies equipment*	22 739 847	26 436 910	19 207 254	20 358 128	3 532 593	6 078 782	5 216 374
Vehicles*	138 943	142 280	105 872	105 153	33 071	37 127	33 997
Furniture*	307 170	323 853	235 159	253 692	72 011	70 161	77 235
Tools & supplies*	116 507	136 522	71 912	80 482	44 595	56 040	58 050
<b>Total</b>	<b>49 861 709</b>	<b>56 504 796</b>	<b>34 329 220</b>	<b>35 972 384</b>	<b>15 532 489</b>	<b>20 532 412</b>	<b>17 852 509</b>

- The increase in net carrying value of fixed assets mainly due to the additions during the period by an amount of L.E.4 119 904 K, however the depreciation of the period by an amount of L.E.1 391 492 K led to limitation of this increase.
- The cost of fixed assets as of September 30, 2018 includes an amount of L.E. 23 402 Million fully depreciated fixed assets and still in use.
- The useful life for some fixed assets items have been modified during the period based on the technical department opinion and the Board of Directors decree in meeting held on July 5, 2018 effective from 1/1/2018 which led to decrease in the depreciation of the period ended September 30, 2018 by an amount of L.E 260 199 K, after applied the modified useful life from 1/1/2018.

\*Restatement and reclassification were made to comparative figures as shown in note no (30-1).

## 12. PROJECTS IN PROGRESS

	30/9/2018 LE (000)	30/9/2017 Reclassified LE (000)	31/12/2017 Reclassified LE (000)
Land	19 594	15 651	16 503
Buildings and Infrastructure	1 732 349	711 390	494 046
Furniture	-	44	-
Tools and supplies	-	-	2 532
Centrals and information technology equipment*	859 966	700 918	1 595 127
Other Assets (cables)	2 728	39 473	29 767
Advanced payments - fixed assets	703 028	588 839	699 300
	<b>3 317 665</b>	<b>2 056 315</b>	<b>2 837 275</b>

The balance of projects in progress is represented in the part that has been executed from commitments capital and contracts, and the advanced payment until September 30, 2018.

\*Reclassification was made to comparative figures as shown in note no (30-1).

## 13. INVESTMENTS IN SUBSIDIARIES and ASSOCIATES

	30/9/2018		31/12/2017	
	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 Telecommunication for Information System (Xceed)	97.66	31 250	97.66	31 250
Centra Technology ( centra )	58.76	14 737	58.76	14 737
Watanya 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
Egyptian international submarine cables company (Eisec)	49.00	123	-	-
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>6 385 505</b>		<b>6 385 382</b>	

\*During the period, Telecom Egypt Group has acquired the rest of the shares of the Egyptian International Submarine Cables Company (EISCC) which represent 50% by an amount of USD 15 Million the necessary legal procedures which related to this acquisition of that company are in process and Telecom Egypt announced the acquisition of Middle East and North Africa Submarine Cable "MENA Cable" from Orascom Investment Holding "OIH" through its subsidiary Egyptian International Submarine Cable Company "EISCC". The total enterprise value of MENA Cable is USD 90 Million of which USD 40 Million represents the equity value and the remaining amount USD 50 Million represents its outstanding debt, the deal was financed by a loan granted by the company to the said subsidiary with an amount of USD 90 Million at annual interest rate libor, in addition to profit margin which will be paid within one year from the date of obtaining the loan at most, and the debt included in the debit balances with subsidiaries and associates companies (Note no.28).

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

\*\*\*The trade name of the subsidiary has been changed from TE Data to WE Data during the period.

**14. OTHER ASSETS**

	30/9/2018 <u>L.E. (000)</u>	30/9/2017 <u>L.E. (000)</u>	31/12/2017 <u>L.E. (000)</u>
<b>Cost</b>			
Fourth generation network license	8 633 330	8 633 330	8 633 330
Submarine cables (right of way)	1 727 428	1 627 781	1 819 357
Land (possession-usufruct)	440 684	440 684	440 684
Licenses and programs	56 382	56 382	56 382
	<b>10 857 824</b>	<b>10 758 177</b>	<b>10 949 753</b>
<b>Less:</b>			
Accumulated amortization	1 054 378	469 329	628 827
<b>Net carrying amount</b>	<b>9 803 446</b>	<b>10 288 848</b>	<b>10 320 926</b>

- The decrease in net carrying value of other assets mainly due to the amortization of the period by an amount of L.E. 440 761 K, however the additions of the period by an amount of L.E. 58 369 K led to limitation of this decrease.
- Other assets amortization is charged to operating costs.
- Other assets cost includes at September 30, 2018 an amount of L.E. 168 Million, other assets fully amortized and still in use in operating.

**15. INVENTORIES**

	30/9/2018 <u>L.E. (000)</u>	31/12/2017 <u>L.E. (000)</u>
Spare parts	768 177	636 816
Material supplies ,Merchandise for sale and Letters of credit	208 463	155 874
Others – cables and supplies	313 799	263 973
	<b>1 290 439</b>	<b>1 056 663</b>

The value of inventories was written down by an amount of L.E. 13 634 K (against L.E. 15 064 K as at December 31, 2017) for obsolete and slow-moving items directly from the cost of each type of related inventory.

**16. TRADE RECEIVABLES**

	30/9/2018	31/12/2017
	<u>Reclassified</u>	
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Trade Receivables - National*	3 990 222	3 428 298
Trade Receivables - International	2 599 024	2 467 962
	<u>6 589 246</u>	<u>5 896 260</u>
<b>Less:</b>		
Impairment loss on trade receivables	1 994 039	1 994 039
	<u>4 595 207</u>	<u>3 902 221</u>

- Trade receivables balance has increased by an amount of L.E 692 986 K mainly due to the increase in trade receivables-enterprise by an amount of L.E 498 625 K, trade receivables - international carriers by an amount of L.E 557 424 K and trade receivable - domestic by an amount of L.E 55 278 K, however the decrease in trade receivables - international cables and networks by an amount of L.E 426 362 K led to limitation of this increase.

\*Reclassification was made to comparative figures as shown in note no (30-1).

**17. DEBTORS AND OTHER DEBIT BALANCES**

	30/9/2018	31/12/2017
	<u>Reclassified</u>	
	<u>LE (000)</u>	<u>LE (000)</u>
Accrued revenues	9 342	21 669
Deposites with others	183 387	188 343
Suppliers – debit balances	652 775	128 199
Tax Authority - value added tax	876 210	508 447
Tax Authority - withholding tax	113 152	138 429
Due from ministries, organizations and companies*	515 240	428 870
Payments on the account of income tax	28 023	71 916
Temporary debts due from employees	467 646	316 773
Other debit balances*	<u>535 916</u>	<u>519 593</u>
	<u>3 381 691</u>	<u>2 322 239</u>
<b>Less:</b>		
Impairment loss on debtors and other debit balances	106 676	112 181
	<u>3 275 015</u>	<u>2 210 058</u>

Debtors and other debit net balances have increased by an amount of L.E. 1 064 967 K mainly due to the increase in suppliers - debit balances by an amount of L.E. 524 576 K, tax authority – value added tax by an amount of L.E. 367 763 K and temporary debts due from employees by an amount of L.E 150 873 K.

\*Reclassification was made to comparative figures as shown in note no (30-1).

## 18. CASH AND CASH EQUIVALENTS

	Note	30/9/2018	30/9/2017	31/12/2017
	No.	L.E. (000)	L.E. (000)	L.E. (000)
Banks - time deposits (less than 3 months)		102 498	24 587	18 504
Banks - current accounts		86 106	13 745	38 750
Cash on hand		6 866	7 418	1 009
<b>Cash and cash equivalents</b>		<b>195 470</b>	<b>45 750</b>	<b>58 263</b>
<b>Less:</b>				
Restricted cash and cash equivalents at banks	(26)	13 955	9 465	12 037
<b>Cash and cash equivalents as per cash flows statement</b>		<b>181 515</b>	<b>36 285</b>	<b>46 226</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 increase in the balance of loans and credit facilities by an amount of L.E 6 393 244 K mainly resulting from obtaining of loans and credit facilities with local and foreign currencies amounted to L.E. 13 686 030 K (against LE 7 292 786 K at 31 December, 2017).

## 20. CREDITORS AND OTHER CREDIT BALANCES

		30/9/2018	31/12/2017
		Reclassified	
		L.E. (000)	L.E. (000)
Suppliers*		576 854	412 903
Tax Authority-Income Tax		30 539	322 298
Tax Authority (taxes other than income tax)		633 211	424 962
Deposits from others		421 372	400 611
Assets creditors		5 570 965	6 519 614
Dividends payable		770	770
Accrued expenses*		322 857	630 574
Public Authority for Social Insurance		56 336	37 216
Trade receivables - credit balances		355 040	199 481
Credit balances- organizations and companies*		396 142	272 597
Deferred revenue		376 887	74 526
National Telecommunication Regulatory Authority (NTRA)		364 062	345 442
Other credit balances*		698 021	661 411
		<b>9 803 056</b>	<b>10 302 405</b>
<b>Less balances due within more than one year:</b>			
Assets creditors		1 022 707	1 258 706
Deferred revenue		36 630	39 448
Credit balances - organizations and companies		5 275	5 275
<b>Non current creditors and other credit balances</b>		<b>1 064 612</b>	<b>1 303 429</b>
<b>Current creditors and other credit balances</b>		<b>8 738 444</b>	<b>8 998 976</b>
<b>Total creditors and other credit balances</b>		<b>9 803 056</b>	<b>10 302 405</b>

Creditors and other credit balances have decreased by an amount of L.E. 499 349 K mainly due to the decrease in both of assets creditors item by an amount of L.E 948 649 K, tax authority – income tax item by an amount of L.E 291 759 K and accrued expenses by an amount of L.E 307 717 K , however the increase in both of deferred revenue by an amount of L.E 302 361 K, suppliers item by an amount of L.E 163 951 K, trade receivables – credit balances item by an amount of L.E 155 559 K and credit balances – organization and companies item by an amount of L.E 123 545 K led to the limitation of this decrease.

\*Reclassification was made to comparative figures as shown in note no (30-1).

## 21. PROVISIONS

	30/9/2018 L.E. (000)	30/9/2017 L.E. (000)	31/12/2017 L.E. (000)
Balance at the beginning of the period / year	1 746 894	1 057 657	1 057 657
Reclassification during the period/year	793	-	( 96 037)
Reversal of provisions	( 4 427)	-	-
Charged to income statement for the period / year	-	-	1 158 206
Used during the period / year*	(1 179 256)	( 203 281)	( 372 932)
<b>Balance at the end of the period / year</b>	<b>564 004</b>	<b>854 376</b>	<b>1 746 894</b>

\*Used provisions during the period for organizations claims settlement.

## 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

	30/9/2018 L.E. (000)	31/12/2017 L.E. (000)
Legal reserve	1 781 454	1 753 537
Other reserves	2 796 578	2 796 578
	<b>4 578 032</b>	<b>4 550 115</b>

The balance of legal reserve have increased as a result of retaining an amount of L.E. 27 917 K from the profit of 2017 in accordance with the company's articles of association.

## 24. DEFERRED TAX

### 24-1 Recognized deferred tax assets and liabilities

	30/9/2018		31/12/2017	
	Assets L.E.(000)	Liabilities L.E.(000)	Assets L.E.(000)	Liabilities L.E.(000)
Total deferred tax asset / (liability)	204 617	( 452 475)	396 877	( 265 345)
Net deferred tax ( liability ) / assets	-	( 247 858)	131 532	-
Deferred tax charged to the income statement for the period / year		( 379 390)	40 147	

**24-2 Unrecognized deferred tax assets**

	30/9/2018	31/12/2017
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Unrecognized deferred tax assets	<u>495 914</u>	<u>495 127</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, 2018 amounted to L.E. 491 Million (against L.E. 45 Million at the year ended December 31, 2017) these commitments are expected to be settled in the subsequent period.

**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, 2018:

	30/9/2018	31/12/2017
	<u>LE (000)</u>	<u>LE (000)</u>
- Letters of guarantee issued by banks on behalf of the company*	816 001	635 836
- Letters of credit	930 297	1 413 702

\* 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 is in process.
- Tax return was submitted for the year 2017 and all taxes were paid during the legal dates.

**27- 2 Value added Tax /Sales**

- On September 7, 2016, Value added tax law No. 67 for the year 2016 was issued and to be effective starting from September 8, 2016 and tax returns were submitted according to the value added tax law on the due legal dates.
- Tax inspection was performed for the years till December 31, 2010 and all due taxes were settled.
- Tax inspection for the years 2011 until 2015 was performed and the tax differences were settled and the company didn't pay the additional tax, lawsuit was raised regarding it.

**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.

**Notes To The Condensed Separate Interim Financial Statements  
For The Nine Months Ended September 30, 2018 (continued)**
**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 contains 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 stated in the income statement L.E. '000	Amount of transactions during the period stated in the income statement L.E. '000	Movement during the period		Balance as of 30/9/2018 L.E. '000
			Debit L.E. '000	Credit L.E. '000	
<b>Debt balances with associates and subsidiaries</b>					
- Egyptian Telecommunication Company for Information Systems	Services rendered from subsidiary company Lense of subsidiary company premises, electricity claims, maintenance and leased circuits and selling fixed assets	155,172	133,801	175,351	(41,550)
- Egyptian Telecommunication Company for Information Systems		27,688	53,719	-	53,719
- Egyptian International Submarine Cables (EISCC)			187,530	175,351	12,169
- Egyptian International Submarine Cables (EISCC)	Financing from parent company Maintenance & supplying devices Maintenance & supplying devices	1,604,700	-	-	1,604,700
- Centre for Technologies		157,420	390,177	214,335	175,342
- Centre for Electronic Industries		898	236	1,326	(1,000)
- Consortium Algerien de Telecommunications (CATY)*			390,433	216,161	174,252
- International Telecommunication Consortium Limited (ITCL)*				-	-
<b>Credit balances to associates and subsidiaries</b>					
- WE Data	Participation contract and Purchasing of fixed assets and services rendered from subsidiaries company	25,676	2,453,025	3,391,782	(2,120,909)
- WE Data	Lensed circuits and information transfer network rendered	2,737,751	3,505,901	2,671,193	1,577,608
- Egyptian Telecommunication Company for Information Systems			5,958,936	6,062,975	(439,391)
- Egyptian Telecommunication Company for Information Systems	Services rendered from subsidiary company Lense of subsidiary company premises, electricity claims, maintenance and leased circuits and selling fixed assets	60,607	-	-	(60,607)
- Egyptian Telecommunication Company for Information Systems			60,607	37,110	-
- Egyptian Telecommunication Company for Information Systems				37,110	-
- Centre for Technologies	Maintenance & supplying devices Maintenance & supplying devices	2,45,606	-	-	(2,45,606)
- Centre for Electronic Industries		1,124	-	-	(1,124)
- Middle East Radio Communication (MERC)	Lensed of information circuits Supplying & installing communication networks	2,010	2,292	2,292	-
- Middle East Radio Communication (MERC)	Lensed sites for subsidiary company	789	1,161	853	(1,205)
- T E Investment Holding	Rendered services from subsidiary company	54,936	3,452	3,145	(6,513)
- T E Investment Holding			62,432	61,542	(2,388)
- Jordanian Egyptian Company for data transfer	Participation contract International clearing	13,927	24,765	61,542	(3,878)
- Jordanian Egyptian Company for data transfer			34,936	35,698	(1,9,917)
- Jordanian Egyptian Company for data transfer			25,601	35,5	(8,31)
- Vodafone Egypt Telecommunications Company	Participation contract	22,082	21,528	21,528	(20,748)
- Vodafone Egypt Telecommunications Company	Lensed sites for subsidiary company	9	-	9	-
- Egyptian International Submarine Cables Company (EISCC)	Purchasing of intangible assets from subsidiaries company	-	-	1,268,356	(1,268,356)
- Egyptian International Submarine Cables Company (EISCC)	Selling of intangible assets to subsidiaries company	427,920	487,838	-	157,829
- Vodafone Egypt Telecommunications Company	Charging calls and voice services for associate company	1,172,974	-	-	(789,318)
- Vodafone Egypt Telecommunications Company	Incoming international calls, claims, transmission lease of locations and towers for the associate company	908,319	3,224,390	3,369,880	(354,4039)
- Vodafone Egypt Telecommunications Company			10,091,429	10,860,556	1,935,1042
* Amount of transactions during the period which included in the statement of income does not include the value added tax.					
* The balance is fully impaired due to company's inability to recover this amount in foreseeable future.					

## **29. SIGNIFICANT CLAIMS AND LITIGATIONS**

### **Dispute with Etisalat Misr regarding interconnection rates**

A case was brought by Etisalat Misr against Telecom Egypt on 6th of June 2015 regarding the International Incoming Voice Services, TE external legal counsel stated that it's an account claim which it differs from the claim for which the plaintiff seeks to ask the other party to pay a certain amount. According to the preliminary ruling the court appoint an expert to calculate of Etisalat Misr entitlement from the company, On August 26, 2017 the expert issued a report include an estimate for Etisalat Misr entitlement from the company by an amount of USD 125 Millions , according to the opinion of the company's management , this report was prepared on inaccurate assumptions, this report is considered only an opinion and shall not "restrict the court".

On October 21, 2017, Etisalat Misr request to amend the Claims to compel Telecom Egypt to pay the amount stated in the expert report, the company has submitted a memorandum of defense containing the legal defense against the said report , and has also requested leave to provide a memorandum to challenge the basis of challenges to the method used by the expert to reach its inaccurate findings along with the supporting documents . On November 25, 2017 the company submitted the supporting documents and memo's to the court. The court has decided to postpone the hearing on January 30, 2018 for judgment.

The company's Board of Directors in it's meeting held on January 22, 2018 approved the frame agreement of settling all the said disputes between TE and Etisalat Misr, the agreements which are related to the frame settlement were signed between the dispute parties on January 22, 2018. According to this agreement the two parties completely finalized the differences between them regarding the international incoming voice services.

## **30. COMPARATIVE FIGURES**

- Restatement was made to some of the comparative figures of the condensed separate statement of financial position, condensed separate statement of income and condensed separate statement of comprehensive income as a result of the reclassification was made on fixed assets item which led to the increase in its cost by an amount of L.E 856 253 K against decrease in projects in progress by the same amount, as a result of recording these fixed assets since the beginning of providing the service in 2017, which led to make an adjustment led to increase in accumulated depreciation of fixed assets by an amount of L.E 98 479 K against increase in depreciation expense for the year 2017 included in operating costs by the same amount, regarding to the nine months ended September 30, 2017 was restated by an amount of L.E 64 271 K.
- Reclassification was made to some of the comparative figures of the condensed separate statement of financial position, condensed separate statement of income and 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 restatement and reclassification on the condensed separate interim financial statements:

### 30-1 Effect on condensed Separate Statement of Financial position

	1/1/2017	Reclassification		1/1/2017
	as previously reported	debit / (credit)	Reclassified	debit / (credit)
	LE(000)	LE(000)	LE(000)	LE(000)
Trade receivables	4 652 069	96 438		4 748 507
Debtors and other debit balances	1 613 138	( 23 155)		1 589 983
Debit balances to associates and subsidiaries	-	30 245		30 245
Creditors and other credit balances	( 5 937 674)	326 382		( 5 611 292)
Credit balance to associates and subsidiaries	-	( 429 910)		( 429 910)
31/12/2017				
	as previously reported	Restatement	Reclassification	31/12/2017
	debit / (credit)	debit / (credit)	debit / (credit)	Restated
	LE(000)	LE(000)	LE(000)	LE(000)
Fixed assets	17 094 735	( 98 479)	856 253	17 852 509
Projects in progress	3 693 528	-	( 856 253)	2 837 275
Trade receivable	4 312 747	-	( 410 526)	3 902 221
Debtors and other debit balances	2 210 282	-	( 224)	2 210 058
Retained earnings	( 2 895 992)	98 479	-	( 2 797 513)
Creditors and other credit balances	( 10 575 703)	-	1 576 727	( 8 998 976)
Credit balance to subsidiaries and associates	-	-	( 1 165 977)	( 1 165 977)

### 30-2 Effect on condensed Separate Statement of Income

	30/9/2017	30/9/2017		30/9/2017	30/9/2017		30/9/2017	
	as previously reported	Restatement	Reclassification	Restated	as previously reported	Restatement	Reclassification	Restated
	(debit) / credit	(debit) / credit	(debit) / credit	(debit) / credit	(debit) / credit	(debit) / credit	(debit) / credit	(debit) / credit
	LE(000)	LE(000)	LE(000)	LE(000)	LE(000)	LE(000)	LE(000)	LE(000)
Operating revenues	10 965 299	-	( 135 579)	10 829 720	3 545 506	-	( 44 248)	3 501 258
Operating cost	( 6 632 410)	( 64 271)	( 6248)	( 6 702 929)	( 2 331 313)	( 44 649)	( 3 655)	( 2 379 647)
Selling and distribution expenses	( 901 382)	-	135 579	( 765 803)	( 334 566)	-	44 248	( 290 318)
General and administrative expenses	( 1 205 714)	-	12 261	( 1 193 453)	( 393 081)	-	3 655	( 389 396)
Income tax expense	( 509 778)	-	( 6 013)	( 515 791)	( 61 722)	-	-	( 61 722)
Basic and diluted earnings per share (LE/Share)	20.8	( 0.04)	-	20.4	0.59	( 0.03)	-	0.56

### **30-3 Effect on condensed Separate Satetment of Cash Flows**

	<u>For the Nine months ended</u> <u>30/9/2017</u> <u>as previously</u> <u>reported</u> <u>LE(000)</u>	<u>Reclassification</u> <u>LE(000)</u>	<u>For the Nine months ended</u> <u>30/9/2017</u> <u>Reclassified</u> <u>LE(000)</u>
cash paid to suppliers	(1 089 025)	7 691	(1 081 334)
Payments to tax authority - other taxes	( 395 454)	( 7 691)	( 403 145)
Dividends paid to employees and board of directors	( 595 701)	311 762	( 283 939)
Cash paid to employees and board of directors	(1 954 217)	( 311 762)	(2 265 979)

### **31- SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied in the preparation of the condensed separate interim financial statements as of September 30, 2018 is the same as the accounting policies applied in the preparation of the annual separate financial statements as of December 31, 2017, these accounting policies have been applied consistently to all periods presented in these condensed separate interim financial.

Restatement and reclassification were made to some of comparative figures of the condensed separate interim financial statements (note no.30).

### **32- LAWS WERE RECENTLY ISSUED**

On January 11, 2018, Comprehensive health insurance No. 2 for the year 2018 was issued and to be effective after spending six months starting from the next day of the issued law date , and also the executive regulations of this law was issued on May 8, 2018, management of the company is studying now the resulting effects of the application of this law on its financial statements.

### **33- SUBSEQUENT EVENTS**

#### **Obtaining of syndicated medium loan**

On October 18, 2018 ,Telecom Egypt has signed a USD 500 M medium – term syndicated loan, which will be used to support its capital and operational expenditure, and refinance an existing short – term facility.First Abu Dhabi Bank PJSC ( FAB ) and Mashreq Bank PSC ( Mashreq ) were mandated as Joint Bookrunners and Mandated Lead Arrangers of the facility. FAB is the facility agent for the transaction and Mashreq Bank is the designated Account Bank.