

telecomegypt



Telecom Egypt Company
Condensed Consolidated Interim Financial Statements
Prepared in Accordance with IFRSs
For The Six Months Ended June 30, 2018
And Independent Auditor's Review Report

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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Statements To the Board of Directors of Telecom Egypt Company

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Telecom Egypt Company and its subsidiaries ("the Group") as at June 30, 2018, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six months period then ended, and notes to the interim financial statements ("the condensed consolidated interim financial statements"). Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

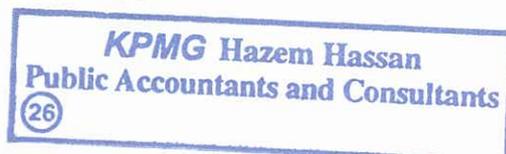
We conducted our review in accordance with Egyptian Standard on Review Engagements number 2410, "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements do not give a true and fair view of the financial position of the Group as at June 30, 2018, and of its consolidated financial performance and its consolidated cash flows for the six months period then ended in accordance with IAS 34 "Interim Financial Reporting".

KPMG Hazem Hassan

November 14, 2018
Cairo, Egypt



Telecom Egypt Company
Condensed consolidated statement of financial position

In thousands of Egyptian Pound	Note	30 June 2018	31 December 2017 Restated	1 January 2017 Reclassified
Assets				
Property, plant and equipment	11	21 776 700	21 060 218	15 871 109
Intangible assets	12	10 099 707	10 371 491	7 092 806
Equity-accounted investees	13	12 090 348	11 660 662	9 328 339
Available-for-sale investments		77 561	77 568	81 273
Deferred tax assets	22	239 642	396 877	418 502
Non-current assets		44 283 958	43 566 816	32 792 029
Inventories	14	1 211 030	1 183 773	662 097
Held-to-maturity investment (treasury bills)		102 084	113 320	144 428
Trade and other receivables	15	7 232 912	6 737 251	6 699 066
Cash and cash equivalents	16	822 803	524 209	1 035 999
Current assets		9 368 829	8 558 553	8 541 590
Total assets		53 652 787	52 125 369	41 333 619
Equity				
Share capital	17	17 070 716	17 070 716	17 070 716
Reserves	17	4 871 554	4 831 797	4 608 231
Retained earnings		8 991 731	7 702 020	7 237 809
Equity attributable to owners of the company		30 934 001	29 604 533	28 916 756
Non-controlling interests		12 824	11 695	10 429
Total equity		30 946 825	29 616 228	28 927 185
Liabilities				
Loans and borrowings	19	575 774	614 472	626 235
Trade and other payables	20	1 499 943	1 270 634	114 226
Deferred revenue		36 630	39 448	-
Deferred tax liabilities	22	862 667	764 049	634 838
Non-current liabilities		2 975 014	2 688 603	1 375 299
Loans and borrowings	19	8 666 430	6 678 793	2 715 554
Trade and other payables	20	9 141 528	10 579 965	6 663 773
Deferred revenue		912 129	363 876	193 524
Credit accounts to associates		359 075	368 056	356 173
Provisions	21	651 786	1 829 848	1 102 111
Current liabilities		19 730 948	19 820 538	11 031 135
Total liabilities		22 705 962	22 509 141	12 406 434
Total equity and liabilities		53 652 787	52 125 369	41 333 619

Director of Financial Affairs

Wael Hanafy
"Wael Hanafy"

Senior Director of
Financial Affairs

Shaher Shokry
"Shaher Shokry"

Chief Financial
Officer

M. Shamroukh
"Mohamed Shamroukh"

Managing Director
& Chief Executive Officer

Ahmed El Beheiry
"Ahmed El Beheiry"

Board of Directors approval

Chairman

Maged Osman
"Maged Osman"

Independent auditor's review report " attached "

The notes on pages 6 to 26 are an integral part of these condensed consolidated interim financial statements.

Telecom Egypt Company
Condensed consolidated statement of profit or loss and other comprehensive income

In thousands of Egyptian Pound	Note	For the six months ended 30 June		For the three months ended 30 June	
		2018	2017 Restated	2018	2017 Restated
Continuing operations					
Revenue	5	10 220 070	8 736 458	5 437 998	4 592 277
Operating costs	6	(6 111 050)	(5 252 262)	(3 138 077)	(2 779 930)
Gross profit		4 109 020	3 484 196	2 299 921	1 812 347
Other income		189 230	119 078	125 077	56 404
Selling and distribution expenses	7	(1 196 824)	(775 372)	(670 096)	(397 323)
Administrative expenses	8	(1 133 201)	(1 052 931)	(568 723)	(551 603)
Other expenses		(47 520)	(96 404)	(19 309)	(76 330)
Impairment loss on trade and other receivables		(5 696)	(4 602)	(2 244)	(4 060)
Operating profit		1 915 009	1 673 965	1 164 626	839 435
Finance income		110 798	67 945	62 385	35 355
Finance costs		(667 567)	(180 032)	(331 273)	(40 092)
Net finance cost	10	(556 769)	(112 087)	(268 888)	(4 737)
Share of profit of equity-accounted investees, net of tax		874 649	1 238 249	576 205	523 618
Profit before tax		2 232 889	2 800 127	1 471 943	1 358 316
Income tax		(463 647)	(526 941)	(281 220)	(255 441)
Profit		1 769 242	2 273 186	1 190 723	1 102 875
Other comprehensive income					
Foreign operations - foreign currency translation differences		(13 495)	13 427	(9 052)	9 932
Other comprehensive income , net of tax		(13 495)	13 427	(9 052)	9 932
Total comprehensive income		1 755 747	2 286 613	1 181 671	1 112 807
Profit attributable to:					
Owners of the company		1 765 236	2 271 811	1 188 289	1 102 187
Non - controlling interests		4 006	1 375	2 434	688
		1 769 242	2 273 186	1 190 723	1 102 875
Total comprehensive income attributable to:					
Owners of the company		1 751 741	2 285 238	1 179 237	1 112 119
Non - controlling interests		4 006	1 375	2 434	688
		1 755 747	2 286 613	1 181 671	1 112 807
Earning per share					
Basic earnings per share (LE)	18	1.05	1.33	0.71	0.65
Diluted earnings per share (LE)	18	1.05	1.33	0.71	0.65

The notes on pages 6 to 26 are an integral part of these condensed consolidated interim financial statements.

Telecom Egypt Company
Condensed consolidated statement of changes in equity
For the six months ended 30 June 2018

	Note	Share capital	Legal reserve	Translation reserve	Other reserve	Retained Earnings	Total equity attributable to equity holders of the company	Non-controlling interest	Total equity
Balance as at 1 January 2017 (Reclassified)	29	17 070 716	1 650 296	161 357	2 796 578	7 237 809	28 916 756	10 429	28 927 185
<u>Total comprehensive income</u>									
Profit for the period (Restated)	29	-	-	-	-	2 271 811	2 271 811	1 375	2 273 186
Other comprehensive income		-	-	13 427	-	-	13 427	-	13 427
Total comprehensive income (Restated)		-	-	13 427	-	2 271 811	2 285 238	1 375	2 286 613
<u>Transactions with shareholders of the company</u>									
Transferred to reserves		-	172 656	-	-	(172 656)	-	-	-
Dividends		-	-	-	-	(1 707 071)	(1 707 071)	(1 921)	(1 708 992)
Total transactions with shareholders of the company		-	172 656	-	-	(1 879 727)	(1 707 071)	(1 921)	(1 708 992)
Restated balance as at 30 June 2017		17 070 716	1 822 952	174 784	2 796 578	7 629 893	29 494 923	9 883	29 504 806
Balance at 1 January 2018	29	17 070 716	1 845 776	189 443	2 796 578	7 702 020	29 604 533	11 695	29 616 228
<u>Total comprehensive income for the period</u>									
Profit for the period		-	-	-	-	1 765 236	1 765 236	4 006	1 769 242
Other comprehensive income		-	-	(13 495)	-	-	(13 495)	-	(13 495)
Total comprehensive income		-	-	(13 495)	-	1 765 236	1 751 741	4 006	1 755 747
<u>Transactions with shareholders of the company</u>									
Restatements on retained earnings in associates		-	-	-	-	4 495	4 495	-	4 495
Transferred to legal reserves		-	53 252	-	-	(53 252)	-	-	-
Dividends		-	-	-	-	(426 768)	(426 768)	(3 002)	(429 770)
Acquisition of non-controlling interest in subsidiaries		-	-	-	-	-	-	125	125
Total transactions with shareholders of the company		-	53 252	-	-	(475 525)	(422 273)	(2 877)	(425 150)
Balance as at 30 June 2018		17 070 716	1 899 028	175 948	2 796 578	8 991 731	30 934 001	12 824	30 946 825

The notes on pages 6 to 26 are an integral part of these condensed consolidated interim financial statements.

Telecom Egypt Company
Condensed consolidated statement of cash flows

In thousands of Egyptian Pound	<u>Note</u>	For the Six months ended 30 June	
		2018	2017 Reclassified
Cash flows from operating activities			
Cash receipts from customers		10 035 993	7 882 322
Value added tax collected from customers		194 811	172 154
Stamp tax and fees collected (from third party)		26 537	24 700
Deposits collected from / (paid to) customers		524	(5)
Cash paid to suppliers		(2 144 736)	(1 131 196)
Payments of NTRA license fees		(600 625)	(379 284)
Dividends paid to employees and board of directors		(600 034)	(536 760)
Cash paid to employees and board of directors		(1 908 769)	(1 582 951)
Cash paid on behalf of employees to third party		(388 161)	(333 212)
Interest paid		(449 569)	(9 705)
Payments to Tax Authority - income tax		(242 826)	(254 239)
Payments to Tax Authority - value added tax		(1 189 303)	(897 023)
Payments to Tax Authority - other taxes		(546 223)	(383 122)
Cash paid to third parties for claims		(919 278)	-
Other proceeds / (payments)		426 438	(406 208)
Net cash from operating activities		1 694 779	2 165 471
Cash flows from investing activities			
Payments for purchase of property, plant and equipment and intangible assets		(2 918 038)	(2 877 536)
Payments for purchase of intangible assets - fourth generation network license		(73 307)	(269 426)
Proceeds from sale of property, plant and equipment and intangible assets		24	450
Payments for retrieval of held -to- maturity investments - treasury bills		(100 023)	(100 025)
Interest received		24 540	28 573
Dividends collected from investments		14 831	12 134
Proceeds from sale available for sale investment		7	-
Proceeds from retrieval of held-to-maturity investment - treasury bills		111 513	142 519
Proceeds from securities (treasury bills - mutual fund)		9 862	12 411
Net cash used in investing activities		(2 930 591)	(3 050 900)
Cash flows from financing activities			
Payments for loans and other facilities		(35 017)	(108 704)
Proceeds from loans and other facilities		2 003 475	3 765 541
Dividends paid to shareholders		(429 927)	(1 708 896)
Net cash from financing activities		1 538 531	1 947 941
Net change in cash and cash equivalents		302 719	1 062 512
Cash and cash equivalents at 1 January		506 936	1 101 163
Effect of movements in exchange rate on cash held		(3 701)	(4 906)
Cash and cash equivalents at 30 June	16	805 954	2 158 769

The notes on pages 6 to 26 are an integral part of these condensed consolidated interim financial statements.

1. Reporting entity

- Telecom Egypt Company (the “Company”) is an Egyptian Joint Stock Company registered in the Arab Republic of Egypt and is engaged in the provision of public communications and associated products and services. The consolidated interim financial statements of the Company for the period ended June 30, 2018 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates and jointly controlled entities.
- The main purpose of the company represents in the following:
 - Owning, setting up, operating, maintenance and development of telecommunication networks and infrastructure necessary for communication services for using and / or managing and / or leasing to others and / or dealing on them.
 - Providing voice, video and data transmission telecommunication services to subscribers and / or managing and / or leasing to others and / or dealing on them.
 - Participating or contributing to global communication systems, such as: - submarine cables and satellites and obtaining capacities or circuits for using and / or managing and / or leasing to others and / or dealing on them.
 - Dealing or contracting or Participating with authorities, agencies, companies, organizations or any entity exercising an activity similar to or identical to the company's activities or relates or assists the company to achieve its purposes either in Arab Republic of Egypt or abroad.
 - Managing, selling, leasing, purchasing, possessing, renting and dealing on any property and rights or benefit or right in any property. Including the movable and immovable property which could be acquired or owned by the company.
 - Selling, purchasing and distributing of fixed line sets, mobile phones and computers, its peripherals, accessories and supplies, complementary devices and necessary spare parts and related maintenance works.
 - Setting up voice, video and written data transmission networks and providing value-added services, content services, marketing, electronic signature and online money transfer.
 - Real estate investment for serving its purposes and executing its projects.
- The registered office of the Company is 26 Ramses Street, Cairo, Egypt.
- The nominal shares for the company are traded in the Egyptian Stock Exchange and London Stock Exchange.

2. Basis of preparation

a. Basis of accounting

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2017 ('last annual financial statements'). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

This is the first set of the Group's financial statements where IFRS 15 and IFRS 9 have been applied. Changes to significant accounting policies are described in Note 3.

These interim financial statements were approved by the Company's Board of Directors for issuance on November 14, 2018

b. Use of judgements and estimates

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 15 and IFRS 9.

c. Measurement of fair values

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the group audit committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

d. Functional and presentation currency

These consolidated financial statements are presented in Egyptian Pound (LE), which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

3. Changes in significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018.

The Group has initially adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments from 1 January 2018.

a. IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement

Claims and variations are included in the contract price when they are approved by the parties to the contract. Claims and variations are 'approved' when it creates legally enforceable rights and obligations on the parties to the contract. This approval may be written, oral or implied by customary business practices, and should be legally enforceable.

Variable considerations are included in the contract price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. At each reporting date, the Group updates the estimated contract price - including its assessment of whether an estimate of variable

consideration is constrained - for the circumstances present at the reporting date and the changes in circumstances that occurred during the reporting period.

There is no material impact on the Group's financial statement from applying IFRS 15 during the financial period ended as of June 30, 2017.

The following tables summaries the impacts of adopting IFRS 15 on the Group's interim statement of financial position as at 30 June 2018 and its interim statement of profit or loss and OCI for the six months then ended for each of the line items affected. There was no material impact on the Group's interim statement of cash flows for the six month period ended 30 June 2018.

Impact on the condensed interim consolidated statement of financial position.

30-Jun-18

In thousands

	As reported	Adjustments	Amount without adoption of IFRS 15
Assets			
Non-current assets	44 283 958	-	44 283 958
Trade and other receivables	7 232 912	(108 822)	7 124 090
Current assets	9 368 829	(108 822)	9 260 007
Total assets	53 652 787	(108 822)	53 543 965
Equity			
Retained earnings	8 991 731	(73 980)	8 917 751
Equity attributable to the owners of the company	30 934 001	(73 980)	30 860 021
Non-controlling interest	12 824	-	12 824
Total equity	30 946 825	(73 980)	30 872 845
Liabilities			
Non-current liabilities	2 975 014	-	2 975 014
Trade and other payables	9 141 528	(34 842)	9 106 686
Current liabilities	19 730 948	(34 842)	19 696 106
Total liabilities	22 705 962	(34 842)	22 671 120
Total equity and liabilities	53 652 787	(108 822)	53 543 965

Impact on the condensed interim consolidated statement of profit or loss and OCI

In thousands

	As reported	Adjustments	Amount without adoption of IFRS 15
Revenue	10 220 070	(95 458)	10 124 612
Gross profit	4 109 020	(95 458)	4 013 562
Income tax	(463 647)	21 478	(442 169)
Profit for the period	1 769 242	(73 980)	1 695 262

b. IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

(i) Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid "financial instrument as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Subsequent measurement – financial assets

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. Financial assets at amortized cost These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses (see accounting policy on impairment below). Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

(ii) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39. The financial assets at amortized cost consist of trade receivables, cash and cash equivalents, and corporate debt securities.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information. The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when:

- The trade receivable is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- The financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs:

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in OCI, instead of reducing the carrying amount of the asset.

Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of profit or loss and OCI as a result, the Group reclassified impairment losses amounting to L.E 4 602 K, recognized under IAS 39, from 'Finance costs 'to impairment loss on trade and other receivables, including contract assets' in the statement of profit or loss and OCI for the six months ended 30 June 2017. .

Group did not have a significant impact on the presentation adopted in the statement of financial position by adopting IFRS 9. Also, there are no change in presentation of impairment losses on other financial assets in the statement of profit or loss and OCI.

There is no material impact on the Group's financial statement from applying IFRS 9.

C. Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements.

New or amended standards	Summary of the requirements	Possible impact on consolidated financial statements
IFRS 16 Leases	IFRS 16, published in January 2016 replaces the previous guidance in IAS 17 Leases. Under this revised guidance, leases will be brought onto companies' balance sheets, increasing the visibility of their assets and liabilities. It further the removes the classification of leases as either operating leases or finance leases treating all leases as finance leases from the perspective of the lessee, thereby eliminating the requirement for lease classification test. The revised guidance has an increased focus on who controls the asset and may change which contracts are leases. IFRS 16 is effective for annual periods beginning on or after 1 January 2019.	Management have not yet performed a detailed analysis of the impact of the application of IFRS 16 and hence have not yet quantified the extent of the impact

4. Segment reporting

Operating activities related to the company is managed by operating segments at the group activates level as integrated activity, based on the nature of product and the service provided. The segment reporting is prepared according to services provided by activities as a group as follows:

- Communications, marine cables and infrastructure services.
- Internet services.
- Outsourcing services.

For the six months ended June 30,2018

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

For the six months ended June 30,2017

Description	Communications, marine cables and infrastructure	Internet	Outsourcing	All other	Total
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Revenue	6 111 429	2 382 522	204 426	38 081	8 736 458
Operating costs	(4 433 445)	(607 529)	(159 705)	(51 583)	(5 252 262)
Gross profit	1 677 984	1 774 993	44 721	(13 502)	3 484 196
Credit interest	21 538	16 825	380	3 036	41 779
Debit interest and Finance cost	(38 180)	-	-	(417)	(38 597)
Depreciation and amortization	(740 712)	(65 935)	(8 582)	(125)	(815 354)
share of profit of equity-accounted investees, net of tax	-	-	-	1 238 249	1 238 249
Non cash items					
Impairment loss on financial assets	-	(4 060)	-	(542)	(4 602)
Provisions	-	(28 995)	(1 668)	(300)	(30 963)
Total assets	45 980 993	1 505 723	274 058	102 916	47 863 690
Total liabilities	17 178 238	860 585	108 050	144 054	18 290 927

5. Revenue

In thousands of Egyptian Pound	For the six months ended 30 June		For the three months ended 30 June	
	2018	2017 Reclassified	2018	2017 Reclassified
Home and personal communications*	3 859 910	2 590 193	2 030 518	1 327 931
Enterprise *	1 212 065	1 186 679	588 433	634 494
Domestic wholesale *	1 965 016	1 673 393	1 085 100	828 348
International carrier	2 236 002	2 511 698	1 139 645	1 325 527
International cables and networks	947 077	774 495	594 302	475 977
	10 220 070	8 736 458	5 437 998	4 592 277

Revenues has increased by an amount of L.E. 1 483 612 K mainly due to the increase in home and personal communications revenues by an amount of L.E. 1 269 717 K due to the increase in revenues resulting from subscription of Fixed line and rendering Mobile services, in addition to the increase in enterprise revenues by an amount of L.E 25 386 K, in addition to the increase in domestic wholesale revenue and International cables and networks by an amount of L.E 291 623 K and 172 582 K respectively, however the decrease in International carrier revenue by an amount of L.E 275 696 K which led to the limitation of this increase.

* Reclassification was made on comparative figures as shown in Note no (29-2).

6. Operating costs

In thousands of Egyptian Pound	For the six months ended 30 June		For the three months ended 30 June	
	2018	2017 Restated	2018	2017 Restated
Interconnection cost	2 093 490	2 030 603	1 078 596	1 088 111
Property, plant and equipment depreciation*	893 345	719 915	472 688	369 510
Amortization of intangible assets	300 024	55 226	148 671	29 625
Salaries and wages	961 319	857 682	473 260	462 791
Company's social insurance contribution	111 392	95 844	55 610	48 202
Employee's compensated absence	2 706	3 705	1 353	2 713
Employees' share in profit	167 691	133 685	80 044	67 103
Frequencies and licenses	369 128	317 527	182 356	170 230
Other operating costs*	1 211 955	1 038 075	645 499	541 645
	6 111 050	5 252 262	3 138 077	2 779 930

Operating costs have increased by an amount of L.E. 858 788 K mainly due to the following: -

- The increase of interconnection cost by an amount of L.E. 62 887 K which is mainly due to the increase in cost of national roaming fees, however the decrease in cost of international connection fees led to limitation of this increase.
- The increase in the property, plant and equipment depreciation and amortization of intangible assets item by an amount of L.E 173 430 K and L.E 244 798 K Respectively due to the additions of the last year after the first half and the current period.
- The increase in salaries and wages and equivalent item by an amount of L.E. 103 637 K due to the annual increase by 10 % from the basic salary starting from January 2018
- The increase in other operating costs by an amount of L.E 173 880 K is mainly due to the increase of Fuel item by an amount of L.E 100 386 K and organizations service cost by an amount of L.E 57 226 K and Cost of merchandise available of sale by an amount of L.E 33 788 K.

* Restatement and reclassification were made on comparative figures as shown in Note no (29-2).

7. Selling and distribution expenses

In thousands of Egyptian Pound	For the six months ended 30 June		For the three months ended 30 June	
	2018	2017	2018	2017
		Reclassified		Reclassified
Salaries and wages	492 164	482 887	240 076	257 035
Company's social insurance contribution	53 289	50 120	26 519	25 184
Employees' compensated absence	1 920	2 630	960	1 926
Employees' share in profit	85 852	75 267	40 582	37 187
Property, plant & equipment depreciation	281	2 356	127	763
Amortization of intangible assets	18	17	9	8
Advertising and marketing	314 600	19 771	195 215	11 538
Others selling and distribution expenses	248 700	142 324	166 608	63 682
	1 196 824	775 372	670 096	397 323

The increase in selling and distribution expenses by an amount of L.E 421 452 K mainly due to the increase in advertising and marketing item by an amount of L.E 294 829 K and the increase in other selling and distribution expenses by an amount of L.E 106 376 K mainly due to the increase in tax and duties item by an amount of L.E 58 176 K and selling and distribution commissions by an amount of L.E 37 774 K.

* Reclassification was made on comparative figures as shown in Note no (29-2).

8. Administrative expenses

In thousands of Egyptian Pound	For the six months ended 30 June		For the three months ended 30 June	
	2018	2017	2018	2017
		Reclassified		Reclassified
Salaries and wages	682 300	609 967	340 966	329 129
Company's social insurance contribution	66 321	59 103	33 120	29 143
Employees' compensated absence	4 101	5 618	2 050	4 114
Employees and BOD share in profit	122 869	97 960	59 546	49 153
Property, plant and equipment depreciation	38 914	37 805	19 188	19 067
Amortization of intangible assets	35	35	17	18
Other administration expenses*	218 661	242 443	113 836	120 979
	1 133 201	1 052 931	568 723	551 603

The increase in administrative expenses by an amount of L.E. 80 270 K is mainly due to increase in salaries and wages item by an amount of L.E 72 333 K due to the annual increase by 10 % from the basic salary starting from January 2018, and Employees and BOD share in profit by an amount of L.E 24 909 K however the decrease in other administration expenses by an amount of L.E 23 782 led to limitation of this increase.

* Reclassification was made on comparative figures as shown in Note no (29-2).

9. EMPLOYEES' BENEFITS

9-1 Early retirement scheme (Telecom Egypt)

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.

9-2 End of service benefits (the company's contribution in loyalty and belonging fund)

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

10. Net finance cost

In thousands of Egyptian Pound	For the six months ended 30 June		For the three months ended 30 June	
	2018	2017 Reclassified	2018	2017 Reclassified
Finance income	110 798	67 945	62 385	35 355
Finance costs	(667 567)	(180 032)	(331 273)	(40 092)
Net finance Cost	(556 769)	(112 087)	(268 888)	(4 737)

The increase in net finance cost by an amount of L.E 444 691 K during the period is mainly due to the increase in debit interest for loans and credit facilities by an amount of L.E 433 649 K, also the finance cost of deferred payment contracts by an amount of L.E 195 321 K, however the decrease in translation loss of foreign currencies balances and transactions by an amount of L.E 141 435 K led to limitation of this increase.

11. Property, plant and equipment

Description	30/6/2018	30/6/2017	30/6/2018	30/6/2017	30/6/2018	30/6/2017	31/12/2017
	Cost	Cost	Accumulated depreciation	Accumulated depreciation	Net	Net	Net
	<u>L.E.(000)</u>	<u>Restated L.E.(000)</u>	<u>L.E.(000)</u>	<u>Restated L.E.(000)</u>	<u>L.E.(000)</u>	<u>Restated L.E.(000)</u>	<u>Restated L.E.(000)</u>
Land,Buildings & Infrastructure*	27 853 368	25 599 574	14 897 798	14 365 914	12 955 570	11 233 660	12 423 078
Technical equipments & information technologies*	26 512 911	22 743 753	20 563 208	19 406 114	5 949 703	3 337 639	5 459 291
Vehicles	190 362	186 305	150 804	150 676	39 558	35 629	35 255
Office furniture & fixtures	940 854	851 635	746 876	686 137	193 978	165 498	202 611
Tools & supplies	134 510	112 511	78 179	70 452	56 331	42 059	58 353
Under construction	2 581 560	2 422 891	-	-	2 581 560	2 422 891	2 881 630
Total	58 213 565	51 916 669	36 436 865	34 679 293	21 776 700	17 237 376	21 060 218

- The increase in net carrying value of Property, plant and equipment by an amount of L.E. 4 539 324 K due to the increase in Land, buildings & infrastructure item and technical equipments & information technologies item by an amount of L.E. 1 721 910 K and L.E. 2 612 065 K respectively, and the increase in under construction item by an amount of L.E. 158 669 K.
 - The cost of Property, plant and equipment as of June 30, 2018 includes an amount of L.E. 23 254 million fully depreciated Property, plant and equipment and still in use.
 - The useful life for some property, plant and equipment 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 June 30, 2018 by an amount of L.E. 168 911 K, also the depreciation have been modified for the financial period that ended March 31,2018 by an amount of L.E. 85 921 K after applying the modified useful life from 1/1/2018.
- * Restatement and reclassification were made on comparative figures as shown in Note no (29-1).

12. Intangible assets

	30/6/2018 <u>L.E. (000)</u>	30/6/2017 <u>L.E. (000)</u>	31/12/2017 <u>L.E. (000)</u>
Cost			
Fourth generation network license	8 633 330	-	8 633 330
Submarine Cables (right of way)	1 880 558	1 618 718	1 822 190
Right of Use (ROU)	152 172	152 239	153 003
License (internet service - programs)	79 379	79 402	79 665
Land (possession-usufruct)	440 684	440 684	440 684
Under construction	-	8 362 188	29 767
	11 186 123	10 653 231	11 158 639
Less:			
Accumulated amortization and impairment	1 086 416	567 334	787 148
Net intangible assets	10 099 707	10 085 897	10 371 491

- The increase in net carrying value of intangible assets mainly due to the increase in fourth generation network license by an amount of L.E. 8 633 330 K and submarine cables (right of use) item by an amount of L.E. 261 839 K, however the decrease in under construction item by an amount of L.E. 8 362 188 K and the increase in accumulated amortization and impairment by an amount of L.E. 519 082 led to limitation of this increase.
- Intangible assets cost includes at June 30, 2018 an amount of L.E. 168 million, fully amortized intangible assets and still in use.

13. Equity-accounted investees

In thousands of Egyptian Pound	Ownership		Carrying amount	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
Waneya for Telecommunication	50.00%	50.00%	-	-
International Telecommunication Consortium Limited, (ITCL)	50.00%	50.00%	-	-
Vodafone Egypt. (SAE)*	44.95%	44.95%	12 090 254	11 660 573
Egypt Trust	35.71%	35.71%	-	-
Consortium Algérien de Télé – communications (CAT)	33.00%	33.00%	-	-
Payments for investments purchase				
Egypt Trust**			94	89
Total			12 090 348	11 660 662

- Investment in Waneya for Telecommunication amounted to LE 125 K is fully impaired.
- Investment in International Telecommunication Consortium Limited (ITCL) amounted to LE 54 K is fully impaired.
- Investment in Egypt Trust amounted to LE 7 500 k is fully impaired.
- Investment in Consortium Algerien de Telecommunications (CAT) amounted to LE 133 K is shown a nil balance as the Company sustained losses that exceed the investment's carrying amount.

* Investment in Vodafone – Egypt

The investments in Vodafone Egypt on June 30, 2018 represents the ownership of 107 869 799 shares with a percentage of 44.95% from the total shares of Vodafone Egypt.

The financial year of Vodafone Egypt ends on March 31 of each year and the equity method was applied in recognizing the investment in Vodafone Egypt during preparing the Condensed Consolidated Interim Financial Statements as of June 30, 2018 by using the consolidated financial data of Vodafone Egypt for the financial year ended in March 31, 2018 which presents the 12 months from the 1st of April 2017 till March 31, 2018, deduct the movements of the period from April 1, 2017 till December 31, 2017 from the interim financial data of Vodafone Egypt as of December 31, 2017 and add the movement from April 1,2018 till June 30,2018 from the interim financial data of Vodafone Egypt as of June 30,2018, to determine the share of financial period from January 1 to June 30, 2018 of business results.

** Egypt Trust

The balance is represented in Subscription of the remaining 25% of the company's share in Egypt Trust capital after deduction the company's share in the associates accumulated losses, the commercial registration related to in process.

14. Inventories

In thousands of Egyptian Pound	30 June 2018	31 December 2017
Spare parts	682 375	636 816
Merchandise for sale telecommunication equipment and computers	142 484	159 309
Project cables and supplies	229 550	263 973
Others	156 621	123 675
Total	1 211 030	1 183 773

The value of inventories was written down by L.E. 16 631 K (against LE 18 229 K as at December 31, 2017) for obsolete and slow-moving items directly from the cost of each type of inventory.

15. Trade and other receivables

In thousands of Egyptian Pound	30 June 2018	31 December 2017 Reclassified
Trade receivables - National	2 043 155	2 153 613
Trade receivables - International	2 426 566	2 217 525
Notes Receivable	247	559
Other trade and notes receivable	4 469 968	4 371 697
Advance payments to suppliers	313 530	241 977
Deposits with others	197 479	204 908
Due from ministries & organizations and companies and agents	595 057	602 478
Payments on the account of corporate tax	32 313	84 842
Tax authority - withholding tax	101 614	224 073
Tax authority - value added tax	676 687	562 508
Accrued revenues	464 060	31 200
Other receivables*	382 204	413 568
Other receivables and pre-payments	2 762 944	2 365 554
	7 232 912	6 737 251

Trade and other receivables have increased by an amount of L.E. 495 661 K mainly due to the increase in Accrued revenue item by an amount of L.E 432 860 K and Trade receivables – International item by an amount of L.E 209 041 K, however the decrease in trade receivables due to Tax authority – withholding tax by an amount of L.E. 122 459 K led to the limitation of this increase.

* Reclassification was made on comparative figures as shown in Note no (29-1).

16. Cash and cash equivalents

In thousands of Egyptian Pound	Note	30 June 2018	31 December 2017
Bank balances		261 228	255 023
Time deposits (less than 3 months)		226 154	126 948
Cash on hand		137 378	11 908
Treasury bills (less than 3 months)		49 097	40 766
Money market funds (less than 3 months)		148 946	89 564
Cash and cash equivalents		822 803	524 209
Restricted Cash	24	(16 849)	(17 273)
Cash and cash equivalents in the statement of cash flows		805 954	506 936

17. Capital and reserves

Share capital

The Company's issued and fully paid up capital amounted to LE 17 070 716 K represented in 1 707 071 600 shares of par value LE 10.

In December 2005, the share capital ownership became as follows; 80% the Egyptian Government and 20% private investors.

The holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Company, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

18. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at June 30, 2018 based on the profit attributable to owners of the company of L.E. 1 765 236 K (June 30, 2017: L.E 2 271 811 K) and a number of ordinary shares outstanding during the period ended June 30, 2018 of 1 707 071 600 (June 30, 2017:1 707 071 600), calculated as follows:

In thousands of Egyptian Pound	For the six month ended 30 June	
	2018	2017 Restated
Profit for the period	1 769 242	2 273 186
Profit attributable to owners of the company	1 765 236	2 271 811
Number of ordinary shares In thousands		
	2018	2017
Issued ordinary shares at 1 January	1 707 072	1 707 072
Number of ordinary shares at 30 June	1 707 072	1 707 072
Basic earnings per share (L.E./share)	1.05	1.33
Diluted earnings per share (L.E./share)	1.05	1.33

19. Loans and credit facilities

The increase in the balance of loans and credit facilities by an amount of L.E 1 948 939 K is mainly resulting from obtaining of loans and credit facilities from banks with local and foreign currencies amounted to L.E. 9 242 204 K (against LE 7 293 265 K at the year ended 31 December, 2017).

20. Trade and other payables

In thousands of Egyptian Pound	30 June 2018	31 December 2017 Reclassified
Local suppliers	464 540	811 279
Notes payable	19 282	29 205
Accrued expenses	839 311	1 235 114
Assets creditors	5 892 452	6 536 942
Due to organizations and companies	494 985	308 947
Trade payables	7 710 570	8 921 487
Tax Authority - income tax	178 227	510 944
Tax Authority (taxes other than income tax)	420 421	523 676
Deposits from others	413 961	403 212
Customers advances	456 449	280 668
Dividends payable	3 636	3 333
Due to National Telecommuincation Reguletery Authority (NTRA)	311 499	497 480
Other credit balances	1 146 708	709 799
Other payables	2 930 901	2 929 112
	10 641 471	11 850 599
Non current	1 499 943	1 270 634
Current	9 141 528	10 579 965
	10 641 471	11 850 599

Trade and other payables have decreased by an amount of L.E. 1 230 606 K mainly due to the decrease in Assets creditors item by an amount of L.E. 644 490 K, and Local suppliers by an amount of L.E 346 739 K and Tax Authority – incom tax by an amount of L.E 354 195 K, however the increase in Customers advances item by an amount of L.E 175 781 K led to the limitation of this decrease.

* Reclassification was made on comparative figures as shown in Note no (29-1).

21. Provisions

In thousands of Egyptian Pound	30 June 2018	30 June 2017	31 December 2017
	Provision for liabilities, Claims	Provision for liabilities, Claims	Provision for liabilities, Claims
Balance at 1 January	1 829 848	1 102 111	1 102 111
Reclassification	793	-	(96 037)
Provisions formed	6 264	30 963	1 214 627
Provisions used	(1 185 119)	(221 158)	(390 859)
Translation differences	-	4	6
Balance at end of the period	651 786	911 920	1 829 848

* as at June 30, 2018 provisions are mainly related to taxes, liabilities, lawsuits, and compensation in respect of agreements concluded with others.

22. Deferred tax

Recognized deferred tax assets and liabilities

	<u>30/6/2018</u>		<u>31/12/2017</u>	
	<u>Assets</u> <u>L.E.(000)</u>	<u>Liabilities</u> <u>L.E.(000)</u>	<u>Assets</u> <u>L.E.(000)</u>	<u>Liabilities</u> <u>L.E.(000)</u>
Total deferred tax asset / (liability)	239 642	(862 667)	396 877	(764 049)
Net deferred tax liability	-	(623 025)	-	(367 172)
Deferred tax charged to income statement for the period / year		<u>(255 853)</u>		<u>(150 836)</u>

Unrecognized deferred tax assets

	<u>30/6/2018</u>	<u>31/12/2017</u>
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Unrecognized deferred tax assets	<u>545 504</u>	<u>542 625</u>

Deferred tax assets have not been recognized in respect of the above items because there is no reasonable certainty concerning the company's ability to use the benefits in the future from these assets.

23. Capital commitments

The group's capital commitments for the unexecuted parts of contracts until June 30, 2018 amounted to L.E 1 074 Million (against L.E. 53 Million for the year ended December 31, 2017) which include investees' share in capital haven't been claimed yet by an amount of L.E. 725 million. These commitments are expected to be settled in the subsequent period except for the uncalled installments of investees' share in capital, which shall be settled when required by the Board of Directors of those investees companies.

24. Contingencies

In addition to the amounts included in the condensed consolidated statement of financial position as of June 30, 2018, the company has the following contingent liabilities:

In thousands of Egyptian Pounds	<u>30 June 2018</u>	<u>31 December 2017</u>
Letters of guarantee issued by banks on behalf of the Group	889 640	721 310
Letters of credit	666 677	1 416 929

- letters of guarantee which were issued by banks at June 30, 2018 include letters of guarantee have been issued against restricted cash and cash equivalents at banks (Note no. 16).

25. TAX POSITION (Telecom Egypt Company)

25-1 Corporate tax

- Tax inspection was performed for the years till December 31, 2015 and all due taxes were settled.
- Tax inspection for the year 2016 is in process.
- Tax return was submitted for the year 2017 and all taxes were paid during the legal dates.

25- 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.

25- 3 Salary Tax

- Tax inspection was performed for the years till December 31, 2014, and the Company was notified with tax differences and all due taxes were settled and the company objected on disputed item and follow up the matter.
- Tax inspection for the year 2015 is in process.

25- 4 Stamp Tax

- Tax inspection for the period from March 27, 1998 to December 31, 2000 was performed for certain sectors and the company was notified with assessment basis, the company objected and 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.

25- 5 Real Estate Tax

- All taxes are paid according to the tax forms received by the company. The company's Legal Department follows up the disputes according to the real estate tax law.
- Tax returns were submitted according to the new real estate tax law 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.

26. Related parties

Identity of related parties

The Group has a relationship with its associate Vodafone Egypt and Consortium Algerian de Telecommunications (CAT).

Transaction with Associates

During the financial period ended June 30, 2018, fixed to mobile interconnection, audio text fees and sale of products and services in favor of Vodafone Egypt LE 1 294 442 K. Lease of company's premises and towers in favor of the group, transmission and international calls and telecommunication services amounted to L.E. 503 383 K and the balance due to Vodafone Egypt at June 30, 2018 amounted to LE 359 075 K.

27. Group entities

TE direct and indirect share in subsidiaries companies on June 30, 2018 which were included in the condensed consolidated interim financial statements is as follows:

<u>Company name:</u>	<u>Country of incorporation</u>	<u>Ownership interest</u>	
		<u>30/6/2018</u>	<u>31/12/2017</u>
Telecom Egypt France	France	100.00 %	100.00 %
WE Data	Egypt	100.00 %	100.00 %
TE Data Jordan	Jordan	100.00 %	100.00 %
TE Investment Holding	Egypt	100.00 %	100.00 %
The Egyptian Telecommunication Company for Information Systems (Xceed)	Egypt	100.00 %	100.00 %
Xceed Customer Care Maroc	Morocco	100.00 %	100.00 %
Centra Technologies	Egypt	100.00 %	100.00 %
Centra Industries	Egypt	100.00 %	100.00 %
Telecom Egypt Globe	Singapore	100.00 %	100.00 %
Centra Distribution	Egypt	99.99 %	99.99 %
Middle East Radio Communication (MERC)	Egypt	51.00 %	51.00 %
Egyptian International Submarine Cables Company (EISCC)	Egypt	50.00 %	-

28. 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 US\$ 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.

29. Comparative figures

- Restatement was made to some of the comparative figures of the condensed consolidated statement of financial position, condensed consolidated statement of profit or loss and other comprehensive income as a result of the reclassification made to Property, plant and equipment 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 Property, plant and equipment since the beginning of providing the service in 2017, there is an increase in accumulated depreciation of Property, plant and equipment by an amount of L.E 98 479 K against increase in depreciation expense for the year 2017, which included in operating costs by the same amount, regarding to the share of six months ended June 30, 2017 was restated by an amount of L.E 19 622 K.
- Restatement was made to some of the comparative figures of the consolidated statement of profit or loss and other comprehensive income due to the increase in operating cost by an amount of L.E 87 686 K, which led to decrease in income tax expense by an amount of L.E 17 729 K as a result of charging the value of router devices for sale to operating cost during the period ended at June 30, 2017.
- Reclassification was made to some of the comparative figures of the condensed consolidated statement of financial position, condensed consolidated statement of income and condensed consolidated statement of cash flows to conform to the current presentation of the condensed consolidated interim financial statements.
- The following is the effect of restatement and reclassification on the condensed consolidated financial statements:

29.1 Effect on the consolidated statement of financial position

<u>Description</u>	1/1/2017		1/1/2017
	<u>as previously reported</u>	<u>Reclassification</u>	<u>Reclassified</u>
	<u>debit / (credit)</u>	<u>debit / (credit)</u>	<u>debit / (credit)</u>
	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Trade and other receivables	6 356 556	342 510	6 699 066
Reserves	(4 607 680)	(551)	(4 608 231)
Retained earnings	(7 238 360)	551	(7 237 809)
Trade and other payables	(6 677 436)	13 663	(6 663 773)
Credit accounts to associates	-	(356 173)	(356 173)

Notes to the condensed consolidated interim financial statements Prepared in accordance with (IFRSs)
For the six months ended June 30, 2018 (continued)

	31/12/2017			31/12/2017
	<u>as previously reported</u>	<u>Restatement</u>	<u>Reclassification</u>	<u>Restated</u>
	<u>debit / (credit)</u>	<u>debit / (credit)</u>	<u>debit / (credit)</u>	<u>debit / (credit)</u>
	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>
Property, plant and equipment	21 158 697	(98 479)	-	21 060 218
Trade and other receivables	6 389 696	-	347 555	6 737 251
Retained earnings	(7 801 552)	98 479	1 053	(7 702 020)
Reserves	(4 830 744)	-	(1 053)	(4 831 797)
Deferred revenue	(363 307)	-	(569)	(363 876)
Trade and other payables	(10 601 035)	-	21 070	(10 579 965)
Credit accounts to associates	-	-	(368 056)	(368 056)

29-2 Effect on Consolidated Statement of profit or loss and other comprehensive income

	<u>For the six months ended</u>			<u>For the six months ended</u>		<u>For the three months ended</u>		
	30/6/2017			30/6/2017		30/6/2017		
	<u>as previously reported</u>	<u>Restatement</u>	<u>Reclassification</u>	<u>Restated</u>	<u>as previously reported</u>	<u>Restatement</u>	<u>Reclassification</u>	<u>Restated</u>
	<u>(debit) / credit</u>	<u>(debit) / credit</u>	<u>(debit) / credit</u>	<u>(debit) / credit</u>	<u>(debit) / credit</u>	<u>(debit) / credit</u>	<u>(debit) / credit</u>	<u>(debit) / credit</u>
	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>
Revenue	8 827 789	-	(91 331)	8 736 458	4 636 592	-	(44 315)	4 592 277
Operating costs	(5 142 391)	(107 308)	(2 563)	(5 252 262)	(2 729 750)	(48 398)	(1 782)	(2 779 930)
Selling and distribution expenses	(866 703)	-	91 331	(775 372)	(441 638)	-	44 315	(397 323)
Administrative expenses	(1 061 515)	-	8 584	(1 052 931)	(554 765)	-	3 162	(551 603)
Impairment loss on trade and other receivables	-	-	(4 602)	(4 602)	-	-	(4 060)	(4 060)
Finance costs	(184 634)	-	4 602	(180 032)	(44 152)	-	4 060	(40 092)
Income tax	(540 649)	19 729	(6 021)	(526 941)	(263 630)	9 569	(1 380)	(255 441)

29-3 Effect on consolidated statement of Cash flows

	<u>For the six months ended</u>		<u>Reclassification</u>	<u>For the six months ended</u>	
	30/6/2017			30/6/2017	
<u>Cash flows from operating activities</u>	<u>as previously reported</u>		<u>Reclassified</u>		
	<u>LE(000)</u>		<u>LE(000)</u>		
Cash paid to suppliers	(1 135 520)		4 324		
Payments to tax authority - other taxes	(378 798)		(383 122)		

30- Subsequent events

30.1 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 law issuance date, and also the executive regulations of this law was issued on May 8, 2018, management of the company is studying now the effects resulting of the adoption of this law on its financial statements.

30.2 Telecom Egypt concludes the acquisition of MENA Cable

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 represents its outstanding debt.

30.3 Obtaining of medium-term syndicated loan

On October 18, 2018, Telecom Egypt has signed a USD 500 Million 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.