

telecomegypt



*Translation from Arabic*

**Telecom Egypt Company**  
**(An Egyptian Joint Stock Company)**  
**Condensed Consolidated Interim Financial Statements**  
**For The Three Months Ended March 31, 2018**  
**And The Limited Review Report**

**Telecom Egypt Company**  
**(An Egyptian Joint Stock Company)**  
**Condensed Consolidated Interim Financial Statements**  
**For The Three Months Ended March 31, 2018**  
**And The Limited Review Report**

**Index**

<b><u>Explanation</u></b>	<b><u>Page Number</u></b>
- Limited Review Report	1
- Condensed Consolidated Statement of Financial Position	2
- Condensed Consolidated Statement of Income	3
- Condensed Consolidated Statement of Comprehensive Income	4
- Condensed Consolidated Statement of Changes in Equity	5
- Condensed Consolidated Statement of Cash Flows	6
- Notes to the Condensed Consolidated Interim Financial Statements	7:24



## Hazem Hassan

Public Accountants & Consultants

Pyramids Heights Office Park  
Km 22 Cairo/Alex Road  
P.O. Box 48 Al Ahram  
Giza - Cairo - Egypt

Telephone : (202) 35 36 22 00 - 35 36 22 11  
Telefax : (202) 35 36 23 01 - 35 36 23 05  
E-mail : egypt@kpmg.com.eg  
Postal Code : 12556 Al Ahram

*Translation from Arabic*

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

#### ***Introduction***

We have performed a limited review on the accompanying condensed consolidated statement of financial position of Telecom Egypt Company "an Egyptian joint stock company" as at March 31, 2018 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with Egyptian Accounting Standard number (30) "Interim Financial Reporting". Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our limited review.

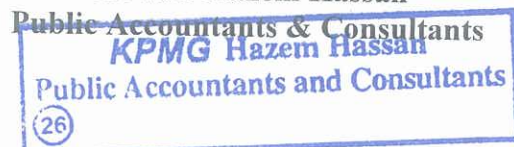
#### ***Scope of Limited Review***

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

#### ***Conclusion***

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of the company as at March 31, 2018 and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with Egyptian Accounting Standard number (30) "Interim Financial Reporting".

**KPMG Hazem Hassan**



Cairo, May 9, 2018

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

	Note No.	31/3/2018 L.E. (000)	31/12/2017 Restated L.E. (000)
<b>Assets</b>			
<b>Non Current Assets</b>			
Fixed assets	(11)	18 307 304	18 253 401
Projects in progress	(12)	2 868 697	2 911 397
Investments in associates	(13)	12 033 021	11 746 262
Available-for-sale investments		77 561	77 568
Other assets	(14)	10 221 248	10 341 724
Deferred tax assets	(24-1)	391 487	396 877
<b>Total non current Assets</b>		<b>43 899 318</b>	<b>43 727 229</b>
<b>Current Assets</b>			
Inventories	(15)	1 190 485	1 183 773
Trade and notes receivable	(16)	4 126 711	4 017 658
Debtors and other debit balances	(17)	2 687 398	2 719 132
Held-to-maturity investments-treasury bills		106 628	113 320
Cash and cash equivalents	(18)	1 184 376	524 209
<b>Total Current Assets</b>		<b>9 295 598</b>	<b>8 558 092</b>
<b>Total Assets</b>		<b>53 194 916</b>	<b>52 285 321</b>
<b>Equity</b>			
Capital	(22)	17 070 716	17 070 716
Reserves	(23)	4 693 303	4 641 301
Retained earnings		8 065 041	8 576 083
Foreign entities translation reserve		185 000	189 443
<b>Equity attributable to owners of the company</b>		<b>30 014 060</b>	<b>30 477 543</b>
<b>Non - controlling interest</b>		<b>10 367</b>	<b>12 135</b>
<b>Total Equity</b>		<b>30 024 427</b>	<b>30 489 678</b>
<b>Non Current Liabilities</b>			
Loans and credit facilities	(19)	627 292	614 472
Creditors and other credit balances	(20)	1 448 747	1 310 082
Deferred tax liabilities	(24-1)	809 826	755 618
<b>Total non current Liabilities</b>		<b>2 885 865</b>	<b>2 680 172</b>
<b>Current Liabilities</b>			
Loans and credit facilities installments due within one year	(19)	7 144 309	6 678 793
Creditors and other credit balances	(20)	12 417 768	10 606 830
Provisions	(21)	722 547	1 829 848
<b>Total Current Liabilities</b>		<b>20 284 624</b>	<b>19 115 471</b>
<b>Total Liabilities</b>		<b>23 170 489</b>	<b>21 795 643</b>
<b>Total Equity and Liabilities</b>		<b>53 194 916</b>	<b>52 285 321</b>

The attached notes on pages (7) to (24 ) are an integral part of these Condensed Consolidated Interim Financial Statements.

Financial Director

*Wael Hanafy*

" Wael Hanafy "

Senior Financial Director

*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"

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

	Note	<b><u>For the three months ended</u></b>	
		<b>31/3/2018</b>	<b>31/3/2017</b>
		<b><u>L.E.(000)</u></b>	<b><u>L.E.(000)</u></b>
	<b><u>No.</u></b>		<b><u>Restated</u></b>
Operating revenues	(3)	4 782 072	4 144 181
Operating costs	(4)	(2 973 413)	(2 362 854)
<b>Gross Profit</b>		<b>1 808 659</b>	<b>1 781 327</b>
Other income		64 153	62 674
Selling and distribution expenses	(5)	( 481 458)	( 339 969)
General and administrative expenses	(6)	( 501 155)	( 452 521)
Other expenses		( 28 211)	( 20 074)
<b>Operating profit</b>		<b>861 988</b>	<b>1 031 437</b>
Finance income		48 413	32 590
Finance cost		( 339 746)	( 140 482)
<b>Net finance cost</b>	(7)	<b>( 291 333)</b>	<b>( 107 892)</b>
<b>Share of profit of equity accounted investees</b>	(8)	<b>286 759</b>	<b>675 079</b>
<b>Net profit before tax</b>		<b>857 414</b>	<b>1 598 624</b>
Income tax expense		( 108 179)	( 321 806)
Deferred tax	(24-1)	( 59 598)	50 021
<b>Total income tax</b>		<b>( 167 777)</b>	<b>( 271 785)</b>
<b>Net profit for the period</b>		<b>689 637</b>	<b>1 326 839</b>
<b><u>Profit attributable to :</u></b>			
Owners of the company		687 952	1 326 082
Non-controlling interest		1 685	757
<b>Net profit for the period</b>		<b>689 637</b>	<b>1 326 839</b>
<b>Basic and diluted earning per share for the period (L.E. / Share)</b>	(10)	<b>0.40</b>	<b>0.78</b>

The attached notes on pages (7) to (24) are an integral part of these Condensed Consolidated Interim Financial Statements.

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

**For the three months ended**

	31/3/2018	31/3/2017
		<b><u>Restated</u></b>
	<b><u>L.E.(000)</u></b>	<b><u>L.E.(000)</u></b>

Net profit for the period	689 637	1 326 839
<b><u>Other Comprehensive Income items :</u></b>		
Translation differences of foreign entities	( 4 443)	3 495
<b>Total Comprehensive Income</b>	<b><u>685 194</u></b>	<b><u>1 330 334</u></b>
<b>Attributable to :</b>		
Owners of the company	683 509	1 329 577
Non-controlling interest	1 685	757
<b>Total Comprehensive Income</b>	<b><u>685 194</u></b>	<b><u>1 330 334</u></b>

The attached notes on pages (7) to (24) are an integral part of these Condensed Consolidated Interim Financial Statements.

**Telecom Egypt Company**  
(An Egyptian Joint Stock Company)  
**Condensed Consolidated Statement of Changes in Equity**  
**For The three Months Ended March 31, 2018**

	Capital	Legal reserve	Other reserves	Retained earnings	Foreign entities translation reserve	Total of equity attributable to owners of the company	Non-controlling interest	Total
	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)
Balance as of January 1,2017	17 070 716	1 649 745	2 796 578	8 056 342	161 357	29 734 738	10 696	29 745 434
<b>Comprehensive Income</b>								
Net profit for the period (restated)	-	-	-	1 326 082	-	1 326 082	757	1 326 839
Translation differences of foreign entities	-	-	-	-	3 495	3 495	-	3 495
<b>Total Comprehensive Income (restated)</b>	-	-	-	<b>1 326 082</b>	<b>3 495</b>	<b>1 329 577</b>	<b>757</b>	<b>1 330 334</b>
<b>Transactions with shareholders</b>								
Transferred to legal reserve	-	172 645	-	(172 645)	-	-	-	-
Dividends for year 2016 (shareholders)	-	-	-	(1 707 071)	-	(1 707 071)	(1 921)	(1 708 992)
Dividends for year 2016 (Employees & Board of Directors)	-	-	-	(613 499)	-	(613 499)	( 278)	( 613 777)
<b>Total transactions with shareholders</b>	-	<b>172 645</b>	-	<b>(2 493 215)</b>	-	<b>(2 320 570)</b>	<b>(2 199)</b>	<b>(2 322 769)</b>
Balance as of March 31,2017 ( Restated )	17 070 716	1 822 390	2 796 578	6 889 209	164 852	28 743 745	9 254	28 752 999
Balance as of January 1,2018 ( Restated )	17 070 716	1 844 723	2 796 578	8 576 083	189 443	30 477 543	12 135	30 489 678
<b>Comprehensive Income</b>								
Net profit for the period	-	-	-	687 952	-	687 952	1 685	689 637
Translation differences of foreign entities	-	-	-	-	(4 443)	(4 443)	-	( 4 443)
<b>Total Comprehensive Income</b>	-	-	-	<b>687 952</b>	<b>(4 443)</b>	<b>683 509</b>	<b>1 685</b>	<b>685 194</b>
<b>Transactions with shareholders</b>								
Transferred to legal reserve	-	52 002	-	(52 002)	-	-	-	-
Dividends for year 2017 (shareholders)	-	-	-	(426 768)	-	(426 768)	(3 002)	(429 770)
Dividends for year 2017 (Employees & Board of Directors)	-	-	-	(720 224)	-	(720 224)	( 451)	(720 675)
<b>Total transactions with shareholders</b>	-	<b>52 002</b>	-	<b>(1 198 994)</b>	-	<b>(1 146 992)</b>	<b>(3 453)</b>	<b>(1 150 445)</b>
Balance as of March 31, 2018	17 070 716	1 896 725	2 796 578	8 065 041	185 000	30 014 060	10 367	30 024 427

The attached notes on page from (7) to (24) are an integral part of these Condensed Consolidated Interim Financial Statements.

*Translation from Arabic*

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

	Note No.	<b>For the three months ended:</b>	
		<b>31/3/2018</b>	<b>31/3/2017</b>
		<b>L.E. (000)</b>	<b>Reclassified L.E. (000)</b>
<b><u>Cash flows from operating activities:-</u></b>			
Cash receipts from customers		5 055 730	4 245 130
Value added tax collected from customers		98 682	76 065
Stamp tax and fees collected (from third party)		22 663	21 385
Deposits collected from customers		237	53
Cash paid to suppliers		( 769 167)	( 636 474)
Payments of NTRA license fees		( 249 961)	( 138 796)
Dividends paid to employees and bord of directors		( 47 265)	( 43 517)
Cash paid to employees and bord of directors		(1 029 863)	( 732 105)
Cash paid on behalf of employees to third party		( 190 259)	( 155 474)
<b>Cash provided by operating activities</b>		<b>2 890 797</b>	<b>2 636 267</b>
Interest paid		( 230 930)	( 7 051)
Payments to Tax Authority - income tax		( 22 243)	( 13 125)
Payments to Tax Authority - value added tax		( 543 415)	( 501 512)
Payments to Tax Authority - other taxes		( 294 772)	( 218 240)
Cash paid to parties for claims		( 847 053)	-
Other proceeds / ( payments)		400 697	( 72 077)
<b>Net cash provided by operating activities</b>		<b>1 353 081</b>	<b>1 824 262</b>
<b><u>Cash flows from investing activities:-</u></b>			
Payments for purchase of fixed assets, projects in progress and other assets		(1 172 387)	(1 663 467)
Payments for purchase of other assets - Fourth generation network license		( 25 000)	( 96 542)
Proceeds from sales of fixed assets and other assets		3	122
Interest received		10 465	10 874
Dividends collected from investments		12 323	11 922
Proceeds from sale available for sale investment		7	-
Proceeds from retrieval of held-to-maturity investment - treasury bills		11 490	42 506
Proceeds from securities (treasury bills - mutual fund)		164	3 335
<b>Net cash used in investing activities</b>		<b>(1 162 935)</b>	<b>(1 691 250)</b>
<b><u>Cash flows from financing activities:-</u></b>			
Payments for loans and other facilities		( 15 709)	( 93 706)
Proceeds from loans and other facilities		480 336	303 661
Dividends paid to Shareholders		-	( 1 825)
<b>Net cash provided by financing activities</b>		<b>464 627</b>	<b>208 130</b>
<b>Net change in cash and cash equivalents during the period</b>		<b>654 773</b>	<b>341 142</b>
Translation differences of foreign entities		( 3 710)	( 3 434)
Cash and cash equivalents at the beginning of the period	(18)	506 936	1 101 163
<b>Cash and cash equivalents at the end of the period</b>	(18)	<b>1 157 999</b>	<b>1 438 871</b>

The attached notes on pages from (7) to (24) are an integral part of these Condensed Consolidated Interim Financial statements.



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

**Notes to the Condensed Consolidated Interim Financial Statements**  
**For The Three Months Ended March 31, 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 Condensed Consolidated Interim Financial Statements**

These Condensed Consolidated Interim Financial Statements were approved by the Board of Directors for issuance on May 9, 2018.

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

**2-1 Statement of compliance**

- These Condensed Consolidated Interim Financial Statements as of March 31, 2018 have been prepared in accordance with Egyptian Accounting Standard No.30 "Interim Financial Reporting" accordingly it is condensed comparative view to the annual consolidated financial statements for the company, and in the light of applicable Egyptian laws and regulations.
- These Condensed Consolidated Interim Financial Statements don't include all the required information needed for preparing the full annual financial statements and must be read with the consolidated annual financial statements as of December 31, 2017

**2-2 Basis of measurement**

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

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

**2-3 Functional and presentation currency**

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

**2-4 Use of estimates**

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

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

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

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

**2-5 Fair value measurement**

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

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

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

**2-6 Segment reporting**

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

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

### 3. OPERATING REVENUES

	<u>For the three months ended</u>	
	<u>31/3/2018</u>	<u>31/3/2017</u>
	<u>L.E. (000)</u>	<u>Reclassified</u> <u>L.E. (000)</u>
Home and personal communications*	1 829 392	1 262 262
Enterprise*	623 632	552 185
Domestic wholesale*	879 916	845 045
International carrier	1 096 357	1 186 171
International cables and networks	352 775	298 518
	<u>4 782 072</u>	<u>4 144 181</u>

Total operating revenues have increased by an amount of L.E. 637 891 K mainly due to the increase in home and personal communications revenues by an amount of L.E. 567 130 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 71 447 K, in addition to the increase in domestic wholesale revenue and International cables and networks by an amount of L.E 34 871 K and 54 257 K respectively, however the decrease in International carrier revenue by an amount of L.E 89 814 K which led to the limitation of this increase.

\* Reclassification was made on comparative figures as shown in Note no (31-2).

### 4. OPERATING COSTS

	<u>For the three months ended</u>	
	<u>31/3/2018</u>	<u>31/3/2017</u>
	<u>L.E. (000)</u>	<u>Restated</u> <u>L.E. (000)</u>
Interconnection cost	1 014 894	942 492
Depreciation and amortization*	660 097	378 269
Other operating cost*	1 298 422	1 042 093
	<u>2 973 413</u>	<u>2 362 854</u>

Operating costs have increased by an amount of L.E. 610 559 K mainly due to the following: -

- The increase of interconnection cost by an amount of L.E. 72 402 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 depreciation and amortization item by an amount of L.E 281 828 K due to the additions of the last year after the first quarter and the current period.
- The increase in other operating cost item is mainly due to the increase in salaries and wages and equivalent item by an amount of L.E. 101 669 K due to the annual increase by 10 % from the basic salary starting from January 2018, in addition to the increase of Fuel item by an amount of L.E 44 679 K and cost of merchandise available for sale by an amount of L.E 35 821 K and Right of use (IRU) outside Egypt by an amount of L.E 24 906 K

\* Restatement and reclassification were made on comparative figures as shown in Note no (31-2).

**5. SELLING AND DISTRIBUTION EXPENSES**

	<b><u>For the three months ended</u></b>	
	<b><u>31/3/2018</u></b>	<b><u>31/3/2017</u></b>
	<b><u>L.E. (000)</u></b>	<b><u>Reclassified L.E. (000)</u></b>
Salaries & wages*	252 088	225 852
Company's social insurance contribution	26 770	24 936
Depreciation and amortization	163	1 602
Advertising and marketing	119 385	8 233
Other expenses*	83 052	79 346
	<b><u>481 458</u></b>	<b><u>339 969</u></b>

The increase in selling and distribution expenses by an amount of L.E 141 489 K mainly due to the increase in Advertising and marketing item by an amount of L.E 111 152 K and the increase in salaries and wages and equivalent item by an amount of L.E. 28 326 K due to the annual increase by 10 % from the basic salary starting from January 2018 and increase in Tax and duties item by an amount of L.E 10 042 K.

\* Reclassification was made on comparative figures as shown in Note no (31-2).

**6. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b><u>For the three months ended</u></b>	
	<b><u>31/3/2018</u></b>	<b><u>31/3/2017</u></b>
	<b><u>L.E. (000)</u></b>	<b><u>Reclassified L.E. (000)</u></b>
Salaries and wages	341 334	280 838
Company's social insurance contribution	33 201	29 960
Depreciation and amortization	19 744	18 755
Organizations services cost	24 838	70 528
Bad debt expense	44	848
Tax and duty*	18 719	18 336
Other expenses*	63 275	33 256
	<b><u>501 155</u></b>	<b><u>452 521</u></b>

The increase in general and administrative expenses by an amount of L.E. 48 634 K is mainly due to increase in salaries and wages by an amount of L.E 64 284 K due to the annual increase by 10 % from the basic salary starting from January 2018, however the decrease in organizations services cost item by an amount of L.E. 45 690 K led to limitation of this increase.

\* Reclassification was made on comparative figures as shown in Note no (31-2).

**7. NET FINANCE COST**

	<u>For the three months ended</u>	
	<u>31/3/2018</u>	<u>31/3/2017</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Total finance income	48 413	32 590
Total finance cost	( 339 746)	( 140 482)
<b>Net finance cost</b>	<b>( 291 333)</b>	<b>( 107 892)</b>

The increase in net finance cost by an amount of L.E 183 441 K during the period is mainly due to the increase in debit interest by an amount of L.E 219 161 K, also the finance cost of credit contracts by an amount of L.E 98 325 K, however the decrease in translation loss of foreign currencies balances and transactions by an amount of L.E 131 387 K led to limitation of this increase.

**8. SHARE OF PROFIT OF EQUITY ACCOUNTED INVESTEEES**

	<u>For the three months ended</u>	
	<u>31/3/2018</u>	<u>31/3/2017</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Vodafone Egypt	286 754	675 085
Egypt trust	5	( 6)
	<u>286 759</u>	<u>675 079</u>

**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. BASIC AND DILUTED EARNING PER SHARE FOR THE PERIOD

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

	<u>For the three months ended</u>	
	<u>31/3/2018</u>	<u>Restated 31/3/2017</u>
<b><u>The holding company owners' equity :</u></b>		
Net profit for the period (LE 000)	689 952	1 326 082
Number of shares available during the period (share)	1707 071 600	1707 071 600
<b>Basic and diluted earning per share for the period (LE / share)</b>	<b>0.40</b>	<b>0.78</b>

## 11. FIXED ASSETS

Description	31/3/2018	31/12/2017	31/3/2018	31/12/2017	31/3/2018	12/31/2017
	Cost	Cost	Accumulated depreciation	Accumulated depreciation	Net	Net
		<u>Restated</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>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Land	2 371 117	2 371 117	-	-	2 371 117	2 371 117
Buildings & Infrastructure*	25 384 949	24 914 272	15 017 165	14 793 901	10 367 784	10 120 371
Centrals & information technologies equipment*	26 223 477	26 134 258	20 952 128	20 668 564	5 271 349	5 465 694
Vehicles	149 245	142 911	108 290	107 658	40 955	35 253
Furniture	646 539	632 291	459 574	444 174	186 965	188 117
Tools & supplies	131 540	131 488	75 654	73 135	55 886	58 353
Decoration & fixtures	127 235	127 035	113 987	112 539	13 248	14 496
Fixtures on trunk radio network	315	315	315	315	-	-
<b>Total</b>	<b>55 034 417</b>	<b>54 453 687</b>	<b>36 727 113</b>	<b>36 200 286</b>	<b>18 307 304</b>	<b>18 253 401</b>

- The increase in net carrying value of fixed assets mainly due to the additions during the period by an amount of L.E. 580 833 K, however the depreciation of the period by an amount of L.E. 528 624 K which led to limitation of this increase.

- The cost of fixed assets as of March 31, 2018 includes an amount of L.E. 23 834 million fully depreciated fixed assets and still in use.

\* Restatement and reclassification were made on comparative figures as shown in Note no (31-1).

**12. PROJECTS IN PROGRESS**

	<b>31/3/2018</b>	<b>31/12/2017</b>
	<b><u>L.E. (000)</u></b>	<b><u>Reclassified</u></b>
		<b><u>L.E. (000)</u></b>
Land	16 503	16 503
Buildings and Infrastructure	324 626	494 046
Centrals and information technologies equipment*	1 852 370	1 689 740
Tools and supplies	2 532	2 532
Other Assets (cables)	—	29 767
Advance payments - Fixed assets	693 157	699 300
	<b>2 889 188</b>	<b>2 931 888</b>
<b>Less:</b>		
Impairment loss on projects in progress	20 491	20 491
	<b>2 868 697</b>	<b>2 911 397</b>

The balance of projects in progress is represented in the part that have been executed from commitments and capital contracts as of March 31, 2018 and related advance payment.

\* Reclassification was made on comparative figures as shown in Note no (31-1).

**13. INVESTMENTS IN ASSOCIATES**

	<b>31/3/2018</b>		<b>31/12/2017</b>	
	<b><u>Ownership</u></b>	<b><u>amount</u></b>	<b><u>Ownership</u></b>	<b><u>amount</u></b>
	<b><u>%</u></b>	<b><u>L.E. (000)</u></b>	<b><u>%</u></b>	<b><u>L.E. (000)</u></b>
- Vodafone Egypt Telecommunication company*	44.95	12 032 927	44.95	11 746 173
- Wataneya for Telecommunication**	50.00	125	50.00	125
- International Telecommunication Consortium Limited. (ITCL)**	50.00	54	50.00	54
- Egypt Trust**	35.71	7 500	35.71	7 500
- Consortium Algerien de Telecommunications (CAT)**	33.00	133	33.00	133
		<b>12 040 739</b>		<b>11 753 985</b>
<b><u>Add:</u></b>				
<b><u>Payments for investments purchase</u></b>				
Egypt Trust***	35.71	94		89
<b><u>Less</u></b>				
Impairment loss on investment in associates		7 812		7 812
		<b>12 033 021</b>		<b>11 746 262</b>

\* The investments in Vodafone Egypt on March 31, 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 March 31, 2018 by using the consolidated financial statements 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, to determine the share of financial period from January 1 to March 31, 2018 of business results.

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

\*\*\* The remaining 25% represents the company's share in Egypt Trust capital after deducting the company's share in the associate accumulated losses, the commercial registration related to it is in process.

#### 14. OTHER ASSETS

	<u>31/3/2018</u>	<u>31/12/2017</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
<b><u>Cost</u></b>		
Fourth generation network license	8 633 330	8 633 330
Submarine Cables (right of way)	1 853 468	1 822 190
Right of Use (ROU)	152 078	153 003
License (internet service - programs )	79 346	79 665
Land (possession-usufruct)	440 684	440 684
	<b>11 158 906</b>	<b>11 128 872</b>
<b><u>Less:</u></b>		
Accumulated amortization and impairment	937 658	787 148
<b>Net other assets</b>	<b>10 221 248</b>	<b>10 341 724</b>

- The decrease in net carrying value of other assets mainly due to the amortization of the period by an amount of L.E 151 380 K, however the additions of the period by an amount of L.E. 31 278 K led to limitation of this decrease.

- Other assets cost includes at March 31, 2018 an amount of L.E 167 million, fully depreciated other assets and still in use.

#### 15. INVENTORIES

	<u>31/3/2018</u>	<u>31/12/2017</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Spare parts	656 864	636 816
Project cables and supplies	230 975	263 973
Material supplies , Merchandise for sale and Letters of credit	302 646	282 984
	<b>1 190 485</b>	<b>1 183 773</b>

The value of inventories was written down by L.E. 16 685 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.



**16. TRADE AND NOTES RECEIVABLE**

	<b>31/3/2018</b>	<b>31/12/2017</b>
	<b><u>L.E. (000)</u></b>	<b><u>L.E. (000)</u></b>
Trade Receivables - National	3 677 134	3 468 001
Trade Receivables - International	2 524 407	2 615 058
	<b><u>6 201 541</u></b>	<b><u>6 083 059</u></b>
<b><u>Less:</u></b>		
Impairment loss on trade receivables	2 074 917	2 065 960
	<b><u>4 126 624</u></b>	<b><u>4 017 099</u></b>
<b><u>Add:</u></b>		
Notes receivable	87	559
	<b><u>4 126 711</u></b>	<b><u>4 017 658</u></b>

Trade and notes receivable balance have increased by an amount of L.E. 109 053 K is mainly due to the trade receivables – national balance as a result of increase in number of customers of home and personal communication during the period compared to the last period, however the collections increase during the period specially form international carriers led to the limitation of this increase.

**17. DEBTORS AND OTHER DEBIT BALANCES**

	<b>31/3/2018</b>	<b>31/12/2017</b>
	<b><u>L.E.(000)</u></b>	<b><u>Reclassified</u></b>
		<b><u>L.E.(000)</u></b>
Accrued revenues	33 587	31 200
Deposits with other	202 995	202 168
Suppliers – debit balances	525 500	261 017
Tax Authority - withholding tax	276 393	224 073
Tax Authority - value added tax	509 760	577 194
Due from ministries, organizations and companies and agents	687 771	602 478
Payments on the account of income tax	39 722	84 842
Temporary debts due from employees	-	346 525
Other debit balances*	577 290	561 364
	<b><u>2 853 018</u></b>	<b><u>2 890 861</u></b>
<b><u>Less:</u></b>		
Impairment loss on debtors and other debit balances	165 620	171 729
	<b><u>2 687 398</u></b>	<b><u>2 719 132</u></b>

Debtors and other debit balances have decreased by an amount of L.E. 31 734 K mainly due to the settlement in temporary debts due from employees item as a result of employees approved dividends for 2017 and payment on account of income tax item by an amount of L.E 45 120 K, however the increase in suppliers – debit balances by an amount of L.E 264 483 K and due from ministries, organizations, and companies and collection agents item by an amount of L.E. 85 293 K led to limitation of this decrease.

\* Reclassification was made on comparative figures as shown in Note no (31-1).

#### 18. CASH AND CASH EQUIVALENTS

	Note	31/3/2018	31/12/2017
	<u>No.</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Banks - time deposits (less than 3 months)		686 336	126 948
Banks - current accounts		244 505	255 023
Cash on hand		137 064	11 908
Treasury bills (less than 3 months)		36 776	40 766
Money market funds (less than 3 months)		79 695	89 564
<b>Cash and cash equivalents</b>		<b>1 184 376</b>	<b>524 209</b>
<b>Less:</b>			
Restricted cash and cash equivalents at banks	(26)	26 377	17 273
<b>Cash and cash equivalents as per statement of cash flows</b>		<b>1 157 999</b>	<b>506 936</b>

#### 19. LOANS AND CREDIT FACILITIES

The increase in the balance of loans and credit facilities by an amount of L.E 478 336 K is mainly resulting from obtaining of loans and credit facilities from banks with local and foreign currencies amounted to L.E. 7 771 601 K (against LE 7 293 265 K for the year ended 31 December, 2017).

## 20. CREDITORS AND OTHER CREDIT BALANCES

	31/3/2018	31/12/2017
	<u>L.E. (000)</u>	<u>Reclassified</u> <u>L.E. (000)</u>
Suppliers and notes payable	740 649	840 879
Tax Authority-Income Tax	594 238	510 944
Tax Authority (taxes other than income tax)	563 461	511 689
Deposits from others	411 730	403 212
Assets creditors	6 221 459	6 536 942
Dividends payable	759 930	3 333
Accrued expenses	824 625	909 695
Trade receivables - credit balances	471 100	280 668
Due to organizations and companies	298 309	308 947
Deferred revenues	1 350 204	403 324
National Telecommunication Regulatory Authority (NTRA)	493 745	497 480
Other credit balances	1 137 065	709 799
	<b>13 866 515</b>	<b>11 916 912</b>
<b><u>Less balances due within more than one year:</u></b>		
Assets creditors	1 406 842	1 265 359
Deferred revenues	36 630	39 448
Credit balances - organizations and companies	5 275	5 275
	<b>12 417 768</b>	<b>10 606 830</b>

Creditors and other credit balances have increased by an amount of L.E. 1 949 603 K mainly due to the increase in both of dividends payable item by an amount of L.E. 756 597 K due to 2017 dividends according to General Assembly decree on March 29, 2018 and deferred revenue item by an amount of L.E 946 880 K as a result of the increase in transmission rental to mobile network operators by an amount of L.E 926 538 K and trade receivables – credit balances by an amount of L.E 190 432 K, however the decrease in assets creditors item by an amount of L.E 315 483 K led to the limitation of this increase.

\* Reclassification was made on comparative figures as shown in Note no (31-1).

## 21. PROVISIONS

	31/3/2018	31/12/2017
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Balance at the beginning of the period /year	1 829 848	1 102 111
Reclassification during the period/year	-	( 96 037)
Charged to income statement for the period / year	5 591	1 214 627
Provision used during the period / year	(1 112 892)	( 390 859)
Translation differences	-	6
<b>Balance at the end of the period / year</b>	<b>722 547</b>	<b>1 829 848</b>

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

**22. CAPITAL**

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

**23. RESERVES**

	<b>31/3/2018</b>	<b>31/12/2017</b>
	<b><u>L.E.(000)</u></b>	<b><u>L.E.(000)</u></b>
Legal reserve	1 896 725	1 844 723
Other reserves	2 796 578	2 796 578
	<b><u>4 693 303</u></b>	<b><u>4 641 301</u></b>

The increase in the legal reserve balance as a result of retaining an amount of L.E. 52 002 K from 2017 profit in accordance with the company's article of association.

**24. DEFERRED TAX**

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

	<b><u>31/3/2018</u></b>		<b><u>31/12/2017</u></b>	
	Assets	Liabilities	Assets	Liabilities
	<b><u>L.E.(000)</u></b>	<b><u>L.E.(000)</u></b>	<b><u>L.E.(000)</u></b>	<b><u>L.E.(000)</u></b>
Total deferred tax asset / (liability)	391 487	809 826	396 877	755 618
Net deferred tax liability	-	418 339	-	358 741
Deferred tax charged to income statement for the period / year	<b><u>(59 598)</u></b>		<b><u>(138 948)</u></b>	

**24-2 Unrecognized deferred tax assets**

	<b>31/3/2018</b>	<b>31/12/2017</b>
	<b><u>L.E.(000)</u></b>	<b><u>L.E.(000)</u></b>
Unrecognized deferred tax assets	<b><u>544 940</u></b>	<b><u>542 625</u></b>

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

**25. CAPITAL COMMITMENTS**

The group's capital commitments for the unexecuted parts of contracts until March 31, 2018 amounted to L.E 337 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. 1 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.

**26. CONTINGENT LIABILITIES**

In addition to the amounts included in the condensed consolidated statement of financial position as of March 31, 2018, the company has the following contingent liabilities:

	<b>31/3/2018</b>	<b>31/12/2017</b>
	<b><u>L.E. (000)</u></b>	<b><u>L.E. (000)</u></b>
- Letters of guarantee issued by banks on behalf of the company*	831 168	721 310
- Letters of credit	1 533 325	1 416 929

\* letters of guarantee which were issued by banks at March 31, 2018 include letters of guarantee have been issued against restricted cash and cash equivalents at banks (note no.18)

## **27. TAX POSITION (Telecom Egypt Company)**

### **27-1 Corporate tax**

- Tax inspection was performed for the years till December 31, 2015 and all due taxes were settled.
- Tax inspection for the year 2016 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.



**29. GROUP ENTITIES**

TE direct and indirect share in subsidiaries companies on March 31, 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>31/3/2018</u>	<u>31/12/2017</u>
Telecom Egypt France	France	100.00 %	100.00 %
T.E Data	Egypt	100.00 %	100.00 %
T.E Data Jordan	Jordan	100.00 %	100.00 %
TE Investment Holding	Egypt	100.00 %	100.00 %
The Egyptian Telecommunication Company for Information Systems (Xceed)	Egypt	100.00 %	100.00 %
Xceed Customer Care Maroc	Morocco	100.00 %	100.00 %
Centra Technologies	Egypt	100.00 %	100.00 %
Centra Industries	Egypt	100.00 %	100.00 %
Centra Distribution	Egypt	99.99 %	99.99 %
Middle East Radio Communication (MERC)	Egypt	51.00 %	51.00 %
Telecom Egypt Globe	Singapore	100.00 %	100.00 %

**30. 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 U\$ 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 memoranpdum 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.



### 31. Comparative figures

- Restatement 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 comprehensive income as a result of the reclassification 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, which included in operating costs by the same amount, regarding to the three months ended March 31, 2017 was restated by an amount of L.E 13 751 K.
- Reclassification was made to some of the comparative figures of the 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:

#### 31-1 Condensed Consolidated Statement of Financial position

	<u>31/12/2017</u> <u>as previously</u> <u>reported</u> <u>LE(000)</u>	<u>Restatement</u> <u>debit / (credit)</u> <u>LE(000)</u>	<u>Reclassification</u> <u>debit / (credit)</u> <u>LE(000)</u>	<u>31/12/2017</u> <u>Restated</u> <u>LE(000)</u>
Fixed assets	17 495 627	( 98 479)	856 253	18 253 401
Projects in progress	3 767 650	-	( 856 253)	2 911 397
Debtors and other debit balances	2 718 563	-	569	2 719 132
Retained earnings	(8 674 562)	98 479	-	(8 576 083)
Creditors and other credit balances	(10 606 261)	-	( 569)	(10 606 830)

#### 31-2 Condensed Consolidated Statement of Income

	<u>For the three moths ended</u> <u>31/3/2017</u> <u>as previously</u> <u>reported</u> <u>LE(000)</u>	<u>Restatement</u> <u>(debit) / credit</u> <u>LE(000)</u>	<u>Reclassification</u> <u>(debit) / credit</u> <u>LE(000)</u>	<u>For the three moths ended</u> <u>31/3/2017</u> <u>Restated</u> <u>LE(000)</u>
Operating revenue	4 191 197	-	( 47 016)	4 144 181
Operating cost	(2 348 322)	( 13 751)	( 781)	(2 362 854)
Selling and distribution expenses	( 386 985)	-	47 016	( 339 969)
General and administrative expenses	( 457 943)	-	5 422	( 452 521)
Income tax	( 317 165)	-	( 4 641)	( 321 806)

### 31-3 Condensed Consolidated Statement of Cash Flows

<u>Cash flows from operating activities</u>	<u>For the three months ended</u>	<u>Reclassification</u>	<u>For the three months ended</u>
	<u>31/3/2017</u>		<u>31/3/2017</u>
	<u>as previously</u>		<u>Reclassified</u>
	<u>reported</u>		
	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>
cash paid to suppliers	( 638 335)	1 861	( 636 474)
Payments to tax authority - other taxes	( 216 379)	( 1 861)	( 218 240)

### 32- SIGNIFICANT ACCOUNTING POLICIES

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

Reclassification and restatement were made to some of comparative figures of the condensed Consolidated interim financial statements (note no.31).