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

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WE ISO 9001:2008

Telecom Egypt Company
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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 September 30, 2018, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine 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 September 30, 2018, and of its consolidated financial performance and its consolidated cash flows for the nine months period then ended in accordance with IAS 34 "Interim Financial Reporting".

KPMG Hazem Hassan
Public Accountants and Consultants
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KPMG Hazem Hassan

KPMG Hazem Hassan

January 9, 2019
Cairo, Egypt

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Telecom Egypt Company

Condensed consolidated statement of financial position

In thousands of Egyptian Pound	Note	30 September 2018	31 December 2017 Restated	1 January 2017 Reclassified
Assets				
Property, plant and equipment	11	23 321 312	21 060 218	15 871 109
Intangible assets	12	10 275 737	10 371 491	7 092 806
Equity-accounted investees	13	12 761 388	11 660 662	9 328 339
Available-for-sale investments		78 561	77 568	81 273
Deferred tax assets	22	204 617	396 877	418 502
Non-current assets		46 641 615	43 566 816	32 792 029
Inventories	14	1 404 590	1 183 773	662 097
Held-to-maturity investment (treasury bills)		126 288	113 320	144 428
Trade and other receivables	15	10 554 524	6 737 251	6 699 066
Cash and cash equivalents	16	1 062 870	524 209	1 035 999
Current assets		13 148 272	8 558 553	8 541 590
Total assets		59 789 887	52 125 369	41 333 619
Equity				
Share capital	17	17 070 716	17 070 716	17 070 716
Reserves	17	4 877 724	4 831 797	4 608 231
Retained earnings		10 002 828	7 702 020	7 237 809
Equity attributable to owners of the company		31 951 268	29 604 533	28 916 756
Non–controlling interests		13 475	11 695	10 429
Total equity		31 964 743	29 616 228	28 927 185
Liabilities				
Loans and borrowings	19	578 768	614 472	626 235
Trade and other payables	20	1 033 282	1 270 634	114 226
Deferred revenue		394 207	39 448	-
Deferred tax liabilities	22	1 049 047	764 049	634 838
Non-current liabilities		3 055 304	2 688 603	1 375 299
Loans and borrowings	19	13 114 964	6 678 793	2 715 554
Trade and other payables	20	9 808 572	10 579 965	6 663 773
Deferred revenue		683 090	363 876	193 524
Credit accounts to associates		506 288	368 056	356 173
Provisions	21	656 926	1 829 848	1 102 111
Current liabilities		24 769 840	19 820 538	11 031 135
Total liabilities		27 825 144	22 509 141	12 406 434
Total equity and liabilities		59 789 887	52 125 369	41 333 619

Director of Financial Affairs	**Senior Director of Financial Affairs**	**Chief Financial Officer**	**Managing Director & Chief Executive Officer**
Wael Hanafy	Shaher Shokry	M. Shamroukh	
"Wael Hanafy"	"Shaher Shokry"	"Mohamed Shamroukh"	"Ahmed El Beheiry"

Board of Directors approval

Chairman

M.O

"Maged Osman"

Independent auditor's review report " attached "

The notes on pages 6 to 27 are an integral part of these condensed consolidated interim financial statements.

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Telecom Egypt Company

Condensed consolidated statement of profit or loss and other comprehensive income

In thousands of Egyptian Pound	Note	For the nine months ended 30 September 2018	2017 Restated	For the three months ended 30 september 2018	2017 Restated
Continuing operations					
Revenue	5	17 494 489	13 174 489	7 274 419	4 438 031
Operating costs	6	(10 751 307)	(8 190 135)	(4 640 257)	(2 937 235)
Gross profit		6 743 182	4 984 354	2 634 162	1 500 796
Other income		286 356	145 147	97 126	26 069
Selling and distribution expenses	7	(1 963 982)	(1 205 882)	(767 158)	(430 510)
Administrative expenses	8	(1 825 155)	(1 577 323)	(691 954)	(518 371)
Impairment loss on trade and other recievables		(26 090)	(256 173)	(20 394)	(251 571)
Other expenses		(60 999)	(1 234 675)	(13 479)	(1 138 271)
Operating profit		3 153 312	855 448	1 238 303	(811 858)
Finance income		132 115	94 865	21 317	26 920
Finance costs		(981 135)	(328 900)	(313 568)	(148 868)
Net finance cost	10	(849 020)	(234 035)	(292 251)	(121 948)
Share of profit of equity-accounted investees, net of tax		1 545 689	1 823 443	671 040	585 194
Profit before tax		3 849 981	2 444 856	1 617 092	(348 612)
Income tax		(784 877)	(372 917)	(321 230)	153 879
Profit		3 065 104	2 071 939	1 295 862	(194 733)
Other comprehensive income					
Foreign operations - foreign currency translation differences		(3 885)	13 587	9 610	160
Other comprehensive income , net of tax		(3 885)	13 587	9 610	160
Total comprehensive income		3 061 219	2 085 526	1 305 472	(194 573)
Profit attributable to:					
Owners of the company		3 060 322	2 069 645	1 295 086	(195 652)
Non - controlling interests		4 782	2 294	776	919
		3 065 104	2 071 939	1 295 862	(194 733)
Total comprehensive income attributable to:					
Owners of the company		3 056 437	2 083 232	1 304 696	(195 492)
Non - controlling interests		4 782	2 294	776	919
		3 061 219	2 085 526	1 305 472	(194 573)
Earning per share					
Basic earnings per share (LE)	18	1.79	1.21	0.76	1.11
Diluted earnings per share (LE)	18	1.79	1.21	0.76	1.11

The notes on pages 6 to 27 are an integral part of these condensed consolidated interim financial statements.

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

In thousands of Egyptian Pound	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
		Attributable to owners of the company							
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
Total comprehensive income									
Profit for the period (Restated)	29	-	-	-	-	2 069 645	2 069 645	2 294	2 071 939
Other comprehensive income		-	-	13 587	-	-	13 587	-	13 587
Total comprehensive income (Restated)		-	-	**13 587**	-	**2 069 645**	**2 083 232**	**2 294**	**2 085 526**
Transactions with shareholders the company									
Transferred to reserves		-	194 983	-	-	(194 983)	-	-	-
Dividends		-	-	-	-	(1 707 071)	(1 707 071)	(1 921)	(1 708 992)
Total transactions with shareholders of the company		-	**194 983**	-	-	**(1 902 054)**	**(1 707 071)**	**(1 921)**	**(1 708 992)**
Restated balance as at 30 September 2017 (Restated)		**17 070 716**	**1 845 279**	**174 944**	**2 796 578**	**7 405 400**	**29 292 917**	**10 802**	**29 303 719**
Balance at 1 January 2018 (Restated)	29	17 070 716	1 845 776	189 443	2 796 578	7 702 020	29 604 533	11 695	29 616 228
Total comprehensive income for the period									
Profit for the period		-	-	-	-	3 060 322	3 060 322	4 782	3 065 104
Other comprehensive income		-	-	(3 885)	-	-	(3 885)	-	(3 885)
Total comprehensive income		-	-	**(3 885)**	-	**3 060 322**	**3 056 437**	**4 782**	**3 061 219**
Transactions with shareholders of the company									
Restatements on retained earnings in associates		-	-	-	-	4 495	4 495	-	4 495
Transferred to legal reserves		-	53 252	-	-	(53 252)	-	-	-
Restatements on retained earnings in subsidiries		-	-	-	-	(20 099)	(20 099)	-	(20 099)
Dividends		-	-	-	-	(426 768)	(426 768)	(3 002)	(429 770)
Acquistion of non-controlling interest in subsidairies		-	-	(3 440)	-	(263 890)	(267 330)	-	(267 330)
Total transactions with shareholders of the company		-	**53 252**	**(3 440)**	-	**(759 514)**	**(709 702)**	**(3 002)**	**(712 704)**
Balance as at 30 September 2018		**17 070 716**	**1 899 028**	**182 118**	**2 796 578**	**10 002 828**	**31 951 268**	**13 475**	**31 964 743**

The notes on pages 6 to 27 are an integral part of these condensed consolidated interim financial statements.

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Telecom Egypt Company

Condensed consolidated statement of cash flows

In thousands of Egyptian Pound	Note	For the nine months ended 30 September 2018	2017 Reclassified
Cash flows from operating activities			
Cash receipts from customers		14 320 993	11 197 370
Value added tax collected from customers		308 090	264 069
Stamp tax and fees collected (from third party)		29 511	27 118
Deposits collected from customers		815	198
Cash paid to suppliers		(3 481 410)	(1 793 519)
Payments of NTRA license fees		(604 230)	(381 095)
Dividends paid to employees and board of directors		(402 821)	(329 170)
Cash paid to employees and board of directors		(3 479 746)	(2 698 865)
Cash paid on behalf of employees to third party		(608 296)	(503 283)
Interest paid		(647 090)	(84 857)
Payments to Tax Authority - income tax		(268 712)	(263 998)
Payments to Tax Authority - value added tax		(1 767 259)	(1 206 836)
Payments to Tax Authority - other taxes		(734 836)	(523 578)
Cash paid to third parties for claims		(919 278)	-
Cash paid on liabilities long-term		(784 389)	-
Other payments		(98)	(140 201)
Net cash from operating activities		961 244	3 563 353
Cash flows from investing activities			
Payments for purchase of property, plant and equipment and intangible assets		(5 127 588)	(4 023 526)
Payments for purchase of intangible assets - fourth generation network license		(780 178)	(1 419 828)
Proceeds from sale of property, plant and equipment and intangible assets		46	140
Payments for acquisition of investements		(992 216)	-
Payments for retrieval of held -to- maturity investments - treasury bills		(116 258)	(109 516)
Interest received		33 260	52 326
Dividends collected from investments		453 705	37 753
Proceeds from sale available for sale investment		7	-
Proceeds from retrieval of held-to-maturity investment - treasurty bills		113 580	142 519
Proceeds from securities (treasury bills - mutual fund)		10 455	13 260
Net cash used in investing activities		(6 405 187)	(5 306 872)
Cash flows from financing activities			
Payments for loans and other facilities		(33 593)	(108 674)
Proceeds from loans and other facilities		6 450 365	3 044 995
Dividends paid to shareholders		(429 927)	(1 708 896)
Net cash from financing activities		5 986 845	1 227 425
Net change in cash and cash equivalents		542 902	(516 094)
Cash and cash equivalents at 1 January		506 936	1 101 163
Effect of movements in exchange rate on cash held		(3 824)	(4 670)
Cash and cash equivalents at 30 September	16	1 046 014	580 399

The notes on pages 6 to 27 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 September 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 January 9, 2019

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 polices

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 September 30, 2017.

The following tables summaries the impacts of adopting IFRS 15 on the Group's interim statement of financial position as at 30 September 2018 and its interim statement of profit or loss and OCI for the nine 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 nine month period ended 30 September 2018.

Impact on the condensed interim consolidated statement of financial position.

30-September-18

In thousands

	As reported	Adjusments	Amount without adoption of IFRS 15
Assets			
Non-current assets	46 641 615	–	**46 641 615**
Trade and other receivables	10 554 524	(155 890)	**10 398 634**
Current assets	13 148 272	(155 890)	**12 992 382**
Total assets	**59 789 887**	**(155 890)**	**59 633 997**
Equity			
Retained earnings	10 022 828	(105 978)	**9 916 850**
Equity attributable to the owners of the company	31 951 268	(105 978)	31 845 290
Non-controlling interest	13 475	–	13 475
Total equity	**31 964 743**	**(105 978)**	**31 858 765**
Liabilities			
Non-current liabilities	3 055 304	–	3 055 304
Trade and other payables	9 808 572	(49 912)	9 758 660
Current liabilities	24 769 840	(49 912)	24 719 928
Total liabilities	27 825 144	(49 912)	27 775 232
Total equity and liabilities	**59 789 887**	**(155 890)**	**59 633 997**

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

In thousands

	As reported	Adjusments	Amount without adoption of IFRS 15
Revenue	17 494 489	(136 746)	**17 357 743**
Gross profit	6 743 182	(136 746)	**6 606 436**
Income tax	(784 877)	30 768	**(754 109)**
Profit for the period	**3 065 104**	**(105 978)**	**2 959 126**

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 256 173 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 nine months ended 30 September 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 nine months ended September 30,2018

Description	Communications, marine cables and infrastructure	Internet	Outsourcing	All other	Total
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Revenue	12 094 917	4 829 281	469 260	101 031	17 494 489
Operating costs	(9 534 455)	(728 099)	(392 338)	(96 415)	(10 751 307)
Gross profit	2 560 462	4 101 182	76 922	4 616	6 743 182
Credit interest	25 561	28 662	2 575	12 615	69 413
Debit interest and Finance cost	(953 969)	-	-	(1 021)	(954 990)
Depreciation and amortization	(1 824 705)	(105 941)	(22 828)	(1 410)	(1 954 884)
share of profit of equity-accounted investees, net of tax	-	-	-	1 545 689	1 545 689
Non cash items					
Impairment loss on trade and other receivables	-	(26 090)	-	-	(26 090)
Provisions	-	(11 365)	-	-	(11 365)
Total assets	57 149 230	1 842 299	417 961	380 397	59 789 887
Total liabilities	26 337 383	1 145 696	199 353	142 712	27 825 144

For the nine months ended September 30,2017

Description	Communications, marine cables and infrastructure	Internet	Outsourcing	All other	Total
					Restated
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Revenue	9 063 768	3 712 088	340 591	58 042	13 174 489
Operating costs	(6 874 995)	(968 110)	(265 632)	(81 398)	(8 190 135)
Gross profit	2 188 773	2 743 978	74 959	(23 356)	4 984 354
Credit interest	33 018	28 872	876	5 933	68 699
Debit interest and Finance cost	(241 830)	-	-	(417)	(242 247)
Depreciation and amortization	(1 203 882)	(92 748)	(13 615)	(181)	(1 310 426)
share of profit of equity-accounted investees, net of tax	-	-	-	1 823 443	1 823 443
Non cash items					
Impairment loss on trade and other receivables	(249 799)	(5 019)	-	(1 355)	(256 173)
Provisions	1 100 000	34 695	3 677	300	1 138 672
Total assets	45 762 152	1 520 588	331 488	143 139	47 757 367
Total liabilities	17 257 227	891 774	137 146	167 501	18 453 648

5. Revenue

In thousands of Egyptian Pound	For the nine months ended 30 September		For the three months ended 30 September	
	2018	2017 Reclassified	2018	2017 Reclassified
Home and personal communication *	5 986 344	4 008 199	2 126 434	1 418 006
Enterprise *	2 362 971	1 847 497	1 150 906	579 033
Domestic wholesale	2 752 563	2 498 112	787 547	824 719
International carrier	3 346 757	3 794 708	1 110 755	1 283 010
International cables and networks	3 045 854	1 025 973	2 098 777	333 263
	17 494 489	13 174 489	7 274 419	4 438 031

Revenue has increased by an amount of L.E. 4 320 000 K mainly due to the increase in home and personal communications revenues by an amount of L.E. 1 978 145 K due to the increase in revenues resulting from subscription of Fixed line and rendering Mobile services, in addition to the increase in International cables and networks by an amount of L.E. 2 019 881 K due to the increase in the right of use of circles by IRU system outside Egypt, in addition to the increase in enterprise revenues and domestic wholesale revenue by an amount of L.E 515 474 K and 254 451 K respectively, however the decrease in International carrier revenue by an amount of L.E 447 951 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 nine months ended 30 September		For the three months ended 30 September	
	2018	2017 Restated	2018	2017 Restated
Interconnection cost	3 172 149	3 112 907	1 078 659	1 082 304
Property, plant and equipment depreciation*	1 450 316	1 149 786	556 971	429 871
Amortization of intangible assets	446 412	101 248	146 388	46 022
Salaries and wages	1 451 796	1 311 169	490 477	453 487
Company's social insurance contribution	174 194	144 359	62 802	48 515
Employee's compensated absence	4 058	3 705	1 352	-
Employees' share in profit	244 973	201 517	77 282	67 832
Frequencies and licenses	599 688	483 159	230 560	165 632
Right of use (IRU) outside Egypt	1 273 590	44 274	1 240 832	2 035
Other operating costs*	1 934 131	1 638 011	754 934	641 537
	10 751 307	8 190 135	4 640 257	2 937 235

Operating costs have increased by an amount of L.E. 2 561 172 K mainly due to the following: -

- The increase of interconnection cost by an amount of L.E. 59 242 K which is mainly due to the increase in cost of national roaming 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 300 530 K and L.E 345 164 K Respectively due to the additions of the last year after the nine months and the current period.
- The increase in salaries and wages and equivalent item by an amount of L.E. 170 462 K due to the annual increase by 10 % from the basic salary starting from January 2018
- The increase in the right of using circles with IRU system outside Egypt item by an amount of L.E.1 229 316 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 nine months ended 30 September		For the three months ended 30 September	
	2018	2017 Reclassified	2018	2017 Reclassified
Salaries and wages	736 116	719 485	243 952	236 598
Company's social insurance contribution	82 458	75 490	29 169	25 370
Employees' compensated absence	2 880	2 630	960	-
Employees' share in profit	124 210	110 580	38 358	35 313
Property, plant & equipment depreciation	372	2 630	91	274
Amortization of intangible assets	26	26	8	9
Advertising and marketing	697 338	75 472	382 738	55 701
Others selling and distribution expenses	320 582	219 569	71 882	77 245
	1 963 982	1 205 882	767 158	430 510

The increase in selling and distribution expenses by an amount of L.E 758 100 K mainly due to the increase in advertising and marketing item by an amount of L.E 621 866 K and the increase in other selling and distribution expenses by an amount of L.E 101 013 K mainly due to the increase in tax and duties item by an amount of L.E 59 481 K and selling and distribution commissions by an amount of L.E 70 288 K.

8. Administrative expenses

In thousands of Egyptian Pound	For the nine months ended 30 September		For the three months ended 30 September	
	2018	2017 Reclassified	2018	2017 Reclassified
Salaries and wages	1 076 976	936 565	394 676	326 598
Company's social insurance contribution	103 748	89 102	37 427	29 999
Employees' compensated absence	6 152	5 618	2 051	-
Early retirement compensations	(904)	904	-	904
Employees and BOD share in profit	187 400	148 259	64 531	50 299
Property, plant and equipment depreciation	57 705	56 685	18 791	18 880
Amortization of intangible assets	53	51	18	16
Other administration expenses*	394 025	340 139	174 460	91 675
	1 825 155	1 577 323	691 954	518 371

The increase in administrative expenses by an amount of L.E. 247 832 K is mainly due to increase in salaries and wages item by an amount of L.E 155 057 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 39 141 K and the increase in other administration expenses by an amount of L.E 53 886 K.

* 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

	For the nine months ended 30 September		For the three months ended 30 September	
In thousands of Egyptian Pound	2018	2017 Reclassified	2018	2017 Reclassified
Finance income	132 115	94 865	21 317	26 920
Finance costs	(981 135)	(328 900)	(313 568)	(148 868)
Net finance Cost	(849 020)	(234 035)	(292 251)	(121 948)

The increase in net finance cost by an amount of L.E 614 985 K during the period is mainly due to the increase in debit interest for loans and credit facilities by an amount of L.E 534 607 K, also the finance cost of deferred payment contracts by an amount of L.E 178 136 K, however the decrease in translation loss of foreign currencies balances and transactions by an amount of L.E 108 749 K achieving translation gain by an amount of L.E 22 096 K led to limitation of this increase.

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

11. Property, plant and equipment

Description	30/9/2018 Cost L.E.(000)	30/9/2017 Cost Reclassified L.E.(000)	30/9/2018 Accumulated depreciation L.E.(000)	30/9/2017 Accumulated depreciation Restated L.E.(000)	30/9/2018 Net L.E.(000)	30/9/2017 Net Restated L.E.(000)	31/12/2017 Net Restated L.E.(000)
Land,Buildings & Infrastructure*	28 364 721	26 346 567	15 011 041	14 544 491	13 353 680	11 802 076	12 423 078
Technical equipments & information technologies*	27 190 552	23 408 600	20 910 569	19 639 336	6 279 983	3 769 264	5 459 291
Vehicles*	189 514	186 157	151 421	151 720	38 093	34 437	35 255
Office furniture & fixtures*	957 474	865 449	764 935	702 429	192 539	163 020	202 611
Tools & supplies*	137 194	116 974	80 841	72 170	56 353	44 804	58 353
Under construction	3 400 664	2 105 463	-	-	3 400 664	2 105 463	2 881 630
Total	**60 240 119**	**53 029 210**	**36 918 807**	**35 110 146**	**23 321 312**	**17 919 064**	**21 060 218**

- The increase in net carrying value of Property, plant and equipment by an amount of L.E. 5 402 248 K due to the increase in Land, buildings & infrastructure item and technical equipments & information technologies item by an amount of L.E. 1 551 604 K and L.E 2 510 719 K respectively, and the increase in under construction item by an amount of L.E 1 295 201 K.
- The cost of Property, plant and equipment as of September 30, 2018 includes an amount of L.E. 23 903 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 September 30, 2018 by an amount of L.E 260 199 K, and that after applying the modified useful life from 1/1/2018.

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

12. Intangible assets

	30/9/2018 L.E. (000)	30/9/2017 L.E. (000)	31/12/2017 L.E. (000)
Cost			
Fourth genecation network license	8 633 330	8 633 330	8 633 330
Submarine Cables (right of way)	2 185 037	1 630 613	1 822 190
Right of Use (ROU)	152 172	152 110	153 003
License (internet service - programs)	79 379	79 358	79 665
Land (possession-usufruct)	440 684	440 684	440 684
Under construction	2 728	39 473	29 767
	11 493 330	**10 975 568**	**11 158 639**
Less:			
Accumulated amortization and impairment	1 217 593	625 169	787 148
Net intangible assets	**10 275 737**	**10 350 399**	**10 371 491**

- The decrease in net carrying value of other assets mainly due to the amortization of the period by an amount of L.E 446 491 K in addition to the disposals during the period by an amount of L.E 150 298 K, however the additions of the period by an amount of L.E. 513 145 K led to limitation of this decrease.
- Intangible assets cost includes at September 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 September 2018	31 December 2017	30 September 2018	31 December 2017
Wataneya for Telecommunication	50.00%	50.00%	-	-
International Telecommunication Consortium Limited. (ITCL)	50.00%	50.00%	-	-
Vodafone Egypt. (SAE)*	44.95%	44.95%	12 761 294	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			12 761 388	11 660 662

- Investment in Wataneya 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 September 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 September 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 September 30,2018 from the interim financial data of Vodafone Egypt as of September 30,2018, to determine the share of financial period from January 1 to September 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 September 2018	31 December 2017
Spare parts	769 256	636 816
Merchandise for sale telecommunication equipment and computers	144 194	159 309
Project cables and supplies	313 799	263 973
Others	177 341	123 675
	1 404 590	1 183 773

The value of inventories was written down by L.E. 16 471 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 September 2018	31 December 2017 Reclassified
Trade receivables - National	3 060 828	2 153 613
Trade receivables - International	4 003 390	2 217 525
Notes Receivable	139	559
Other trade and notes receivable	7 064 357	4 371 697
Advance payments to suppliers	997 707	241 977
Deposits with others	197 370	204 908
Due from ministries & organizations and companies and agents	679 203	602 478
Payments on the account of corporate tax	40 565	84 842
Tax authority - withholding tax	130 788	224 073
Tax authority - value added tax	949 737	562 508
Other receivables*	494 797	444 768
Other receivables and pre-payments	3 490 167	2 365 554
	10 554 524	6 737 251

Trade and other receivables have increased by an amount of L.E. 3 817 273 K mainly due to the increase in Trade receivables – International item by an amount of L.E 1 785 865 K and the increase in Trade receivables – National item by an amount of L.E 907 215 K, in addition to the increase in Advance payments to suppliers item by an amount of L.E 755 730 K and increase in Tax authority – value added tax by an amount of L.E 387 229 K.

* 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 September 2018	30 September 2017	31 December 2017
Bank balances		300 247	194 589	255 023
Time deposits (less than 3 months)		308 443	154 092	126 948
Cash on hand		225 358	153 206	11 908
Treasury bills (less than 3 months)		57 768	33 918	40 766
Money market funds (less than 3 months)		171 054	56 789	89 564
Cash and cash equivalents		1 062 870	592 594	524 209
Restricted Cash	24	(16 856)	(12 195)	(17 273)
Cash and cash equivalents in the statement of cash flows		1 046 014	580 399	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 September 30, 2018 based on the profit attributable to owners of the company of L.E. 3 060 322 K (September 30, 2017: L.E 2 069 645 K) and a number of ordinary shares outstanding during the period ended September 30, 2018 of 1 707 071 600 (September 30, 2017:1 707 071 600), calculated as follows:

	For the nine month ended 30 September	
In thousands of Egyptian Pound	2018	2017 Restated
Profit for the period	3 065 104	2 071 939
Profit attributable to owners of the company	3 060 322	2 069 645

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 September	1 707 072	1 707 072
Basic earnings per share (L.E./share)	1.79	1.21
Diluted earnings per share (L.E./share)	1.79	1.21

19. Loans and credit facilities

The increase in the balance of loans and credit facilities by an amount of L.E 6 400 467 K is mainly resulting from obtaining of loans and credit facilities from banks with local and foreign currencies amounted to L.E. 13 693 732 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 September 2018	31 December 2017 Reclassified
Local suppliers	852 546	811 279
Notes payable	3 750	29 205
Accrued expenses	561 510	1 235 114
Assets creditors	5 625 850	6 536 942
Due to organizations and companies	472 924	355 457
Trade payables	7 516 580	8 967 997
Tax Authority - income tax	432 352	510 944
Tax Authority (taxes other than income tax)	730 132	523 676
Deposits from others	423 786	403 212
Customers advances	467 107	280 668
Dividends payable	3 477	3 333
Due to National Telecommuincation Reguletary Authority (NTRA)	542 376	497 480
Other credit balances	726 044	663 289
Other payables	3 325 274	2 882 602
	10 841 854	11 850 599
Non current	1 033 282	1 270 634
Current	9 808 572	10 579 965
	10 841 854	11 850 599

Trade and other payables have decreased by an amount of L.E. 1 008 745 K mainly due to the decrease in Assets creditors item by an amount of L.E. 911 092 K, and Accured expenses item by an amount of L.E 673 604 K and Tax Authority – incom tax item by an amount of L.E 78 592 K, however the increase in Tax Authority (taxes other than incom tax) item by an amount of L.E 206 456 K and Customers advances item by an amount of L.E 186 439 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 September 2018 Provision for liabilities, Claims	30 September 2017 Provision for liabilities, Claims	31 December 2017 Provision for liabilities, Claims
Balance at 1 January	1 829 848	1 102 111	1 102 111
Reclassification	861	-	(96 037)
Provisions formed	11 365	1 138 672	1 214 627
Provisions used	(1 185 148)	(221 208)	(390 859)
Translation differences	-	3	6
Balance at end of the period	656 926	2 019 578	1 829 848

* as at September 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

	30/9/2018		31/12/2017	
	Assets L.E.(000)	Liabilities L.E.(000)	Assets L.E.(000)	Liabilities L.E.(000)
Total deferred tax asset / (liability)	204 617	(1 049 047)	396 877	(764 049)
Net deferred tax liability	-	(844 430)	-	(367 172)
Deferred tax charged to income statement for the period / year		(477 258)		(150 836)

Unrecognized deferred tax assets

	30/9/2018 L.E.(000)	31/12/2017 L.E.(000)
Unrecognized deferred tax assets	549 803	542 625

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 up to September 30, 2018 amounted to L.E 511 Million (against L.E. 53 Million up to December 31, 2017). These commitments are expected to be settled in the subsequent period..

24. Contingencies

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

In thousands of Egyptian Pounds	30 September 2018	31 December 2017
Letters of guarantee issued by banks on behalf of the Group	895 593	721 310
Letters of credit	930 297	1 416 929

- letters of guarantee which were issued by banks at September 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 untill 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 apealed on the disputed items on the due dates and the provisions were formed to meet any tax liabilities that may arise.
- Tax inspection for the period from January 1, 2001 till July 31, 2006 was performed for certain sectors of the company and taxes due were settled. Tax inspection for the remaining sectors is currently being undertaken for the same period.
- Tax inspection for period from August 1, 2006 to December 31, 2009 was performed and due taxes were settled and the disputed item has been transferred to the internal committe .
- Tax inspection for the years from 2010 to 2014 was performed and the disputed items were settled except for the relative stamp on salaries and wages which have been transfered to the Appeal Committee.
- Tax inspection for the years 2015 and 2016 is in process.

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 September 30, 2018, fixed to mobile interconnection, audio text fees and sale of products and services in favor of Vodafone Egypt L.E. 1 192 048 K. Lease of company's premises and towers in favor of the group, transmission and international calls and telecommunication services amounted to L.E. 908 319 K and the balance due to Vodafone Egypt at September 30, 2018 amounted to LE 506 288 K.

27. Group entities

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

Company name:	Country of incorporation	Ownership interest 30/9/2018	31/12/2017
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	Singabore	100.00 %	100.00 %
Egyptian international submarine cables company (Eiscc)*	Egypt	100.00 %	-
Middle East and North Africa Submarine Cable Company (MENA CABLE)	Egypt	100.00 %	-
Mena Company For Submarine Cable Company (MENA CABLE ITALY)	Italy	100.00 %	-
Centra Distribution	Egypt	99.99 %	99.99 %
Middle East Radio Communication (MERC)	Egypt	51.00 %	51.00 %

*During the period, Telecom Egypt Group has acquired the rest of the shares of the Egyptian International Submarine Cables Company (EISCC) which represent 50% by an amount of USD 15 Million the necessary legal procedures which related to this acquisition of that company are in process and Telecom Egypt announced the acquisition of Middle East and North Africa Submarine Cable "MENA Cable" from Orascom Investment Holding "OIH" through its subsidiary Egyptian International Submarine Cable Company "EISCC". The total enterprise value of MENA Cable is USD 90 Million of which USD 40 Million represents the equity value and the remaining amount represents its outstanding debt, the deal was financed by a loan granted by the company to the said subsidiary with an amount of USD 90 Million at annual interest rate libor, in addition to profit margin which will be paid within one year from the date of obtaining the loan at most.

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

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 U$ 125 millions , according to the opinion of the company's management , this report was prepared on inaccurate assmptions, this report is considerd 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.

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 on 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 the nine months ended September 30, 2017 was restated by an amount of L.E 64 271 K.
- Reclassification was made to some of the comparative figuers of the condensed consolidated statement of financial position, condensed consolidated statement of profit or loss and other comprehensive 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

Description	1/1/2017 as previously reported debit / (credit) L.E.(000)	Reclassification debit / (credit) L.E.(000)	1/1/2017 Reclassified debit / (credit) L.E.(000)
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)

	31/12/2017 as previously reported debit / (credit) LE(000)	Restatement debit / (credit) LE(000)	Reclassification debit / (credit) LE(000)	31/12/2017 Restated debit / (credit) LE(000)
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 the Consolidated Statement of profit or loss and other comprehensive income

	For the nine months ended 30/9/2017 as previously reported (debit) / credit LE(000)	Restatement (debit) / credit LE(000)	Reclassification (debit) / credit LE(000)	For the nine months ended 30/9/2017 Restated (debit) / credit LE(000)	For the three months ended 30/9/2017 as previously reported (debit) / credit LE(000)	Restatement (debit) / credit LE(000)	Reclassification (debit) / credit LE(000)	For the three months ended 30/9/2017 Restated (debit) / credit LE(000)
Revenue	13 188 209	-	(13 720)	13 174 489	4 442 740	-	(4 709)	4 438 031
Operating costs	(8 119 616)	(64 271)	(6 248)	(8 190 135)	(2 888 901)	(44 649)	(3 685)	(2 937 235)
Selling and distribution expenses	(1 219 602)	-	13 720	(1 205 882)	(435 219)	-	4 709	(430 510)
Administrative expenses	(1 583 578)	-	6 255	(1 577 323)	(522 063)	-	3 692	(518 371)
Impairment loss on trade and other receivables	-	-	(256 173)	(256 173)	-	-	(251 571)	(251 571)
Finance costs	(585 073)	-	256 173	(328 900)	(400 439)	-	251 571	(148 868)
Income tax	(372 910)	-	(7)	(372 917)	(153 879)	-	-	(153 879)
Basic earning per share (LE)	1.25	(0.04)	-	1.29	(0.09)	(0.02)	-	(0.11)
Diluted earnings per share (LE)	1.25	(0.04)	-	1.29	(0.09)	(0.02)	-	(0.11)

29-3 Effect on the consolidated statement of Cash flows

Cash flows from operating activities	For the nine months ended 30/9/2017 as previously reported LE(000)	Reclassification LE(000)	For the nine months ended 30/9/2017 Reclassified LE(000)
Cash paid to suppliers	(1 801 210)	7 691	(1 793 519)
Payments to tax authority - other taxes	(515 887)	(7 691)	(523 578)
Dividends paid to employees and Board of Dierector	(640 932)	311 762	(329 170)
Cash paid to employees and Board of Dierctors	(2 387 103)	(311 762)	(2 698 865)

30- - Business combination

30-1 Acquisition of non- controlling interest (NCI) in subsidiary- "Egyptian International Submarine Cables Company- EISCC"

According to the Board of Directors decision on September 30, 2018 which approved the acquisition of non-controlling interest (NCI) (New Kimit Media For Announcing and Advertising) which represent 50% from total share of The Egyptian International Submarine Cables Company (EISCC) by an amount of USD 15 Million which equivalent to amount L.E 267 455 K.

The net of assets and liabilities of The Egyptian International Submarine Cables Company and also the result of acquisition process are stated as follows:

	30/9/2018 LE(000)
Net assets (L.E 250 K * 50%)	125
Consideration paid to NCI	267 455
The decrease in equity attributable to shareholders of the company	(267 330)

30-2 Acquisition on subsidiary- "Middle East and North Africa Submarine Cables Company-"MENA"

According to the Board of Directors decision on May 9, 2018 Telecom Egypt announces the conclusion of the acquisition of 100% of Middle East and North Africa Submarine cable "MENA Cable" through its subsidiary Egyptian International Submarine Cable Company "EISCC". By an amount of USD 90 Million of which USD 40 Million represents the equity and USD 50 Million represent MENA Cable outstanding debt.

The company determined the primary study for consolidation related to the acquisition of "MENA" company using provisional value on July 31, 2018 till complete the study of (Purchase Price Allocation) (PPA) to determine the fair value for the acquired assets and liabilities including the intangible assets on the acquisition date. The recognition of the adjustments related to the provisional value for the assets and liabilities will be within 12 months according to Egyptian Accounting Standard NO. (29) "Business Combination".

The net of assets and liabilities of Middle East and North Africa Submarine Cable "MENA Cable" company as of acquisition date are stated as follows:

	31/7/2018 LE(000)
Assets	
Property, plant and equipment	1 215 660
Intangible assets	465 770
Project in progress	43 008
Other assets	267 234
Total assets	**1 991 672**
Total liabilities	**1 267 789**
Net assets	723 883
Company's share of net assets 100%	723 883

31- Laws were recently issued

On January 11, 2018, Comprehensive Health Insurance Law 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 in the adoption of this law on its financial statements.

32- Subsequent events

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 NPSC (Mashreq) were mandated as joint Book runners and mandated lead arrangers of the facility. FAB is the facility agent for the transaction and Mashreq Bank is the designated Account Bank.