

**Telecom Egypt Company**  
**(An Egyptian Joint Stock Company)**  
**Condensed Separate Interim Financial Statements**  
**For The Three Months Ended March 31, 2019**  
**And Limited Review Report**

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*Translation from Arabic*

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

***Introduction***

We have performed a limited review on the accompanying condensed separate statement of financial position of Telecom Egypt Company "an Egyptian joint stock company" as at March 31, 2019 and the related condensed separate 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 separate interim financial statements in accordance with Egyptian Accounting Standard number (30) "Interim Financial Reporting". Our responsibility is to express a conclusion on these condensed separate interim financial statements based on our limited review.

***Scope of Limited Review***

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

***Conclusion***

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying condensed separate interim financial statements do not present fairly, in all material respects, the financial position of the company as at March 31, 2019 and of its financial performance and its cash flows for the three months then ended in accordance with Egyptian Accounting Standard number (30) "Interim Financial Reporting".

**KPMG Hazem Hassan**  
Public Accountants & Consultants

Cairo, May 13, 2019



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

	Note No.	31/3/2019 L.E. (000)	31/12/2018 L.E. (000)
<b>Assets</b>			
<b>Non Current Assets</b>			
Fixed assets	(11)	23 509 093	22 120 402
Projects in progress	(12)	4 709 943	5 336 110
Investments in subsidiaries and associates	(13)	6 644 879	6 644 879
Available-for-sale investments		78 561	78 561
Other assets	(14)	10 102 942	10 258 796
Deferred tax assets	(24-1)	259 695	238 797
<b>Total Non Current Assets</b>		<b>45 305 113</b>	<b>44 677 545</b>
<b>Current Assets</b>			
Inventories	(15)	1 411 571	1 422 011
Trade receivables	(16)	3 520 507	3 669 369
Debtors and other debit balances	(17)	4 407 738	4 521 831
Held-to-maturity investments -treasury bills		107 107	102 259
Cash and cash equivalents	(18)	680 086	201 393
<b>Total Current Assets</b>		<b>10 127 009</b>	<b>9 916 863</b>
<b>Total Assets</b>		<b>55 432 122</b>	<b>54 594 408</b>
<b>Equity</b>			
Capital	(22)	17 070 716	17 070 716
Reserves	(23)	4 640 565	4 578 032
Retained earnings		7 137 368	2 953 141
<b>Total Equity</b>		<b>28 848 649</b>	<b>24 601 889</b>
<b>Non Current Liabilities</b>			
Loans and credit facilities	(19)	524 318	550 168
Creditors and other credit balances	(20)	4 580 725	3 696 799
Deferred tax liabilities	(24-1)	563 136	583 909
<b>Total Non Current Liabilities</b>		<b>5 668 179</b>	<b>4 830 876</b>
<b>Current Liabilities</b>			
Loans and credit facilities installments due within one year	(19)	9 115 740	13 290 192
Creditors and other credit balances	(20)	8 787 825	8 540 554
Accrued credit accounts to subsidiaries and associates	(28)	2 373 725	2 692 893
Provisions	(21)	638 004	638 004
<b>Total Current Liabilities</b>		<b>20 915 294</b>	<b>25 161 643</b>
<b>Total Liabilities</b>		<b>26 583 473</b>	<b>29 992 519</b>
<b>Total Equity and Liabilities</b>		<b>55 432 122</b>	<b>54 594 408</b>

The attached notes on pages (7) to (26) are an integral part of these condensed separate interim financial statements.

Senior Financial Director

"Wael Hanafy"

Chief Financial Officer

"Mohamed Shamsouk"

Managing Director  
& Chief Executive Officer

"Adel Hamed"

Board of Directors approval

Chairman

"Maged Osman"

Limited Review Report "attached"

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

	Note	<b><u>For the three months ended</u></b>	
		<b><u>31/3/2019</u></b>	<b><u>31/3/2018</u></b>
			<b><u>Restated</u></b>
	<b><u>No.</u></b>	<b><u>L.E.(000)</u></b>	<b><u>L.E.(000)</u></b>
Operating revenues	(3)	4 930 987	3 942 493
Operating costs	(4)	(3 161 860)	(2 658 364)
<b>Gross Profit</b>		<b>1 769 127</b>	<b>1 284 129</b>
Other income		107 120	71 182
Selling and distribution expenses	(5)	( 364 207)	( 348 802)
General and administrative expenses	(6)	( 680 641)	( 417 963)
Other expenses		( 6 971)	( 22 621)
<b>Operating profit</b>		<b>824 428</b>	<b>565 925</b>
Finance income		455 532	34 063
Finance cost		( 392 354)	( 335 735)
<b>Net finance income ( cost )</b>	(7)	<b>63 178</b>	<b>( 301 672)</b>
<b>Income from investments in subsidiaries and associates</b>	(8)	<b>4 872 353</b>	<b>237 576</b>
<b>Profit before tax</b>		<b>5 759 959</b>	<b>501 829</b>
Income tax expense		( 493 401)	( 11 900)
Deferred tax	(24-1)	41 671	( 41 799)
<b>Total income tax</b>		<b>( 451 730)</b>	<b>( 53 699)</b>
<b>Net profit for the period</b>		<b>5 308 229</b>	<b>448 130</b>
<b>Basic and diluted earning per share for the period (L.E. / Share)</b>	(10)	<b>3.11</b>	<b>0.26</b>

The attached notes on pages (7) to (26) are an integral part of these condensed separate interim financial statements.

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

	<b><u>For the three months ended</u></b>	
	<b><u>31/3/2019</u></b>	<b><u>31/3/2018</u></b>
	<b><u>L.E.(000)</u></b>	<b><u>Restated</u></b>
	<b><u>L.E.(000)</u></b>	<b><u>L.E.(000)</u></b>
Net profit for the period	5 308 229	448 130
Other Comprehensive Income items	-	-
<b>Total Comprehensive Income</b>	<b><u>5 308 229</u></b>	<b><u>448 130</u></b>

The attached notes on pages (7) to (26) are an integral part of these condensed separate interim financial statements.

*Translation from Arabic*

**Telecom Egypt Company**  
**(An Egyptian Joint Stock Company)**  
**Condensed Separate Statement of Changes In Equity**  
**For the three Months Ended March 31, 2019**

	Capital L.E. (000)	Legal reserve L.E. (000)	Other reserves L.E. (000)	Retained earnings L.E. (000)	Total L.E. (000)
<b>Balance as of January 1, 2018</b>	17 070 716	1 753 537	2 796 578	2 797 513	24 418 344
<b>Comprehensive income</b>					
Net profit for the period ( Restated )	-	-	-	448 130	448 130
Other comprehensive income items	-	-	-	-	-
<b>Total comprehensive income ( Restated )</b>				448 130	448 130
<b>Transactions with shareholders</b>					
Transferred to legal reserve	-	27 917	-	( 27 917 )	-
Dividends for year 2017 (Shareholders)	-	-	-	( 426 768 )	( 426 768 )
Dividends for year 2017 (Employees & Board of Directors)	-	-	-	( 640 345 )	( 640 345 )
<b>Total transactions with shareholders</b>		27 917	-	( 1 095 030 )	( 1 067 113 )
<b>Balance as of March 31, 2018 ( Restated )</b>	17 070 716	1 781 454	2 796 578	2 150 613	23 799 361
<b>Balance as of January 1, 2019</b>	17 070 716	1 781 454	2 796 578	2 953 141	24 601 889
<b>Comprehensive income</b>					
Net profit for the period	-	-	-	5 308 229	5 308 229
Other comprehensive income items	-	-	-	-	-
<b>Total comprehensive income</b>				5 308 229	5 308 229
<b>Transactions with shareholders</b>					
Transferred to legal reserve	-	62 533	-	( 62 533 )	-
Dividends for year 2018 (Shareholders)	-	-	-	( 426 768 )	( 426 768 )
Dividends for year 2018 (Employees & Board of Directors)	-	-	-	( 634 701 )	( 634 701 )
<b>Total transactions with shareholders</b>		62 533	-	( 1 124 002 )	( 1 061 469 )
<b>Balance as of March 31, 2019</b>	17 070 716	1 843 987	2 796 578	7 137 368	28 848 649

The attached notes on pages (7) to (26) are an integral part of these condensed separate interim financial statements.

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

	Note No.	<b>For the three months ended:</b>	
		<b>31/3/2019</b>	<b>31/3/2018</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		4 136 286	3 431 207
Cash receipts from related party		1 155 521	564 762
Value added tax collected from customers		103 720	89 562
Stamp tax and fees collected from third party		25 645	22 663
Deposits returned from customers		205	237
Cash paid to suppliers		(1 353 065)	( 667 223)
Payments for NTRA license fees		( 1 954)	( 97 858)
Dividends paid to employees and Board of Directors		( 5 619)	-
Cash paid to employees and Board of Directors		(1 202 825)	( 786 484)
Cash paid on behalf of employees to third party		( 217 827)	( 160 052)
<b>Cash provided by operating activities</b>		<b><u>2 640 087</u></b>	<b><u>2 396 814</u></b>
Interest paid		( 300 269)	( 230 723)
Payments to Tax Authority - value added tax		( 233 199)	( 439 704)
Payments to Tax Authority - other taxes		( 290 843)	( 242 475)
Cash paid to third parties for claims		-	( 847 053)
Other proceeds		264 739	415 769
<b>Net cash provided by operating activities</b>		<b><u>2 080 515</u></b>	<b><u>1 052 628</u></b>
<b><u>Cash flows from investing activities</u></b>			
Payments for purchase of fixed assets , other assets and projects in progress		(2 058 074)	(1 154 474)
Payments for purchase of other assets		-	( 25 000)
Interest received		2 984	2 340
Dividends collected from investments		4 625 766	205 485
Proceeds from sale of available for sale investment		-	7
<b>Net cash provided by ( used in ) investing activities</b>		<b><u>2 570 676</u></b>	<b><u>( 971 642)</u></b>
<b><u>Cash flows from financing activities</u></b>			
Payments for loans and other facilities		-	( 20 316)
( Payments )Proceeds from credit facilities		(4 172 495)	480 336
<b>Net cash ( used in ) provided by financing activities</b>		<b><u>(4 172 495)</u></b>	<b><u>460 020</u></b>
<b>Net change in cash and cash equivalents during the period</b>		<b>478 696</b>	<b>541 006</b>
Cash and cash equivalents at the beginning of the period	(18)	187 604	46 226
<b>Cash and cash equivalents at the end of the period</b>	<b>(18)</b>	<b><u>666 300</u></b>	<b><u>587 232</u></b>

The attached notes on pages (7) to (26) are an integral part of these condensed separate interim financial statements.



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

**Notes to the Condensed Separate Interim Financial Statements**  
**For The Three Months Ended March 31, 2019**

**1. BACKGROUND**

**1-1 Legal Entity**

- Arab Republic of Egypt National Telecommunication Organization (ARENTO) was established according to Law No.153 of 1980. Effective from March 27, 1998 and according to law No.19 of 1998, the legal form of (ARENTO) was amended after the revaluation of its assets on March 26, 1998 to become "Telecom Egypt Company" (TE).
- Telecom Egypt Company (the "Company") is an Egyptian Joint Stock Company registered in the Arab Republic of Egypt and is engaged in the provision of public communications and associated products and services.
- The company is subject to the provisions of the Companies Law No. 159 of 1981 and Capital Market law No. 95 of 1992.
- The registered office of the company is 26 Ramses Street, Cairo, Egypt.
- The nominal shares for the company are traded in the Egyptian Stock Exchange and the London market for securities.

**1-2 Purpose of the company**

- The main purpose of the company represents in the following:
- Owning, setting up, operating, maintenance and development of telecommunication networks and infrastructure necessary for communication services for using and / or managing and / or leasing to others and / or dealing on them.
  - Providing voice, video and data transmission telecommunication services to subscribers and / or managing and / or leasing to others and / or dealing on them.
  - Participating or contributing to global communication systems, such as: - submarine cables and satellites and obtaining capacities or circuits for using and / or managing and / or leasing to others and / or dealing on them.
  - Dealing or contracting or Participating with authorities, agencies, companies, organizations or any entity exercising an activity similar to or identical to the company's activities or relates or assists the company to achieve its purposes either in Arab Republic of Egypt or abroad.
  - Managing, selling, leasing, purchasing, possessing, renting and dealing on any property and rights or benefit or right in any property. Including the movable and immovable property which could be acquired or owned by the company.
  - Selling, purchasing and distributing of fixed line sets, mobile phones and computers, its peripherals, accessories and supplies, complementary devices and necessary spare parts and related maintenance works.
  - Setting up voice, video and written data transmission networks and providing value-added services, content services, marketing, electronic signature and online money transfer.
  - Investment properties for serving its purposes and executing its projects.

**1-3 Issuance of the condensed separate interim financial statements**

- These Condensed Separate Interim Financial Statements were approved by the company's Board of Directors for issuance on May 13, 2019.

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

**2-1 Statement of compliance**

- These Condensed Separate Interim Financial Statements as of March 31, 2019 have been prepared in accordance with Egyptian Accounting Standard No.30 "Interim Financial Reporting" accordingly it is condensed comparative view to the annual separate financial statements for the company, and in the light of applicable Egyptian laws and regulations related to.
- These Condensed Separate Interim Financial Statements don't include all the required information needed for preparing the full annual financial statements and must be read with the separate annual financial statements as of December 31, 2018

**2-2 Basis of measurement**

- These Condensed Separate Interim Financial Statements have been prepared under the historical cost basis, except for certain financial investments which are evaluated at fair value in according to the Egyptian Accounting Standards.
- For presentational purposes, the current and non-current classification has been used for the condensed separate statement of Financial Position, while expenses are analysed in condensed separate statement of income using a classification based on their function. The direct method has been used in preparing the condensed separate statement of cash flows.

### **2-3 Functional and presentation currency**

These Condensed Separate Interim Financial Statements are presented in Egyptian pound (LE), which is the Company's functional currency. All financial information presented in "L.E." has been rounded to the nearest thousands unless otherwise stated.

### **2-4 Use of estimates**

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

The estimates and underlying assumptions are reviewed on ongoing basis. Accounting recognition estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods. Information about the most significant accounts used the estimation and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the condensed separate interim financial statements is included in the following notes:

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

### **2-5 Fair value measurement**

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

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

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

### **2-6 Segment reporting**

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

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

### 3. OPERATING REVENUES

	<u>For the three months ended</u>	
	<u>31/3/2019</u>	<u>31/3/2018</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Home and personal communications	779 626	578 965
Enterprise	485 735	494 308
Domestic wholesale	2 234 542	1 543 929
International carriers	1 128 307	1 096 357
International cables and networks	302 777	228 934
	<u>4 930 987</u>	<u>3 942 493</u>

Total operating revenues have increased by an amount of L.E. 988 494 K mainly due to the increase in both of domestic wholesale revenue by an amount of L.E 690 613 K due to the increase in access service revenue, infrastructure revenue in addition to increase in home and personal communications revenues by an amount of L.E 200 661 K due to the increase in revenues resulting from subscription fees of fixed line and rendering mobile phone services, in addition to the increase in international cables and networks revenue by an amount of L.E 73 843 K and also the international carriers revenue by an amount of L.E 31 950 K.

### 4. OPERATING COSTS

	<u>For the three months ended</u>	
	<u>31/3/2019</u>	<u>31/3/2018</u>
	<u>L.E. (000)</u>	<u>Restated</u>
		<u>L.E. (000)</u>
Interconnection cost	1 133 768	1 014 894
Depreciation and amortization*	741 883	543 637
Salaries and wages	552 838	381 635
Company's social insurance contribution	68 617	46 690
Frequencies and licenses charges (NTRA)	166 671	131 522
Other operating cost	498 083	539 986
	<u>3 161 860</u>	<u>2 658 364</u>

Operating costs have increased by an amount of L.E. 503 496 K mainly due to the following: -

- The increase of salaries and wages and equivalent item to an amount of L.E. 193 130 K due to the annual increase by 10 % from the basic salary starting from January 2019.
- The increase of interconnection cost by an amount of L.E. 118 874 K which is mainly due to the increase in cost of national roaming and interconnection fees, however the decrease in cost of international connection fees led to the limitation of this increase.
- The increase in the depreciation and amortization item by an amount of L.E 198 246 K due to the additions of the last year after the first quarter and the current period.
- The decrease of other operating costs by an amount of L.E. 41 903 K which is mainly due to the decrease of merchandise for sale cost by an amount of L.E 166 517 K, however the increase of fuel and power item by an amount of L.E 42 017 K and the organizations services costs item by an amount of L.E 36 207 K led to the limitation of this decrease.

\*Restatement was made to comparative figures as shown in note no (29-1).

### 5. SELLING AND DISTRIBUTION EXPENSES

	<u>For the three months ended</u>	
	<u>31/3/2019</u>	<u>31/3/2018</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Salaries and wages	149 918	195 131
Company's social insurance contribution	20 899	21 942
Advertising and marketing	91 928	46 665
Organizations services costs	34 875	47 399
Depreciation	1 484	-
Other selling and distribution expenses	65 103	37 665
	<u>364 207</u>	<u>348 802</u>

The increase in selling and distribution expenses by an amount of L.E 15 405 K mainly due to the increase in Advertising and marketing item by an amount of L.E 45 263 K, the increase in commissions item by an amount of L.E 26 071 K and the increase in tax and duties by an amount of L.E 8 979 K, however the decrease in organizations services costs by an amount of L.E 12 524 K led to the limitation of this increase.

### 6. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>For the three months ended</u>	
	<u>31/3/2019</u>	<u>31/3/2018</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Salaries and wages	432 723	290 134
Company's social insurance contribution	37 504	30 390
The company's contribution in loyalty and belonging fund	69 045	-
Depreciation	9 228	9 367
Tax and duties	29 459	16 906
Organizations services costs and consultants	62 896	34 993
Other general and administrative expenses	39 786	36 173
	<u>680 641</u>	<u>417 963</u>

The increase in general and administrative expenses by an amount of L.E 262 678 K mainly due to the increase in salaries and wages and equivalent item by an amount of L.E 149 703 K due to the annual increase by 10 % from the basic salary starting from January 2019 in addition to the increase in the company's contribution in loyalty and belonging fund item by an amount of L.E 69 045 K also the increase in organizations services costs and consultants item by an amount of L.E 27 903 K and tax and duties item by an amount of L.E 12 553 K.

## 7. NET FINANCE INCOME (COST)

	<u>For the three months ended</u>	
	<u>31/3/2019</u>	<u>31/3/2018</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Total finance income	455 532	34 063
Total finance cost	( 392 354)	( 335 735)
<b>Net finance income ( cost )</b>	<u>63 178</u>	<u>( 301 672)</u>

The increase in net finance income ( cost ) by an amount of L.E 364 850 K during the period is mainly due to the increase in translation profits of foreign currencies balances and transactions by an amount of L.E 395 075 K, however the increase in debit interests by an amount of L.E 78 490 K led to limitation of this increase.

## 8. INCOME FROM INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

	<u>For the three months ended</u>	
	<u>31/3/2019</u>	<u>31/3/2018</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Vodafone Egypt Telecommunications Company	4 854 141	-
WE-Data	10 000	200 000
Middle East Radio Communication (MERC)	5 915	2 998
The Egyptian Telecommunication Company for information system (Xceed)	1 562	31 250
Centra for Technology ( centra )	735	3 328
	<u>4 872 353</u>	<u>237 576</u>

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

## 9. EMPLOYEE'S BENEFITS

### 9-1 Early retirement scheme

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



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

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

The employees share in loyalty & belonging fund according to constant subscription are based on the same employees' basic salary where the end of service benefit calculated. The company's share represents annual defined contribution and the company had contributed by an amount of L.E 69 045 K for the period ended in March 31, 2019 (Nil for the same period of 2018) Stated in the general and administrative expenses as shown in note no (6).

### 10. BASIC AND DILUTED EARNING PER SHARE.

	For the three months ended	
	31/3/2019	31/3/2018 Restated
Net profit for the period (LE in thousand)*	5 308 229	448 130
Number of shares available during the period	1707 071 600	1707 071 600
Basic and diluted earnings per share for the period (LE / share)	<u>3.11</u>	<u>0.26</u>

\*Restatement was made to comparative figures as shown in note no (29-1).

### 11. FIXED ASSETS

Description	31/3/2019	31/3/2018	31/3/2019	31/3/2018	31/3/2019	31/3/2018	31/12/2018
	Cost	Cost	Accumulated depreciation	Accumulated depreciation	Net	Net	Net
	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Land	2 344 437	2 369 049	-	-	2 344 437	2 369 049	2 344 437
Buildings & Infrastructure *	29 627 075	25 341 499	15 453 992	14 935 630	14 173 083	10 405 869	12 867 838
Centrals & information technologies equipment*	27 709 026	24 843 431	20 895 569	19 772 253	6 813 457	5 071 178	6 723 934
Vehicles	138 991	143 481	104 535	103 689	34 456	39 792	35 810
Furniture	351 591	314 611	264 778	242 408	86 813	72 203	89 058
Tools & supplies	142 852	130 939	86 005	75 352	56 847	55 587	59 325
<b>Total</b>	<u>60 313 972</u>	<u>53 143 010</u>	<u>36 804 879</u>	<u>35 129 332</u>	<u>23 509 093</u>	<u>18 013 678</u>	<u>22 120 402</u>

- The increase in net carrying value of fixed assets mainly due to the additions during the period by an amount of L.E.1 987 641 K, however the depreciation of the period by an amount of L.E. 597 262 K led to limitation of this increase.

- The cost of fixed assets as of March 31, 2019 includes an amount of L.E. 23 062 Million fully depreciated fixed assets and still in use.

\*Restatement was made to comparative figures for accumulated depreciation at March 31, 2018 as shown in note no (29).

**12. PROJECTS IN PROGRESS**

	<b>31/3/2019</b>	<b>31/12/2018</b>
	<b>LE (000)</b>	<b>LE (000)</b>
Land		
Buildings and Infrastructure	21 025	21 025
Vehicles	1 553 672	2 616 751
Furniture	10 668	493
Tools and supplies	1 143	2 108
Centrals and information technology equipment	24 083	24 083
Other Assets (cables)	2 352 583	2 107 988
Advanced payments - fixed assets	74 506	70 776
	<u>672 263</u>	<u>492 886</u>
	<b><u>4 709 943</u></b>	<b><u>5 336 110</u></b>

The balance of projects in progress is represented in the part that has been executed from commitments capital and contracts, and the advanced payment until March 31, 2019.

**13. INVESTMENTS IN SUBSIDIARIES and ASSOCIATES**

	<b>31/3/2019</b>		<b>31/12/2018</b>	
	<b>Ownership</b>	<b>Amount</b>	<b>Ownership</b>	<b>Amount</b>
	<b>%</b>	<b>L.E. (000)</b>	<b>%</b>	<b>L.E. (000)</b>
Telecom Egypt France (TE France)	100.00	69 220	100.00	69 220
WE Data	99.99	252 461	99.99	252 461
TE Investment Holding	99.99	39 998	99.99	39 998
Egyptian international submarine cables company (Eiscc)	99.00	267 578	99.00	267 578
Egyptian Telecommunication for Information System (Xceed)	97.66	31 250	97.66	31 250
Centra Technology ( centra )	58.76	14 737	58.76	14 737
Wataneya for Telecommunications	50.00	125	50.00	125
International Telecommunications Consortium limited (ITCL)	50.00	54	50.00	54
Middle East Radio Communication ( Mere)	49.00	7 350	49.00	7 350
Vodafone Egypt Telecommunications Company	44.95	5 960 054	44.95	5 960 054
Egypt Trust	35.71	10 000	35.71	10 000
Consortium Algerien de Telecommunications	33.00	133	33.00	133
<b>Less:</b>		<b><u>6 652 960</u></b>		<b><u>6 652 960</u></b>
Impairment loss on investments of subsidiaries and associates*		8 081		8 081
		<b><u>6 644 879</u></b>		<b><u>6 644 879</u></b>

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

Notes to the Condensed Separate Interim Financial Statements  
For The Three Months Ended March 31, 2019 (continued)

Translation from Arabic

**14. OTHER ASSETS**

	31/3/2019 <u>L.E. (000)</u>	31/12/2018 <u>L.E. (000)</u>
<b>Cost</b>		
Fourth generation network license	8 633 330	8 633 330
Submarine cables (right of way)	1 817 546	1 818 948
Right of way ( National )	522 722	522 722
Land (possession-usufruct)	440 684	440 684
Licenses and programs	56 382	56 382
	<u>11 470 664</u>	<u>11 472 066</u>
<b>Less:</b>		
Accumulated amortization	1 367 722	1 213 270
<b>Net carrying amount</b>	<u>10 102 942</u>	<u>10 258 796</u>

- The decrease in net carrying value of other assets mainly due to the amortization of the period by an amount of L.E 155 333 K.
- Other assets amortization is charged to operating costs.
- Other assets cost includes at March 31, 2019 an amount of L.E 168 Million, other assets fully amortized and still in use in operating.

**15. INVENTORIES**

	31/3/2019 <u>L.E. (000)</u>	31/12/2018 <u>L.E. (000)</u>
Spare parts	817 661	753 004
Material supplies ,Merchandise for sale and Letters of credit	164 387	163 855
Others – cables and supplies	429 523	505 152
	<u>1 411 571</u>	<u>1 422 011</u>

The value of inventories was written down by an amount of L.E. 16 317 K (against L.E. 16 317 K as at December 31, 2018) for obsolete and slow-moving items directly from the cost of each type of related inventory.

**16. TRADE RECEIVABLES**

	31/3/2019 <u>L.E. (000)</u>	31/12/2018 <u>L.E. (000)</u>
Trade Receivables - National	3 329 419	3 134 685
Trade Receivables - International	2 125 513	2 504 215
	<u>5 454 932</u>	<u>5 638 900</u>
<b>Less:</b>		
Impairment loss on trade receivables	1 934 425	1 969 531
	<u>3 520 507</u>	<u>3 669 369</u>

- Trade receivables balance has decreased by an amount of L.E 148 862 K mainly due to the decrease in trade receivables - international cables and networks by an amount of L.E 128 346 K and trade receivables - international carriers by an amount of L.E 250 356 K, however the increase in trade receivables-enterprise by an amount of L.E 159 552 K led to limitation of this decrease.



## 17. DEBTORS AND OTHER DEBIT BALANCES

	31/3/2019	31/12/2018
	<u>LE (000)</u>	<u>LE (000)</u>
Accrued revenues		
Deposites with others	22 218	9 492
Suppliers – debit balances	244 945	241 810
Tax Authority - value added tax	1 150 544	284 659
Tax Authority - withholding tax	1 483 912	1 785 732
Due from ministries, organizations and companies	321 053	194 675
Tax authority - income tax	370 971	868 826
Temporary debts due from employees	28 023	28 023
Other debit balances	174 615	628 401
	<u>712 306</u>	<u>581 062</u>
<b>Less:</b>	<b>4 508 587</b>	<b>4 622 680</b>
Impairment loss on debtors and other debit balances	100 849	100 849
	<u><b>4 407 738</b></u>	<u><b>4 521 831</b></u>

Debtors and other debit net balances have decreased by an amount of L.E. 114 093 K mainly due to the decrease in due from ministers, organizations and companies by an amount of L.E 497 854 K and temporary debts due from employees by an amount of L.E 453 786 K as a result for the employees profits dividends for 2018 and tax authority – value added tax by an amount of L.E 301 820 K , however the increase in suppliers - debit balances by an amount of L.E. 865 885 K and tax authority – with holding tax by an amount of L.E 126 377 K led to limitation of this decrease .

## 18. CASH AND CASH EQUIVALENTS

	Note	31/3/2019	31/12/2018	31/3/2018
	<u>No.</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Banks - time deposits (less than 3 months)		124 197	185 833	576 766
Banks - current accounts		547 228	14 143	18 072
Cash on hand		8 661	1 417	6 951
<b>Cash and cash equivalents</b>		<u><b>680 086</b></u>	<u><b>201 393</b></u>	<u><b>601 789</b></u>
<b>Less:</b>				
Restricted cash and cash equivalents at banks	(26)	13 786	13 789	14 557
<b>Cash and cash equivalents as per cash flows statement</b>		<u><b>666 300</b></u>	<u><b>187 604</b></u>	<u><b>587 232</b></u>

The increase in cash and cash equivalents due to the increase in the proceeds from the trade receivables within the period.

## 19. LOANS AND CREDIT FACILITIES

- The decrease in the balance of loans and credit facilities by an amount of L.E 4 200 302 K mainly resulting from payments of loans and credit facilities with local and foreign currencies amounted to L.E. 4 172 495 K, where loans and credit facilities with local and foreign currencies in March, 31 2019 amounted to L.E. 9 640 058 K (against LE 13 840 360 K at 31 December, 2018).
- 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, the company didn't use any amount from the said loan yet.

**20. CREDITORS AND OTHER CREDIT BALANCES**

	31/3/2019	31/12/2018
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Suppliers	483 977	625 484
Tax Authority-Income Tax	249 757	-
Tax Authority (taxes other than income tax)	571 494	546 558
Deposits from others	459 198	453 557
Assets creditors	7 315 860	8 096 103
Dividends payable	427 538	770
Accrued expenses	520 821	611 572
Public Authority for Social Insurance	63 332	55 559
Trade receivables - credit balances	293 142	285 574
Credit balances- organizations and companies	232 289	452 818
Deferred revenue	1 107 693	140 401
National Telecommunication Regulatory Authority (NTRA)	451 943	152 051
Other credit balances	1 191 506	816 906
	<u>13 368 550</u>	<u>12 237 353</u>
<b>Less balances due within more than one year:</b>		
Assets creditors	4 546 913	3 662 987
Deferred revenue	33 812	33 812
<b>Non current creditors and other credit balances</b>	<u>4 580 725</u>	<u>3 696 799</u>
<b>Current creditors and other credit balances</b>	<u>8 787 825</u>	<u>8 540 554</u>
<b>Total creditors and other credit balances</b>	<u>13 368 550</u>	<u>12 237 353</u>

Creditors and other credit balances have increased by an amount of L.E. 1 131 197 K mainly due to the increase in deferred revenue by an amount of L.E 967 292 K, dividends payable item by an amount of L.E 426 768 K due to 2018 dividends according to General Assembly decree on March 27, 2019, national telecommunication regulatory authority (NTRA) by an amount of L.E 299 892 K and tax authority – income tax item by an amount of L.E 249 757 K, however the decrease in both of assets creditors item by an amount of L.E 780 243 K, credit balances organizations and companies by an amount of L.E 220 529 K, suppliers item by an amount of L.E 141 507 K and accrued expenses by an amount of L.E 90 751 K led to the limitation of this increase.

**21. PROVISIONS**

	31/3/2019	31/12/2018	31/3/2018
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Balance at the beginning of the period / year	638 004	1 746 894	1 746 894
Reclassification during the period/year	-	793	-
Charged to income statement for the period / year	-	69 573	-
Used during the period / year	-	(1 179 256)	(1 107 031)
<b>Balance at the end of the period / year</b>	<u>638 004</u>	<u>638 004</u>	<u>639 863</u>

**22. CAPITAL**

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

**23. RESERVES**

	31/3/2019	31/12/2018
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Legal reserve	1 843 987	1 781 454
Other reserves	2 796 578	2 796 578
	<u>4 640 565</u>	<u>4 578 032</u>

The balance of legal reserve have increased as a result of retaining an amount of L.E. 62 533 K from the profit of 2018 in accordance with the company's articles of association.

**24. DEFERRED TAX****24-1 Recognized deferred tax assets and liabilities**

	<u>31/3/2019</u>		<u>31/12/2018</u>	
	Assets <u>L.E.(000)</u>	Liabilities <u>L.E.(000)</u>	Assets <u>L.E.(000)</u>	Liabilities <u>L.E.(000)</u>
Total deferred tax asset / (liability)	259 695	( 563 136)	238 797	( 583 909)
Net deferred tax liability	-	( 303 441)	-	( 345 112)
Deferred tax charged to the income statement for the period / year	<u>41 671</u>	<u>-</u>	<u>-</u>	<u>( 476 644)</u>

**24-2 Unrecognized deferred tax assets**

	<u>31/3/2019</u>	<u>31/12/2018</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Unrecognized deferred tax assets	<u>468 303</u>	<u>498 164</u>

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

**25. CAPITAL COMMITMENTS**

The company's capital commitments for the unexecuted parts of contracts until March 31, 2019 amounted to L.E. 4 346 Million (against L.E. 3 186 Million at the year ended December 31, 2018).

**26. CONTINGENT LIABILITIES**

In addition to the amounts included in the condensed separate statement of financial position, the company has the following contingent liabilities as at March 31, 2019:

	31/3/2019	31/12/2018
	<u>LE (000)</u>	<u>LE (000)</u>
- Letters of guarantee issued by banks on behalf of the company*	1 011 589	816 278
- Letters of credit	1 672 904	1 357 440

\* Includes letters of guarantee which were issued by banks against restricted cash and cash equivalents at banks (note no.18).

## **27. TAX POSITION**

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

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

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

- Tax inspection for the years 2010 untill 2015 was performed and the tax differences were settled and the company didn't pay the additional tax, lawsuit was raised regarding it.
- Tax returns were submitted according to the value added tax law and the accrued taxes were paid.

### **27- 3 Salary Tax**

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

### **27- 4 Stamp Tax**

- Tax inspection for the period from March 27, 1998 to December 31, 2000 was performed for certain sectors and the company was notified with assessment basis, the company objected and apealed on the disputed items on the due dates and the provisions were formed to meet any tax liabilities that may arise.
- Tax inspection for the period from January 1, 2001 till July 31, 2006 was performed for certain sectors of the company and taxes due were settled. Tax inspection for the remaining sectors is currently being undertaken for the same period.
- Tax inspection for period from August 1, 2006 to December 31, 2009 was performed and due taxes were settled and the disputed item has been transferred to the internal committe .
- Tax inspection for the years from 2010 to 2014 was performed and the disputed items were settled except for the relative stamp on salaries and wages which have been transfered to the Appeal Committee.
- Tax inspection for the years 2015 and 2016 is in process.

### **27- 5 Real Estate Tax**

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

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



Notes To The Condensed Separate Interim Financial Statements  
For The Three Months Ended March 31, 2019 (continued)

28. RELATED PARTY TRANSACTIONS

There are transactions between Telecom Egypt and its subsidiaries and associates and such transactions are approved by the company's management, the following statement contain the most important transactions during the financial period and the balances shown in the condensed separate interim financial statements date.

Transactions with subsidiaries & associates

Debit balances with associates and subsidiaries	Nature of transaction during the period	Amount of transactions during the period stated in the income statement		Movement during the period		Balance as of	
		Debit L.E. 000	Credit L.E. 000	Debit (Credit) L.E. 000	Credit L.E. 000	31/3/2019	31/12/2018
- Consortium Algerien de Telecommunications (CAT)*	Paid on behalf of associate to finance operating expenses	-	-	-	-	453 902	453 902
- International Telecommunication Consortium Limited (ITCL)*		-	-	-	-	66	66
<b>Credit balances to associates and subsidiaries</b>						<b>453 968</b>	<b>453 968</b>
- WE Data							
- WE Data	Participation contract and Purchasing of fixed assets and services rendered from subsidiaries company	46 045	-	1 158 997	1 697 665	(3 628 791)	(3 090 123)
- Egyptian Telecommunication Company for Information Systems	Leased circuits and information transfer network rendered	960 469	-	1 394 415	1 180 762	2 751 739	2 538 086
- Egyptian Telecommunication Company for Information Systems	Services rendered from subsidiary company	51 891	-	2 878 427	2 877 052	(877 052)	(852 037)
- Comara for Technologies	lease of subsidiary company premises, electricity claims, maintenance and leased circuits and selling fixed assets	7 331	-	20 000	62 576	(126 320)	(83 711)
- Comara for Electronic Industries				8 701	3 795	57 727	52 821
- Middle East Radio Communication (MERC)	Maintenance & supplying devices	179 139	-	28 701	66 371	(68 593)	(30 923)
- Middle East Radio Communication (MERC)	Maintenance & supplying devices	403	-	95 745	258 644	(320 812)	(157 913)
- T E investment Holding	Leased of information circuits	442	-	503	503	(1 061)	(1 015)
- T E investment Holding	Supplying & installing communication networks	-	-	224	-	-	( 224)
- Jordanian Egyptian Company for data transfer	Rendered services from subsidiary company	32 012	-	727	503	( 13 043)	( 224)
- TE France	Leased sites for subsidiary company	5	-	47 297	80 353	( 13 043)	( 19 987)
- Egyptian International Submarine Cables Company (EISCC)	Participation contract	5 182	-	5	-	5	( 19 987)
- Egyptian International Submarine Cables Company (EISCC)	Participation contract	5 661	-	5 966	40 353	( 13 038)	( 5 966)
- Egyptian International Submarine Cables Company (EISCC)	Leased sites for subsidiary company	5	-	5 966	11 596	( 11 596)	( 5 966)
- Egyptian International Submarine Cables Company (EISCC)	Purchasing of intangible assets from subsidiaries company	-	-	-	1 859	( 79 322)	( 77 463)
- MENA Cable	Selling of intangible assets to subsidiaries company	-	-	36 991	-	20	15
- Vodafone Egypt Telecommunications Company	Finance	-	-	-	-	( 1 231 364)	( 1 268 355)
- Vodafone Egypt Telecommunications Company	Outgoing calls and voice services for associate company	866	-	58 392	14 227	473 602	487 829
- Vodafone Egypt Telecommunications Company	Incoming international calls, claims, transmissions, lease of locations and towers for the associate company	426 424	-	95 388	14 227	( 699 350)	( 780 511)
- Amount of transactions during the period which included in the statement of income does not include the value added tax and indirectly by 50%, accordingly, impairment has been made for the full balance, the mentioned company suffers from financial difficulties and assumes financial losses. The Extra-Ordinary General Assembly of (CAT) held on July 1, 2009 approved the dissolution and liquidation of (CAT). In the light of these circumstances, there is high probability that will not be able to collect the finance given to Consortium Algerien de Telecommunication Company.		131 772	-	2 844 403	2 062 010	( 2 672 339)	( 1 049 632)
				<b>5 672 057</b>	<b>5 352 890</b>	<b>(2 373 726)</b>	<b>(2 692 893)</b>



**29. COMPARTIVE FIGURES**

- Restatement was made to some of the comparative figures of the condensed separate statement of income and condensed separate statement of comprehensive income as a result of modification of The useful life for some fixed assets items 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 March 31, 2018 by an amount of L.E 85 921K after applying the modified useful life from 1/1/2018.
- Reclassification was made to some of the comparative figures of condensed separate statement of cash flows to conform to the current presentation of the condensed separate interim financial statements.

The following is the effect of restatement and reclassification on the condensed separate interim financial statements:

**29-1 Condensed Separate Statement of Income**

	<u>For the three moths ended</u>		<u>For the three moths ended</u>	
	<u>31/3/2018</u>	<u>Restatement</u>	<u>31/3/2018</u>	<u>Restated</u>
	<u>as previously</u>	<u>(debit) / credit</u>		
	<u>reported</u>			
	<u>LE(000)</u>	<u>LE(000)</u>		<u>LE(000)</u>
Operating costs	(2 744 285)	85 921		(2 658 364)
Basic and diluted earnings per share for the period (LE / share)	0.21	0.05		0.26

**29-2 Effect on condensed Separate Satetment of Cash Flows**

	<u>For the three months ended</u>		<u>For the three months ended</u>	
	<u>31/3/2018</u>	<u>Reclassification</u>	<u>31/3/2018</u>	<u>Reclassified</u>
	<u>as previously</u>			
	<u>reported</u>			
	<u>LE(000)</u>	<u>LE(000)</u>		<u>LE(000)</u>
Cash receipts from customers	3 995 969	( 564 762)		3 431 207
Cash receipts from related party	-	564 762		564 762
Dividends paid to employees and board of directors	( 20)	20		-
Cash paid to employees and board of directors	( 786 464)	( 20)		( 786 484)

**30- SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied in the preparation of the condensed separate interim financial statements as of March 31, 2019 is the same as the accounting policies applied in the preparation of the annual separate financial statements as of December 31, 2018, these accounting policies have been applied consistently to all periods presented in these condensed separate interim financial.

- Restatement and reclassification were made to some of comparative figures of the condensed separate interim financial statements (note no.29).

**33- New issues and amendments issued to the Egyptian Accounting Standards:**

On 18 March 2019, the Minister of Investment and International Cooperation amended some of the Egyptian Accounting Standards issued by the Minister of Investment Decree No. 110 of 2015, which include some new accounting standards and amendments to some existing standards as follows:

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
New Egyptian Accounting Standard No. (47) "Financial instruments"	<p>1. The new Egyptian Accounting Standard No. (47) "Financial Instruments" replaces the corresponding topics in Egyptian Accounting Standard (26) Financial Instruments: Recognition and Measurement. Accordingly, the Egyptian Accounting Standard No. (26) Was amended and reissued after the withdrawal of the paragraphs related to new EAS (47) and define the scope of the amended Standard (26) to work only with limited cases of hedge accounting according to the Entity's choice.</p> <p>2. In accordance with the requirements of the Standard, financial assets are classified based on subsequently measured at their amortized cost, at fair value through other comprehensive income or at fair value through profit or loss, in accordance with the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial asset.</p>	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Standard No. 47 is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted, on the condition of applying the Egyptian Accounting Standards No. (1), (25), (26) and (40) amended 2019 together at the same Date.

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	<p>3. The realized loss model in the measurement of impairment of financial assets is replaced by the expected credit loss models, which requires the measurement of impairment of all financial assets measured at amortized cost and financial instruments measured at fair value through other comprehensive income from the initial recognition regardless of the existence of an index of the loss event</p> <p>4. Pursuant to the requirements of this standard, the following criteria have been amended:</p> <ul style="list-style-type: none"> <li>- Egyptian Accounting Standard No. (1) "Presentation of Financial Statements", amended 2019</li> <li>- Egyptian Accounting Standard No. (4) "Statement of Cash Flows"</li> <li>- Egyptian Accounting Standard No. (25) "Financial Instruments: Presentation"</li> <li>- Egyptian Accounting Standard No. (26) "Financial Instruments: Recognition and Measurement"</li> <li>Egyptian Accounting Standard No. (40) "Financial Instruments: Disclosures"</li> </ul>		<p>These amendments shall be effective from the date of application of the standard 47.</p>
<p>New Accounting Egyptian Standard No. (48) "Revenue from contracts with customers"</p>	<p>1. The new Egyptian Accounting Standard No. 48, Revenue from Contracts with Customers, replaces and cancels the following criteria:</p> <ul style="list-style-type: none"> <li>(A) Egyptian Accounting Standard No. (8) "Construction Contracts", amended 2015;</li> <li>(B) Egyptian Accounting Standard No. 11, "Revenue", amended 2015;</li> </ul>	<p>Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.</p>	<p>Standard No. 48 is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted</p>



New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	<p>2. The control model was used to recognize revenue instead of the benefit and risk model.</p> <p>3. The incremental costs of obtaining a contract with a customer are recognized as an asset if the entity expects to recover those costs and the recognition of the costs of fulfilling the contract as an asset when specific conditions are met.</p> <p>4. The standard requires that the contract has commercial substance in order for revenue to be recognized.</p> <p>5. Expanding disclosure and presentation requirements.</p>		
New Egyptian Accounting Standard (49) "Leases"	<p>1. The new Egyptian Accounting Standard No. (49) "Leases" replaces the Egyptian Accounting Standard No. (20) "Accounting Standards and Standards for Financial Leasing Operations 2015 and cancels it.</p> <p>2. The Standard introduces a single accounting model for the lessor and the lessee, the lessee recognizes the right of use of the leased asset within the assets of the company and recognizes an obligation that represents the present value of the unpaid lease payments within the company's obligations, taking into account that the lease contracts are not classified as operating lease or a finance lease.</p> <p>3. For the lessor, the lessor shall classify each contract of its lease contracts either as an operating lease or as a finance lease.</p> <p>4. For the finance lease, the lessor must recognize the assets held under a finance lease in the statement of financial position and present them as a due amounts equal to the net investment in the lease contract.</p>		<p>Standard No. (49) Applies to financial periods beginning on or after 1 January 2020 and early adoption is permitted if the Egyptian Accounting standard No. (48) "Revenue from contracts with customers" 2019 in the same time.</p> <p>Except as of the effective date above, Standard No. 49 (2019) applies to leases that were subject to the Financial Leasing Law No. 95 of 1995 and its amendments which were treated in accordance with Egyptian Accounting Standard No. 20, "Accounting Standards and Standards Related to Finance Lease Operations" The finance lease contracts which are arise subject to the Law of Organizing Finance Lease and Factoring Activities No. 176 of 2018, from the beginning of the annual report period, in which law No. 95 of 1995 was canceled And issuing law No. 176 of 2018</p>

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	<p>5. For operating lease, the lessor should recognize the lease payments from operating leases as income either on a straight-line basis or on another regular basis.</p>		
<p>Amended Egyptian Accounting Standard No. (38) "Employees Benefits"</p>	<p>A number of paragraphs were added and amended to amend the accounting rules for the modification, reduction and settlement of the employee benefits scheme</p>	<p>Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.</p>	<p>Standard No. (38) is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted</p>
<p>Amended Egyptian Accounting Standard No. (42) "Consolidated financial statements"</p>	<p>Some of the paragraphs were added related to the exception of investment entities from the consolidation. This amendment resulted in an amendment to some standards related to the subject of investment entities. The following is the amended standards</p> <ul style="list-style-type: none"> <li>- Egyptian Accounting Standard No. (15) "Disclosure of Related Parties"</li> <li>- Egyptian Accounting Standard No. 17 "Separate Financial Statements"</li> <li>- Egyptian Accounting Standard No. (18) "Investments in Associates"</li> </ul>	<p>Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.</p>	<p>Standard No. 42 is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted</p> <p>The new or amended paragraphs are also applied to the standards that have been amended with respect to investment entities on the effective date of the Egyptian Accounting Standard No. 42 "Consolidated Financial Statements", and amended 2019.</p>

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	<ul style="list-style-type: none"> <li>- Egyptian Accounting Standard No. (24) "Income Tax"</li> <li>- Egyptian Accounting Standard No. (29) "Business Combinations"</li> <li>- Egyptian Accounting Standard No. (30) "interim Financial Statements"</li> <li>- Egyptian Accounting Standard No. (44) - " Disclosure of Interests in Other Entities "</li> </ul>		
Issuance of an Egyptian Accounting Interpretation No. (1) "Arrangements for Privileges of Public Services"	<p>This interpretation provides guidance on the accounting by operators of public service concession arrangements from a public entity to a private entity for the construction, operation and maintenance of public utility infrastructure such as roads, bridges, tunnels, hospitals, airports, water distribution facilities, power supplies and communications networks. ..., etc.</p> <p>This interpretation gives the option of continuing to apply the prior treatment of existing public service concession arrangements prior to 1 January 2019 to entities that had recognized and measured the assets of these arrangements as fixed assets in accordance with EAS 10 Fixed Assets and Depreciation until their expiry.</p>	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Interpretation No. (1) Applies to financial periods beginning on or after 1 January 2019.
Egyptian Accounting Standard No. (22) "Earnings per share"	The scope of adoption of the Standard has been amended to be binding on the separate, consolidated or individual financial statements issued to all entities.	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Amendment applies to financial periods beginning on or after 1 January 2019.
Egyptian Accounting Standard No. (34) Investment Property	- The use of the fair value model option for all properties is derecognized in subsequent measurement of its real estate investments and the obligation only to the cost model, with only real estate investment funds required to use the fair	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Amendment applies to financial periods beginning on or after 1 January 2019.

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	value model on subsequent measurement of all its real estate assets. Based on this amendment, both: - EAS 32 "Non-current Assets Held for Sale and Discontinued Operations". - Egyptian Accounting Standard No. (31) "Impairment of Assets"		
Amended Egyptian Accounting Standard No. (4) "Statement of Cash flows"	An entity is required to provide disclosures that enable users of the financial statements to assess changes in liabilities arising from financing activities, including both changes resulting from cash flows or non-cash changes.	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Amendment applies to financial periods beginning on or after 1 January 2019