telecomegypt

Connecting eras

INTEGRATED ANNUAL REPORT 2018

Forward-looking statements

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Dr. Magued Osman

Chairman, Telecom Egypt

Chairman message

It is with the utmost pride that we announce 2018 as a transformative year for Telecom Egypt in which we came a long way in achieving our strategic plans to better serve our shareholders, people and our country.

Our top-line grew 23% in 2018, flowing to a healthy EBITDA growth of 18% and landing with a net profit of EGP 3.5bn. Operationally, we have exceeded the targets set out at the beginning of the year. We have successfully launched our fully integrated consumer retail portfolio and continued the expansion of our mobile and internet infrastructure. In addition, we have executed a major deal in the submarine cable business acquiring MENA Cable and bundling it partially with existing TE submarine cable assets to seal a deal with Bharti Airtel almost recovering our full investment.

Our retail brand repositioning was the driving force to seize a multitude of opportunities and offer Egypt's first converged service bundling mobile, fixed voice and broadband under one bill. A crucial step towards this convergence was the revamp of our fixed broadband services under the name "WE Internet", which provided customers with unmatched speeds. This was all backed by a substantial shift in customer experience to enhance the customers' journey across multiple touchpoints including the introduction of digital channels. We intend to roll-out this experience in 2019 to our enterprise customers to cement our leading market position in that segment.

The efforts undertaken have greatly altered the customers' perception of Telecom Egypt to a company that is more dynamic, young, a driver of growth and innovation and that is actively bringing the future to its partners. We are keen on being an integral part of every customer's life by integrating our services into homes, workplaces and public spaces.

Additionally, Telecom Egypt is taking strategic steps towards digital transformation to local and international customers. We aim to provision a wide array of services including world-class data centres, establishing cloud platforms and developing a set of high-tech applications and solutions.

Finally, I would like to welcome Adel Hamed to his new role as Managing Director and Chief Executive Officer effective 31 January 2019. Hamed's experience in Telecom Egypt over the past 20 years equips him to lead the company to its new digital transformation plan. His appointment also serves as a testament to the strength of Telecom Egypt's leadership team and their exemplary execution capabilities.

Magued Osman

Magued Osman
Chairman, Telecom Egypt

Adel Hamed

Managing Director & CEO, Telecom Egypt

CEO message

As I am assuming the responsibility of leading Egypt's largest telecom operator, I am humbled to manage a company that has a very strategic role in transforming the Egyptian telecommunications industry. Throughout my 20 years in Telecom Egypt, I have worked passionately as part of a great team to ensure that Telecom Egypt remains the successful operator that it is and I am looking forward to steer the company towards fulfilling its potential in this market.

This has been a year of robust performance for the company, we have exceeded our targets operationally and have reached important milestones in both the retail and wholesale segments. Yet, I believe we have just started with our total offering and that the opportunities for Telecom Egypt to grow in this market are huge. In 2019, our focus will be to expand our retail services further, focusing on our leading position in consumer homes and enterprises. In the consumer space, we aim to expand our product portfolio to become a quad-play operator now that we have been granted a nation-wide IPTV license. We also aim to launch our mobile wallet in 2019 to take our first steps in mobile financial services.

Digital transformation for us is a major priority and relates to our domestic as well as our international business. Locally, we aim to support the government's initiative for digital transformation, which entails connecting governmental institutions across Egypt to enable economic reform. We have started with the schools' connectivity project and we have a line-up of projects to work on in 2019. On the international business front, we aim to expand our international cables' reach and we are also expanding the diversity of the international routes across Egypt to attract new cable consortiums.

That said, our digital transformation does not stop at the connectivity layer, in fact, our natural progression is to grow further into the application layer by capitalizing on our robust domestic and international network. The next phase will rely on cooperation with system integrators, governmental bodies, start-ups, developers, cloud providers, OTTs and multinational enterprises to grow our business into ICT services. The effort to be put to capture this new revenue stream is big, yet immensely rewarding.

On top of expanding our revenue streams, we are looking internally to optimize our operations and contain the associated cost. Customer care and experience remains at the core of our focus, we have gone a long way in 2018 and while the progress is impressive, we still have a lot to do in 2019. We are also looking at business synergies across segments and ways to make the best of our large workforce.

To sum up, our focus for 2019 is to live our core values. This on its own will lead to the success of this organization. Our code of work "the four Es" with our people at its heart aims at creating value by providing service Excellence and enhancing customer Experience to maximize shareholder Equity, which in return will boost our people's Enthusiasm and reward.

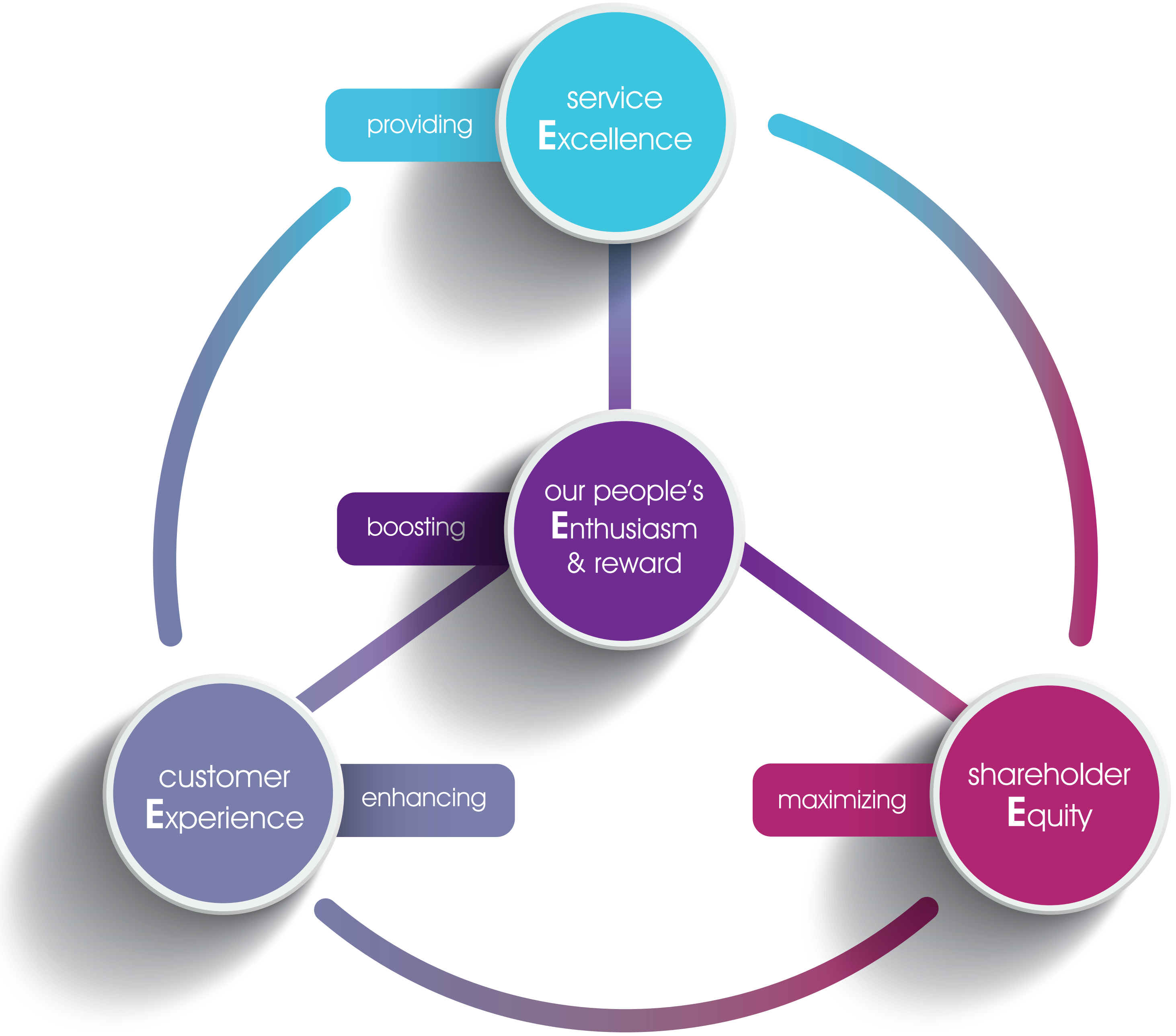
Adel

Adel Hamed

Managing Director & CEO, Telecom Egypt

The wheel of transformation

is the framework to achieve our goals



01
Creating value

Who we are

Total telecom is all-inclusive

Telecom Egypt is a customer-based company that has a portfolio of services to serve all customer types from consumers to enterprises and operators. Our business units are divided to provision all the services that a customer group needs. We are a company with a 165-year-old heritage and we are the Egyptian Telecom Industry's backbone. Our long-standing vision of becoming a total telecom operator is not limited to launching mobile services to access a larger market segment. Our definition of total telecom operator is wide and it encompasses an operator that is able to successfully evolve with the changing industry dynamics. To us, total is all encompassing, it is as broad as our reach, as old as our heritage and as young as our market.

Telecom Egypt offers …

Total telecom provider

all telecom services …

Our portfolio includes a wide-range of telecom services including fixed and mobile connectivity, solution based and digital services.

to everyone …

Telecom Egypt serves a wide range of customers including consumers of all ages and income brackets, enterprises of all sizes with customized solutions, governmental entities, domestic and international carriers and service providers.

everywhere …

Our regional presence throughout Egypt helps us serve customers across Egypt, not just in the urban areas. Our domestic and international structure caters to domestic operators in Egypt and international operators, thanks to Egypt's unique geographical position.

across technologies …

Launching mobile services was a milestone to enable offering a complete bundle of services. Owning the infrastructure helps us provide the best service quality whether fixed or mobile. Our next step into digital transformation will lead Telecom Egypt to offer an extensive set of digital services to transform Egypt into a digital route.

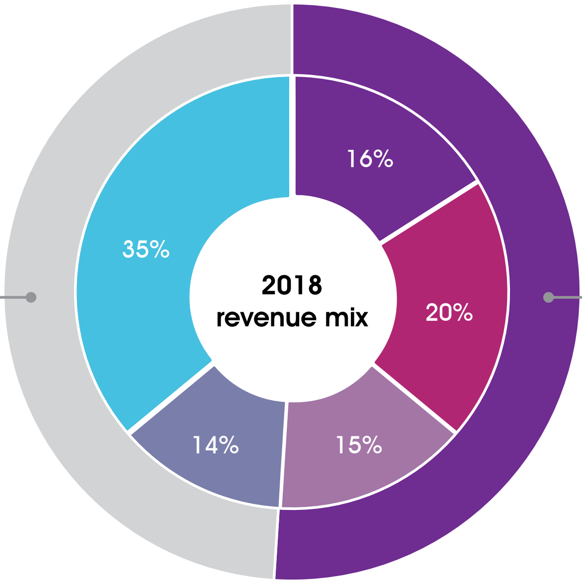
from end to end.

We are not just a service provider, Telecom Egypt is an infrastructure developer as well. This helps us control the complete customer experience. Continuing to invest in our infrastructure is a mandate that we take seriously to improve customer experience, grow revenue and help Egypt's economic growth.

What we offer

A customer centric company

Telecom Egypt's structure reflects its customer centric approach with two major divisions and five business segments catering to a variety of customers and providing all services within the customer groups. We aim to extract synergies among our different business units to create a harmonized operational environment that drives the growth of our top and bottom lines.



49% Retail

Home (35%)
WE provides a range of services to consumers including fixed line voice and broadband services plus mobile voice and data services, in addition to other value added services. WE launched its first convergent offering in September 2018.

Enterprise (14%)
Our enterprise portfolio offers high speed secure and resilient networks, cloud and managed security services and a range of custom solutions for small and large businesses in addition to the traditional mobile and fixed connectivity services.

51% Wholesale

Domestic (16%)
The domestic business unit provides local operators with infrastructure services including transmission and access services in addition to international outgoing voice services through Telecom Egypt's international gateway (IGW).

International Carriers (20%)
Through more than 70 direct relations with international carries, Telecom Egypt utilizes its IGW license to capture international incoming traffic for its own customers and those of the domestic mobile operators, earning its revenue in foreign currency.

International Customers & Networks (15%)
Our wide international network of submarine cables and Egypt's geographical location make us the preferred corridor for international traffic from the East to the West.

Our strategy

Our areas of focus

Our strategy revolves around three objectives and relies on capitalizing on our vast array of assets and position in the market.

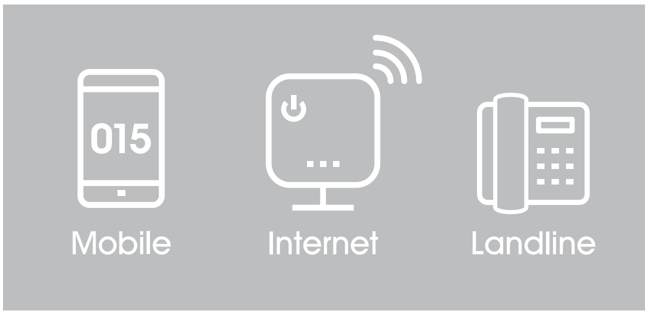
1. WE, the leading data operator in Egypt

Completing the portfolio to reach our potential

Globally, the demand for data is growing rapidly. Customers want to be connected regardless of their location, whether on the go, at home or in the office. Telecom Egypt has traditionally dominated the home and enterprise space, being the incumbent operator and main infrastructure developer in Egypt. Although customers spend the majority of their time in closed spaces where Telecom Egypt is able to connect them with its fixed broadband offering, a mobile offering was crucial to connect the dots and to provide our customers with a complete telecom value proposition that offers both convenience and value for money.

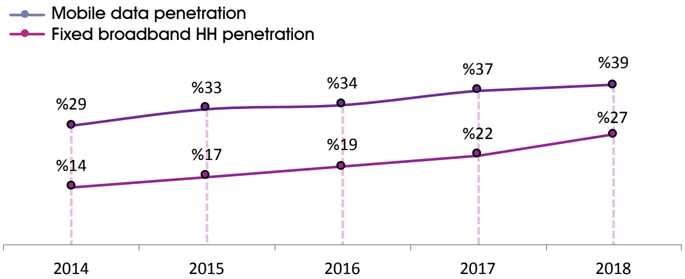
Convergence at the core of our strategy

WE focuses on penetrating customer homes with its total telecom offering capitalizing on its existing fixed voice and broadband customer base in addition to its vast investments to improve internet speeds in Egypt. By December 2018, WE had reached 5mn homes with fixed broadband and 6.7mn with fixed voice. We aim to give our customers all their needs together, cross sell our products to single-play customers whether fixed or mobile and offer them a complete bundle. Increasing our share of customer wallet through the introduction of triple-and quad-play services is among our top priorities.



Capturing the opportunity in the data market

In Egypt, both mobile and fixed data are underpenetrated only reaching 35% of individuals and 26% of households. This presents an opportunity for Telecom Egypt to venture into a space that, for some, looked saturated with a SIM penetration close to 100%. Egypt's favourable demographics makes the data market a great opportunity to grab with the right offering; 61% of population is below 30 years and c.2mn new customers enter the market annually, in addition, illiteracy has dropped to 26% of the population.



Launching WE as the integrated offering brand

In September 2017, Telecom Egypt launched its mobile offering under the new brand "WE". In essence, the introduction of "WE mobile" was the start of the rebranding of the existing consumer and enterprise offer portfolios. The brand focuses on the best value data offers across products with the aim of providing the customer with an offering that includes all needs in one bill. A year from the mobile launch, this was achieved through the introduction of our first complete tariff "Indigo Plus".

Creating the products that deliver on promise

A prerequisite for our integrated offer was the revamping of our existing fixed broadband offer portfolio to ensure a smooth customer experience. In April 2018, "WE Internet" was launched, increasing speeds up to 100Mbps. Then followed the introduction of the mobile post-paid offering with the first integration between mobile and fixed broadband in a unified bill "Indigo". By September 2018, the full offering came together with the introduction of "Indigo Plus," adding fixed voice to the bundle.

Investing to ensure growth and enhance experience

We have invested in our network and IT systems to ensure the best customer experience. In 2012, we started our ten-year copper to fibre replacement plan to increase fixed broadband speeds for our customers and avail a better network quality for our domestic partners. The plan was accelerated starting 2016 and by the end of 2018, 70% of the network replacement program was complete with the aim of reaching 100% by 2020. We have also invested in our network to serve other operators in the market who depend on us to fulfil their infrastructure and transmission needs, bringing them a smoother experience, enhanced quality of service and increased transmission capacity.

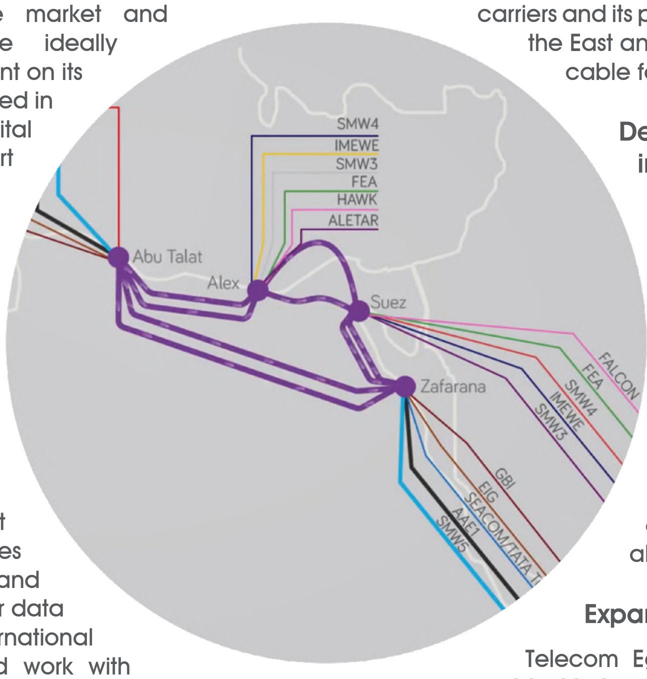
2. Capitalizing on the national digital transformation initiative

Ideally positioned to capture the opportunity

Telecom Egypt represents Egypt's fibre-optic backbone, connecting homes, enterprises, government entities and other domestic operators with its vast infrastructure. The Egyptian government has initiated its digital transformation plan to connect government agencies to create a central database to connect schools, universities, payment units of the Finance Ministry and new urban communities, among others. Given Telecom Egypt's position in the market and execution capabilities, we are ideally positioned to support the government on its mission, having already been involved in various projects. That said, the digital transformation plan is just in its start and we are going to capitalize on this opportunity.

Offering complete solutions

Telecom Egypt aims to deliver solutions for digital transformation and financial inclusion initiatives. Our service encompasses provisioning the connectivity as well as providing a whole solution to accelerate the digital transformation of all government initiatives. By combining the services from all different business units and subsidiaries, we are able to offer our data centre presence, our international connectivity, our call centres and work with software developers to create comprehensive digital platforms.



3. Turning Egypt into a digital route and hub

Growing our submarine cable footprint

Telecom Egypt's geographic location and vast international submarine cable network led it to become one of the largest submarine cable operators in the world. Having identified further demand for its submarine cable projects from neighbouring countries in Africa and Asia for traffic to be connected to Europe, the company intends to continue to leverage its existing relationships with consortiums and carriers and its position as the main corridor between the East and the West to increase its submarine cable footprint.

Developing Egypt's international infrastructure

Submarine cables cross Egypt from Asia to Europe through terrestrial routes, which are connected to the cables' landing stations on the Red and Mediterranean Seas. There are two main routes connected to four landing stations. Telecom Egypt aims to increase the number of routes and landing stations in Egypt in order to offer more security and capacity on its network by creating alternative routes for the traffic.

Expanding to the application layer

Telecom Egypt owns all the assets that can enable it to turn Egypt into a digital hub starting from the internet customer in Egypt to the fibre and international infrastructure. TE plans to capitalize on these assets to keep up with the data revolution. Our aim is to complete the digital transformation ecosystem by building a digital infrastructure to handle all types of data services including storage, security, clustering and analysis.

The path to full convergence

WE, the data operator

WE aims to lead convergence

Our commercial strategy entails delivering all our customers' needs under one monolithic brand, maintaining our leadership in the homes of customers while delivering a premium customer experience. Our efforts in 2018 were focused on launching new – while revamping existing – products and their related experience to reach our first mobile and fixed voice plus data integrated bundle "Indigo Plus" in September 2018.

The best value for money mobile data packages

Mobile, in September 2017, was very well received with the base growing very fast in the first few months, leading us to start the year with 2.3mn customers. Our approach in mobile revolved around enhancing our revenue mix from the existing base while attracting new customers.

In February 2018, we successfully launched our recharge platform "Agda3 Kart," positioning WE as the operator offering the best recharge value on calls and data in the mobile market. The proposition addressed the mass market, allowing customers to change their tariff structure according to their need with every recharge transaction, giving them flexibility with the best value.

WE also successfully launched its new mobile internet rate plan "Lesa El Bakka Shaghala" in May 2018. The mega campaign introduced in Ramadan boosted mobile internet and data SIM subscriptions significantly. The key success factor of the campaign was the positioning of WE as the most innovative and best value for money mobile data provider.

We also launched Control Tazbeet in October 2018, a data centric value proposition with basic voice needs, catering to the younger, data savvy consumer and creating a new platform to upgrade WE data only customers to voice and data bundles. Through its Control offering, WE has managed to grow its customer base of the data savvy youth with data penetration in the base exceeding competitors' benchmark and showing very healthy ARPU trends.

Revamping fixed services: a prerequisite for integrated bundles

In April 2018, "WE Internet" was launched, simplifying a tariff structure with 40+ offerings to 5 main tariffs, raising the minimum speeds from 1Mbps to 5Mbps and the maximum speed from 16Mbps to 100Mbps with the promise of delivering the fastest internet speeds in Egypt. This was accompanied by an enhanced customer experience where the customer can inquire about the suitable attainable speed in his or her area so that the promise is delivered. WE also revamped its basic landline tariff for new home landline contracts to be "WE Ardy" offering bundles with various price points to cater to different needs instead of PayGo charging.

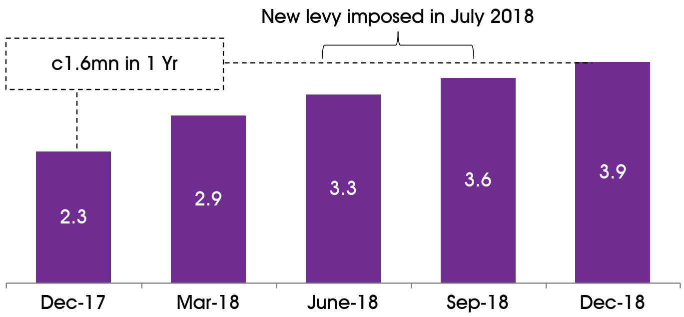
Fully integrated bundles offered a year from mobile launch

In April 2018, WE introduced its post-paid offering marked as the first integration between mobile and fixed. "Indigo" allowed customers to add fixed broadband to their mobile bill. By September 2018, the full offering came together with the introduction of "Indigo Plus," which combined fixed and mobile voice plus data in one bill with free minutes between the fixed and mobile WE networks.

Regulatory headwinds slowdown mobile customer growth

Since then, several regulatory changes affected the initial growth trend. First, indirect channels were banned by the regulator, which changed the distribution plans of WE mobile. In June 2018, a development fee was imposed on SIM card sales of EGP 50, which took a toll on acquisitions and by the end of the year, the growth in the customer base had significantly slowed down. This compares to other operators' customer base shrinkage since the imposition of the fee.

TE's mobile subscribers
(In mn)



Capitalising on our presence

Our recipe for growth revolves around our reach in terms of both distribution channels and infrastructure. Telecom Egypt's historical locations in the regions through its exchanges and its employees who are part of these communities is an important asset, which has been modernized to offer an entrance into Egyptian homes. Although the regulator prohibited indirect channels at the beginning of 2018, WE has been successful in launching a franchise model to boost its sales. Telecom Egypt has the largest infrastructure in Egypt, which is continuing to grow into new urban communities and opens a door to Egypt's urban expansion.

Content-based products

The WE portfolio is not complete yet with the target to go beyond connectivity into providing content as well as tap into mobile financial services. In November, WE struck a partnership deal with Sony PlayStation as a start for offering customers content-based solutions. The launch of 'Level Up' packages tailored for PlayStation gamers, for the first time in the MENA region, represents the first adopted segmented value proposition in the broadband space with the aim of capturing a share of the growing youth segment in Egypt.

Our brand portrays Egypt's heritage and youthful spirit

The WE brand capitalizes on Telecom Egypt's roots in the Egyptian market and, at the same time, positions WE as the converged offering that promises more to each and every subscriber. The brand colours were chosen to express our new direction of being more sensitive to our customer needs with the aim of changing the mind-set of customers to an image that is approachable, inviting and fun. We aimed for maximum brand exposure in 2018, dominating the streets as well as assigning two important movie stars to our campaigns to increase awareness of the new brand. We have also tried being close to the youth, in light of their data centric interests, with an advertisement in Ramadan bringing a tune that became an earworm to Egyptian youth and showed the spirit that WE is also fun. With a steady rise in brand sentiment, 2018 was a great year for the WE brand and for its marketing communications endeavours. With 7 anchor campaigns under its belt, a google award and numerous mentions on brand sites, WE has evolved from a disruptive forth entrant into becoming a respected contender in the Egyptian market. As digital and social engagement grew, so did social media adoption with channel subscriptions growing three folds on the main platforms in 2018.

we campaigns

September 2017

September 2017

September 2017

September 2017

September 2017

February 2018

April 2018

April 2018

May 2018

June 2018

August 2018

August 2018

October 2018

November 2018

November 2018

December 2018

Digital transformation in focus

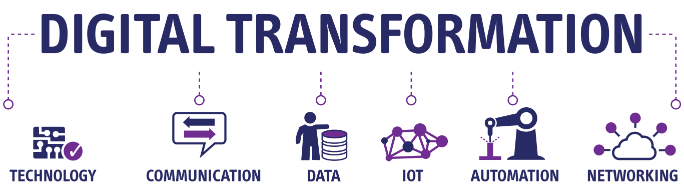
End-to-end enterprise solutions

From connections to complete solutions

Telecom Egypt has always focused on the corporate segment, achieving a leadership position in the domestic enterprise market, serving multiple industries in the public and private sectors. The enterprise segment focuses on three main objectives: (1) expanding in FTTB services to fulfil the needed demand for high bandwidth applications, (2) developing secure hosting environments and (3) offering new innovative solutions including the application layer.

A strong portfolio of services

Innovation remains at our core. Telecom Egypt has introduced state of the art solutions and services that position us at the forefront of any of our peers. Our investments today and tomorrow will allow us to continue strengthening our market share and to drive long-term growth, making corporations more connected by providing voice and data needs, as a one-stop shop, offering a portfolio of services ranging from connectivity to cloud services, to ICT and IOT solutions.



Customers are our partners

Telecom Egypt aims to grow its leading market position by partnering with its customers and offering the best quality customer service. The partnership is reinforced by continuous dialog, reviews and strong value that flows both ways. The result is a strengthened experience for customers and a boost to the business. Based on our customer needs and requirements, we develop a complete solution starting with the connectivity of fibre to the customer premises, connecting them to Telecom Egypt's data centres (main and disaster recovery) providing the servers and the required security hardware and software. Our relationship with our customers is tailored according to the customer needs as we develop various business models customizing the commercial and financial terms based on our partner requirements depending on their industry and segment.

Digital transformation and financial inclusion

Telecom Egypt has worked on various government projects to support the government's initiatives for digital transformation and financial inclusion. We have worked not only on the connectivity layer, but on complete projects, utilizing all our capabilities and services. Some of the most important projects include:

- The completion of the government financial management information system (GFMIS) to enable the electronic payments by the Ministry of Finance through connecting 2600 government financial units. Applying the GFMIS aims to establish an electronic accountancy system to implement the State's General Budget and control government spending.
- The schools' connectivity project with the Ministry of Education, which included the connection of 2530 schools (Phase-1) through Telecom Egypt fibre infrastructure, aimed to provide high-speed internet over fibre as part of the education reform project. Phase-1 was completed and EGP 482mn in revenue was recorded in Q3 2018.
- Telecom Egypt also signed a protocol with the New Urban Communities Authority (NUCA) to connect new communities with FTTH.
- Telecom Egypt also connected 560 premises (Phase-1) of the Holding Company for Food Industries project, which included connecting the premises to the central database.
- A complete solution was delivered to the public electricity sector, combining many services under our various subsidiaries including connectivity, hosting, unified short number and contact centre services.
- With the Ministry of Solidarity, Telecom Egypt signed a contract for the Solidarity and Dignity initiative (Takaful we Karama) connecting 2636 units to the ministry's central database.

We have also worked extensively with other sectors serving multiple industries. One of our main achievements is that 37 of 38 banks in Egypt depend on Telecom Egypt's managed services to connect their headquarters, data centres, branches/ATMs. Another major milestone is the signing of the first IoT/Smart City (Madinaty) for a total value of EGP240mn with TMG. In addition, we have secured EGP 100mn in new contracts value from the SME segment.

Egypt's infrastructure provider

Network expansion accommodating data demand

Telecom Egypt's wholesale units represent the domestic and international infrastructure provider for the country. Telecom Egypt's network has evolved and expanded to accommodate several regional and international projects through its domestic transmission network and the expansion of its submarine cables' footprint. Such expansion supported the exponential growth in data demand locally by ISPs and mobile operators and other voice and data services for its international customers.

Long-standing relationships and cooperation

Our success in the wholesale segment relies on our relationships with domestic and international carriers and customers. The business model is characterized by signing long-term agreements. Some are bilateral in nature like the transmission, infrastructure and international voice agreements with the domestic mobile operators, and some include multiple parties such as the consortium agreements for submarine cable projects.

Foreign currency inflows

Two of Telecom Egypt's business units (1) international carriers and (2) international customers & networks provide the company with a source of foreign currency as both deal with international customers. Such foreign currency has led to the exceptional performance in 2017 when the EGP devaluation took place and serves today as a natural hedge against currency devaluation as Telecom Egypt increased its share of borrowing in foreign currency to reduce its interest expense.

Egypt's transmission backbone

Commercial agreements secure long-term revenue

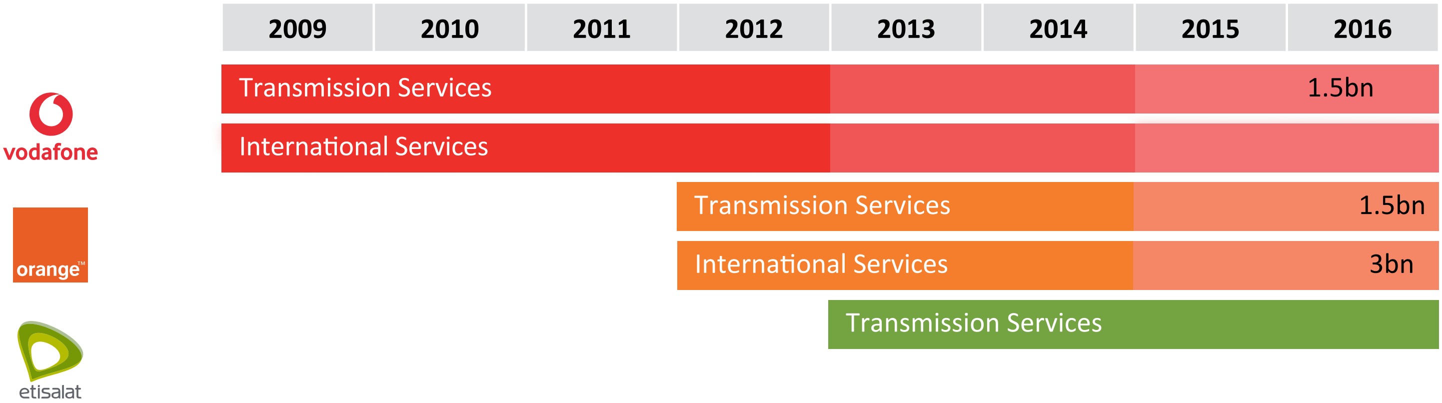
The domestic wholesale business unit offers local ISPs and mobile operators infrastructure, transmission and access services. Operators since 2009 have preferred to lease infrastructure encouraged by Telecom Egypt's commercial leasing model rather than to build their own networks as Telecom Egypt has continuously offered them a more viable economic model to scale up their network and increase leased capacities, meeting their growing demand. Such models were developed to secure Telecom Egypt's domestic revenue stream and its leadership in the market for the long-term and have led to growth in Telecom Egypt's infrastructure revenue through the periodic renewal of these agreements. In 2018, Telecom Egypt renewed two infrastructure services agreements with Vodafone Egypt and Orange Egypt.

Meeting the needs of domestic operators

Operators continuously need to invest and expand their networks to meet the growing demand for data driven by the boom in the consumption of content. Telecom Egypt, over the past five years, developed various products for domestic operators, encouraging the growth in internet and data services by developing its product offering from physical legacy connectivity to speed-based broadband services and recently moving to consumption based charging (bulk bitstream). This ultimately enhanced the operators' capabilities and, in return, their customer experience. We have also developed enhanced solutions and symmetrical high-speed digital subscriber line (SHDSL) services for the enterprise customers of the domestic operators. Moreover, Telecom Egypt managed to enhance its operational and delivery systems for the services provided for the domestic operators to enable a speedy and well-organized delivery of all core and access services.

Supporting mobile business launch

Our cooperation with the licensed mobile operators has shifted in 2017 from Telecom Egypt being only a supplier to also becoming a customer leveraging on its long-standing relationships with the mobile operators in order to reach an agreement on mobile national roaming and interconnection rates. Telecom Egypt signed a national roaming agreement with Etisalat Misr in June 2017 for a duration of five years, encompassing voice and data traffic. This was a crucial step to avail WE's mobile services nationwide from the first day of the launch. Telecom Egypt has also been able to amend the agreement in July 2018 to improve its financial and service quality terms to enhance the mobile segment's profitability. Telecom Egypt also completed initial commercial agreements on mobile termination rates with both Orange and Etisalat Misr, including a preferential interconnection rate for Telecom Egypt.



Dispute settlement to avoid uncertainty and focus on cooperation

Telecom Egypt has been successful in ending all legal disputes with the mobile operators. These disputes were pending since 2007 for Etisalat and 2008 for Vodafone and Orange Egypt. The first settlement took place in December 2015 with Vodafone Egypt, related to interconnection rates, and ended with a favourable outcome where Telecom Egypt was able to extract EGP 1.5bn in dividends from the company. In December 2017, a settlement was reached with Orange Egypt where the services under dispute related to interconnection, transmission and international services with the outcome also coming in favour of Telecom Egypt with a cash inflow of EGP 74mn. The last settlement took place in January 2018 with Etisalat Misr, where international services where disputed. Through the settlement, Telecom Egypt was able to avoid a court ruling that took place a week after the settlement for a total value of USD 140mn by reaching an agreement with Etisalat to pay USD 47mn. Telecom Egypt has signed agreements with all these operators to avoid any futuristic disputes and does not have any material pending legal issues with the operators.

Egypt’s main international gateway

Globally, international voice traffic is declining

The global trend is a declining voice international traffic given the increasing popularity of OTTP and their VOIP applications. Due to the low mobile data penetration (c38%) in Egypt, still a significant portion of traffic is carried over the traditional voice network. However, mobile data penetration is expected to increase over time. There are two revenue drivers for this business unit: traffic generated from incoming international calls also called international direct dialling (IDD) and transit traffic. The first is traffic coming to Egypt that is driven by the Egyptian expat community mainly living in the GCC while the second is traffic collected from carriers to be terminated in a country other than Egypt where Telecom Egypt acts as a transit hub benefiting from having a large number of international agreements. Transit traffic revenue has a low margin, yet TE benefits from transit revenue as a source of foreign currency liquidity.

International agreements secure our revenue stream

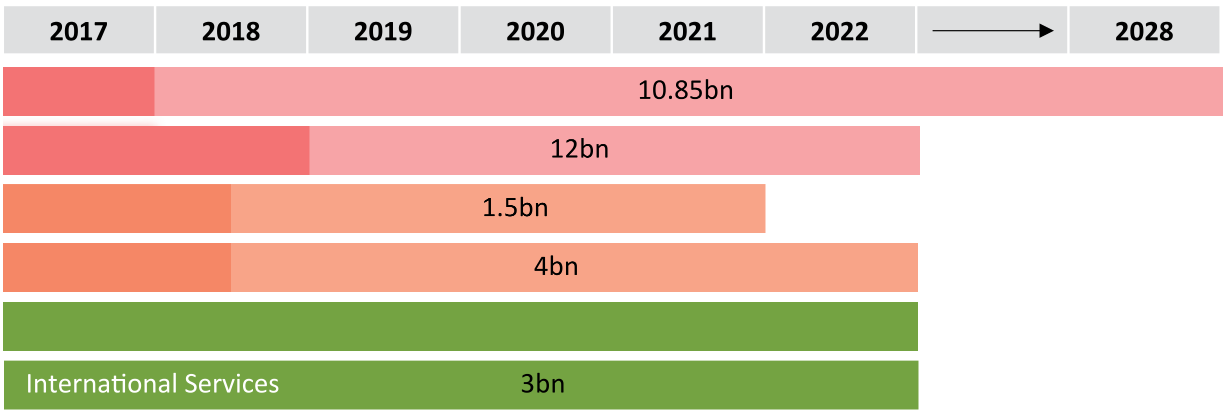
Telecom Egypt owns one of two licensed international gateways in Egypt. It has, since the start of the operations of Vodafone Egypt and Orange Egypt, carried its own traffic as well as that of the mobile operators. Such agreements have been consistently renewed with the mobile operators based on commercial terms where they have preferred to continue to lease Telecom Egypt’s IGW rather than to acquire their own licenses. In 2007, Etisalat was granted the second IGW in Egypt. Etisalat’s IGW, however, allows it to receive and send traffic for its own customers only in comparison to Telecom Egypt, which is licensed to receive and send traffic for its own customers as well as other mobile operators’. Although Etisalat had its own IGW license, Telecom Egypt was receiving c40% of Etisalat’s incoming international traffic as a result of its scale (acting as the IGW for the other two mobile operators in Egypt) and diverse historical relationships with international operators. The competition between TE and Etisalat on Etisalat’s incoming traffic has led to a lower termination rate for Egypt.

Maintaining market value

In June 2017, Telecom Egypt signed an agreement with Etisalat whereby TE will continue to receive 40% of Etisalat’s traffic, however, both will start to work together to increase prices. Price-ups have become quite common in the international market in light of the increasing impact of OTTPs, however, such price-ups need to be implemented cautiously given the elasticity of the traffic, which could lead to a sharper loss of traffic to OTTPs or an increase in illegal bypass activity. As such, Telecom Egypt is gradually testing price increases to assess the elasticity and some minor price increases that already took place in 2018.

Fighting illegal bypass

Illegal bypass is the most significant challenge. It is a fraud practice to bypass licensed carriers by terminating international calls onto mobile networks through unlicensed operators. The technique is to send calls via the internet to SIM boxes (machines that house 8 to 32 illegal SIM cards) which redirect this illegal VoIP traffic onto mobile networks. The mobile operators in Egypt, with the regulator, constantly deploy equipment to combat the phenomena with the new systems expected to improve SIM box detection. However, the systems usually take time to become effective in identifying the illegal calls and blocking them.



Connecting a world of possibilities

Our vast international cable network

Telecom Egypt's global network was built over the years through investments in international submarine cable systems with consortiums and in privately owned cable systems. TE also owns two cables, TE North and MENA Cable, the latter was acquired in May 2018. Egypt's distinctive geographic location on the Red and Mediterranean seas has enabled Telecom Egypt to connect more than 11 cable systems from the East and 13 from the West linked with the Red-Med Corridor, consisting of 7 diversified routes across Egypt and connecting 4 landing stations. TE's reach and position as an international hub with tens of Tbps lit capacity makes it the partner of choice for Euro-Asian and Euro-African transit traffic.

An extremely secure and robust network

Our mesh network connects to all key landing stations and provides diverse connections across Egypt from the highly reliable Suez Canal to the Port Said and Alexandria Cables. It can endure multiple hardware and fibre failures. The network allows our customers to scale their connectivity practically and cost-effectively with high levels of availability and protection. Telecom Egypt's proven geo mesh technology makes this network extremely robust, offering a range of protection and resiliency capabilities for mission critical traffic. Built-in detection tools enable pro-active monitoring of network performance automatically re-routing traffic in just 50 milliseconds, which enables locating any issues and fixing them without affecting our customers. In addition to existing dark fibre services, we can now provision a suite of highly resilient connectivity solutions from 10G to more than 100G. We also offer very high bandwidth services with granular and resilient networking options for international data centres, disaster recovery, cloud-based services, VPNs, content distribution and other high capacity services.

Growing our network further

Telecom Egypt aims to continue to invest in its cable network with the aim of turning Egypt into a digital route. The plan includes three dimensions:

(1) Investing in new submarine and terrestrial cable systems, especially in the African and Asian markets

(2) Developing the international cable network inside Egypt by establishing new landing stations and international routes across the country

(3) Expanding into digital applications and services through the various digital transformation initiatives

Cable system revenue vary by service type

Cable revenue contributed 15% of TE's total consolidated revenue in 2018. Revenue from this business is divided into 3 sub-segments:

(1) Cable projects: revenue from new cables crossing Egypt and the sale of fibre pairs on cables owned

(2) Ancillary Services (O&M): annual fees charged by Telecom Egypt for the operation and maintenance of cables crossing Egypt

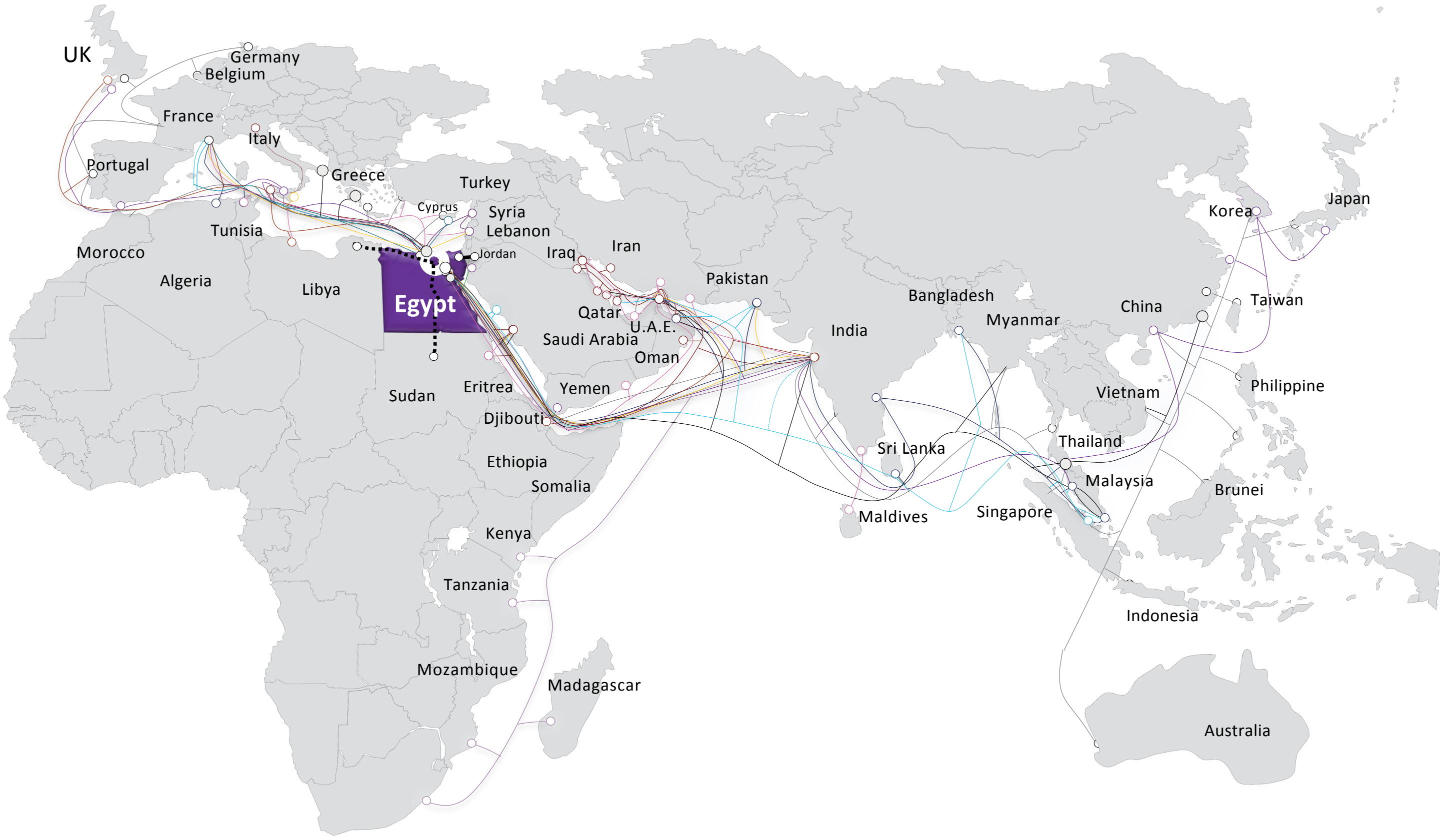
(3) Capacity sales: the sale of capacities on the cables that we own or participate in through consortiums to other carriers. Categorized as recurring and non-recurring contracts, some are leased capacities and some are IRUs (indefeasible right of use for the lifetime of the cable).

The acquisition of MENA cable

Telecom Egypt acquired the Middle East and North Africa Cable Company (MENA Cable) in May 2018 with a total enterprise value of USD 90mn. Telecom Egypt's goals behind the acquisition was to capitalize on the growth in international Internet traffic coming from India and Saudi Arabia and benefit from a short-term return on investment.

The Bharti Airtel deal

Telecom Egypt signed an agreement with Bharti Airtel that granted the latter IRUs (Indefeasible Right of Use) on Middle East North Africa Submarine Cable "MENA Cable" and TE North Cable Systems. Additionally, Airtel took large capacities on a long-term basis on two new cable systems (SMW5 & AAE1). The agreement led to an immediate recognition of revenue and cash flow of USD 90mn in addition to c4% of annual recurring revenue for Telecom Egypt over the lifetime of the cable systems (min. of 15 years), which enabled the company to recover almost all cash flows spent on the MENA Cable acquisition. The revenue coming from this agreement was recorded in Q3 2018 and cash flows were received in October of the same year.



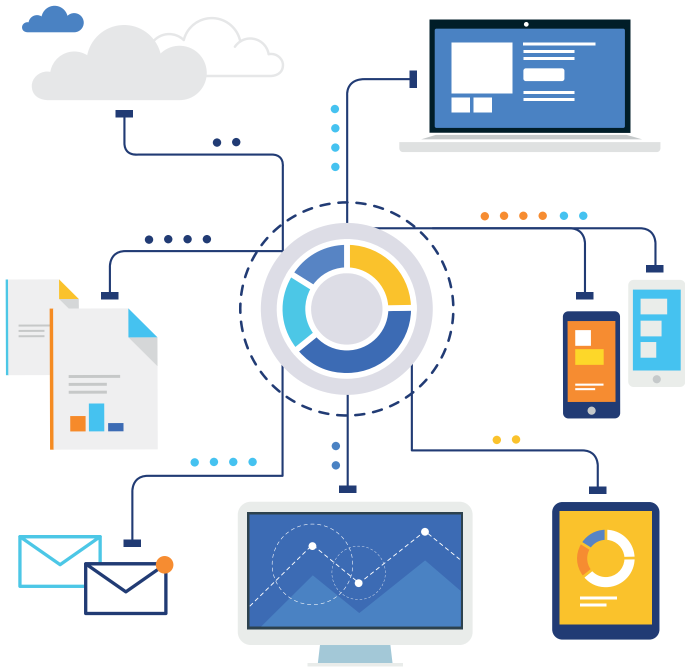
- TE North
- Alexandros
- SEAMEWE-3
- SEAMEWE-4
- IMEWE
- EIG
- ALETAR/BRYTAR
- FLAG
- FALCON-HAWK
- SEACOM
- TATA
- GBI
- Taba-Aqaba
- AAE1
- SEAMEWE-5
- MENA Cable
- Trans border terrestrial cables with Libya & Sudan

The digital ecosystem

From pipe to platform

Digital transformation defined

Digital transformation entails a radical rethinking of how technology, resources and processes are used to change the traditional business model of a telco to pursue new revenue streams. Such change requires moving away from providing basic connectivity to application development models. Telecom Egypt aims to develop a complete digital ecosystem to enable the transformation of its business by combining the capabilities of its five business units.



Capitalizing on our assets

Telecom Egypt's focus on connecting customers has led the company to be well positioned for the next phase of growth. We believe that the recipe for success in embarking on such an ambitious journey starts with the assets we have:

(1) the size of the Egyptian market with its youthful population,

(2) the resilient fibre infrastructure and the diverse landing stations across Egypt,

(3) the existing relationships with domestic and international carriers and customers,

(4) the wide international infrastructure reach through terrestrial and submarine cables and

(5) the huge land bank.

Such a strategy aims to maximize the return on our infrastructure investment, while enabling the digital transformation of the country.

Starting from within

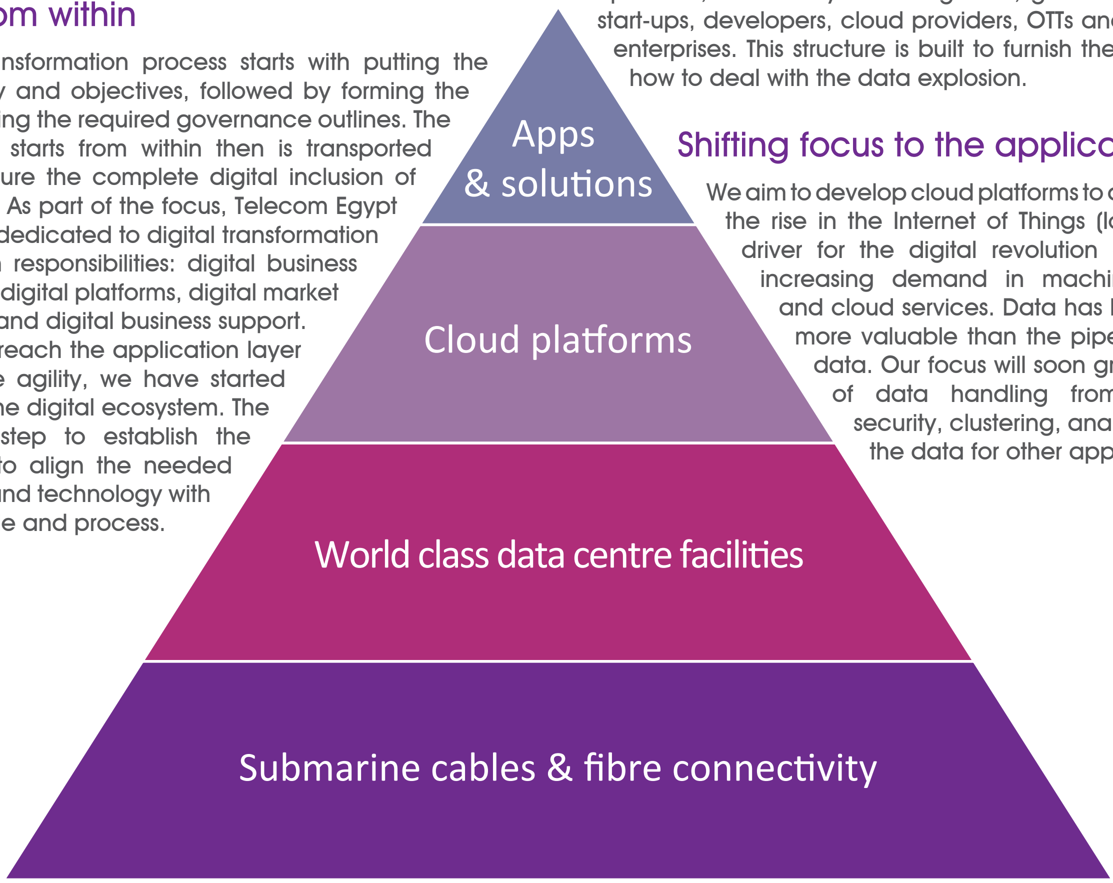
The digital transformation process starts with putting the digital strategy and objectives, followed by forming the team and putting the required governance outlines. The transformation starts from within then is transported outside to ensure the complete digital inclusion of our customers. As part of the focus, Telecom Egypt has a division dedicated to digital transformation with four main responsibilities: digital business development, digital platforms, digital market development and digital business support.
To be able to reach the application layer with adequate agility, we have started with building the digital ecosystem. The most critical step to establish the ecosystem is to align the needed infrastructure and technology with the right people and process.

Building the digital infrastructure

The digital infrastructure includes, but is not limited to, datacentres, cloud, platforms, and finally, applications.
Our partners in the build-up phase will not only include operators, but also system integrators, governmental bodies, start-ups, developers, cloud providers, OTTs and multinational enterprises. This structure is built to furnish the foundation of how to deal with the data explosion.

Shifting focus to the application layer

We aim to develop cloud platforms to accommodate the rise in the Internet of Things (IoT) as a major driver for the digital revolution as we expect increasing demand in machine-to-machine and cloud services. Data has become much more valuable than the pipes carrying the data. Our focus will soon grow to all types of data handling from storage, to security, clustering, analysis, and using the data for other applications.



02

Enabling growth

Investing for growth

Targeting to enhance customer experience

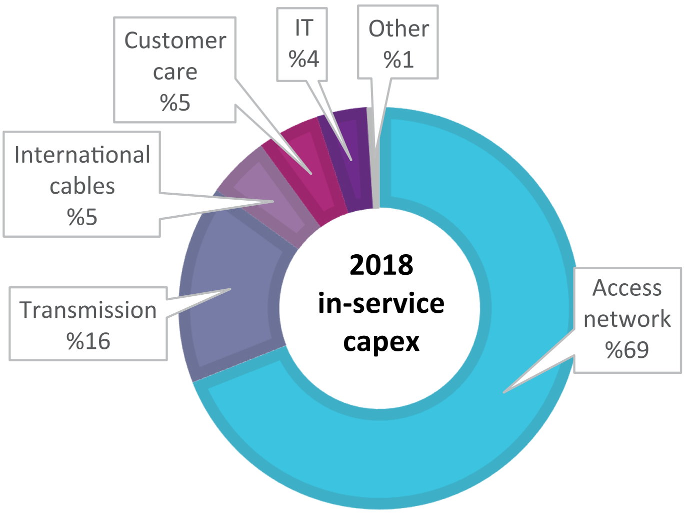
Investing strategically

Telecom Egypt's investment strategy relies on making smart investments to enhance its network, delivering an excellent experience to its customers to ensure the growth of its revenue. Our investment has grown significantly under this mandate and in the past two years, we have focused on three main areas:

(1) overhauling Egypt's internet infrastructure

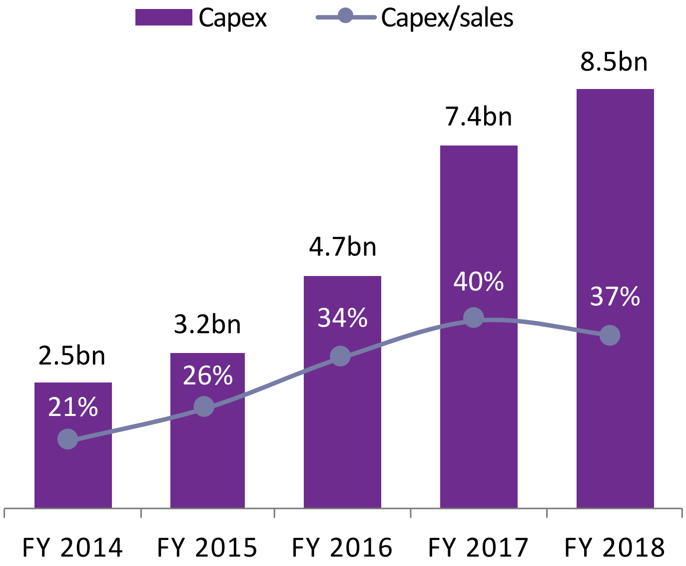
(2) mobile network deployment

(3) expanding Egypt's international network



Big leaps in the fixed network

Telecom Egypt's fixed network and its reach is one of our key assets and has always been a point of strength. We have focused on enhancing the company's nation-wide network, replacing outdated copper cables with fibre and installing more than 18,000 smart assembly units (MSAN) to support the provisioning of high speed and good quality internet connectivity. By the end of 2018, more than 70% of households in Egypt were connected with fibre-to-the-curb (FTTC), improving the average speed from 1Mbps to 5Mbps. We have availed this network to our own WE customers as well as to domestic mobile operators who were able to pass the enhanced speeds and quality to their own customers. We aim to complete our copper-to-fibre replacement program by 2020. In the meantime, we are deploying fibre-to-the-home (FTTH) connections in all green field areas and New Urban Communities Authority (NUCA) related projects.



Smart investment in the mobile network

We have taken quick steps to launch our mobile network with the aim of controlling our customer experience on 4G and reducing our national roaming costs. By the end of 2018, we have successfully built 1,300 mobile sites, carrying almost 24% of our mobile traffic. Our existing core network capacity is capable of hosting around 7.5mn mobile customers and we are in the process of expanding it further. Our mobile deployment model relies on targeting high traffic areas and deploying our network where it makes economic sense.

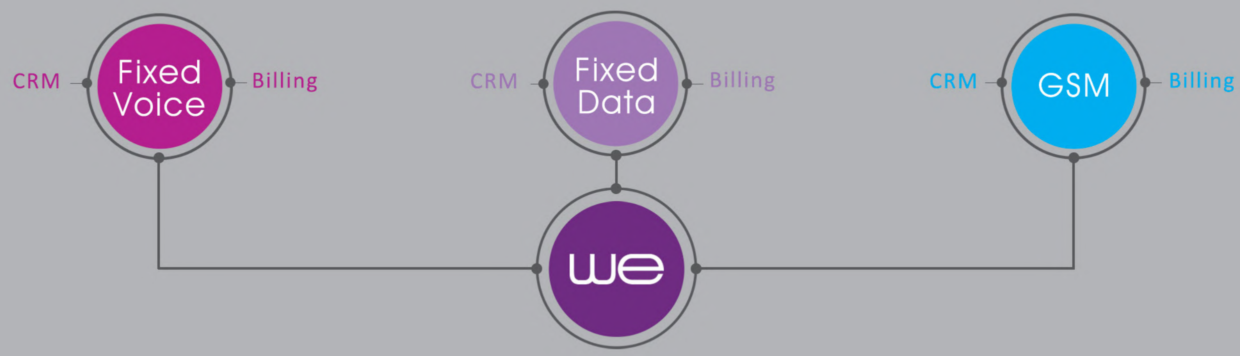
Technology and customer experience

As we deploy our network, we are simultaneously investing in customer experience by identifying customers' issues and pains and sourcing the tools to provide seamless solutions. We have introduced a customer experience team as part of the technology division as we aim to provide the best service quality by fully monitoring our network performance and proactively detecting and overriding any issues. Additionally, we have introduced tools dedicated to intelligent analysis of the customer behaviour based on the speed and latency of the service to tailor the experience according to the customer needs for both fixed and mobile services. One of the main solutions we are adopting is the Home Device Management System, which makes the performance of customer care tasks much simpler. The solution enables the management of the full lifecycle of CPE (customer premises equipment commonly referred to as routers) from activation to operation, service update and deactivation and allows for remote troubleshooting by the technical team.

IT at the core of convergence

Systems integration

Managing separate and legacy vertical systems for fixed voice and data and integrating them with the new state-of-the art mobile system is a huge challenge that we took on and plan to complete to reach the fully convergent WE product portfolio.



Launched products

- **Telephonet (Double play)**
  - ADSL
  - FTTH
- **Residential landline**
  - VDSL
  - Indigo
- **Corporate landline**
  - Indigo Plus
  - Control

Customer Centric Experience

IT is investing lots of resources to enrich the customer digital experience on all channels to help our customers communicate with us in the most efficient manner

Web
- TE Group
- Self service portals
  - Broadband portal
  - Mobile portal
- Investor relations (IR)

Mobile Apps
- we Mobile
- we Internet

Interactive Response Systems
- IVR
- USSD

In-Person
- Stores & Branches
  - Flagship
  - Exchanges
  - Franchise
  - TE POS

Enterprise Solution & Services (B2B)

Acquiring and implementing the need systems and technologies to enable a wide array of enterprise products in line with our strategic focus

B2B Connectivity Services

- VPN
- IP transit
- Transmission
- GDS services

ICT Product Portfolio

- Cloud
- SAS
- IAAS
- CO Location Services
- IOT
- M2M

4G Enterprise services

- Connectivity Back-up
- APN Services
- Gutaggy
- VPN over 4G

IT data center infrastructure

Currently managing more than 80 customer systems in multiple data centers.

Smart Village - TE-data
Smart Village - B7
Smart Village - Xceed
Alexandria

Pyramids Heights
Madinaty
Lazoghly
Dokki

A sample of our flagships

Mall of Egypt

Beyond care

Smarter, faster and innovative

Superior customer care is a necessity in today's industry

In a continuously changing and competitive telecom industry, customer care role has become more significant to maintain an operator's growth and position in the market. Successful operators need to shift their focus from providing satisfactory customer service to creating a memorable customer experience that builds loyalty.

> "We are committed to consistently deliver an exceptional care experience to our customers to enjoy their total communication needs"

From Care to Experience

Customers are not only looking for information about products or troubleshooting a service issue, they are also looking for understanding, convenience and consistency. With the rise in data, more and more customers prefer the interaction through digital and social media applications. Our strategy has evolved to encompass WE's complete customer experience with the main objectives including: digitalization, customer journey design, Omni-channel and customer experience awareness across the organization.

Laying the foundations of customer care excellence

The success of WE as a retail brand and the mobile launch in specific was dependent on restructuring and revamping Telecom Egypt's approach to customer care. It was also important as a total telecom provider to improve customer perception of the fixed broadband customer service. Our journey commenced by ensuring that the customer is in the heart of any decision making process, accordingly, a senior executive member was appointed to solely focus on the customer care transformation strategy and a "Voice of the Customer" committee was formed to ensure delivery of the best customer experience across all touch points.

Transformation strategy

The transformation strategy was built on three main pillars:

Seamless customer experience

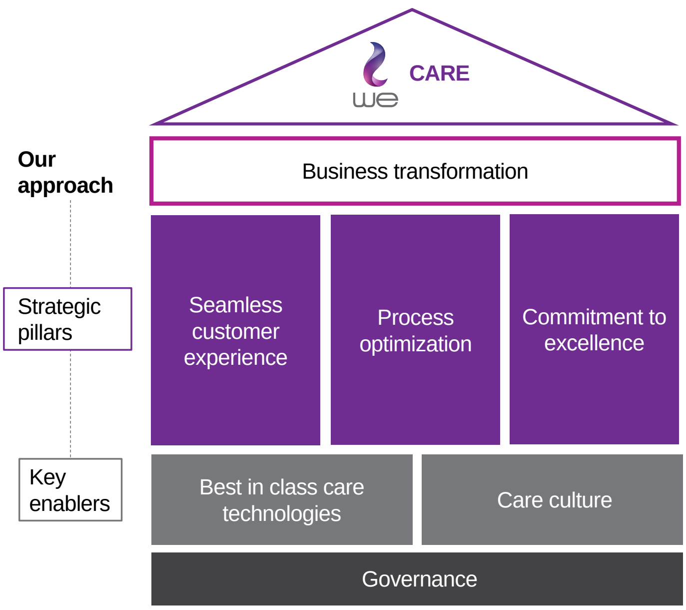
The focus of the first pillar is to ensure consistent customer experience across all care channels with the aim of reaching a converged service model and a differentiated service based on each customer's needs. This approach will minimize customers' efforts and will be reflected in a significant boost in first contact resolution by empowering frontline agents to manage customers' contacts from the first time.

Process optimization

Redesigning processes towards simplicity, automation and customer empowerment is a key enabler to achieve operational efficiency. WE targets to avail new, advanced and convenient care channels to meet the evolving needs and demand for digital channels support and reduce the customer need to seek live agent support

Commitment to excellence

This important pillar relies on developing our most important asset, our customer care front liners, through recruitment, skills development and rewards. Focus is set on expanding the people's competencies and developing a culture of engagement and excellence.



Care success stories in the making

Mobile customer care

The mobile contact centre was established in September 2017. The development plan included recruiting and training more than 600 agents who are mostly capable of managing customers' inquiries from the first contact. The preparation included setting up the needed infrastructure, operating systems and applications enabling a top-notch customer care. The efforts were illustrated in maintaining a higher TNPS score than industry benchmarks.

Fixed broadband customer care

The mobile customer care launch was followed by revamping our fixed broadband customer care in November 2017 to improve our quality of services and to ensure successful transformation into a totally integrated telecommunication operator. This was an important milestone as well as a huge challenge given the existing perception of customers, the infrastructure and IT applications needed to boost front-liners resolution time, in addition to the launch of "WE Internet". It continues to be a challenge for customers in today's world to accept the complexity of the nature of fixed broadband connectivity, which in case of quality issues, requires a longer resolution time due to the multiple elements of the network and the complexity of the connectivity between active and passive elements inside and outside the home. With the launch of "WE Internet," a new experience has been launched enabled by new systems, which identifies the customer's attainable speed prior to contracting as well as allows smoother troubleshooting.

The launch of WE Business

The soft launch of enterprise customer care "WE Business" took place in October 2018 to ensure a smooth launch of WE's enterprise services and solutions.

4.5k employees
average age 28 years, university graduates

9 call centres in 4 cities
Cairo, Alexandria, Assiut, Qenna

4 lines of business
fixed voice, fixed broadband, mobile, 140 directory

segmented service
value & product

24

15+mn customers
across all business lines

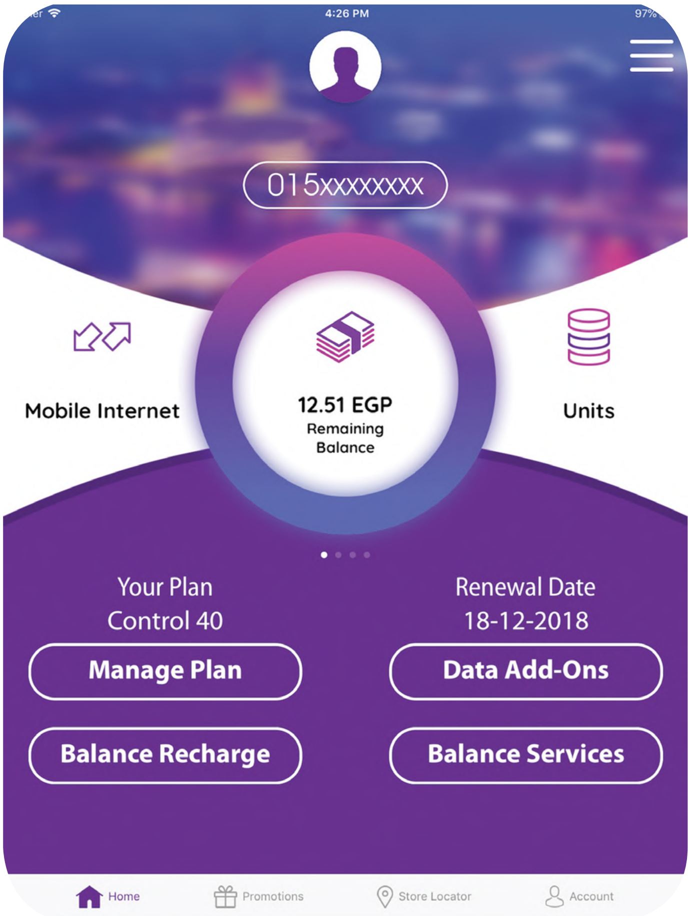
5.8mn calls/ month
across all business lines

Multi-channel support
Live, emails, IVRs, USSD, website, webchat, mobile app, social media

400kdigital chats/ month

8.2mn social media fans
Facebook, Twitter, Instagram

350+K BO transactions/month



Digitalization in Focus

WE has introduced several channels to support the growing demand of customers for digital interaction including social media. The digital support function helps customers across different media including LiveChat on the company's website, Facebook and WhatsApp. The number of chats has trippled in 2018 to 400k from 150k in 2017. WE has introduced apps for its mobile and internet products in Q3 2018 to help offload some of the growth.

Applications new release in 2018

As part of care channel management and customer empowerment plans, WE has successfully launched a new release of the mobile applications for both mobile and internet customers. The applications empower the customer to renew their subscriptions, recharge accounts, change price plan, track usage, and locate the nearest branch. Our future plan includes click to call or chat functionality to ensure smooth transfer between care channels.

The Chatbot

The Chatbot is a self-care tool utilizing artificial intelligence to simulate conversations with agents. It provides on time support and can recognize both Arabic and English languages. It also supports measuring customer experience and satisfaction through NPS & CSI at the closure of each transaction.

Directory services on WhatsApp

WE is to launch its 140 Directory services, utilizing WhatsApp Business shortly. This will help customers with locations and contacts instead of sending customers SMSs after the call ends.

03

Connecting the numbers

Strong financial performance

Double digit growth across the P&L

Income Statement (EGP mn)	2018	2017	2016	2015	CAGR
Revenue	22,771	18,567	13,950	12,184	23%
COGS	(9,412)	(7,290)	(4,816)	(4,215)	31%
Gross profit	**13,359**	**11,277**	**9,134**	**7,969**	**19%**
G&A expenses	(624)	(499)	(403)	(363)	
S&D expenses	(1,388)	(533)	(300)	(449)	
Employee costs	(5,216)	(5,061)	(4,629)	(3,721)	
EBITDA	**6,130**	**5,184**	**3,801**	**3,436**	**21%**
Depreciation & amortization	(2,717)	(2,105)	(1,535)	(1,589)	
Other Income (expenses)	147	(1,056)	(275)	(310)	
Operating Profit	**3,560**	**2,023**	**1,991**	**1,537**	**32%**
Income from investments	2,201	2,337	668	1,118	
Net finance income (costs)	(1,312)	(646)	693	300	
NPBT & Minority Interest	**4,449**	**3,715**	**3,353**	**2,955**	**15%**
Tax	(958)	(659)	(680)	44	
NPAT before Minority Interest	**3,491**	**3,056**	**2,673**	**2,999**	**5%**
Minority Interest	(7)	(4)	(2)	(2)	
NPAT	**3,484**	**3,052**	**2,670**	**2,997**	**5%**
EPS	1.61	1.38	1.20	1.40	5%

Operational ratios	2018	2017	2016	2015
Revenue growth	22.6%	33.1%	14.5%	0.2%
EBITDA growth	18.3%	36.4%	10.7%	-10.4%
CapEx intensity*	37.3%	39.7%	33.9%	25.9%
Net debt to EBITDA	2.1x	1.3x	0.6x	(0.6)x

**Excluding license fees paid in 2016 and 2017*

Customer base (in thousands)	2018	2017	2016	2015
Fixed voice	7,865	7,145	6,465	6,555
Fixed data	5,237	4,070	3,382	2,809
Mobile	3,861	2,300		

Financial review

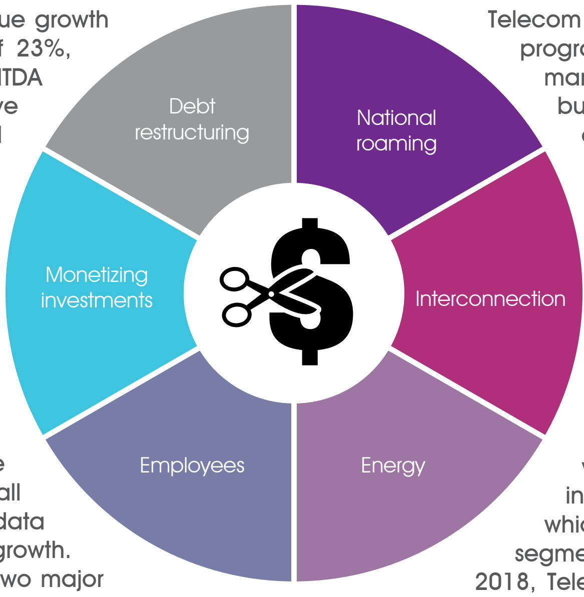
Focus on enhancing profitability

Strong 2018, results ahead of guidance

During 2018, we exceeded our revenue growth guidance, reporting a YoY growth of 23%, which led us to exceed our EBITDA guidance in absolute terms. We have reported growing revenues across all business units with the exception of the ICA business unit due to the global trend of declining international voice traffic. Our organic revenue growth excluding Bharti came in at 14% YoY.

Delivering on our strategic objectives

In line with our strategic objectives, the retail segment contributed 71% of overall revenue growth with mobile and fixed data representing 46% of the total top-line growth. We have also been able of execute two major projects in the year; the deal with Bharti Airtel and the schools' connectivity project. The Bharti deal comes in line with our plan to continue to expand our international connectivity to enable digital transformation while the latter represents a milestone in supporting the government's digital transformation initiative.

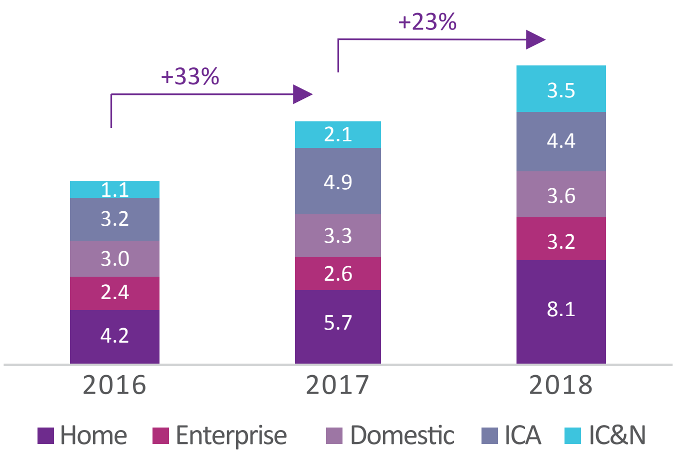


Cost efficiency programs underway

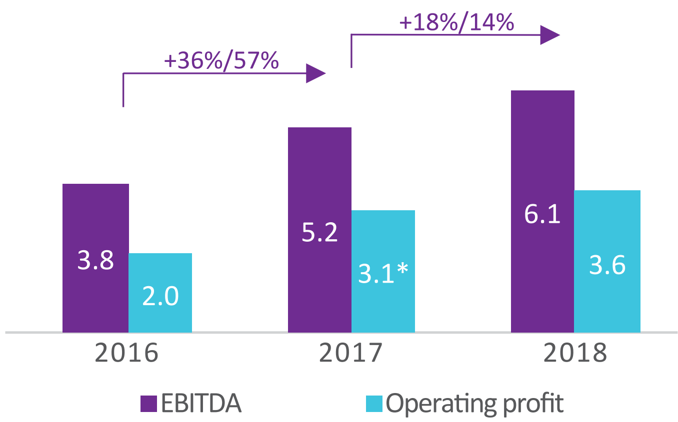
Telecom Egypt is working on four cost efficiency programs to maintain and enhance its margins, in light of the transformation of the business and the inflationary macro environment.

1. **National roaming:** In 2018, we amended the national roaming agreement with Etisalat Misr, receiving improved national roaming rates. Additionally, the company continues to work on its network roll-out plan with +20% of data traffic carried over our network by the end of 2018.
2. **Interconnection cost:** We are working on offers to maximize the international traffic to WE's network, which should enhance the margin of this segment significantly. In addition, during 2018, Telecom Egypt reached two agreements with Etisalat Misr and Orange Egypt on mobile termination rates where Telecom Egypt was able to secure preferential rates with both operators.
3. **Energy cost:** Telecom Egypt is working on shutting down all exchanges, which were replaced with MSANs as part of the copper-to-fibre replacement program.
4. **Employee cost:** The main initiative relates to the training and reshuffling of employees across several divisions to enhance productivity. In addition, Telecom Egypt is studying resuming its early retirement program in 2019.

Revenue
(EGP bn)



EBITDA/ operating profit
(EGP bn)



**2017 operating profit normalized for Etisalat dispute provisions*

Re-assessing the useful life of assets

As of the end of 2017, Telecom Egypt's total fixed assets amounted to EGP 51.7bn of which EGP 23.2bn (45%) were fully depreciated and still in use. A technical team assessed the useful life of all network elements, in line with the best practice and benchmarks in other countries. The team also studied the different asset categories and separated the assets based on the underlying components. Two decisions were taken based on the recommendations of the technical team:

1. Increasing the useful life by equipment by an average of 3 years
2. The separation of the infrastructure into two components: fibre cables' depreciation to remain at 25 years and civil works' depreciation to increase to 50 years.

The decisions resulted in total annual saving of EGP 350mn of which 25% relate to the extension of the useful life of equipment and 75% to the separation of the underlying components.

Debt restructuring to lower our interest costs

During the year, we have worked to restructure our debt to enable its repayment in line with our cash flow generation as well as to reduce interest expense. In October 2018, we have completed a 5-year USD 500mn syndicated facility with 13 regional banks, which will be used to refinance short-term debt. We had already started converting EGP debt into USD early in 2018 and by the end of year, we had converted 74% of total debt into USD, reducing the effective interest rate to 9.3% in Q4 2018 (excluding the admin fees of the syndication). Telecom Egypt is naturally hedged against foreign exchange rate fluctuations given that c30% of its revenue is generated in foreign currency, which enables it to repay its USD debt obligations.

Deleveraging is a priority

Deleveraging has become important as net debt to EBITDA reached 2.1x by the end of year. While such a ratio is not high in our view given the company's growth and investment profile, in light of the high interest rate environment in Egypt, Telecom Egypt believes that in order to enhance profitability further, deleveraging is an area to focus on. As such, management worked on releasing Telecom Egypt's shares of Vodafone Egypt's retained earnings. With the payment of the first tranche of the dividend expected in March 2019, Telecom Egypt intends to close all the EGP denominated debt to bring down the net debt to EBITDA level to 1.5x. Such a move is expected to lead to annual interest savings of EGP 490mn and further reduce the effective interest rate.

Managing cash flows to boost growth while maintaining profitability

Our priority for 2019 remains with deleveraging the balance sheet to improve profitability. Operating cash flow generation will be dedicated towards our Capex plans in 2019 as we have expedited our copper-to-fibre replacement program to end in 2020 instead of 2022. Our Capex investment is targeted towards strategic areas to boost the company's revenue growth and is based on cost-benefit-analysis models. We are also exploring ways to monetize unutilized assets including the company's huge land bank. These considerations have led us to propose maintaining the minimum distribution of 2017 into 2018. We need to make sure that Telecom Egypt's future investments and profitability are secured in light of the high interest rates in the Egyptian market.

Our investment in Vodafone Egypt pays off

Telecom Egypt has reaped the fruit of its investment in Vodafone Egypt with the announcement of the recent dividends from the company, which represent 91% of retained earnings as of March 2018. Telecom Egypt will receive a total of EGP 5.5bn in dividends from Vodafone Egypt on two tranches, the first of which amounts to EGP 4.8bn in March 2019 and the remaining EGP 0.7bn in June 2020. A large portion of the dividends will be dedicated to the repayment of debt to enhance profitability and the remainder will be redirected towards cost cutting initiatives including the reactivation of the company's early retirement program. The liquidity will also enable Telecom Egypt to continue with its Capex investments in 2019, according to the guidance announced in December 2018.

Looking ahead

Our 2019 guidance entails a mid-to-high single digit revenue growth. Excluding the Bharti deal from 2018, we expect growth of mid double digit. We maintain our EBITDA margin guidance of 2018 in 2019 at mid to high 20s, while in-service Capex intensity is expected at 30%.

Main events in the year

2018		
Jan	Settled 10-year-long legal disputes over international voice services with Etisalat Misr	
Feb	Renewed transmission & infrastructure agreement with Vodafone Egypt until 2020 with a value of EGP 2.37bn	Signed an agreement with Orange Data until 2020 providing bit-stream services
May	Telecom Egypt signed USD 200mn financing deal with African Export-Import Bank managed by ADIB Egypt and USD 200mn vendor financing with Huawei	Signed a sales & Purchase agreement (SPA) for the acquisition of MENA Cable through a TE subsidiary (EISCC)
Jul	Telecom Egypt and Etisalat Misr signed two agreements for national roaming and mobile termination	Renewed the Int'l services agreement for EGP4bn & transmission services agreement for EGP1.5bn with Orange until December 2021& December 2022 respectively
Aug	Airtel and Telecom Egypt announced strategic partnership for global submarine cable systems	Telecom Egypt and Etisalat Misr signed the first MoU for virtual fixed voice services
Sep	Telecom Egypt concluded the acquisition of Middle East and North Africa Submarine Cable "MENA"	Telecom Egypt's BoD approved the acquisition of 50% of Egyptian International Submarine Cable Co (EISCC)
Oct	Telecom Egypt signed agreement with Bharti Airtel for global submarine cable systems	Telecom Egypt signed USD 500mn medium-term syndicated loan
Dec	Telecom Egypt and Liquid Telecom signed MoU as Part of Egypt's FDI initiative	

2019

Jan	Telecom Egypt announces a change in its BoD and its CEO	
Feb	Telecom Egypt signs agreement with Orange Data to provide high-speed bit stream services	Telecom Egypt and Vodafone Egypt reach agreements on transmission, infrastructure services and dividend distribution
	Telecom Egypt signs MoU with Huawei to provide public cloud services	Telecom Egypt and Ericsson applied completed the successful deployment of Artificial Intelligence (AI) to its full-stack telco cloud
	Telecom Egypt and Ericsson announced the upgrade of Telecom Egypt's Cloud Core Network to be 5G ready	Telecom Egypt and Cisco are collaborating to serve virtual network functions (VNFs) and further its network modernization plans
	Telecom Egypt and Microsoft to extend Microsoft's global cloud network to Egypt	Telecom Egypt and Nokia announced that TE will build cloud infrastructure for IoT rollout in Egypt
	Telecom Egypt and Nokia signed MoU to introduce 5G network and test use cases	

04
Giving back

Our people

Our asset, our success

At Telecom Egypt, we believe that our people are our strongest asset and our company's growth is highly dependent on the growth and development of its employees. We are keen on encouraging the progression of our existing employees and attracting new talent as both are essential to sustain our business performance over the long term. Our commercial slogan "ehna menak", we are part of you, is meant to reflect our understanding of our customer needs, because we are part of their community. We apply this slogan across our organization to our employees as Telecom Egypt strives to be close to its employees and to offer them all that would allow them to lead a good life.

A diverse…

Similar to our operations and our focus on customers, our organization is an inclusive employer. Given that Egypt is an immensely diverse country in and of its own, the number of employees from different parts of Egypt working for Telecom Egypt create a fruitful, multi-cultural environment, allowing the company to cater to people from all walks of life. We employ 48k people that work all over Egypt with 60% of our workforce employed outside of Cairo and 40% employed outside of the three major urban cities, Cairo, Giza and Alexandria. We have more than 200 employees in each of Egypt's governorates from the New Valley and the Red Sea in the South to Sinai and Matrouh in the North. Our employees, with their different regional cultures, are the asset of our reach and heritage.

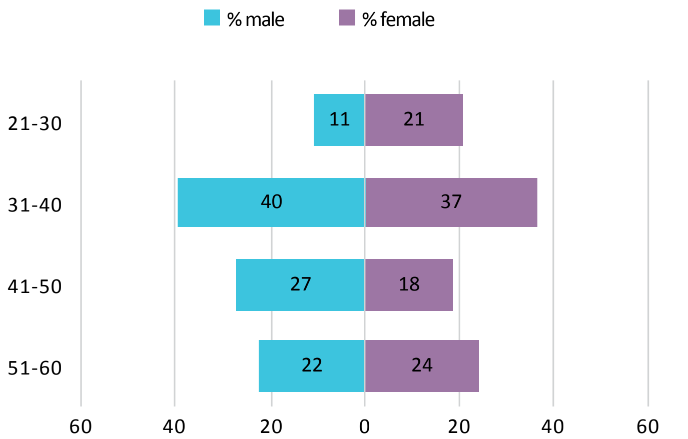
… and inclusive organization

Telecom Egypt has long been an advocate of gender equality and inclusion in the workplace. We provide equal opportunity in recruitment, career development, training and promotion. Women represent 26% of the total workforce, yet we are seeing more women in the younger generations in our headcount with women presenting 40% of the headcount in the age group from 21-30 years. We also focus on equal opportunity in senior management positions (check women in management on the next pages).

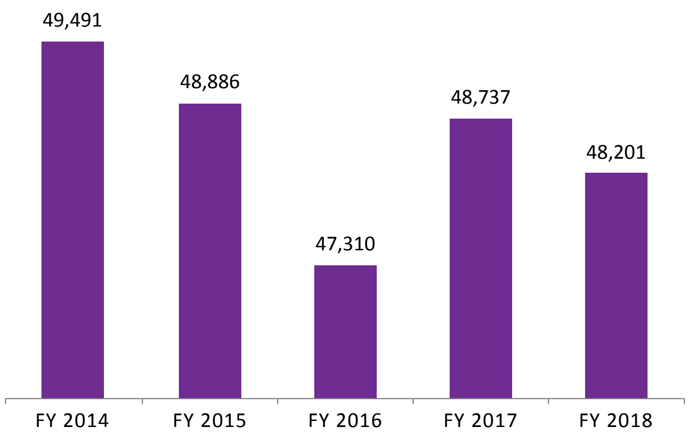
Not only training but retraining is key

The company adopts a comprehensive system to leverage its employees' capabilities and develop their talents through periodical training programs. Over the last ten years, we had a strict hiring policy as Telecom Egypt tried managing employee costs. In 2015 and 2016, our employee base declined as a result of the attrition related to employees reaching their retirement age. In 2017, the hiring policy has been eased in order to accommodate for the venture into mobile, leading our employee base to grow by 4% as we added 1400 new employees. Nevertheless, the age profile of our employees remains skewed towards higher age groups with 37% of our workforce in the age bracket from 31 to 40 years and 45% of the workforce above 40 years old. This is also why in 2018, the employee base continued its decline in spite of the hiring of new calibre. Telecom Egypt takes pride in its large human resources and believes that retraining is crucial for experienced works. In 2018, we organized workshops for 1,224 engineers to introduce mobile and wireless systems and offered sales training programs on Business Support Systems (BSS) for 4,200 employees. Additionally, the company designed 50 different training programs in accordance with the training needs of various departments.

Employee age and gender distribution in 2018



Headcount development



Focus on future leaders

Motivation is key to a successful business. In Telecom Egypt we put great emphasis on making sure that ideas are heard and leaders are developed. Telecom Egypt is training the second batch of employees for the Executive MBA program and has trained the 13th batch of employees in the leadership development program. Our training programs ensure that our employees are continuously motivated and developed to meet the business needs.

Transparency in compensation…

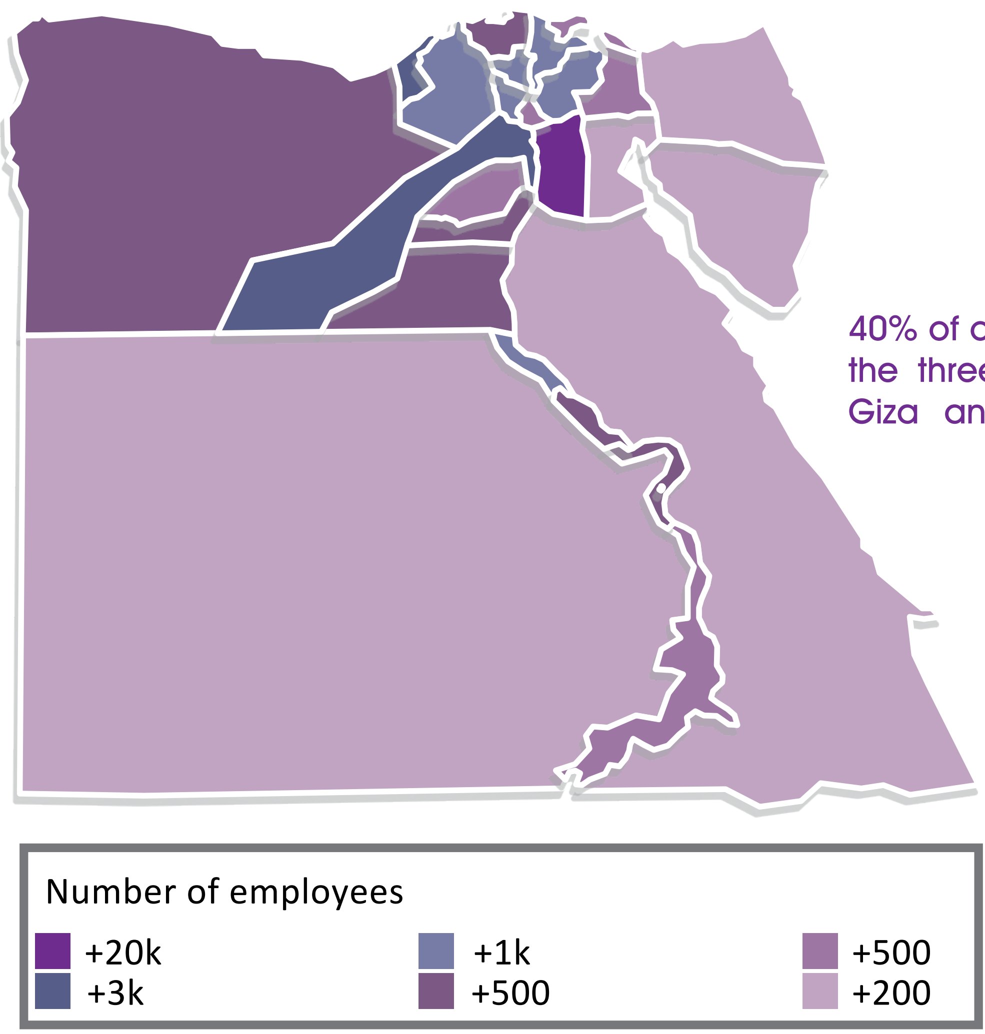
Our compensation and promotion policies are characterized by a high level of transparency across the organization. Our compensation policy is based on the structure of the organization and internal benchmarking activities. Additionally, incentive schemes are devised for employees in accordance with the nature of their job and the expected end of year goals and objectives. The pay structure is split into a basic pay and allowances. The latter varies according to the job nature or in light of targets as in the case of sales teams.

… and promotion

Grading and promotions are based on several factors including examinations. The vacancies are announced through the internal communication channels and email. Some vacancies require written exams while others only interviews by a committee including the HR team and the hiring manager.

Working ethically

Telecom Egypt's code of conduct maintains the company's basic values and principles that employees are obliged to abide by; it is also a guideline for our responsibilities to our people, customers and stakeholders. This year, we have stressed on several compliance issues including information disclosure and dealing with personal data as well as conflicts of interest.



40% of our employees are outside of the three main urban cities, Cairo, Giza and Alexandria, representing our unique reach

Women in management

First row from left to right

Sahar Heshmat
Treasury and Risk Management Senior Director

Sahar Azmy
Enterprise Director

Samira Ali
Vendor Management Director

Heba Bassiouny
Business Process and Quality Management Director

Naglaa Noseir
CSR Director

Magda Abdelkader
International Network Operations Director

Mahassen Ragab
Customer Care Director

Second row from left to right

May Azab
Marketing Director

Naglaa Abdeen
Customer Experience Senior Director

Zeinab Eissa
Sales Director

Rasha Hassan
Regional Planning and Performance Monitoring Director

Enas Khairy
Fixed Broadband Customer Care Director

Safaa El Naggar
Procurement Senior Director

Walaa Hermes
Customer Experience Operations Director

Hanaa Zaki
Corporate Strategy Director

Sarah Shabayek
Investor Relations Senior Director

Open

Women in management

Our social responsibility

for a better Egypt

Ehna Mennak We are part of you

Telecom Egypt organizes a multitude of projects and initiatives that contribute to the development of our country, Egypt.
We strive to improve the quality of life of Egyptian citizens by alleviating the effects of basic societal burdens and achieving comprehensive development in accordance with the state's sustainable development vision 2030. We do not consider giving back as just an obligation, it is our way of expressing deep gratitude to the Egyptian population who trusted and supported the launch of our new retail brand "WE". We are also determined to help achieve gender equality in the country by applying non-discriminatory policies within our operations and providing real opportunities for Egyptian women to learn new skills, develop themselves and become independent working members of society. Healthcare, education, access to necessary utilities and gender equality are not privileges, they are basic human rights and Telecom Egypt will perpetually work to ensure that marginalized communities are able to lead healthy human lives.

Healthcare initiatives

Egypt Free of Virus C

In support of the national initiative to eradicate Hepatitis C, Telecom Egypt conducted awareness campaigns, offered training courses and collected 3000 blood bags to help affected patients. The company also signed a protocol with "Misr El Kheir" foundation to provide dental clinics in public, central, and university hospitals with medical supplies and equip them with sterilization tools required to prevent the spread of the virus. To make blood bags more readily available to patients, Telecom Egypt launched an electronic network connecting more than 200 blood banks affiliated with the Ministry of Health. This network will help create a strong database and allow decision makers to view information on surpluses and deficits for various blood types.

Supporting cancer treatments

Telecom Egypt supplied Baheya Foundation for treatment of breast cancer with two radiology devices and cooperated with Orman Oncology Hospital to prepare a surgical wing under Telecom Egypt's name. Telecom Egypt is continuing to support 130 cases of cancer patients and treating 112 children with Thalassemia, Haemophilia, and Thrombocytopenia as the company is the only supporter of this association.

Providing paediatric dialysis units in Upper Egypt

To help children in need of dialysis treatments in Upper Egypt, Telecom Egypt signed a cooperation protocol with Al-Shifa Bank and provided nine paediatric dialysis units for El-Usayrat Central Hospital in Sohag, Al Iman General Hospital, and Drau Central Hospital. The company also provided Qena General Hospital and the Fever Hospital in Beni Suef with 12 units.

The million consultation campaign

In accordance with the President's vision of enhancing the detection of non-communicable diseases, Telecom Egypt equipped hospitals with communication and internet services to connect main hospitals to medical clinics in remote areas to ease the burden of the needy. This campaign aims to reform the entire patient-doctor experience by allowing patients to have access to trusted and reliable health practitioners from a network of more than 10,000 doctors across all specialties.

The "Enik f Enina" initiative

To reduce the causes of blindness, Telecom Egypt sponsored caravans in Halaib and Shalateen and surrounding areas that identified more than 250 patients and performed operations on them. Fifty difficult cases were sent to hospitals in Cairo.

The "Awladna Fe Enina" initiative

Telecom Egypt started a medical campaign aiming to detect, diagnose and treat children who suffer from ophthalmology, diabetes and anaemia in disadvantaged areas in Elfayoum governorate.

Empowering women and youth

El-Masriya for Handcrafts:

This project allows women working as homemakers to learn crafts using a ready-made clothes and hand-made carpets.

Egyptian Association for Information Technology for the underwater robotics (ROV):

The aim of the competition is to achieve a breakthrough in developing the future of the marine robotics industry and to train undergraduate students in the field. Telecom Egypt supported the association by sponsoring the finalists of 40 teams, two of which have won first and third place.

"Ghayarha" initiative

This initiative targets the youth in Egypt and aims to improve their awareness of the principles and values of community participation and sustainable development as well as the development of the skills and abilities needed to create and manage projects aimed at improving the economic, social and living conditions of marginalized communities.

Sponsoring Egypt IoT challenge

The main objective is to support and develop the ICT industry in various fields related to the technology of the internet of things, creating jobs opportunities for Egyptian youth and attracting international and regional investments in this sector. "Global technology by Egyptian hands" this is the slogan that Telecom Egypt adopts and works to achieve.

Youth Leadership Foundation

The foundation aims to prepare promising youthful figures to become future leaders. We completed the four-phase screening process and the trainees' development phase is now under way.

Supporting the Faculty of Engineering's M.Sc. program

Telecom Egypt has been supporting the Faculty of Engineering, Cairo University's program for the last 5 years.

Supporting martyrs' children

Telecom Egypt supports 22 children of martyrs who are enrolled in the Japanese schools of Egypt to hold their primary degrees.

Vocational training program

This program aims to train 1,000 graduates from schools and technical and industrial institutes on the technical services provided by the company and needed by the Egyptian telecommunications market such as installation, maintenance and removal of cables, fibre, power and air conditioning. The program was designed to develop their skills and to provide them with the necessary practical experience needed to join the Egyptian workforce.

Telecom Egypt also signed a collaboration protocol with the Ministry of Social Solidarity aiming to help street children through the development and processing of technical workshops on electricity technology within five institutions in five provinces to train 720 people annually.

People with special abilities

We aim to integrate those with special abilities into the Egyptian society by providing education and employment opportunities and facilitating their lives using technology. The company established learning and rehabilitation centres in Upper Egypt in cooperation with "Misr Elkheir" institution and established training programs for employees. Telecom Egypt also continued to support the Egyptian Paralympics, specifically the Egyptian Mission in Abu Dhabi and the Egyptian Mission at the Women's World Cup in Chicago. It also sponsored the Egyptian swimmer Amr El Suhagy.

In support of the United Nations Development Program (UNDP), Telecom Egypt provided Internet services for people with special needs through an innovation competition to design and implement inventive and effective solutions for sustainable development. The company also signed a collaboration protocol with Unify Foundation for social integration.

Integrating our core business into societal causes

Telecommunications in the health sector

Telecom Egypt is implementing a data centre in the Ain Shams University hospital to provide high-tech services. Telecom Egypt is currently developing Ain Shams hospital's infrastructure by replacing worn out cables with fibre optic cables supporting We also support "Mafateh El Kheir" association by donating EGP 1.08mn to provide technological services for persons with disabilities and providing technological support for hospitals including 57357, Baheya, and "Ahl Misr" hospitals.

Telemedicine

In collaboration with the Ministry of Communications and Information Technology, Telecom Egypt connected the main hospitals with the primary healthcare centres in remote areas to ease the burden on those who require high-quality medical care.

"100 Million Seha" campaign

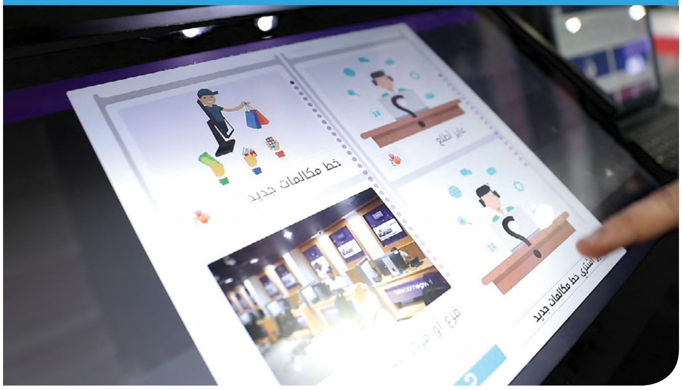
Telecom Egypt developed 3,000 mobile chips to facilitate communication among different medical units all over Egypt.

"Nour Hayat" initiative

The company contributed to the Tahya Misr fund in terms of providing computers and the needed equipment to detect, diagnose and treat people in disadvantaged areas who suffer from ophthalmology.

Accessibility for people with disabilities

Telecom Egypt is the first telecom operator to launch new special-edited application that enables blind, deaf and mute persons to access and navigate the company's services. The app features are presented in ways that cater to the aforementioned persons.



05 Emphasizing governance

Board of Directors

Dr. Magued Osman

Chairman

Appointed as chairperson of the BoD in March 2016, representing the government. Previously, he served as the Minister of Communications and Information Technology (MCIT) in the interim government in 2011. Osman is the Executive Manager of the Egyptian Centre for Public Opinion Research "Baseera", and a professor of statistics at the Faculty of Economics and Political Science, Cairo University. He also served as Executive Director of Information and Decision Support Centre from 2005 to 2011

Adel Hamed

Chief Executive Officer
& Managing Director

Appointed as MD & CEO in January 2019, representing the government. Hamed was Chief International and Wholesale Officer in August 2017, having served 20 years in Telecom Egypt holding various roles. In 2018, Hamed concluded several domestic and international agreements to secure and grow TE's revenue streams and enable the profitable operation of the mobile venture. He also played a major role in settling disputes with domestic operators alongside his major role in the purchase of MENA Cable and the closure of the Bharti deal.

Tarek Al Zaher

Nonexecutive Board Member

Appointed in January 2019, representing the government. Army General Al Zaher is the chief of staff of the Egyptian Signal Corps in the Egyptian Armed Forces.

Mohamed Shamroukh

Senior Vice President
Chief Financial Officer

Became Chief Financial Officer in July 2013 and appointed as board member representing the government in March 2016. He joined Telecom Egypt in 2002, He has a well-rounded experience having worked in various departments spanning operations, technical planning, corporate strategy and finance. As a Director of Corporate Strategy from 2009 to 2013, Shamroukh institutionalized corporate strategy in the firm building the company's first long-term strategy and business plan assessing the mobile license.

Hussein Amin

Nonexecutive Board Member

Appointed in March 2016, representing the government. He is the Director of the Kamal Adham Centre for Television and Digital Journalism at the School of Global Affairs and Public Policy, AUC. He works for many national and international boards including the Information Technology Institute & the World Congress for Middle East Studies. He is a well-known international scholar in the field of media and informatics and serves as a member of the board of advisors of prestigious international academic journals.

Mohamed Barakat

Nonexecutive Board Member

Appointed in March 2017, representing the government. Barakat is the Deputy Chairperson and Managing Director of Arab International Bank since October 2014. He was a board member of the Central Bank of Egypt from December 2003 to November 2011, during which was appointed as a member of the Banking Reform Committee and the Audit Committee. Barakat served on the board of various financial institutions and committees and adds more than 40 years of banking experience to Telecom Egypt.

Hossam El-Gamal

Nonexecutive Board Member

Appointed in January 2019, representing the government. He is the Associate Minister for Networks and ICT infrastructure at the Ministry of Communications and Information Technology. El-Gamal possesses over 20 years of experience in the ICT field, with international experience in management, integrated future technologies, and innovation and entrepreneurship areas. He served as Vice President for Strategy, Marketing and Technology Solutions at Huawei Egypt. He was also the Regional Director of Business and Network Consulting Department, at Huawei Technologies, North Africa.

Ibrahim Tawfik Heikal

Nonexecutive Board Member

Appointed in July 2018, representing the company's labour union. Heikal held several leadership positions in labour unions including the Egyptian Trade Union Federation, the Assistant Treasurer of the General Union, the Youth Secretary of the Workers' Union of the Egyptian Trade Union Federation, a member of the Workers University and a member of the Board of Directors of the Employment Training Fund led by the Ministry of Manpower and Immigration.

Ahmed Abou Ali

Nonexecutive Board Member

Appointed as an independent board member in August 2012. Abou Ali combines Egyptian and US legal education and practice, with experience in banking, commercial and corporate law in both markets. In the US, he was involved in several corporate financing, leveraged buy-outs and corporate restructuring as an attorney with the Chicago law firm of Sidley & Austin. Abou Ali served as attorney of the Supreme Court of Egypt. He is also a partner in Hassouna & Abou Ali for legal consulting.

Mohammed Seif El Nasr

Nonexecutive Board Member

Appointed in March 2016 as an independent board member. El Nasr is the Chairman of the Arab Investment Bank since 2011. He has many years of experience in the banking, financial, social and developmental domains besides previously assuming several leadership positions in Egypt's major financial institutions including the Managing Director of the Social Fund for Development, the BoD member in Bank Misr and National Bank of Egypt and the Commercial International Bank.

Amr El Ganainy

Nonexecutive Board Member

Appointed in June 2017, as an independent board member. El Ganainy is the Chief Executive Officer, Institutional Banking, Commercial International Bank (Egypt). He joined CIB in 2004 as a General Manager, Financial Institutions Group. El Ganainy is also the Chairman of Falcon Group, Chairman of CI Asset Management Co., and a Board Member in several companies such as; CI Capital Holding Co., TE Data, Misr for Central Clearing, Depositary and Registry Co., Egyptian Holding Co. for Airports and Air Navigation.

Executive management

Adel Hamed

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Antar Kandil

Vice President
Chief Information Officer

Appointed Chief Information Officer in April 2014 and joined the executive team in 2017. Kandil has 19+ years of diversified experience in the field of Information Technology in Egypt and USA across multiple sectors including FMCG, IT consultancy, shipping, oil & gas and lastly telecoms. Antar assumed many roles during his career path in Telecom Egypt that started in 2009. Kandil was the Head of Information Technology in Shell Gas & Power Company and the Group IT director of 'Enjoy.'

Mohamed Abo-Taleb

Vice President
Chief Commercial Officer

Joined Telecom Egypt as Chief Commercial Officer in September 2017 bringing 17+ years of experience in the telecom sector. Previously, Abo-Taleb successfully led the transformation of The Post Distribution Company (PDC) as the Chairman & Chief Executive Officer since 2013. In February 2011, Abo-Taleb joined Orascom Telecom to lead the Regional Sales Office overlooking the company's African and Asian markets and its operations in Canada. He also held several positions in Vodafone and Etisalat in Egypt.

Hany Abdel Moneim

Vice President
Chief Customer Care Officer

Appointed Chief Customer Care Officer in October 2017. Hany brings 22+ years of concentrated telecom knowledge in customer care and experience having served 18+ years in Vodafone Egypt. Abdel Moneim managed to serve a customer base of 40+ million enhancing customer satisfaction and first contact resolution performance. Abdel Moneim also has experience in customer care consultancy having led a customer experience and care project with Vodafone International Services for Omantel.

Tarek Shamekh

Vice President
Chief Technology Officer

Is our Chief Technology Officer since June 2018. He joined Telecom Egypt from Djezzy, the Algerian subsidiary of Global Telecom Holding / Veon, where he served as the Head of Networks and successfully launched Djezzy's 4G network in Algeria in a record-time, ahead of competition. Shamekh's experience including 17 years in management is characterized by building mobile networks from the initial phase of planning to their live operation and onwards onto operational excellence and transformation.

Open

Executive management

The governance structure

Composition of the Board

Telecom Egypt's Board of Directors is composed of eleven members, seven of which are appointed by the government, one member is elected by the labour union and three are independent members. The Board of Directors determine and set the strategic objectives of the company, monitor the performance of the executive management, ensure the effectiveness of the internal control and risk management systems and put a system for governance. The Board also sets the administrative, financial and employee internal policies and approves the performance criteria that should be followed by employees to ensure their efficiency. The Board has formed several committees and delegated responsibility to maintain effective governance. The Board of Directors submit a detailed report about the company's annual performance and present it to the shareholders during the ordinary general meeting.

BoD meetings

The BoD hold their periodic meetings in the company's premises or in one of its branches distributed across the country whenever required, depending on the request of the chairman or at least one-third of the Board members. BoD annual meetings should be held at least four times every financial year. If a BoD meeting is held in a different place, all members should attend whether physically, virtually or through written delegations to another Board member with a rule that the delegate member should represent no more than one absent member. For a BoD meeting to go into session, the majority of the members must attend and at least one independent member must be present. BoD decisions are issued based on a majority vote of attending members. In case of a tie, the chairperson's vote breaks the draw.

Chairman responsibilities

The chairperson of the Board presides over all Board meetings and ordinary/extraordinary general assembly meetings. His duties include the following:

- Ensuring that timely and adequate information is available to Board members and shareholders
- Guaranteeing a robust decision making process that is based on a thorough knowledge of the BoD discussion topics and a proper mechanism to oversee the performance based on these decisions
- Receiving reports and recommendations from all committees and periodically submitting them to the Board to take the necessary actions
- Ensuring that the Board is committed to fulfilling its duties in the best interest of the company, while avoiding any conflicts of interest
- Ensuring the effectiveness of the company's governance system and the committees of the Board

CEO responsibilities

The Board of Directors appoints one of its members as the Managing Director and CEO of the company. The CEO is responsible for leading the business and implementing the strategy. The Managing Director and CEO is responsible for the following:

- Implementing the company's strategy to enhance shareholder returns
- Preparing the company's proposed yearly budget to present it to the BoD
- Making administrative and financial decisions within the guideline of the approved annual budget
- Signing contracts, agreements and MoUs on behalf of the company
- Maintaining an organization structure that benefits the business and delivers on the strategy
- Proposing internal policies for the BoD to evaluate
- Ensuring that BoD decisions are implemented accurately and timely

BoD Committees

The Audit Committee responsibilities:

- Auditing internal control procedures and their implementation
- Studying the adopted accounting policies and any updates that arise
- Overseeing the internal control tools, mechanisms, procedures, plans and results
- Examining the procedures followed in preparing and reviewing the financial statements, any offering of securities, the company's budget and expected cash flows
- Studying the external auditor's report on the financial statements and ensuring that any comments and notes are considered by management
- Reviewing and monitoring the external auditor's independence and objectivity
- Ensuring the submission of related parties' transaction reports to the BoD by an independent advisor and ensuring that such transactions are in the best interest of the company

The Remuneration and Incentives Committee:

The committee reviews and concurs the company's incentive plans related to executive Board Members, the CEO, Vice Presidents and Senior Management. Additionally, evaluating the performance based on these predetermined plans to issue recommendations to the company's BoD regarding financial incentives or stock-related incentives.

The Investment Committee

Overseeing and reviewing any investment opportunities proposed by management and raising a recommendation to the BoD.

The Conflict of Interest Oversight Committee

The committee is responsible for protecting the interests of the company by governing the potential conflicts of interest that may arise with members of the Board, senior management, employees, advisors, shareholders and related parties by applying the approved conflicts of interest internal policy.

Internal Policy Review Committee

The committee reviews and amends to Telecom Egypt's internal policies and Article of Association, if necessary, to enhance internal controls.

Board members attendance

	Member name	BoD meetings	Audit Committee	Investment Committee	Remuneration Committee	Conflict of Interest Committee	Policy Review Committee
1	Magued Osman	15/15				4/4	9/9
2	Ahmed El Beheiry	15/15					
3	Ashraf Ismail	15/15	12/12				
4	Mohamed Shamroukh	14/15					
5	Hussein Amin	14/15		5/5	8/8		
6	Amr Mansour	15/15		5/5	8/8		
7	Mohamed Barakat	15/15	12/12				
8	Ahmed Abou Ali	14/15			8/8	3/4	8/9
9	Mohammed Seif El Nasr	13/15		5/5			
10	Amr El Ganainy	13/15	8/12				
11	Ibrahim Heikal	8/15				3/4	

Board changes during FY 2018/19

- Mr. Ibrahim Heikal replaced Mr. Mohamed Abdel Lateef as a board member, representing the company's labour union, on 5 July 2018
- Major General Tarek Al Zaher replaced Major General Ashraf Ismail as a board member, representing the government, on 9 January 2019
- On 31 January 2019, Eng. Adel Hamed replaced Eng. Ahmed El Beheiry as board member representing the government and Managing Director & CEO
- On 31 January 2019 Eng. Hossam El-Gamal replaced Eng. Amr Abdel Rasheed Mansour as board member representing the government

Board activities

The activities of the board aim to develop the company's strategy and support the executive management in its delivery within a transparent governance framework. The table below sums up the key areas of the board focus during 2018.

Q1 from 1/1/2018 to 31/3/2018

Period highlights
- Settling legal disputes & looking for investment opportunities

Annual tasks
- Discussing the annual management report for the financial year ending 31/12/2017
- Approving the management report
- Approving the full year financials
- Approving the dividends distribution proposal
- Approving the fees of the external audit and the Central Auditing Organization
- Approval of donations
- Calling for holding the AGM and EGM
- Amendment of the dividends distribution proposal
- Approving the FY financials according to the IFRS
- Approving settlement between Telecom Egypt and Etisalat Misr

Core business & updates
- Studying the investment opportunities in the submarine cables

Other meetings
- Remuneration Committee
- Audit Committee
- Investment Committee

Q2 from 1/4/2018 to 30/6/2018

Period highlights
- Expanding the ongoing business, investing in infrastructure, and studying options for the needed funding

Annual tasks
- Discussing the management report for Q1 2018 results
- Approving Q1 financials

Core business & updates
- Approval of acquiring loans and credit facilities to finance the available investment opportunities
- Approval of acquiring vendor financing from Huawei
- Approval of acquiring MENA submarine company

Other meetings
- Remuneration Committee
- Audit Committee
- Investment Committee

Q3 from 1/7/2018 to 30/9/2018

Period highlights
- Expanding the ICA and ICN business
- Supporting the digital transformation in Egypt
- Supporting the company CSR initiatives

Annual tasks
- Discussing the management report for Q2 2018 results
- Discussing the Central Auditing Organization report on Q1 2018
- Restructuring the Audit Committee
- Approving Q2 financials
- Approving Q1 financials according to IFRS
- Discussing all CSR initiatives
- Approval of 2018 budget

Core business & updates
- Signing the amended national roaming agreement with Etisalat Egypt
- Discussing the amendment of the purchasing internal policy
- Approving the acquisition of the 50% remaining stake in EISCC

Other meetings
- Remuneration Committee
- Audit Committee
- Investment Committee

Q4 from 1/10/2018 to 31/12/2018

Period highlights
- Expanding the ongoing business, investing in infrastructure
- Supporting and training technical labor in Egypt
- Supporting the digital transformation in Egypt
- Setting the strategy plan for the upcoming 3 years

Annual tasks
- Viewing the presentation by the Chief Technology Officer on the latest updates in Telecom Egypt's network
- Following up on establishing "we CSR"
- Discussing the 3-years business plan and 2019 budget
- Approving Q3 financials
- Approving Q2 financials according to IFRS
- Discussing the management report for Q3 2018 results

Core business & updates
- Viewing the presentation on the global trends in telecom and its connection with the media
- Sealing a deal with one of the human resources consultancy firms
- Approving the new purchasing internal policy

Other meetings
- Remuneration Committee
- Audit Committee
- Investment Committee
- Conflict of Interest Committee

Investor relations review

Delivering a consistent message to all stakeholders

The main goal of the Investor Relations is to effectively maintain a communication channel between the company and its shareholders, regulatory bodies and the investment community through the effective communication of the company's equity story to all stakeholders.

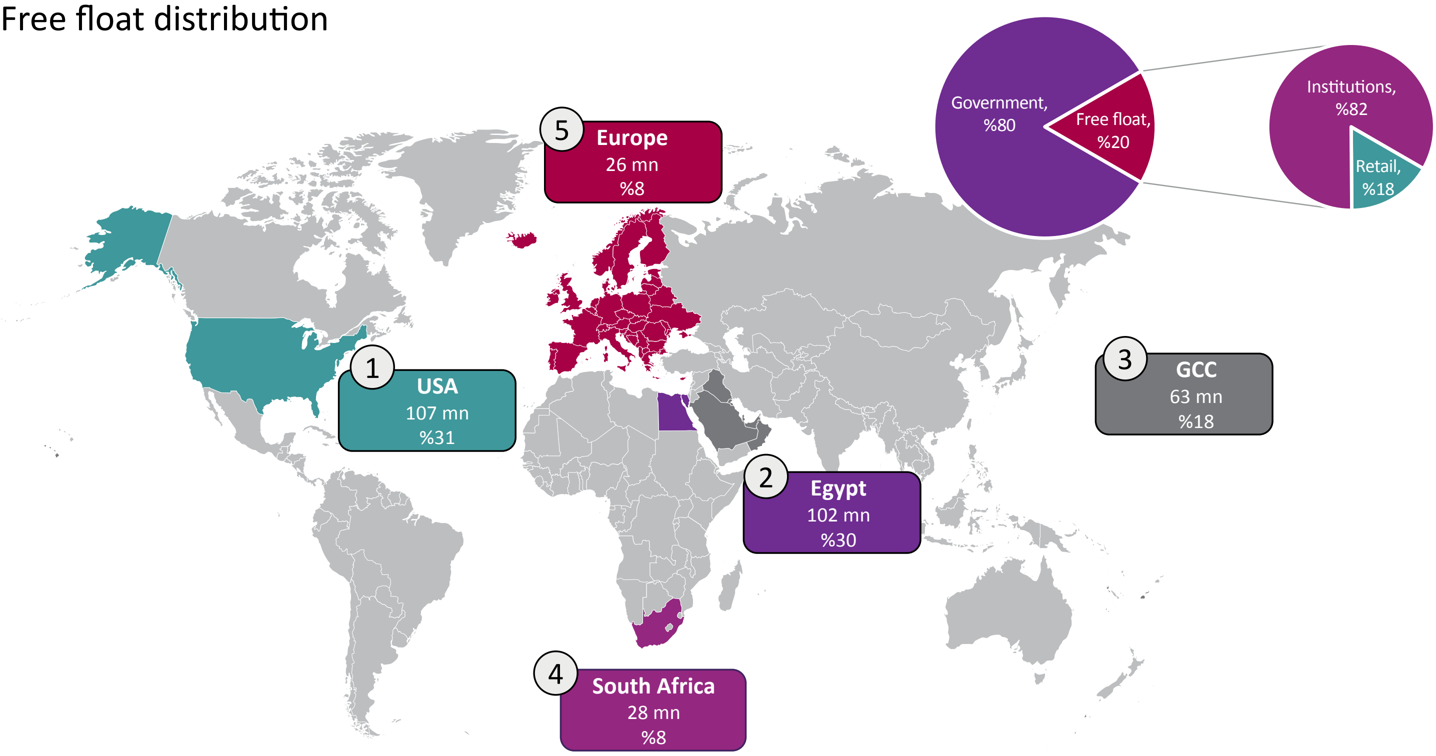
In line with the overall company focus on customer centricity, we have undertaken a transformation of the function in order to meet our stakeholders' requirements and improve transparency and disclosure. In 2018, we have revamped our publications in order to enhance the understanding of our business introducing:

- The corporate presentation for a complete overview of the business
- A quarterly results presentation explaining all trends and developments in the quarter
- A fact book including all historical operational and financial information to facilitate the creation of financial models by analysts and investors
- An earnings release with in-depth analysis of the trends of the period

Enhancing our reach through multiple channels

We aim to be reachable across multiple channels to cater to the growing demand from the investment community. One of the main initiatives undertaken during the year was to enhance our digital media platforms by launching the new IR portal, which provides all the financial information and company updates through a user friendly and timely updated interface in both English and Arabic languages. We have also started utilizing social media through our Facebook page to enhance our reach to retail investors. The team is accessible over the phone and email, but we also understand the importance of face-to-face meetings with management and aim to make the best use of management's time with investor meetings in our premises as well as travelling to meet investors by attending various conferences in different locations across the year.

Free float distribution



Data as of 31 December 2018

Our cross-functional investor facing team

To improve our reach, we have put together an investor facing team to cater to the busy IR annual calendar and provide investors and analysts with a full picture of TE's fundamentals.

Tarek Abdelhamid

Senior Director Consumer Sales & Marketing

Abdelhamid has a track record of green field launch, operations and group management. He joined TE in August 2017, coming with experience in different maturity phases of the industry having served in the senior management teams of Orange Egypt, Orascom Telecom Holding, Etisalat Group and Ooredoo Group. Abdelhamid is a London Business School Sloan Fellow and holds a MBA from Maastricht School of Management.

Wael Hanafy

Senior Director of Finance

Hanafy joined TE in 2002 growing in the company to oversee several Finance functions including budgeting, cost reduction, deals with other operators and vendor and banks relationship management. He also manages the financial operations of TE's international arms in France, Singapore, Morocco and Jordan. Hanafy is a Certified Management Accountant (CMA) and holds a Bachelor of Commerce from Helwan University.

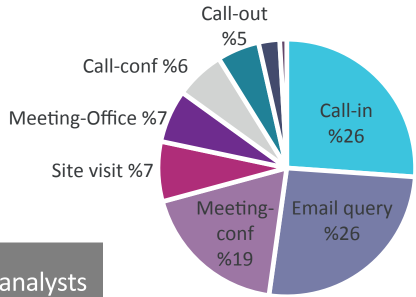
Sarah Shabayek

Senior Director of Investor Relations

Shabayek joined TE in November 2017, coming with over 10 years of experience in sell-side research in several local and regional investment banks having covered 17 telecom operators in 35 countries in the Middle East & Africa. She was ranked by Extel Surveys as the top telecom research analyst for three consecutive years from 2015-2017. Shabayek holds a Bachelor of Business Administration from the American University in Cairo.

226 interactions

with 75 investors & analysts



A well-rounded IR team catering to all stakeholders

We are proud that we are able to undertake all IR functions in house with a dedicated and experienced team catering to the needs of all our stakeholders.


Nancy Wahba
Planning & Coordination General Manager


Heba Abd Elmoneim
Listing & Disclosure Manager


Mohamed Khairy
Publications Manager


Ahmed Zayed
Analyst & Investor Support Manager

Our companies

Fully integrated companies

WE data is Egypt's the leading internet service provider with over 80% market share. Telecom Egypt established WE Data in 2001. WE Data's portfolio includes narrowband and broadband internet access services, managed dedicated internet access services, IP VPN connectivity services, prepaid calling cards and global connectivity services. WE Data's portfolio of services covers the needs of all segments including consumers, small and medium enterprises and large corporations.

Direct share	Direct & indirect share	Book value
99.99%	100.00%	EGP 252.5mn

TE data Jordan is a Jordanian registered company established in 2004 and fully owned by WE Data. TE Data Jordan has introduced new services into the market benefiting from WE Data's extensive experience and following its model. TE Data Jordan has highly ambitious plans to provide the market with a bouquet of high tech services that will contribute to increasing internet penetration in Jordan.

Xceed is a global provider of high-quality, multi-lingual Business Process Outsourcing (BPO) services. Xceed offers integrated customer care, technical support and associated back-office processing to commercial and governmental clients worldwide. Xceed was established in 2001 to serve as Telecom Egypt's IT arm with a client base of more than 11 million subscribers. Since then, Xceed has developed into a global provider of BPO services, with multi-sites at multiple locations. Xceed serves as one of the largest contact centres in the Southern Mediterranean region with four sites within Egypt.

Direct share	Direct & indirect share	Book value
97.66%	100.00%	EGP 31.3mn

Xceed Morocco is a Moroccan registered company that is fully owned by Xceed Egypt. The company provides services to French-speaking countries in Europe such as France, Belgium and Switzerland, as well as Canada. Its talent pool helps the company to compete in global outsourcing tenders.

Centra Technologies was established in 2002. Its core business is to provide complete IT solutions and produce different models of a local brand platform of PCs. The company now also assembles and resells well-known brands

Direct share	Direct & indirect share	Book value
58.76%	100.00%	EGP 14.7mn

Other investments

Middle East Radio Communication (MERC) was established in 2001 and is a leading company in the field of building, operating, and managing wireless communication stations. MERC has a license from the National Telecom Regulatory Authority (NTRA). MERC produces designs and operates various types of programs and computer systems in addition to developing software, operating systems and integrated systems.

Direct share	Direct & indirect share	Book value
49.00%	51.00%	EGP 7.4mn

Vodafone Egypt is the leading mobile operator in Egypt with c40% market share. The company offers its customers mobile voice and data services in addition to fixed broadband.

Direct share	Direct & indirect share	Book value
44.95%	44.95%	EGP 5,960.1mn

Egypt Trust was established in 2006 under the name Egyptian Co. for Digital Signature & Information Security SAE. It is based on the establishment of the Information Technology Industry Development Agency (ITIDA), which sets the guidelines for data security, protection and validation of digital signatures.

Direct share	Direct & indirect share	Book value
35.71%	35.71%	EGP 10.0mn

SPVs

TE Investment Holding was established by Telecom Egypt in 2009 to identify and promote suitable investment opportunities, both locally and overseas. By selecting companies that are involved in associated industries, TE aims to be operationally active where value can be added.

Direct share	Direct & indirect share	Book value
99.99%	100.00%	EGP 40.0mn

TE Globe is a registered company established in 2016 in Singapore and fully owned by TE Investment Holding. TE's Globe vision is to be the bridge of global telecom services between South East Asia, the Middle East, Africa and Europe through its robust and unique network connecting Singapore to the West.

EISCC was established in 2018 under the name Egyptian International Submarine Cables Company with the aim of growing Telecom Egypt's submarine cable footprint. The company bought MENA Cable Co. in May 2018.

Direct share	Direct & indirect share	Book value
99.00%	100.00%	EGP 267.6mn

TE France was established mainly to serve as a landing station in France for Telecom Egypt's TE North Cable.

Direct share	Direct & indirect share	Book value
100.00%	100.00%	EGP 69.2mn

06 Financial statements

Hazem Hassan
Public Accountants & Consultants

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Auditor's report

To the shareholders of Telecom Egypt Company

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Telecom Egypt Company S.A.E, which comprise the consolidated statement of financial position as at December 31, 2018 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

These consolidated financial statements are the responsibility of company's management. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Egyptian Accounting Standards and in the light of the prevailing Egyptian laws, management responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Telecom Egypt Company as of December 31, 2018, and of its consolidated financial performance and cash flows for the financial year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these consolidated financial statements.

KPMG Hazem Hassan

KPMG Hazem Hassan
Public Accountants & Consultants

Cairo, February 20, 2019

Consolidated statement of financial position

Assets	Note no.	31/12/2018 L.E. (000)	31/12/2017 Restated L.E. (000)	1/1/2017 Reclassified L.E. (000)
Non current assets				
Fixed assets	(13)	21 534 394	18 253 401	14 238 001
Projects in progress	(14)	5 429 756	2 911 397	7 418 288
Investments in associates	(15)	13 452 011	11 746 262	9 452 591
Available-for-sale investments	(16)	79 811	77 568	81 273
Long-term balances (prepaid expense)		74 672	-	-
Other assets	(17)	10 753 357	10 341 724	1 391 327
Deferred tax assets	(28-1)	239 160	397 437	418 502
Total non current assets		**51 563 161**	**43 727 789**	**32 999 982**
Current assets				
Inventories	(18)	1 766 009	1 183 773	662 097
Trade and notes receivables	(19)	4 378 759	4 371 697	5 084 681
Debtors and other debit balances	(20)	5 200 654	2 712 079	1 903 341
Held-to-maturity investments-treasury bills		105 488	113 320	144 428
Cash and cash equivalents	(21)	892 775	524 209	1 035 999
Total current assets		**12 343 685**	**8 905 078**	**8 830 546**
Total assets		**63 906 846**	**52 632 867**	**41 830 528**
Equity				
Capital	(26)	17 070 716	17 070 716	17 070 716
Reserves	(27)	4 695 606	4 642 354	4 446 874
Retained earnings		10 529 466	8 575 030	8 055 791
Foreign entites translation reserve		176 729	189 443	161 357
Total equity attributable to the owners of the holding company		**32 472 517**	**30 477 543**	**29 734 738**
Non-controlling interest		**15 820**	**12 135**	**10 696**
Total equity		**32 488 337**	**30 489 678**	**29 745 434**
Non current liabilities				
Loans and credit facilities	(22)	550 168	614 472	626 235
Creditors and other credit balances	(23)	4 039 728	1 310 082	114 226
Deferred tax liabilities	(28-1)	1 244 893	756 178	638 295
Total non current liabilities		**5 834 789**	**2 680 732**	**1 378 756**
Current liabilities				
Loans and facilities installments due within one year	(22)	13 303 507	6 678 793	2 715 554
Creditors and other credit balances	(23)	10 484 565	10 585 648	6 532 500
Credit balances due to associates	(32)	1 055 119	368 056	356 173
Provisions	(24)	740 529	1 829 960	1 102 111
Total current liabilities		**25 583 720**	**19 462 457**	**10 706 338**
Total liabilities		**31 418 509**	**22 143 189**	**12 085 094**
Total equity and liabilities		**63 906 846**	**52 632 867**	**41 830 528**

The attached notes on pages (70) to (100) are an integral part of these consolidated financial statements.

Director of Financial Affairs	Senior Director of Financial Affairs	Chief Financial Officer	Managing Director & CEO
“Wael Hanafy“	“Shaher Shokry“	“Mohamed Shamroukh“	“Adel Hamed“

Board of Directors approval

Chairman
“Magued Osman“

Consolidated statement of income

	Note no.	For the finacial year ended: 31/12/2018 L.E.(000)	31/12/2017 Restated L.E.(000)
Operating revenues	(3)	22 770 582	18 567 282
Operating costs	(4)	(14 369 363)	(11 313 234)
Gross profit		**8 401 219**	**7 254 048**
Other income	(5)	344 600	308 493
Selling and distribution expenses	(6)	(2 538 278)	(1 627 203)
General and administrative expenses	(7)	(2 449 419)	(2 547 729)
Other expenses	(8)	(197 837)	(1 364 151)
Operating profit		**3 560 285**	**2 023 458**
Finance income	(9)	187 019	113 223
Finance cost	(9)	(1 499 017)	(759 241)
Net finance cost		**(1 311 998)**	**(646 018)**
Share of profit of equity accounted investees	**(10)**	**2 200 602**	**2 337 269**
Profit before income tax		**4 448 889**	**3 714 709**
Income tax		(310 695)	(520 204)
Deferred tax	(28-1)	(646 992)	(138 948)
Total income tax		**(957 687)**	**(659 152)**
Profit for the year		**3 491 202**	**3 055 557**
Profit attributable to :			
Owners of the holding company		3 484 064	3 051 919
Non-controlling interest		7 138	3 638
Profit for the year		**3 491 202**	**3 055 557**
Basic and diluted earnings per share (L.E. \ share)	**(12)**	**1.61**	**1.38**

The attached notes on pages (70) to (100) are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

	For the financial year ended:	
	31/12/2018	31/12/2017 Restated
	L.E.(000)	L.E.(000)
Profit for the year	**3 491 202**	**3 055 557**
Other comprehensive income items :		
Translation differences of foreign entities	(9 274)	28 086
Total comprehensive income	**3 481 928**	**3 083 643**
Attributable to:		
Owners of the holding company	3 474 790	3 080 005
Non-controlling interest	7 138	3 638
Total comprehensive income	**3 481 928**	**3 083 643**

The attached notes on pages (70) to (100) are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Capital	Legal Reserve	Other Reserves	Retained earnings	Foreign entities translation reserve	Total of equity attributable to owners of the holding company	Non-controlling interest	Total
	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)
Balance as of January 1,2017 (reclassified)	17 070 716	1 650 296	2 796 578	8 055 791	161 357	29 734 738	10 696	29 745 434
Comprehensive income								
Profit for the year (restated)	-	-	-	3 051 919	-	3 051 919	3 638	3 055 557
Translation differences of foreign entities	-	-	-	-	28 086	28 086	-	28 086
Total comprehensive income (restated)	**-**	**-**	**-**	**3 051 919**	**28 086**	**3 080 005**	**3 638**	**3 083 643**
Transactions with shareholders :								
Transferred to legal reserve	-	195 480	-	(195 480)	-	-	-	-
Dividends for year 2016 (shareholders)	-	-	-	(1 707 071)	-	(1 707 071)	(1 921)	(1 708 992)
Dividends for year 2016 (employees & Board of Directors)	-	-	-	(613 499)	-	(613 499)	(278)	(613 777)
Dividends in associates (employees & Board of Directors)	-	-	-	(16 630)	-	(16 630)	-	(16 630)
Total transactions with shareholders	**-**	**195 480**	**-**	**(2 532 680)**	**-**	**(2 337 200)**	**(2 199)**	**(2 339 399)**
Balance as of December 31, 2017 (restated)	**17 070 716**	**1 845 776**	**2 796 578**	**8 575 030**	**189 443**	**30 477 543**	**12 135**	**30 489 678**
Balance as of January 1,2018 (restated)	**17 070 716**	**1 845 776**	**2 796 578**	**8 575 030**	**189 443**	**30 477 543**	**12 135**	**30 489 678**
Comprehensive income								
Profit for the year	-	-	-	3 484 064	-	3 484 064	7 138	3 491 202
Translation differences of foreign entities	-	-	-	-	(9 274)	(9 274)	-	(9 274)
Total comprehensive income	**-**	**-**	**-**	**3 484 064**	**(9 274)**	**3 474 790**	**7 138**	**3 481 928**
Transactions with shareholders :								
Transferred to legal reserve	-	53 252	-	(53 252)	-	-	-	-
Adjustments on retained earning at subsidiaries	-	-	-	(20 099)	-	(20 099)	-	(20 099)
Adjustments on retained earning at associates	-	-	-	4 495	-	4 495	-	4 495
Dividends for year 2017 (shareholders)	-	-	-	(426 768)	-	(426 768)	(3 002)	(429 770)
Dividends for year 2017 (employees & Board of Directors)	-	-	-	(720 224)	-	(720 224)	(451)	(720 675)
Dividends of associates (employees & Board of Directors)	-	-	-	(49 890)	-	(49 890)	-	(49 890)
Acquistion of non controlling interest in subsidairies	-	-	-	(263 890)	(3 440)	(267 330)	-	(267 330)
Total transactions with shareholders	**-**	**53 252**	**-**	**(1 529 628)**	**(3 440)**	**(1 479 816)**	**(3 453)**	**(1 483 269)**
Balance as of December 31, 2018	**17 070 716**	**1 899 028**	**2 796 578**	**10 529 466**	**176 729**	**32 472 517**	**15 820**	**32 488 337**

The attached notes on page from (70) to (100) are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note no.	For the financial year ended: 31/12/2018 L.E. (000)	31/12/2017 Reclassified L.E. (000)
Cash flows from operating activities			
Cash receipts from customers		21 008 454	15 262 881
Value added tax collected from customers		412 710	370 112
Stamp tax and fees collected (from third party)		32 070	29 436
Deposits collected from customers		1 009	257
Cash paid to suppliers		(5 154 249)	(2 589 706)
Payments of NTRA license fees		(604 355)	(439 000)
Dividends paid to employees and Board of Directors		(374 267)	(329 234)
Cash paid to employees and Board of Directors		(4 603 676)	(3 867 121)
Cash paid on behalf of employees to third party		(825 476)	(682 678)
Cash provided by operating activities		**9 892 220**	**7 754 947**
Interest paid		(921 712)	(325 226)
Payments to tax authority - income tax		(292 042)	(274 981)
Payments to tax authority - value added tax		(2 467 970)	(1 859 081)
Payments to tax authority - other taxes		(978 400)	(676 764)
Cash paid to third parties for claims		(919 278)	-
Cash paid on long - term liabilities		(784 389)	-
Other (payments) / proceeds		(32 868)	30 562
Net cash provided by operating activities		**3 495 561**	**4 649 457**
Cash flows from investing activities			
Payments for purchase of fixed assets, projects in progress and other assets		(8 027 576)	(6 088 007)
Payments for purchase of other assets		(780 178)	(1 419 828)
Proceeds form sales of fixed assets and other assets		66	149
Payments for acquisition of investements		(993 465)	-
Payments for purchase of held-to-maturity investment - treasury bills		(219 517)	(222 174)
Interest received		44 785	55 014
Dividends collected from investments		453 595	37 753
Proceeds from sale of available-for-sale investment		7	-
Proceeds from retrieval of held-to-maturity investment - treasury bills		227 472	261 861
Proceeds from income of securities (treasury bills - mutual fund)		22 411	15 611
Net cash used in investing activities		**(9 272 400)**	**(7 359 621)**
Cash flows from financing activities			
Payment for loans and other facilities		(48 090)	(133 969)
Proceeds form loans and other facilities		6 633 922	4 033 067
Dividends paid to shareholders		(429 927)	(1 708 896)
Net cash provided by financing activities		**6 155 905**	**2 190 202**
Net change in cash and cash equivalents during the year		**379 066**	**(519 962)**
Translation differences of foreign entities		(12 447)	2 022
Cash and cash equivalents at the beginning of the year	(21)	506 936	1 024 876
Cash and cash equivalents at the end of the year	(21)	**873 555**	**506 936**

The attached notes on pages (70) to (100) are an integral part of these consolidated financial statements.

TELECOM EGYPT COMPANY

(An Egyptian joint stock company)

Notes to the consolidated financial statements
for the financial year ended December 31, 2018

1. Background

1-1 Legal entity

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

1-2 Purpose of the company

The main purpose of the company represents in the following:

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

1-3 Issuance of consolidated financial statements

These consolidated financial statements were approved by the Board of Directors for issuance on February 20, 2019.

2. Basis of preperation of the consolidated financial statements

2-1 Statement of compliance

These consolidated financial statements as of December 31, 2018, have been prepared in accordance with Egyptian Accounting Standards and in the light of applicable Egyptian Laws and regulations.

2-2 Basis of measurement

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

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

2-3 Functional and presentation currency

These consolidated financial statements are presented in Egyptian pound (L.E.), All financial information presented in "L.E." has been rounded to the nearest thousand unless otherwise stated.

2-4 Use of estimates

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

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

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

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

2-5 Fair value measurement

- The fair value of financial instruments is determined based on the market value of the financial instrument or similar financial instruments at the date of the consolidated financial statements without deducting any estimated future selling costs. The financial assets values are determined with the current purchase prices; however, the financial liabilities values are determined with the current prices that could settle these liabilities.
- In case there is no active market to determine the fair value of the financial instruments, the fair value is estimated using different valuation techniques taking into consideration the prices of the latest transactions, and use the current fair value of the similar financial instruments as guideline – the discounted cash flows technique or any other valuation methods that results reliable values.
- When the discounted cash flows is used as a valuation technique, the future cash flows are estimated based on the management best estimate. The discount rate used is determined in line with the market rate at the date of the financial statements for the similar financial instruments in nature and conditions.

2-6 Segment reporting

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

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

3. Operating revenues

	For the financial year ended:	
	31/12/2018 L.E. (000)	31/12/2017 L.E. (000)
Home and personal communications	8 064 282	5 662 272
Enterprise	3 215 287	2 627 235
Domestic wholesale	3 570 733	3 303 833
International carriers	4 424 255	4 868 176
International cables and networks	3 496 025	2 105 766
	22 770 582	**18 567 282**

4. Operating costs

	Note no.	For the financial year ended: 31/12/2018 L.E. (000)	31/12/2017 Restated L.E. (000)
Interconnection cost		4 295 373	4 152 402
Depreciation of fixed assets*	(13)	2 017 850	1 764 020
Amortization of other assets	(17)	620 242	263 638
Salaries and wages		2 077 766	1 793 875
Company's social insurance contribution		236 487	194 181
Employees vacations allowance		5 410	7 411
Frequencies and licences charges (NTRA)		780 843	686 139
Leased circuits & satellite subscriptions		237 754	245 893
Cost of merchandise available-for-sale		602 408	459 469
Right of use (IRU) outside Egypt		1 308 891	144 990
Fuel		638 210	446 679
Spare parts		128 807	84 130
Maintenance		392 863	311 484
Organizations services cost		441 850	247 617
Electricity and water		74 406	61 752
Materials, supplies and miscellaneous printed		46 654	31 501
Transportation cost		126 218	90 099
Company's call costs		71 470	54 065
Rents		118 375	37 261
Other operating costs		147 486	236 628
		14 369 363	**11 313 234**

*Restatement was made to the comparative figures as shown in (Note no. 37-2).

5. Other income

	For the financial year ended 31/12/2018 L.E. (000)	31/12/2017 L.E. (000)
Fines and earned delay interest on company's receivables	120 117	86 941
Sundry revenues	224 483	221 552
	344 600	**308 493**

6. Selling and distribution expenses

	Note no.	For the financial year ended: 31/12/2018 L.E. (000)	31/12/2017 L.E. (000)
Salaries and wages		1 034 420	986 121
Company's social insurance contribution		111 328	100 217
Employees vacations allowance		3 840	5 259
Depreciation of fixed assets	(13)	463	2 793
Amortization of other assets	(17)	35	35
Advertising and marketing		937 272	200 968
Tax and duties		87 656	26 074
Organizations services cost		506	62 035
Sales and collection commissions		242 267	126 456
Rent		12 611	21 644
Other selling and distribution expenses		107 880	95 601
		2 538 278	**1 627 203**

7. General and administrative expenses

	Note no.	For the financial year ended: 31/12/2018 L.E. (000)	31/12/2017 L.E. (000)
Salaries and wages		1 598 879	1 582 640
Company's social insurance contributions		140 533	119 500
The company's contribution in loyalty and belonging fund	(11-2)	-	260 000
Employees vacations allowance		8 203	11 236
Depreciation of fixed assets	(13)	78 177	74 524
Amortization of other assets	(17)	71	73
Organizations services and consulting cost		212 931	207 818
Bad debts		396	6 951
Tax and duties		119 384	99 399
Takaful contribution expense		41 890	-
Bank charges		16 343	12 713
Other general and administrative expenses		232 612	172 875
		2 449 419	**2 547 729**

8. Other operating expenses

	Note no.	For the financial year ended: 31/12/2018 L.E. (000)	31/12/2017 L.E. (000)
Provisions	(24)	102 083	1 214 627
Capital losses		17 000	52 861
Donations		75 668	62 302
Other expenses		3 086	34 361
		197 837	**1 364 151**

9. Net finance cost

	Note no.	For the financial year ended: 31/12/2018 L.E. (000)	31/12/2017 L.E. (000)
Finance income			
Interest income		37 152	35 036
Treasury bills income		31 969	31 484
Income from money market funds		23 094	19 153
Dividends from available-for-sale investment		14 460	27 550
Gain on sale of available-for-sale investments		1	-
Reversal of impairment loss on financial assets	(25)	3 607	-
Translation gain of foreign currencies balances and transactions		76 736	-
Total finance income		**187 019**	**113 223**
Finance costs			
Interest expense		(1 093 239)	(330 699)
Impairment loss on financial assets	(25)	-	(41 293)
Finance costs of credit contracts		(405 778)	(247 017)
Impairment loss on available-for-sale investments	(25)	-	(3 705)
Translation loss of foreign currencies balances and transactions		-	(136 527)
Total finance cost		**(1 499 017)**	**(759 241)**
Net finance cost		**(1 311 998)**	**(646 018)**

10. Share of profit of equity accounted investee

	For the financial year ended: 31/12/2018 L.E. (000)	31/12/2017 L.E. (000)
Vodafone Egypt Telecommunications Company	2 200 544	2 337 629
Egypt Trust	58	(360)
	2 200 602	**2 337 269**

11. Employees' benefits

11-1 Early retirement scheme (Telecom Egypt Company)

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. Now the company doesn't apply any early retirement scheme.

11-2 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% 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 defined contribution.

12. Basic and diluted earnings per share

	For the financial year ended	
	31/12/2018	31/12/2017 Restated
The holding company owner's equity :-		
Profit for the year (L.E. (000))	3 484 064	3 051 919
Less:		
Employees' share in dividends (L.E. (000))*	722 486	697 151
Board of Directors share (L.E. (000))*	10 310	7 004
Net profit for the year available for distribution (L.E.(000))	**2 751 268**	**2 347 764**
Number of the available shares during the year (share)	1 707 071 600	1 707 071 600
Basic and diluted earnings per share for the year (L.E. / share)	**1.61**	**1.38**

- Restatement was made on the comparative figures as shown in (Note no. 37-2)

* According to Board of Directors proposal to be presented in the company and its subsidiaries General Assembly for approval.

13. Fixed assets

	Land	Buildings & infrastructure	Technical equipment &information technologies*	Vehicles	Furniture	Tools & Supplies	Decoration & fixtures	Fixtures on trunk radio network	Total
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Cost as of 1/1/2017	2 371 572	22 719 150	22 853 240	145 558	516 229	96 179	119 574	315	48 821 817
Adjustments on beginning balance	(25 191)	78 518	(32 953)	-	(31)	-	-		20 343
Additions during the year (restated)	77	2 487 312	3 321 864	2 480	109 329	36 864	4 108	-	5 962 034
Disposals during the year	-	(313 065)	(49 399)	(5 317)	(4 696)	(1 555)	-	-	(374 032)
Translation differences of foreign entities	-	-	8 553	190	11 429	-	3 353	-	23 525
Cost as of 31/12/2017 (restated)	**2 346 458**	**24 971 915**	**26 101 305**	**142 911**	**632 260**	**131 488**	**127 035**	**315**	**54 453 687**
Acquisition assets cost	3 845	789 489	52 931	-	3 849	-	1 049	-	851 163
Additions during the year	47	2 446 862	2 775 187	8 097	68 858	12 434	7 288	-	5 318 773
Disposals during the year	-	(511 312)	(125 062)	(5 136)	(6 414)	(1 273)	(547)	-	(649 744)
Translation differences of foreign entities	-	(2 933)	(5 562)	(7)	(698)	-	(152)	-	(9 352)
Cost as of 31/12/2018	**2 350 350**	**27 694 021**	**28 798 799**	**145 865**	**697 855**	**142 649**	**134 673**	**315**	**59 964 527**
Accumulated depreciation as of 1/1/2017	-	14 171 642	19 745 742	107 882	391 121	67 072	100 042	315	34 583 816
Adjustments on beginning balance	-	4 779	954	-	-	-	-	-	5 733
Depreciation for the year (restated)	-	791 781	972 740	4 821	53 771	7 617	10 607	-	1 841 337
Accumulated depreciation for disposals	-	(181 415)	(46 609)	(5 231)	(4 582)	(1 554)	-	-	(239 391)
Translation differences of foreign entities	-	-	2 851	186	3 864	-	1 890	-	8 791
Accumulated depreciation as of 31/12/2017 (restated)	**-**	**14 786 787**	**20 675 678**	**107 658**	**444 174**	**73 135**	**112 539**	**315**	**36 200 286**
Accumulated depreciation for acquisition assets - adjustments from subsidiaries	-	32 510	5 308	-	35	-	171	-	38 024
Acquisition assets cost	-	602 097	37 355	-	3 784	-	320	-	643 556
Depreciation for the year	-	725 013	1 281 974	5 700	66 353	11 112	6 338	-	2 096 490
Accumulated depreciation for disposals	-	(409 441)	(120 801)	(5 078)	(6 376)	(1 273)	(514)	-	(543 483)
Translation differences of foreign entities	-	(1 511)	(2 647)	(7)	(458)	-	(117)	-	(4 740)
Accumulated depreciation as of 31/12/2018	**-**	**15 735 455**	**21 876 867**	**108 273**	**507 512**	**82 974**	**118 737**	**315**	**38 430 133**
Net carrying amounts as of 31/12/2018	**2 350 350**	**11 958 566**	**6 921 932**	**37 592**	**190 343**	**59 675**	**15 936**	**-**	**21 534 394**
Net carrying amounts as of 31/12/2017 (restated)	**2 346 458**	**10 185 128**	**5 425 627**	**35 253**	**188 086**	**58 353**	**14 496**	**-**	**18 253 401**

- Cost of fixed assets includes an amount of L.E. 23 743 Million fully depreciated assets and still in use.

* Restatement and reclassification were made to the comparative figures are shown in (Note no. 37-1)

Depreciation for the year is charged to income statement as follows:

	Note no.	For the financial year ended: 31/12/2018 L.E. (000)	31/12/2017 Restated L.E. (000)
Operating costs	(4)	2 017 850	1 764 020
Selling and distribution expenses	(6)	463	2 793
General and administrative expenses	(7)	78 177	74 524
		2 096 490	**1 841 337**

14. Projects in progress

	Note no.	31/12/2018 L.E. (000)	31/12/2017 Reclassified L.E. (000)
Land		21 025	16 503
Buildings and infrastructure		2 616 751	494 046
Centrals and information technologies equipment *		2 222 125	1 689 740
Tools and supplies		24 083	2 532
Vehicles		493	-
Furniture		2 108	-
Other assets (cables)		70 776	29 767
Advance payments - fixed assets		492 886	699 300
		5 450 247	**2 931 888**
Less:			
Impairment loss on projects in progress	(25)	20 491	20 491
		5 429 756	**2 911 397**

* Reclassification was made on the comparative figures as shown in (Note no. 37-1)

15. Investments in associates

	Note no.	31/12/2018 Ownership %	31/12/2018 L.E. (000)	31/12/2017 Ownership %	31/12/2017 L.E. (000)
Vodafone Egypt Telecommunication Company *		44.95	13 451 864	44.95	11 746 173
Wataneya for Telecommunication **		50.00	125	50.00	125
International Telecommunication Consortium Limited (ITCL) **		50.00	54	50.00	54
Egypt Trust**		35.71	7 647	35.71	7 589
Consortium Algerian de Telecommunications (CAT) **		33.00	133	33.00	133
			13 459 823		**11 754 074**
Less:					
Impairment loss on investments in associates	(25)		7 812		7 812
			13 452 011		**11 746 262**

* The investments in Vodafone Egypt on December 31, 2018 represents the ownership of 107 869 799 shares with a percentage of 44.95% from the total shares of Vodafone Egypt.
The financial year of Vodafone Egypt ends on March 31, the equity method was applied in recognizing the investment in Vodafone Egypt when preparing the consolidated financial statements as of December 31, 2018 by using the consolidated financial statement of Vodafone Egypt for the financial year ended March 31, 2018 that were authorized by the company's management which presents the 12 months from the 1st of April 2017 till March 31, 2018, less the movements for the period from the 1st of April 2017 till December 31, 2017 extracted from the consolidated financial statements for Vodafone Egypt as of December 31, 2017. Plus, the movements for the period from the 1st of April 2018 till December 31, 2018 extracted from the consolidated financial statements for Vodafone Egypt as of December 31, 2018, to determine the share of financial period from January 1 to December 31, 2018 of business results.

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

16. Available-for-sale investments

	Note no.	31/12/2018 L.E. (000)	31/12/2017 L.E. (000)
Participations in foreign satellite companies and organizations*		26 676	26 683
Investments in other companies		87 205	87 205
Payment for purchase available-for-sale investments		2 250	-
		116 131	**113 888**
Less:			
Impairment loss on available-for-sale investments	(25)	36 320	36 320
		79 811	**77 568**

* This item includes the company's share in Arab Sat represented in 7 968 455 shares amounting to L.E. 11 856 K including free shares distributed during 2010 by Arab Sat to all the shareholders based on their shares, accordingly Telecom Egypt contribution in Arab Sat capital remains as the same at 1.5937%.

17. Other assets

	Fourth generation network license L.E. (000)	Submarine Cables L.E. (000)	International circuits (Rou) L.E. (000)	Licenses Internet services L.E. (000)	Licenses and Programs L.E. (000)	Land (Possession) L.E. (000)	Land (Usufruct) L.E. (000)	Total L.E. (000)
Cost as of January 1, 2017 (reclassified)	-	1 231 136	152 565	23 133	56 382	440 683	1	1 903 900
Adjustments on beginning balance	-	29 130	-	-	-	-	-	29 130
Additions during the year	8 633 330	585 185	-	-	-	-	-	9 218 515
Disposals during the year	-	(23 261)	-	-	-	-	-	(23 261)
Translation differences of foreign entities	-	-	438	150	-	-	-	588
Cost as of December 31, 2017	**8 633 330**	**1 822 190**	**153 003**	**23 283**	**56 382**	**440 683**	**1**	**11 128 872**
Acquisition assets cost	-	3 947 146	401 773	-	-	-	-	4 348 919
Additions during the year	-	149 889	524 648	-	-	-	-	674 537
Disposals during the year	-	(3 511 865)	(358 246)	-	-	-	-	(3 870 111)
Translation differences of foreign entities	-	(273)	(846)	(286)	-	-	-	(1 405)
Cost as of December 31, 2018	**8 633 330**	**2 407 087**	**720 332**	**22 997**	**56 382**	**440 683**	**1**	**12 280 812**
Accumulated amortization as of January 1, 2017 (reclassified)	-	345 503	126 613	21 662	18 795	-	-	512 573
Adjustments on beginning balance	-	11 894	-	-	-	-	-	11 894
Amortization for the year	131 301	106 774	6 695	181	18 795	-	-	263 746
Accumulated amortization for disposals	-	(1 402)	-	-	-	-	-	(1 402)
Translation differences of foreign entities	-	-	265	72	-	-	-	337
Accumulated amortization as of December 31, 2017 (reclassified)	**131 301**	**462 769**	**133 573**	**21 915**	**37 590**	**-**	**-**	**787 148**
Accumulated amortization for acquistion assets - adjusments from subsidaries	-	33 883	-	-	-	-	-	33 883
Accumulated amortization acquistion assets	-	3 162 367	199 602	-	-	-	-	3 361 969
Amortization for the year	459 569	120 813	20 997	177	18 792	-	-	620 348
Accumulated amortization for disposals	-	(3 088 051)	(186 905)	-	-	-	-	(3 274 956)
Translation differences of foreign entities	-	(58)	(723)	(156)	-	-	-	(937)
Accumulated amortization as of December 31, 2018	**590 870**	**691 723**	**166 544**	**21 936**	**56 382**	**-**	**-**	**1 527 455**
Net carrying amounts as of December 31, 2018	**8 042 460**	**1 715 364**	**553 788**	**1 061**	**-**	**440 683**	**1**	**10 753 357**
Net carrying amounts as of December 31, 2017	**8 502 029**	**1 359 421**	**19 430**	**1 368**	**18 792**	**440 683**	**1**	**10 341 724**

Amortization for the year is charged to statement of income as follows:

	Note no.	For the financial year ended: 31/12/2018 L.E. (000)	31/12/2017 L.E. (000)
Operating costs	(4)	620 242	263 638
Selling and distribution expenses	(6)	35	35
General and administrative expenses	(7)	71	73
		620 348	**263 746**

- Accumulated amortization and impairment as of December 31, 2018 include an amount of L.E. 79 825 K is represented in impairment of right of use of international circuits (ROU) and internet service license by one of subsidiary (Note no. 25)
- Other assets costs included L.E 175 Million other assets fully amortized and still in used.

18. Inventories

	31/12/2018 L.E. (000)	31/12/2017 L.E. (000)
Spare parts	754 080	636 816
Material supplies	977	977
Computers and pc's components	8 333	1 324
Merchandise for sale-telecommunication equipment and computers	385 586	159 309
Others – cables and supplies	482 239	263 973
	1 631 215	**1 062 399**
Add:		
Letters of credit	134 794	121 374
	1 766 009	**1 183 773**

Inventory's value was written down by L.E. 19 215 K (against L.E. 18 229 K as of December 31, 2017) (Note no. 25) for obsolete and slow moving items deducted directly from the cost of each type of inventory.

19. Trade and notes receivables

	Note no.	31/12/2018 L.E. (000)	31/12/2017 Reclassified L.E. (000)
Trade receivables - national *		3 797 603	3 468 001
Trade receivables - international *		2 653 385	2 969 097
		6 450 988	**6 437 098**
Less:			
Impairment loss on trade receivables	(25)	2 072 734	2 065 960
		4 378 254	**4 371 138**
Add:			
Notes receivables		505	559
		4 378 759	**4 371 697**

* Reclassification was made to the comparative figures as shown in (Note no. 37-1)

20. Debtors and other debit balances

	Note no.	31/12/2018 L.E. (000)	31/12/2017 Reclassified L.E. (000)
Suppliers – debit balances		439 761	261 017
Deposits with others		254 891	202 168
Customs authority - deposits		2 397	2 740
Accrued revenues		26 364	31 200
Tax authority – withholding tax		224 581	224 073
Tax authority – value added tax *		1 910 067	589 181
Due from organizations, companies and franchises		1 048 520	498 266
Due from ministries		80 651	104 212
Temporary debts due from employees		714 919	346 525
Due from banks		3 848	5 718
Payments on the account of income tax		45 963	84 842
Other debit balances*		604 736	533 866
		5 356 698	**2 883 808**
Less:			
Impairment loss on debtors and other debit balances	(25)	156 044	171 729
		5 200 654	**2 712 079**

* Reclassification was made to the comparative figures as shown in (Note no 37-1)

21. Cash and cash equivalents

	Note no.	31/12/2018 L.E. (000)	31/12/2017 L.E. (000)
Banks - time deposits (less than 3 months)		376 656	126 948
Banks - current accounts		255 027	255 023
Cash on hand		10 832	11 908
Treasury bills (less than 3 months)		135 063	40 766
Money market funds (less than 3 months)		115 197	89 564
Cash and cash equivalents		**892 775**	**524 209**
Less:			
Restricted cash and cash equivalents	(30)	19 220	17 273
Cash and cash equivalents as per cash flow statement		**873 555**	**506 936**

22. Loans and credit facilities

Description	Loan currency	Long term loan installments due within one year L.E. (000)	Long term loan installments due within more than one year L.E. (000)	Balance as of 31/12/2018 L.E. (000)	Balance as of 31/12/2017 L.E. (000)	Annual interest rate %	Repayment schedule
Governmental loans	U.S.$	-	-	-	20 332	4 %	Annual installments ending on 24/1/2018
Foreign loans	Euro	40 043	550 168	590 211	656 160	0.75% - 5.5%	Semi-annual installments ending on 30/6/2036
Total loans		**40 043**	**550 168**	**590 211**	**676 492**		
Bank facilities	L.E.	3 642 140	-	3 642 140	4 350 171		Variable interest rate
Bank facilities	U.S.$	9 619 712	-	9 619 712	2 254 190		Variable interest rate
Bank facilities	EURO	-	-	-	10 254		Variable interest rate
Foreign suppliers' facilities	EURO	1 612	-	1 612	1 679	5.50%	
Subsidiary's local facility	L.E.	-	-	-	479		Corridor rate + 0.1%
Total facilities		**13 263 464**	**-**	**13 263 464**	**6 616 773**		
Total loans & facilities		**13 303 507**	**550 168**	**13 853 675**	**7 293 265**		

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, the company didn't use any amount from the said loan till 31/12/2018.

23. Creditors and other credit balances

	31/12/2018 L.E. (000)	31/12/2017 Reclassified L.E. (000)
Suppliers and notes payables	1 168 049	840 879
Tax Authority-income tax *	271 892	510 832
Tax Authority (taxes other than income tax)*	613 059	523 676
Deposits from others	458 930	403 212
Assets creditors	8 114 940	6 536 942
Dividends payable	3 442	3 333
Accrued expenses	879 443	909 695
Customers - credit balances	404 313	280 668
Credit balances - organizations and companies	467 877	308 947
Deferred revenues */**	843 284	403 324
National Telecommunication Regulatory Authority (NTRA)	384 843	497 480
Social Insurance Authority	64 126	46 510
Accrued interest	46 614	11 823
Other credit balances*	803 481	618 409
	14 524 293	**11 895 730**
Less balances due within more than one year:		
Other assets creditors	3 667 798	1 265 359
Deferred revenues	371 930	39 448
Credit balances - organizations and companies	-	5 275
Non-current creditors and other credit balances	**4 039 728**	**1 310 082**
Current creditors and other credit balances	**10 484 565**	**10 585 648**
Total creditors and other credit balances	**14 524 293**	**11 895 730**

* Reclassification was made to the comparative figures as shown in (Note no. 37-1)

** The deferred revenues amounting to L.E. 843 284 K which are represented in both rent of transmission systems for mobile companies by an amount of L.E 30 312 K (against L.E 7 864 K at December 31, 2017) and deferred revenues for mobile services by an amount of L.E 49 750 K (against L.E 27 214 K at December 31, 2017), revenues from cables operating and maintenance services by an amount of L.E 428 347 K (against L.E 39 448 K at December 31, 2017) and revenues from internet and telecommunications services by an amount of L.E 334 875 K (against L.E 328 798 K at December 31, 2017).

24. Provisions

	Balance as of 1/1/2018 L.E. (000)	Reclassification L.E. (000)	Charged to income statement L.E. (000)	Used during the year L.E. (000)	Translation differences L.E. (000)	Balance as of 31/12/2018 L.E. (000)
Provision for liabilities and claims	1 829 960	811	102 083	(1 192 320)	(5)	740 529
	1 829 960	**811**	**102 083**	**(1 192 320)**	**(5)**	**740 529**

* Claims provision is related to contingent tax liabilities, lawsuits, compensation and social insurance claims in respect of contracting contracts.

- Reclassification was made to the comparative figures as shown in (Note no. 37-1)

25. Impairment loss on assets

	Note no.	Balance as of 1/1/2018 L.E. (000)	Formed / (reversal) during the year L.E. (000)	Used during the year L.E. (000)	Translation differences L.E. (000)	Balance as of 31/12/2018 L.E. (000)
Impairment loss on projects in progress	(14)	20 491	-	-	-	20 491
Impairment loss on investments in associates	(15)	7 812	-	-	-	7 812
Impairment loss on available-for-sale investment	(16)	36 320	-	-	-	36 320
Impairment loss on debit balances due from associates	(32)	453 968	-	-	-	453 968
Impairment loss on other assets	(17)	79 825	-	-	-	79 825
Write-down of inventories	(18)	18 229	997	-	(11)	19 215
Impairment loss on trade receivables	(19)	2 065 960	6 774	-	-	2 072 734
Impairment loss on debtors and other debit balances	(20)	171 729	(10 381)	(4 762)	(542)	156 044
		2 854 334	**(2 610)**	**(4 762)**	**(553)**	**2 846 409**

26. Capital

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

27. Reserves

	31/12/2018 L.E. (000)	31/12/2017 Reclassified L.E. (000)
Legal reserve **	1 899 028	1 845 776
General reserve *	2 771 654	2 771 654
Revaluation reserve available-for-sale investments	6 814	6 814
Capital reserve	18 110	18 110
	4 695 606	**4 642 354**

* General reserve amounting to L.E. 2 771 654 K as at December 31, 2018 represents the dividends transferred to the general reserve for years 1999/2000 till 2006 after deducting L.E. 916 530 K which represents the net adjustments on the fixed assets for land item during the years from 2005 to 2014, and transfer an amount of L.E. 2 000 000 K from general reserve to retained earnings according to Ordinary General Assembly decree which was held on March 20, 2016.

** Reclassification was made on the comparative figures as shown in (Note no. 37-1)

28. Deferred tax

28-1 Recognized deferred tax assets and liabilities

	31/12/2018		31/12/2017	
	Assets L.E. (000)	(Liabilities) L.E. (000)	Assets Reclassified L.E. (000)	(Liabilities) Reclassified L.E. (000)
Fixed assets *	-	(419 279)	-	(154 852)
Other assets	-	(153 917)	-	(40 403)
Write down of inventories	3 672	-	3 389	-
Impairment loss on trade receivables, debtors and other debit balances	183 407	-	79 999	-
Provisions	13 518	-	276 860	-
Accrued liabilities	35 583	-	35 785	-
Net gain of translation of foreign currencies balance	-	(102)	-	(64 465)
Unrealized gain or loss for exchange currencies *	-	-	560	-
Re-evaluation of available-for-sale financial investments losses	2 980	-	844	-
Undistributed profit in subsidaries and associated	-	(671 595)	-	(496 458)
Total deferred tax asset / (liabilities)	**239 160**	**(1 244 893)**	**397 437**	**(756 178)**
Net deferred tax liabilities	**-**	**(1 005 733)**	**-**	**(358 741)**
Deferred tax charged to the consolidated income statement for the year (expense) / income	**-**	**(646 992)**	**-**	**(138 948)**

* Reclassification was made on the comparative figures as shown in (Note no. 37-1)

28-2 Unrecognized deferred tax assets

	31/12/2018 L.E. (000)	31/12/2017 L.E. (000)
Impairment loss on trade receivables	404 479	394 196
Impairment loss on debtors & other debit balances	128 978	129 316
Provision for liabilities and claims	15 605	13 067
Other	5 241	5 299
	554 303	**541 878**

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

28-3 Reconciliation of effective tax rate

	For the financial year ended	
	31/12/2018	31/12/2017 Restated
	L.E. (000)	L.E. (000)
Net profit for the year before income tax	4 448 889	3 714 709
Income tax according to the current tax law (22.5%)	1 001 000	835 810
Tax on dividends from subsidiaries and associaties	35 833	6 098
Add / (less):		
Tax rate difference for subsidiaries outside Egypt	(255)	(1 644)
Provisions and impairment	(18 597)	49 002
Exempted investments income	(5 100)	(14 845)
Unrealized foreign exchange differences	(61 468)	-
Foreign tax paid outside Egypt	(3 945)	(5 251)
Adjustments on other items	(159 013)	(384 489)
Previous years tax difference	(5 905)	(2 245)
Tax on undistributed profit in subsidiaries and associates	175 137	176 716
	(43 313)	**(176 658)**
Income tax	**957 687**	**659 152**
Effective tax rate	**21.53%**	**17.74%**

* Restatement was made on the comparative figures as shown in (Note no. 37-2)

29. Capital commitments

The company's capital commitments for the unexecuted parts of contracts until December 31, 2018 amounted to L.E. 3 206 Million (against L.E. 53 Million as at December 31, 2017)

30. Contingent liabilities

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

	31/12/2018 L.E. (000)	31/12/2017 L.E. (000)
- Letters of guarantee issued by banks on behalf of the company*	913 002	721 310
- Letters of credit	1 357 440	1 416 929

* Letters of guarantee which were issued by banks on behalf of the company and for the benefits of others include letters of guarantee have been issued against restricted cash and cash equivalent at banks (Note no.21).

31. Tax position (Telecom Egypt)

31-1 Corporate tax

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

31- 2 Value added tax/sales tax

- Tax inspection for the years 2010 until 2015 was performed and the tax differences were settled and the company didn't pay the additional tax, lawsuit was raised regarding it.

31- 3 Salary tax

- Tax inspection was performed for the years until December 31 ,2014 and the company was notified with tax differences and all due taxes were settled, the company disputed for one item and has been transferred to the internal Committee.
- Tax inspection for the year 2015 is in process.

31- 4 Stamp tax

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

31- 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.

32. Related party transactions

There are transactions between Telecom Egypt and it's associates. Transactions during the year and balances on the financial statements date are stated as follows:

	Nature of translation during the year	Amount of transactions during the year recorded in the income statement	Transaction volume during the year		Balance as of 31/12/2018	Balance as of 31/12/2017 Reclassified
			Debit	Credit	Debit/(credit)	Debit/(credit)
		L.E. 000	L.E. 000	L.E. 000	L.E. 000	L.E. 000
Debit balances due from associates						
Consortium Algerian Telecommunications (CAT)* / **	Paid on behalf of associates to finance operating expenses	-	-	-	453 902	453 902
International Telecommunication Consortium Limited (ITCL)* / **	-	-	-	-	66	66
			-	**-**	**453 968**	**453 968**
Credit balances due to associates						
Vodafone Egypt Telecommuniacations Company	Outgoing calls and voice services to the associates company	1 595 124				
			4 077 747	4 773 340	(1 049 632)	(354 039)
	Incoming and international calls, transmission claims & lease of company premises and towers to the associates company	1 219 857				
	Telecommunications services	25 924	72 395	63 865	(5 487)	(14 017)
			4 150 142	**4 837 205**	**(1 055 119)**	**(368 056)**

* The Balance represented in the value of the finance provided by Telecom Egypt to Consortium Algerian de Telecommunication Company (CAT) where Telecom Egypt participates directly and indirectly by 50%, accordingly, impairment has been made for the full balance, (Note no. 25) the mentioned company suffers from financial difficulties and sustains material 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 Algerian de Telecommunication Company.

** The balance is fully impaired due to company's inability to recover this amount in foreseeable future.

- Reclassification was made to the comparative figures as shown in (Note no. 37-1)

33. Group entities

Parent company's direct and indirect share in subsidiaries companies on December 31, 2018 which were included in the consolidated financial statements are as follows:

Company name	Country of incorporation	Ownership interest 31/12/2018	Ownership interest 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	Singapore	100.00 %	100.00 %
Egyptian International Submarine Cables Company (EISCC) *	Egypt	100.00 %	-
Middle East and North Africa Submarine Cables Company (MENA)	Egypt	100.00 %	-
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 year, the 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, and the group announced the acquisition of Middle East and North Africa Submarine Cable "MENA Cable" from Orascom Investment Holding "OIH" through its subsidiary Egyptian International Submarine Cable Company "EISCC". The total enterprise value of MENA Cable is USD 90 Million of which USD 40 Million represents the equity value and the remaining amount USD 50 Million represents its outstanding debt, the deal was financed by a loan granted by the company to the said subsidiary with an amount of USD 90 Million at annual interest rate LIBOR, in addition to profit margin which will be paid within one year from the date of obtaining the loan at most, the loan has been fully paid during the year.

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

34. Financial instruments

34 –1 Credit risk

The carrying amount of financial assets represents the maximum credit risk exposure. The maximum exposure to credit risk at the consolidated statement of financial position date as follows :-

Description	Note no.	31/12/2018 L.E. (000)	31/12/2017 Reclassified L.E. (000)
Trade and notes receivables*	(19)	4 378 759	4 371 697
Debtors and other debit balances*	(20)	5 200 654	2 712 079
Held-to-maturity investment -treasury bills		105 488	113 320
Cash and cash equivalents	(21)	881 943	512 301
		10 566 844	**7 709 397**

* Reclassification was made to the comparative figures as shown in (Note no. 37-1).

34-2 Liquidity risk

The following are the expected maturities of financial liabilities at the financial position date:

Description	Carrying amount L.E. (000)	One year or less L.E. (000)	From 1-2 years L.E. (000)	From 3-5 years L.E. (000)	More than 5 years L.E. (000)
December 31, 2018					
Creditors and other credit balances	14 524 293	10 484 565	1 163 707	2 649 498	226 523
Loans and credit facilities	13 853 675	13 303 507	80 085	120 128	349 955
	28 377 968	**23 788 072**	**1 243 792**	**2 769 626**	**576 478**
December 31, 2017					
Creditors and other credit balances	11 895 730	10 585 648	576 657	490 028	243 397
Loans and credit facilities	7 293 265	6 678 793	83 377	125 066	406 029
	19 188 995	**17 264 441**	**660 034**	**615 094**	**649 426**

34-3 Currency risk exposure:

Description	U.S. Dollars (000)	Sterling pound (000)	Euro (000)	Canadian dollar (000)	Swedish krona (000)	Moroccan dirham (000)	Jordanian dinar (000)	Total L.E. (000)
December 31, 2018								
Trade receivables	158 381	-	-	2 325	-	33 056	-	2 916 766
Accrued interest for deposits	5	-	-	-	-	-	-	89
Other debit balances	125	-	97	390	-	28 150	321	70 526
Cash & cash equivalents	77 740	221	1 390	1	-	2 826	2 201	1 480 098
Total assets in currency	**236 251**	**221**	**1 487**	**2 716**	-	**64 032**	**2 522**	**4 467 479**
Creditors & other credit balances	182 941	5	57 201	-	5	20 471	472	4 479 080
Foreign loans & facilities	160 968	-	29 018	-	-	-	-	3 461 879
Total liabilities in currency	**343 909**	**5**	**86 219**	-	**5**	**20 471**	**472**	**7 940 959**
Risk surplus (deficit)	**(107 658)**	**216**	**(84 732)**	**2 716**	**(5)**	**43 561**	**2 050**	**(3 473 480)**
Equivalent in Egyptian pound	**(1 919 542)**	**4 890**	**(1 728 101)**	**35 532**	**(10)**	**82 252**	**51 499**	**(3 473 480)**
December 31, 2017								
Trade receivables	157 439	-	16	2 537	-	22 439	-	2 868 391
Accrued interest for deposits	2	-	-	-	-	-	-	35
Other debit balances	32	-	518	247	-	30 425	891	94 818
Cash & cash equivalents	-	245	675	-	-	1 615	1 949	71 934
Total assets in currency	**157 473**	**245**	**1 209**	**2 784**	-	**54 479**	**2 840**	**3 035 178**
Creditors & other credit balances	122 113	5	47 213	-	5	16 088	324	3 204 962
Foreign loans & facilities	94 423	-	30 982	-	-	-	-	2 331 026
Total liabilities in currency	**216 536**	**5**	**78 195**	-	**5**	**16 088**	**324**	**5 535 988**
Risk surplus (deficit)	**(59 063)**	**240**	**(76 986)**	**2 784**	**(5)**	**38 391**	**2 516**	**(2 500 810)**
Equivalent in Egyptian pound	**(1 046 596)**	**5 735**	**(1 634 667)**	**39 310**	**(11)**	**72 559**	**62 860**	**(2 500 810)**

Exchange rates for currencies against Egyptian pound:

	Average exchange rate during:		Closing exchange rate as of:			Average exchange rate during:		Closing exchange rate as of:	
	2018	2017	31/12/2018	31/12/2017		2018	2017	31/12/2018	31/12/2017
	L.E	L.E	L.E	L.E		L.E	L.E	L.E	L.E
U.S. Dollar	17.7608	17.8058	17.8300	17.7200	Swedish krona	2.4053	2.0853	1.9868	2.1591
Sterling pound	23.6505	22.9624	22.6379	23.8975	Moroccan dirham	1.8800	1.8300	1.8882	1.8900
Euro	20.9598	20.1139	20.3949	21.2333	Jordanian dinar	25.0529	25.7299	25.1215	24.9842
Canadian dollar	13.6000	13.9800	13.0825	14.1200					

34-4 Sensitivity analysis

A 10% strengthening of the foreign currencies against the EGP as of December 31, 2018 may lead to losses increase by an amount of L.E 347 348 K (L.E. 250 081 K as of December 31, 2017). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis on 2017.

And a 10% weakening of the foreign currencies against L.E. at December 31, 2018 would have had the equal but opposite effect on the foreign currencies to the amounts shown above.

34–5 Interest rate risk

At the consolidated financial statements date, the interest rate profile of the company's financial instruments is:

Description	Note no.	31/12/2018 L.E. (000)	31/12/2017 L.E. (000)
Financial instruments with variable interest rate			
Financial assets – deposits	(21)	376 656	126 948
Financial liabilities (loans-credit facilities)	(22)	13 853 675	7 293 265

34–6 Fair values for financial instruments

The financial instruments are represented in the balance of cash on hand and at banks, loans and credit facilities, trade receivables, investments, debtors and creditors balances.

The fair value of these financial instruments does not materially differ from its book value.

35. 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 council 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 appointed 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 million , according to the opinion of the company's management, this report was prepared on inaccurate assumptions, this report is considerd only an opinion and shall not "restrict the court".

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

The company's Board of Directors in it's meeting held on January 22, 2018 approved the frame agreement of settling all the said disputes between TE and Etisalat Misr, the agreements which are related to the frame settlement were signed between the dispute parties on January 22, 2018.

36. Segment reporting

As of the group activity level, the group of company defined the main operating activity segments and its prepared according to service provided. The information presented after the elimination of inter-segment transaction. The main operating activities segments for the group represented as follows:

For the financial year ended 2018

Description	Communications, marine cables and infrastructure L.E. (000)	Internet L.E. (000)	Outsourcing L.E. (000)	All other L.E. (000)	Total L.E. (000)
Operating revenues	15 226 886	6 656 409	633 688	253 599	**22 770 582**
Operating costs	(12 573 156)	(1 039 002)	(531 662)	(225 543)	**(14 369 363)**
Gross profit	**2 653 730**	**5 617 407**	**102 026**	**28 056**	**8 401 219**
Credit interest	33 923	38 582	3 944	15 766	**92 215**
Debit interest and finance cost	(1 465 157)	(31 223)	-	(2 637)	**(1 499 017)**
Depreciation and amortization	(2 544 679)	(139 260)	(30 806)	(2 093)	**(2 716 838)**
The company's share of profit in associates companies	-	-	-	2 200 602	**2 200 602**
Non-cash items					
Reserval / (impairment loss) on financial assets	34 888	(31 223)	-	(58)	**3 607**
Provisions	(74 151)	(20 050)	(7 532)	(350)	**(102 083)**
Total assets	**60 951 833**	**2 130 749**	**468 743**	**355 521**	**63 906 846**
Total liabilities	**29 524 799**	**1 247 195**	**176 987**	**469 528**	**31 418 509**

For the financial year ended 2017

Description	Communications, marine cables and infrastructure L.E. (000)	Internet L.E. (000)	Outsourcing L.E. (000)	All other L.E. (000)	Total L.E. (000)
Operating revenues	12 807 837	5 157 842	475 080	126 523	**18 567 282**
Operating costs *	(9 633 192)	(1 170 048)	(377 772)	(132 222)	**(11 313 234)**
Gross profit *	**3 174 645**	**3 987 794**	**97 308**	**(5 699)**	**7 254 048**
Credit interest	39 465	36 249	1 469	8 490	**85 673**
Debit interest and finance cost	(576 564)	-	-	(1 152)	**(577 716)**
Depreciation and amortization *	(1 939 007)	(146 318)	(19 253)	(505)	**(2 105 083)**
The company's share of profit in associates companies	-	-	-	2 337 269	**2 337 269**
Non-cash items					
Impairment loss on financial assets	(37 533)	(3 299)	-	(461)	**(41 293)**
Impairment loss on available-for-sale investments	(3 705)	-	-	-	**(3 705)**
Provisions	(1 156 590)	(46 557)	(11 180)	(300)	**(1 214 627)**
Total assets *	**50 375 959**	**1 675 243**	**371 322**	**210 343**	**52 632 867**
Total liabilities *	**20 461 223**	**1 120 457**	**156 776**	**404 733**	**22 143 189**

*Restatement and reclassification were made to the comparative figures as shown in (Note no. 38)

37- Comparative figures

- Restatement was made to some of the comparative figures of the consolidated statement of financial position, consolidated statement of income and consolidated statement of comprehensive income as a result of the reclassification was made to fixed assets item which led to the increase in its cost by an amount of L.E 856 253 K against decrease in projects in progress by the same amount, as a result of recording these fixed assets since the beginning of providing the service in 2017, there is an increase in accumulated depreciation of fixed assets by an amount of L.E 98 479 K against increase in depreciation expense for the year 2017 included in operating costs by the same amount.
- Reclassification was made to some of the comparative figures of the consolidated statement of financial position, and consolidated statement of income and consolidated statement of cash flows to conform to the current presentation of the consolidated financial statements.
- The following is the effect of reclassification and representation on the consolidated financial statements.

37-1 Effect on the consolidated statement of financial position

	1/1/2017 as previously reported L.E.(000)	Reclassification Debit / (credit) L.E.(000)	1/1/2017 Reclassified L.E.(000)
Trade receivables	4 738 671	346 010	5 084 681
Debtors and other debit balances	1 906 841	(3 500)	1 903 341
Reserves	(4 446 323)	(551)	(4 446 874)
Retained earning	(8 056 342)	551	(8 055 791)
Creditors and other credit balances	(6 546 163)	13 663	(6 532 500)
Credit balances due to associates	-	(356 173)	(356 173)

	For the financial year ended 31/12/2017 as previously reported Debit/(credit) L.E. (000)	Restatement Debit / (credit) L.E. (000)	Reclassification Debit / (credit) L.E. (000)	For the financial year ended 31/12/2017 Restated Debit / (credit) L.E. (000)
Fixed assets	17 495 627	(98 479)	856 253	18 253 401
Project in progress	3 767 650	-	(856 253)	2 911 397
Deferred tax assets	396 877	-	560	397 437
Trade and note receivables	4 017 658	-	354 039	4 371 697
Debtors and other debit balances	2 718 563	-	(6 484)	2 712 079
Reserves	(4 641 301)	-	(1 053)	(4 642 354)
Retained earnings	(8 674 562)	98 479	1 053	(8 575 030)
Deferred tax liabilities	(755 618)	-	(560)	(756 178)
Credit and other credit balances	(10 606 261)	-	20 613	(10 585 648)
Credit balances due to associates	-	-	(368 056)	(368 056)
Provisions	(1 829 848)	-	(112)	(1 829 960)

37-2 Effect on the consolidated statement of income

	For the financial year ended 31/12/2017 as previously reported L.E. (000)	Restatement (Debit)/credit L.E. (000)	For the financial year ended 31/12/2017 Restated L.E. (000)
Operating cost	(11 214 755)	(98 479)	(11 313 234)
Basic and diluted earning per share (L.E./share)	1.43	(.05)	1.38

37-3 Effect on the consolidated statement of cash flows

	For the financial year ended 31/12/2017 as previously Reported L.E. (000)	Reclassification L.E. (000)	For the financial year ended 31/12/2017 Reclassified L.E. (000)
Cash flows from operating activities			
Dividends paid to employees and Board of Directors	(641 148)	311 914	(329 234)
Cash paid to employees and Board of Directors	(3 555 207)	(311 914)	(3 867 121)

38- Business combination

38-1 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 asfollows:

	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)**

38-2 Acquisition of 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 PPA (Purchase price allocation) to determine the fair value for the acquired assets and liabilities including the itangible 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 shown as follows:

	31/7/2018 LE(000)
Assets	
Fixed assets	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**

39. 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 calculated and recorded the due contribution according to the recent explanation of the provisions of the law and its executive regulations.

40. Subsequent events

On February 18, 2019 Vodafone Egypt has proposed a dividend of EGP 12.2 bn, of which Telecom Egypt's share is the equivalent of EGP 5.5 bn. The dividends will be paid on two tranches, the first of which amounts to EGP 4.8 bn and will be paid in March 2019 with the remainder in June 2020, to be presented in the Company General Assembly for approval.

41. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statement as of December 31, 2018.
Certain comparative figures have been restated and reclassified to conform to the current presentation of the consolidated financial statement (note no.37).

41-1 Basis of consolidation

41-1-1 Subsidiaries

Subsidiaries consolidated financial statements includes all controlled by the group. Control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the group takes into consideration potential voting rights that currently are exercisable. The financial statements of subsidiaries are included in the consolidated financial statement from the date that control commences until the date that control ceases.

41-1-2 Non-controlling interests

NCI are measured at their proportionate share of the acquirer's identifiable net assets at the acquisition date. A change in the group's interest in a subsidiary that do not result in a loss of control are accounted in as equity transactions.

41-1-3 Loss of control

When the group losses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

41-1-4 Investments in associates (equity accounted investees)

Associates are those entities in which the group has significant influence but not control, over the financial and operating policies. Significant influence is presumed to exist when the group holds between 20% and 50% of the voting power of another entity.
Investments in associates are accounted for using the equity method (equity accounted investees) and are recognized initially at cost. The group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses, if any and the investment is reduced by it's share in dividends, The consolidated financial statement include the group's share of income, and expenses of equity accounted investee, after adjustments to align accounting policies with those of the group, from the date that significant influence commences to the date that significant influence ceases. When the group's share of losses exceeds its interest in an equity accounted investee, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the group has an obligation or has made payments on behalf of the investee.

41-1-5 Transactions eliminated for consolidation

Intra-group balances and transactions, and any unrealized gains or losses and income or expenses arising from Intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated to the extent of the group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

41-2 Foreign currencies translation

Transactions in foreign currencies are translated to functional currencies of the group entities using the exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the reporting date to the functional currencies using the exchange rate at that date. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate at that date of the transaction. Foreign currency differences arising from retranslation are recognized in the consolidated statement of income.

41-3 Foreign operation

The financial statements of the group entities are translated into the presentation currency as follows:

- Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at exchange rate at the reporting date.

- Income and expenses are translated at the average exchange rate for the year.
- Foreign currency differences are recognised in change in shareholders' equity statement, and presented in the foreign currency translation reserve (translation reserve). However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.
- For consolidated cash flows preparation purposes, cash flows from foreign operations are translated at the average exchange rates for the year.

41-4 Fixed assets and depreciation

(A) Recognition and measurement

- Items of property, plant and equipment are measured at historical cost less accumulated depreciation and accumulated impairment losses note no. (41-12)
- The cost of fixed assets include expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

  Where parts of an item of fixed assets have different useful lives, their depreciation is accounted for as separate items.

  Gains and losses on disposal of an item of fixed assets are determined by comparing the proceeds from disposal with the carrying amount of the assets and they are recognized in consolidated statement of income.

(B) Subsequent costs

The cost of replacing part of an item of property, fixed assets is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of fixed assets are recognized in consolidated statement of income as incurred.

(C) Depreciation

Depreciation is recognized in profit or loss according to a straight-line method over the estimated useful life of fixed assets. The useful life for some fixed assets items have been modified during the year 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 year ended December 31, 2018 by an amount of L.E 351 488 K, after applied the modified useful life from 1/1/2018.

The current year estimated useful lives for the fixed assets before and after modifying are as follows:

	Estimated useful life /year Before modifying	Estimated useful life /year After modifying
Buildings and infrastructure	5 - 50	5 - 50
Technical equipment and information technologies	3 - 20	3 - 15
Vehicles	5 - 10	7 - 15
Furniture	5 - 10	5 - 10
Tools and supplies	8	2 - 8

41-5 Other assets

Other assets are non-monetary intangible assets which the company can be controlled and capable of generate future economic benefits.

Other assets are stated at purchased cost including any expenses that are directly attributable to preparing the asset for its intended use, net of accumulated amortization and impairment losses. Amortization is recognized in profit and loss on a straight-line basis over the estimated useful lives of other assets from the date that they are available for use.

41-5-1 Licenses

Licenses are measured initially at cost. Amortization is charged to the statement of income on a straight-line basis over the period of its expected use or the term of the underlying agreement, whichever is shorter.

41-5-2 Right of way and right of use

The group recognizes an intangible asset arising from a right of way and right of use of other assets when it has the right for usage of the assets. An intangible asset is measured initially at cost upon initial recognition. Subsequent to initial recognition the intangible asset is measured at cost, less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over the shorter of the period of its expected use which ranges from 10 to 20 years and the term of the underlying agreement, starting from the date of the acquisition of the right.

41-5-3 Other intangible assets

Other intangible assets that are acquired by the company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

41-6 Projects in progress

The amounts incurred for construction or purchases of fixed assets are recorded at cost as projects in progress till being ready for the intended use in operations. Then, they are transferred to fixed assets with its cost.

41-7 Available - for - sale investments

Available-for-sale investments that have a quoted market price in an active market are measured at fair value and remeasurement is recognized directly in equity, if there is objective evidence that an impairment loss has been incurred, impairment loss is recognized in the consolidated statement of income. When an investment is derecognized, the cumulative gain or loss in equity is transferred to the consolidated statement of income.

Available-for-sale investments that do not have a quoted market price in an active market and which fair value cannot be reliably measured shall be measured at cost. In case of the existence of impairment, the carrying amounts of these investments is reduced by this impairment loss and recognized in the consolidated statement of income.

41-8 Financial asset at fair value through profit or loss (held for trading investments)

Financial investments classified as held for trading are recorded initially at fair value. At the end of each financial year, these investments are re-measured at their fair value (market value). Gain or loss arising from a change in the fair value shall be recognized in the consolidated statement of income for the year in which it arises.

41-9 Investments held –to- maturity (Treasury bills)

Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses

41-10 Inventories

- Inventories are measured at the lower of cost or net realizable value at the date of financial position.
- Cost is determined using the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location condition.
- Work in progress is valued at cost at the latest production process reached.
- Finished goods are valued at the manufacturing cost.

41-11 Trade receivables, debtors and other debit balances

Trade receivables, debtors and other debit balances are included as current assets unless they are contractually due over more than 12 months after the financial position date in which case they are classified as non-current assets. These assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method, less any impairment losses

41-12 Impairment loss on assets

(A) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in the consolidated statement of income. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to the consolidated statement of income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and financial assets that are debt securities, the reversal is recognized in the consolidated statement of income. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

(B) Non-financial assets

The carrying amounts of the company’s non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognized in the consolidated statement of income.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

41-13 Provisions

The provisions are recognized as a result of a past event where the company has a legal or constructive obligation and it is probable that an outflow of economic benefits will be required to settle the obligation, and the obligation can be reasonably estimated.

Provisions are reviewed at the reporting date and amended when necessary to reflect the best current estimate.

41-14 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, banks current accounts, time deposits, market money fund bills and treasury bills which do not exceed three months and banks overdrafts that are repayable on demand and form an integral part of the group's cash management preparing are included as a component of cash equivalents for the purpose of preparing the statement of cash flows. The consolidated statement of cash flows is prepared and presented according to direct method.

41-15 Grants

Grants are recognized initially as deferred income at fair value when there is reasonable assurance that they will be received and the group will comply with the conditions associated with the grant and are then recognized in statement of income as other income on a systematic basis over the useful life of the asset.

41-16 Creditors and other credit balances

Creditors and other credit balances are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, creditors and credit accounts are stated at amortized cost using the effective interest rate.

41-17 Revenue recognition

Revenue represent in the service value & the goods sold value & investments income and interest income, revenue is recognized according to:

- Services: telecommunications services revenue is achieved when we deliver or provide service to the client when there is adequate emphasis to recover for them.
- Sale of goods: revenue from sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer and when there is adequate emphasis to recover for them.
- Investments: The Dividend income is recognized after the date of acquisition and according to dividends declaration by General Assembly of the investee, within the company's share in the investee.
- The income from deposit interest and returns of securities according to accrual basis with considering the targeted rate of return from the asset.

41-18 Expenses

All operating expenses, including general and administrative expenses and selling and distribution expenses are recognized the consolidated statement of income in accordance with the accrual basis in the financial period when incurred.

41-18-1 Operating lease payments

Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

41-18-2 Net financing (costs) /income

Financing costs comprise interest payable on borrowings, impairment losses recognized on financial assets, change in the fair value of financial assets at fair value through profit and loss and foreign exchange loss.

Finance income includes, interest receivable on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit and loss and foreign exchange gain.

41-19 Employees benefits

The group contributes inside Egypt the social insurance under the Authority for the benefit of its personnel in pursuance to the Social Insurance Authority Law No. 79 of 1975 and its amendments. These contributions are recorded in the "wages and salaries account" in addition to the early retirement scheme applied from September 1, 2001 and end of service benefits (Note no. 11).

41-20 Capital lease agreements

The accrued lease payments, repair and maintenance expenses of leased assets under the capital leasing agreements are recognized according to the regulations of capital lease law no. 95 of 1995 as an expense in the consolidated statement of income for the year according to the accrual basis.

At the end of the lease agreement, if the company exercises its right to purchase the leased assets, these assets are recorded as fixed assets and their costs are determined at the amount of the purchase bargain option stated in the lease agreement and depreciated over the remaining estimated useful lives.

41-21 Earnings per share

The company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the net profit or loss for the year attributable to ordinary shareholders of the company excluding the share of both the employees and the Board of Directors in profits by the weighted average number of ordinary shares outstanding during the year.

41-22 Reserves

- Legal reserve: according to the company's article of associations requirements, 5% of the net profit is set aside to form a legal reserve. The transfer to legal reserve ceases once the reserve reaches 50% of the company's paid up capital.
- Other reserves: the general assembly may form other reserves based on the Board of Directors' recommendation.

41-23 Income tax

Income tax on the profit or loss for the year comprises of current and deferred tax. Income tax is recognized in the consolidated statement of income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is measured based on the method expected to measure the values of assets and liabilities using tax rates enacted at the consolidated statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

41-24 Financial risk management

The group has exposure to the following risks from its use of financial instruments:

• Credit risk • Liquidity risk • Market risk

This note presents information about the group's exposure to each of the above risks, the group objectives, policies and processes for measuring and managing risks, and the group management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the group risk management framework.

The group risk management policies are established to identify and analyze the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities.

The group, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

41-24-1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss.

This risk is mainly resulting from the group's trade and other debtors.

Trade receivable & other debtors

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the group's customer base, including the default risk has less of an influence on credit risk.

Most of group's revenue is represented in sales transaction with many customers with close values for each customer, hence, there is no concentration of credit risk on specific customers.

Cash and cash equivalents

Credit risk relating to cash and cash equivalents - except cash on hand - and financial deposits arises from the risk that the counterparty becomes insolvent and accordingly is unable to return the deposited funds. To mitigate this risk, whenever possible, the group conducts transactions and deposits funds with financial institutions with high investment grade.

41-24-2 Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The group ensures that the sufficient cash on demand to meet expected operational expenses for a suitable period, including the service of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

41-24-3 Market risk

Market risk is the risk that changes in market prices, such as foreign currency exchange rates, interest rates and equity prices will affect the group's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The group is exposed to currency risk on transactions that are denominated in a currency other than the respective functional currencies of the group, primarily the U.S. Dollars (USD) and Euro. In respect of monetary assets and liabilities denominated in foreign currencies, the group ensures that its net exposure is kept to an acceptable level through purchase or sale of the foreign currencies with current prices when that is necessary to face un-balanced short term.

Interest rate risk

The group is exposed to market risks as a result of changes in interest rates particularly in relation to borrowings. Borrowings issued at floating rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk.

The basic strategy of interest rate risk management is to balance the debt structure with an appropriate mix of fixed and floating interest rate borrowings based on the group's perception of future interest rate movements.

Other market prices risk

This risk arises from changes in the price of available-for-sale investments held by the group, the group's management monitors the equity instruments in the investments' portfolio according to the market and objective valuation of the financial statements related to these shares. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors. The primary goal of the group's investment strategy is to maximize investment returns and the management consults external advisors in this regard.

41-24-4 Capital management

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the group defines as net operating income divided by total shareholders' equity, the board also monitors the level of dividends paid to shareholders. There were no changes in the group's approach to capital management during the year. The group is not subject to externally imposed capital requirements.

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