

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Condensed Separate Interim Financial Statements
For The Nine Months Ended September 30, 2021
And Limited Review Report

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(An Egyptian Joint Stock Company)
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For The Nine Months Ended September 30, 2021
And Limited Review Report

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Translation from Arabic

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

Introduction

We have performed a limited review on the accompanying condensed separate statement of financial position of Telecom Egypt Company “an Egyptian joint stock company” as at September 30, 2021 and the related condensed separate statements of income, comprehensive income, changes in equity and cash flows for the nine months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these condensed separate interim financial statements in accordance with Egyptian Accounting Standard number (30) “Interim Financial Reporting”. Our responsibility is to express a conclusion on these condensed separate interim financial statements based on our limited review.

Scope of Limited Review

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

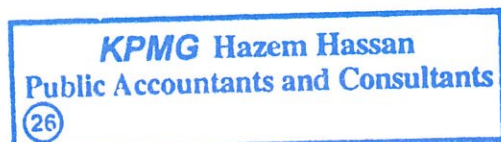
Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying condensed separate interim financial statements do not present fairly, in all material respects, the financial position of the company as at September 30, 2021 and of its financial performance and its cash flows for the nine months then ended in accordance with Egyptian Accounting Standard number (30) “Interim Financial Reporting”.

KPMG Hazem Hassan

KPMG Hazem Hassan
Public Accountants & Consultants

Cairo, November 10, 2021



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

	Note No.	30/9/2021 L.E. (000)	31/12/2020 L.E. (000)
Assets			
<u>Non Current Assets</u>			
Fixed assets	(11)	39 294 150	37 237 301
Projects in progress	(12)	7 661 853	6 483 385
Investments in subsidiaries and associates	(13)	6 645 125	6 645 125
Available-for-sale investments		74 856	74 856
Other assets	(14)	9 286 148	9 159 291
Deferred tax assets	(24-1)	176 749	131 209
Total Non Current Assets		63 138 881	59 731 167
<u>Current Assets</u>			
Inventories	(15)	1 971 292	1 961 580
Trade receivables	(16)	4 009 029	5 733 086
Debtors and other debit balances	(17)	5 640 916	5 905 409
Debit balances with subsidiaries and associates	(28)	329 686	310
Cash and cash equivalents	(18)	1 135 375	1 587 143
Total Current Assets		13 086 298	15 187 528
Total Assets		76 225 179	74 918 695
<u>Equity</u>			
Capital	(22)	17 070 716	17 070 716
Reserves	(23)	5 011 376	4 903 361
Retained earnings		12 132 561	8 058 960
Total Equity		34 214 653	30 033 037
<u>Non Current Liabilities</u>			
Loans and credit facilities	(19)	2 168 463	3 278 144
Creditors and other credit balances	(20)	6 109 420	5 083 404
Deferred tax liabilities	(24-1)	1 364 128	1 279 686
Total Non Current Liabilities		9 642 011	9 641 234
<u>Current Liabilities</u>			
Loans and credit facilities installments due within one year	(19)	13 851 180	16 975 203
Creditors and other credit balances	(20)	11 178 559	12 021 786
Accrued credit accounts to subsidiaries and associates	(28)	6 497 232	5 395 234
Provisions	(21)	841 544	852 201
Total Current Liabilities		32 368 515	35 244 424
Total Liabilities		42 010 526	44 885 658
Total Equity and Liabilities		76 225 179	74 918 695

The attached notes on pages (7) to (27) are an integral part of these condensed separate interim financial statements.

Director of financial affairs



"Ehab Abdo "

Senior Director
of Financial affairs


"Wael Hanafy "

Chief Financial Officer



"Mohamed Shamroukh "

Managing Director
& Chief Executive Officer


"Adel Hamed"

Board of Directors approval

Chairman



Limited Review Report "attached"

"Maged Osman"

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

	Note	For the nine months ended :		For the three months ended :	
		30/9/2021	30/9/2020	30/9/2021	30/9/2020
		L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)
Operating revenues	(3)	19 485 318	17 190 501	6 543 466	5 613 252
Operating costs	(4)	(12 507 162)	(11 814 240)	(4 124 958)	(3 990 207)
Gross Profit		6 978 156	5 376 261	2 418 508	1 623 045
Other operating income		669 892	383 743	171 676	128 865
Selling and distribution expenses	(5)	(1 870 585)	(1 637 265)	(609 839)	(538 005)
General and administrative expenses	(6)	(2 362 558)	(1 950 076)	(939 971)	(593 833)
Other operating expenses		(68 630)	(168 264)	(15 187)	(23 388)
Operating profit		3 346 275	2 004 399	1 025 187	596 684
Finance income	(7)	445 121	154 537	93 948	140 674
Finance cost	(7)	(1 022 965)	(1 204 082)	(259 573)	(221 745)
Net finance cost	(7)	(577 844)	(1 049 545)	(165 625)	(81 071)
Income from investments in subsidiaries and associates	(8)	4 617 368	1 334 417	-	500 000
Net profit for the period before tax		7 385 799	2 289 271	859 562	1 015 613
Income tax expense		(1 073 895)	(221 456)	(105 108)	(79 155)
Deferred tax expense	(24-1)	(38 902)	(216 097)	37 793	(72 017)
Total tax		(1 112 797)	(437 553)	(67 315)	(151 172)
Net profit for the period		6 273 002	1 851 718	792 247	864 441
Basic and diluted earning per share for the period (L.E. / Share)	(10)	3.67	1.08	0.46	0.51

The attached notes on pages (7) to (27) are an integral part of these condensed separate interim financial statements.

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

	<u>For the nine months ended :</u>		<u>For the three months ended :</u>	
	<u>30/9/2021</u>	<u>30/9/2020</u>	<u>30/9/2021</u>	<u>30/9/2020</u>
	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Net profit for the period	6 273 002	1 851 718	792 247	864 441
<u>Other Comprehensive Income Items:</u>				
Other Comprehensive Income items	-	-	-	-
Total Comprehensive Income	<u>6 273 002</u>	<u>1 851 718</u>	<u>792 247</u>	<u>864 441</u>

The attached notes on pages (7) to (27) are an integral part of these condensed separate interim financial statements.

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Condensed Separate Statement of Changes In Equity
For the Nine Months Ended September 30, 2021

	Note	Capital L.E. (000)	Legal reserve L.E. (000)	Other reserves L.E. (000)	Retained earnings L.E. (000)	Total L.E. (000)
Balance as of January 1, 2020		17 070 716	1 843 987	2 796 578	7 265 622	28 976 903
Comprehensive income						
Net profit for the period		-	-	-	1 851 718	1 851 718
Other comprehensive income items		-	-	-	-	-
Total comprehensive income		-	-	-	1 851 718	1 851 718
Transactions with shareholders						
Transferred to legal reserve		-	271 824	-	(271 824)	-
Dividends for year 2019 (Shareholders)		-	-	-	(426 768)	(426 768)
Dividends for year 2019 (Employees & Board of Directors)		-	-	-	(668 366)	(668 366)
Fixed assets evaluation disposals (land & building)		-	-	(9 028)	-	(9 028)
Total transactions with shareholders		-	271 824	(9 028)	(1 366 958)	(1 104 162)
Balance as of September 30, 2020		17 070 716	2 115 811	2 787 550	7 750 382	29 724 459
Balance as of January 1, 2021 (Before restatement)		17 070 716	2 115 811	2 787 550	8 058 960	30 033 037
Impact of applying the new Egyptian Accounting Standards	(2-7)	-	-	-	(144 612)	(144 612)
Balance as of January 1, 2021 (After restatement)		17 070 716	2 115 811	2 787 550	7 914 348	29 888 425
Comprehensive income						
Net profit for the period		-	-	-	6 273 002	6 273 002
Other comprehensive income items		-	-	-	-	-
Total comprehensive income		-	-	-	6 273 002	6 273 002
Transactions with shareholders						
Transferred to legal reserve		-	108 015	-	(108 015)	-
Dividends for year 2020 (Shareholders)		-	-	-	(1 280 304)	(1 280 304)
Dividends for year 2020 (Employees & Board of Directors)		-	-	-	(666 470)	(666 470)
Total transactions with shareholders		-	108 015	-	(2 054 789)	(1 946 774)
Balance as of September 30, 2021		17 070 716	2 223 826	2 787 550	12 132 561	34 214 653

The attached notes on pages (7) to (27) are an integral part of these condensed separate interim financial statements.

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

		For the nine months ended:	
	Note	30/9/2021	30/9/2020
	No.		Reclassified
		L.E.(000)	L.E.(000)
Cash flows from operating activities :			
Cash receipts from customers		13 978 869	11 512 604
Cash receipts from related party		8 962 116	5 729 940
Stamp tax and fees collected (from third party)		57 153	35 799
Deposits collected from customers		28 008	1 335
Cash paid to suppliers		(4 942 228)	(5 234 816)
Payments for NTRA license fees		(839 723)	(626 786)
Dividends paid to employees and Board of Directors		(9 377)	(8 594)
Cash paid to employees and Board of Directors		(3 493 938)	(3 178 324)
Cash paid on behalf of employees to third party		(649 924)	(622 101)
Cash provided by operating activities		13 090 956	7 609 057
Interest paid		(815 060)	(665 682)
Payments to Tax Authority - value added tax		(385 385)	(810 506)
Payments to Tax Authority - other taxes		(1 180 156)	(877 564)
Other proceeds / (payments)		430 787	(178 064)
Net cash provided by operating activities		11 141 142	5 077 241
Cash flows from investing activities :			
Payments for purchase of fixed assets , other assets and projects in progress		(7 752 118)	(6 814 013)
Payments for purchase of other assets		(2 422 300)	(730 953)
Payments for lease liability contract		(108 422)	-
Interest received		8 000	9 711
Dividends collected from investments		4 164 198	1 269 909
Net cash used in investing activities		(6 110 642)	(6 265 346)
Cash flows from financing activities :			
Payments from loans and credit facilities		(1 078 458)	(1 096 758)
Payments / Proceeds for loans and credit facilities		(3 119 006)	2 870 205
Dividends paid to shareholders		(1 280 304)	(426 768)
Net cash (used in) provided by financing activities		(5 477 768)	1 346 679
Net change in cash and cash equivalents during the period		(447 268)	158 574
Cash and cash equivalents at the beginning of the period	(18)	1 538 732	685 719
Cash and cash equivalents at the end of the period	(18)	1 091 464	844 293

The attached notes on pages (7) to (27) are an integral part of these condensed separate interim financial statements.

Translation from Arabic

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

**Notes to the Condensed Separate Interim Financial Statements
For The Nine Months Ended September 30, 2021**

1. BACKGROUND & ACTIVITIES

1-1 Legal Entity

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

1-2 Purpose of the company

The main purpose of the company represents in the following:

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

1-3 Issuance of the condensed separate interim financial statements

- These Condensed Separate Interim Financial Statements were approved by the company's Board of Directors for issuance on November 10, 2021

2. BASIS OF PREPARATION OF THE CONDENSED SEPARATE INTERIM FINANCIAL STATEMENTS

2-1 Statement of compliance

- These Condensed Separate Interim Financial Statements as of September 30, 2021 have been prepared in accordance with Egyptian Accounting Standard No.30 "Interim Financial Reporting" accordingly it is condensed comparative view to the annual separate financial statements for the company, and in the light of applicable Egyptian laws and regulations related to.
 - These first condensed separate interim financial statements have been prepared which Egyptian accounting standard No. 47 "Financial Instruments", Egyptian accounting standard No. 48 "Revenue from contracts with customers" and Egyptian accounting standard No. 49 "Lease" were applied.
- The effect of the changes of the current accounting policies clarified in note No. (2-7)
- These Condensed Separate Interim Financial Statements don't include all the required information needed for preparing the full annual financial statements and must be read with the separate annual financial statements as of December 31, 2020.

2-2 Basis of measurement

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

2-3 Functional and presentation currency

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

2-4 Use of estimates

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

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

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

2-5 Fair value measurement

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

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

When the discounted cash flows are 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

2-7 Significant accounting policies

- On March 18, 2019, the Minister of Investment and International Cooperation amended some provisions of the Egyptian accounting standards issued by Minister of Investment Decision No. 110 of 2015, which include some new accounting standards and amendments to some existing standards.

- On April 12, 2020, the Financial Supervisory Authority issued a decision to postpone the application of amendments in the new Egyptian accounting standards to the interim financial statements and limit them to the annual financial statements by the end of 2020.

On September 17, 2020, Prime Minister Decision No. 1871 of 2020 was issued to postpone the application of the following Egyptian accounting standards until January 1, 2021:

A- Standard (47) - Financial Instruments

B- Criterion (48) - Revenue from contracts with customers

C- Standard (49) - Lease Contracts

- Amendments to the standards have been applied with effect from the beginning of 2021, and the company's management decided to apply the Egyptian Accounting Standard No. 47 "Financial Instruments" (see A), the Egyptian Accounting Standard No. 48 "Revenue from Contracts with Customers" (see B) and the Egyptian Accounting Standard. No. 49 "Lease Contracts" (see C) effective January 1, 2021.

- The company has chosen the modified cumulative effect method in applying the changes in accounting policies resulting from the application of these standards. Consequently, the differences resulting from the application of those standards referred to above were recognized in the retained earnings item on January 1, 2021 "if any", and the comparative information included has not been restated to reflect the requirements of the new standards.

- In the following table, the transitional impact of applying the Egyptian Accounting Standard No. 47 "Financial Instruments" and the Egyptian Accounting Standard No. 48 "Revenue from Contracts with Customers" and the Egyptian Accounting Standard No. 49 "Lease Contracts" on the beginning balances of the Group's financial position was made on January 1, 2021.

Notes to the Condensed Separate Interim Financial Statements
For The Nine Months Ended September 30, 2021 (continued)

Translation from Arabic

L.E. (000)	Beginning balance of financial position	The effect of standard No. 47 "Financial instruments"	The effect of standard No. 48 "Revenue from contracts with customers"	The effect of standard No. 49 "lease contracts"	Restated Beginning balance of financial position
Assets					
Non Current Assets					
Fixed assets	37 237 301	-	-	-	37 237 301
Projects in progress	6 483 385	-	-	-	6 483 385
Investments in subsidiaries and associates	6 645 125	-	-	-	6 645 125
Available-for-sale investments	74 856	-	-	-	74 856
Other assets	9 159 291	-	-	472 498	9 631 789
Deferred tax assets	131 209	-	-	-	131 209
Total Non Current Assets	59 731 167	-	-	472 498	60 203 665
Current Assets					
Inventories	1 961 580	-	-	-	1 961 580
Trade receivables	5 733 086	(35 977)	-	-	5 697 109
Debtors and other debit balances	5 905 409	-	-	(25 539)	5 879 870
Debit balances with subsidiaries and associates	310	-	-	-	310
Cash and cash equivalents	1 587 143	-	-	-	1 587 143
Total Current Assets	15 187 528	(35 977)	-	(25 539)	15 126 012
Total Assets	74 918 695	(35 977)	-	446 959	75 329 677
Equity					
Capital	17 070 716	-	-	-	17 070 716
Reserves	4 903 361	-	-	-	4 903 361
Retained earnings	8 058 960	(35 977)	(325)	(108 310)	7 914 348
Total Equity	30 033 037	(35 977)	(325)	(108 310)	29 888 425
Non Current Liabilities					
Loans and credit facilities	3 278 144	-	-	-	3 278 144
Creditors and other credit balances	5 083 404	-	-	504 797	5 588 201
Deferred tax liabilities	1 279 686	-	-	-	1 279 686
Total Non Current Liabilities	9 641 234	-	-	504 797	10 146 031
Current Liabilities					
Loans and credit facilities installments due within one year	16 975 203	-	-	-	16 975 203
Creditors and other credit balances	12 021 786	-	325	50 472	12 072 583
Accrued credit accounts to subsidiaries and associates	5 395 234	-	-	-	5 395 234
Provisions	852 201	-	-	-	852 201
Total Current Liabilities	35 244 424	-	325	50 472	35 295 221
Total Liabilities	44 885 658	-	325	555 269	45 441 252
Total Equity and Liabilities	74 918 695	(35 977)	-	446 959	75 329 677

Notes to the separate financial statements

For the nine months ended September 30, 2021 (continued)

Translation from Arabic

(A) Egyptian Accounting Standard No. (47) - Financial Instruments

- Egyptian Accounting Standard No. 47 specifies requirements for recognition and measurement of financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces Egyptian Accounting Standard No. 25 Financial Instruments: Presentation and Disclosure and Financial Accounting Standard No. 26 Financial Instruments: Recognition and Measurement and Egyptian Accounting Standard No. 40 Financial Instruments: Disclosures applied to the disclosures for the year 2021.

- Classification and measurement of financial assets and financial liabilities

The new standard requires a company to evaluate financial assets in its financial statements according to the cash flow characteristics of financial assets and the company's related business models for a particular class of financial assets.

Egyptian Accounting Standard 47 no longer has an "available for sale" classification of financial assets. The new standard contains different requirements for financial assets in debt or equity instruments.

- Debt instruments must be classified and measured in one of the following ways:

Amortized cost, as the effective interest rate method or

- Fair value through other comprehensive income, with subsequent reclassification to the statement of profit and loss when selling the financial asset or
- Fair value through profit or loss.

- Investments in equity instruments other than those that are considered and for which equity accounting should be applied must be classified and measured in one of the following:

- Fair value through other comprehensive income, with subsequent reclassification to the statement of profit and loss when selling the financial asset or
- Fair value through profit or loss.

The company continues to initially measure financial assets at fair value plus transaction cost upon initial recognition, excluding financial assets measured at fair value through profit and loss in line with current practices. The classification of most financial assets has not been affected. By moving to Egyptian Accounting Standard No. 47 on January 1, 2021, with regard to the reclassification statement that took place when the transition to Egyptian Accounting Standard No. 47 was clarified in the previous countries in this clarification, EAS 47 retains to a large extent the current requirements of it in the Accounting Standard. The Egyptian No. 26 for classification and measurement of current liability.

The application of Egyptian Accounting Standard No. 47 had no impact on the company's accounting policies relating to financial liabilities and derivative financial instruments.

- Impairment

Egyptian Accounting Standard No. 47 uses the expected credit loss model. Which replaces the actual loss model in the Egyptian Accounting Standard No. 26, as there was no need to create a provision for doubtful debts except in cases where a loss actually occurred. In contrast, the ECL model requires the company to recognize an allowance for doubtful debts on all financial assets listed at amortized cost as well as debt instruments classified as financial assets at FVTOCI since the initial recognition, regardless of whether the loss occurred.

As a result, an increase in impairment for financial assets increased for the company when applying the Egyptian Accounting Standard No. 47 on January 1, 2021, as the effect of applying the expected credit loss model appears in the previous table of this note.

- Hedge accounting

Egyptian Accounting Standard No. 47 increases the company's ability to apply hedge accounting. In addition, the requirements of the standard have been more closely aligned with the Company's risk management policy, and the effectiveness of the hedging will be measured in the future.

- Transitional period

The company applied the standard using the modified cumulative effect method, which means that the effect of applying the standard has been recognized in the retained earnings with effect from January 1, 2021, and the comparative figures have not been restated.

(B) Egyptian Accounting Standard No. 48 - Revenue from contracts with customers

Egyptian Accounting Standard No. 48 defines a comprehensive framework for determining the value and timing of revenue recognition. This replaces the standard in place of the following Egyptian standards (Egyptian Accounting Standard No. (11) "Revenue" and Egyptian Accounting Standard No. (8) "Construction Contracts") Revenue is recognized when the customer can take Control of units and services. The timing of the transfer of control - over a period of time or at a point in time - requires a measure of personal judgment.

- Revenue recognition

Due to the nature of the company's activities, in addition to the company's current accounting policies, the application of the Egyptian Accounting Standard No. 48 did not have a material impact on the recognition of revenue by the company, as shown in the previous table in this note.

- The costs of obtaining a contract with the client

Under Egyptian Accounting Standard No. 48, some of the additional costs incurred in obtaining a contract with a customer (contract costs) that were previously not eligible for recognition as an asset under any of the other accounting standards have been deferred in the separate financial position statement.

*Notes to the condensed Separate Interim Financial Statements
For The nine months ended September 30, 2021 (continued)*

Translation from Arabic

There is no effect of capitalizing contract costs resulting from the application of Egyptian Accounting Standard No. 48 in the previous table in this note.

-Transitional period

The company applied the standard using the modified cumulative effect method, which means that the effect of applying the standard has been recognized in retained earnings with effect from January 1, 2021, and the comparative figures have not been restated.

The effect of applying the Egyptian Accounting Standard No. 48 to the opening balances of the financial position of the company, as of January 1, 2021, is shown in the previous table in this note.

(C) Egyptian Accounting Standard No. (49) - Lease Contracts

The Egyptian Accounting Standard No. 49 replaces the Egyptian Accounting Standard No. 20 - Accounting rules and standards related to finance lease operations.

Egyptian Accounting Standard No. 49 "Lease Contracts" provides a single accounting model for the lessor and the lessee where the lessee recognizes the right to use the leased asset within the company's assets and recognizes a liability that represents the current value of unpaid lease payments within the company's liability, taking into account that contracts are not classified for the lessee an operating lease contract or a finance lease contract. There are optional exemptions for short-term and low-value leases.

- With regard to the lessor, the lessor must classify each of his lease contracts as either an operating lease contract or a finance lease contract.
- With regard to the financial lease, the lessor must recognize the assets held under a finance lease contract in the statement of the financial position and present them as dues in an amount equal to the net investment in the lease contract.
- With regard to operating lease, the lessor must recognize lease payments from operating lease contracts as income, either on a straight-line basis or any other regular basis.
- The effect of applying Egyptian Accounting Standard No. 49 to the opening balances of the company's financial position, as of January 1, 2021, is shown in the previous table in this note.

Recognition and measurement

At the commencement of the contract, the company evaluates whether the contract contains lease arrangements and for such arrangements for lease contracts, the company recognizes right of use assets and lease contract liabilities, with the exception of short-term leasing contracts and low-value asset contracts as follows:

subsequent recognition: right of use of asset is measured as the amount equal to the lease liability that is initially measured and adjusted for pre-contract lease payments, initial direct cost, incentives, the discounted value of the estimated costs of dismantling and removing the asset.

In the subsequent measurement: the right of use is measured at cost minus the accumulated depreciation and the accumulated impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful lives of the right of use assets or the lease term, whichever is less.

The lease liability is measured at the beginning of the lease contract at the present value of the unpaid lease payments on that date over the lease period, and lease payments must be deducted using the additional borrowing rate prevalent in the country. In general, the company uses the additional borrowing rate as the discount rate. Then the lease contract liability is measured at amortized cost using the effective interest rate method.

- The right of use assets and the liability of the lease contracts will be re-measured later in the event that one of the following events occurs:

- The change in the lease price due to the link to the price or the rate that has become effective for the period.
- Amendments to the lease contract.
- Reassessment of the lease term.
- contract for leasing non-core assets that are not related to the main operating activities of the company, which are short-term in nature (less than 12 months including renewal options) and low value commodity leases are included in the income statement as incurred.

-Transitional period

The company applied the standard using the modified cumulative effect method, which means that the effect of applying the standard has been recognized in retained earnings with effect from January 1, 2021, and the comparative figures have not been restated.

When switching to Egyptian Accounting Standard No. (49), The company has chosen to apply the practical method to exclude the evaluation under which translations represent lease contracts , The company applied EAS 49 only to contracts that were previously identified as lease contracts that were not identified as leases under EAS 20 were not reassessed consequently , the definition of a lease under EAS 49 was applied to contracts signed or changed before January 1 ,2020 and the company also adopted practiced incentives . when applying Egyptian Accounting Standard No. (49) to lease contracts previously classified as operating lease under Egyptian Accounting Standard No.(20)

*Notes to the condensed Separate Interim Financial Statements
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Translation from Arabic

Lease contracts previously classified as operating leases under the Egyptian Accounting Standard No. (20): The company has also chosen to use recognition exemptions for lease contracts whose lease period does not exceed 12 months or less from the date of initial implementation and does not contain the option to purchase "short-term lease contracts" as well as low-value leasing contracts for "low-value assets."

- Implementing of a single discount rate to a group of lease contracts with reasonably similar characteristics which recognized on January 1, 2021.
- Implementing of the exemption by not recognizing the assets and liabilities of the right of use asset that expire during the year 2021
- Excluding the initial direct cost from measuring the right of use asset on the date of its initial implementation.

- Important provisions in determining the lease term for contracts that include renewal options

The company defines the lease term as the irrevocable period of the lease contract, along with any periods covered by the option to extend the lease contract if this right can be exercised in a very reasonable degree, or any periods covered by the option to terminate the lease contract, if it is certain that Exercise this right.

The company has the option under some lease contracts to lease assets for additional periods. The company applies judgment in assessing whether it is certain and to a reasonable degree to exercise the renewal option, and this means that all relevant factors that create an economic incentive to practice the renewal are taken into account.

After the commencement date, the company will return the lease term if there is a major event or change in the circumstances under its control that affects its ability to exercise (or not exercise) the renewal option (for example) a change in business strategy.

*Notes to the condensed Separate Interim Financial Statements
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Translation from Arabic

3. OPERATING REVENUES

	For the nine months ended:		For the three months ended:	
	30/9/2021	30/9/2020	30/9/2021	30/9/2020
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Home and personal communications	3 902 135	3 312 841	1 375 360	1 146 741
Enterprise	1 701 875	1 632 436	466 847	563 221
Domestic wholesale	9 389 162	7 634 931	3 338 666	2 570 630
International carriers	3 133 933	3 338 464	984 722	1 070 430
International cables and networks	1 358 213	1 271 829	377 871	262 230
	<u>19 485 318</u>	<u>17 190 501</u>	<u>6 543 466</u>	<u>5 613 252</u>

Total operating revenues have increased by an amount of L.E. 2 294 817 K due to the increase in domestic wholesale revenues by an amount of L.E. 1 754 231 K due to the increase in access service and infrastructure revenues in addition to the increase in home and personal communications revenues by an amount of L.E. 589 294 K due to the increase in revenues resulting from fixed line and rendering mobile phone service and international cables and networks revenues by an amount of L.E. 86 384 K, however the decrease in international carriers revenues by an amount of L.E. 204 531 K led to the limitation of this increase.

4. OPERATING COSTS

	For the nine months ended :		For the three months ended :	
	30/9/2021	30/9/2020	30/9/2021	30/9/2020
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Interconnection cost	4 436 947	4 263 934	1 469 637	1 465 314
Depreciation and amortization	3 747 867	3 083 168	1 321 996	1 036 227
Salaries and wages	1 411 402	1 606 927	331 388	559 577
Company's social insurance contribution	175 130	174 206	56 635	58 475
Frequencies and licenses charges (NTRA)	627 609	569 011	225 215	191 885
Other operating cost	2 108 207	2 116 994	720 087	678 729
	<u>12 507 162</u>	<u>11 814 240</u>	<u>4 124 958</u>	<u>3 990 207</u>

Operating costs have increased by an amount of L.E. 692 922 K mainly due to the following: -

- The increase of interconnection cost by an amount of L.E. 173 013 K which is mainly due to the increase in cost of national roaming fees and cost of international fees of transit service.
- The increase in the depreciation and amortization item by an amount of L.E. 664 699 K due to the additions of the last year after the nine months and the current period.
- The decrease in the other operating cost by an amount of L.E. 8 787 K which is mainly due to the decrease in both of organizations services cost item by an amount of L.E. 61 780 K and IRU right of use item by an amount of L.E. 20 857 K however the increase in cost of spare parts by an amount of L.E. 77 841 K and the increase in maintenance item by an amount of L.E. 52 645 K led to the limitation of this decrease.

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Translation from Arabic

5. SELLING AND DISTRIBUTION EXPENSES

	For the nine months ended :		For the three months ended :	
	30/9/2021	30/9/2020	30/9/2021	30/9/2020
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Salaries and wages	644 562	573 908	176 336	160 213
Company's social insurance contribution	84 617	63 742	29 111	21 375
Advertising and marketing	303 356	306 069	103 852	102 242
Organizations services costs	363 006	313 040	121 768	113 908
Commissions	298 106	235 335	105 405	90 136
Depreciation & Amortization	23 650	5 333	8 477	1 795
Other selling and distribution expenses	153 288	139 838	64 890	48 336
	1 870 585	1 637 265	609 839	538 005

The increase in selling and distribution expenses by an amount of L.E 233 320 K mainly due to the increase in salaries and wages item by an amount of L.E 70 654 K and the increase of the cost of organizations services item by an amount of L.E. 49 966 K and the increase in commissions item by an amount of L.E 62 771 K.

6. GENERAL AND ADMINISTRATIVE EXPENSES

	Note No.	For the nine months ended :		For the three months ended :	
		30/9/2021	30/9/2020	30/9/2021	30/9/2020
		L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Salaries and wages		1 496 736	1 218 930	623 663	332 432
Company's social insurance contribution		118 340	99 722	39 323	33 504
The company's contribution in loyalty and belonging fund	(9-2)	150 000	135 000	50 000	45 000
Depreciation		29 479	24 159	13 105	7 606
Tax and duties		121 746	81 167	42 918	30 679
Organizations services costs and consultants		281 805	254 510	109 588	88 877
Other general and administrative expenses		164 452	136 588	61 374	55 735
		2 362 558	1 950 076	939 971	593 833

The increase in general and administrative expenses by an amount of L.E 412 482 K mainly due to the increase in salaries and wages item by an amount of L.E 277 806 K and the increase in tax and duties item by an amount of L.E 40 579 K and the company's contribution in loyalty and belonging fund item by an amount of L.E. 15 000 K and the increase in other general and administrative expenses item by an amount of L.E. 27 864 K.

7. NET FINANCE COST

The decrease in net finance cost by an amount of L.E 471 701 K during the period is mainly due to the increase in translation profits of foreign currencies balances and transactions by an amount of L.E 289 730 K and the decrease in impairment expense on financial assets by an amount of L.E. 108 363 K and the interest expense by an amount of L.E. 56 923 K.

Notes to the condensed Separate Interim Financial Statements
For The nine months ended September 30, 2021 (continued)

Translation from Arabic

8. INCOME FROM INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

	<u>For the nine months ended :</u>		<u>For the three months ended :</u>	
	<u>30/9/2021</u>	<u>30/9/2020</u>	<u>30/9/2021</u>	<u>30/9/2020</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Vodafone Egypt Telecommunications Company	4 494 575	651 714	-	-
WE-Data	50 000	600 000	-	500 000
Middle East Radio Communication (Merc)	5 372	5 513	-	-
The Egyptian Telecommunication Company for information system (Xceed)	62 500	62 500	-	-
Centra for Technology (Centra)	4 921	14 690	-	-
	<u>4 617 368</u>	<u>1 334 417</u>	<u>-</u>	<u>500 000</u>

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

9. EMPLOYEE'S BENEFITS

9-1 Early retirement scheme

The Company applies an optional early retirement scheme under which a compensation is paid to employees who desired and meet the requirements to end their service before the legal age of retirement, therefore the company's Board of Directors decided in its meeting which have been held on March 24, 2019 to approve the application of the optional early retirement scheme for the employees of the company before the legal age of retirement. Also on June 9, 2019, internal instructions were issued under no. (8) to determine the mechanism of applying the optional early retirement scheme by specifying the conditions of enrollment in the scheme and the benefits offered to the employees of the company, enrollment application to be submitted during the period from June 9, 2019 till July 9, 2019 according to the following:

First: The important conditions of the optional early retirement

- The subscription duration in social insurance not less than Twenty years.
- Approval of the company's manpower planning committee of the company according to the requirement of work and the company has the right to reject any application.
- The subscription application submitted by the employee is final and not repealed at the expiration of seven days from the date of its submission.

Second: The most important benefits of an optional early retirement

- Payment of compensation for the remaining period, which represents the total of the remaining salaries including periodic increment up to the legal age of retirement calculated at present value by a specified discount rate.
- Payment of compensation instead of the loyalty and belonging grant of 100 months on the basic salary on 1/1/2015 with an increase of 5% per annually.

*Notes to the condensed Separate Interim Financial Statements
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Translation from Arabic

- Payment of compensation for unused leaves in accordance with the regulations in force.
- Payment of an amount of 1500 per month for three years or until the age of sixty whichever is the earliest.
- Enjoying medical insurance system for employees and their families for three years or until the age of sixty whichever is earliest.
- Enjoying the benefit of telecommunication services for employees for three years or until the age of sixty whichever is earliest.

The company's manpower planning committee has considered the applications for early retirement submitted by employees to enroll in the system to determine the extent to which those applications meet the conditions and whether the company needs the applicant employee or not, the committee has completed the study of most of the applications submitted by the employees of the company, based on its recommendations and after obtaining all the necessary approvals, a number of administrative orders have been issued for the end of the service of employees whose meet the requirements of the above scheme, the committee have completed the study of all the applications submitted to it by the employees of the company, issuing its recommendations and have prepared the final reports of the results of its work were all the liabilities that the company had borne as a result of the application of the optional early retirement scheme an amount of L.E 1 368 221 K with a balance of an amount of 35 098 K in September 30, 2021.

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

The employees are granted an end of service benefits through a Loyalty & belonging Fund established in January 2004. Employees' benefit is based on the employees' basic salary in January 1, 2018 increasing annually at a compound rate of 5%. The subscription for employees hired after January 1, 2018 is calculated according to a subscription schedule for new hires and increase annually at a compound rate of 5% starting from the next year of the hiring date with the same conditions of periodical raise of employees.

The employees share in loyalty & belonging fund according to constant subscription are based on the same employees' basic salary where the end of service benefit calculated. The company's share represents annual defined contribution and the company had contributed by an amount of L.E 150 000 K for the period ended in September 30, 2021 (against an amount of L.E. 135 000 K for the same period of 2020) stated in the general and administrative expenses as shown in (Note no. 6).

10. BASIC AND DILUTED EARNING PER SHARE.

	<u>For the nine months ended :</u>		<u>For the three months ended :</u>	
	<u>30/9/2021</u>	<u>30/9/2020</u>	<u>30/9/2021</u>	<u>30/9/2020</u>
Net profit for the period (LE in thousand)	6 273 002	1 851 718	792 247	864 441
Number of shares available during the period (share)	1707 071 600	1707 071 600	1707 071 600	1707 071 600
Basic and diluted earnings per share for the period (LE / share)	<u>3.67</u>	<u>1.08</u>	<u>0.46</u>	<u>0.51</u>

Notes to the condensed Separate Interim Financial Statements
For The nine months ended September 30, 2021 (continued)

Translation from Arabic

11. FIXED ASSETS

Description	30/9/2021 Cost L.E.(000)	30/9/2020 Cost L.E.(000)	30/9/2021 Accumulated depreciation L.E.(000)	30/9/2020 Accumulated depreciation L.E.(000)	30/9/2021 Net L.E.(000)	30/9/2020 Net L.E.(000)	31/12/2020 Net L.E.(000)
Land	2 338 916	2 338 973	-	-	2 338 916	2 338 973	2 338 973
Buildings & Infrastructure	39 802 640	35 824 413	18 006 813	16 586 767	21 795 827	19 237 646	21 236 521
Centrals & information technologies equipment	33 022 658	32 501 925	18 257 204	21 373 379	14 765 454	11 128 546	13 323 925
Vehicles	257 249	169 244	112 187	110 404	145 062	58 840	103 437
Furniture	492 564	415 533	335 456	304 370	157 108	111 163	134 734
Tools & supplies	225 780	208 353	133 997	112 706	91 783	95 647	99 711
Total	76 139 807	71 458 441	36 845 657	38 487 626	39 294 150	32 970 815	37 237 301

- The increase in net carrying value of fixed assets mainly due to the additions during the period by an amount of L.E.5 347 533 K, however the depreciation of the period by an amount of L.E. 3 221 541 K led to limitation of this increase.
- The cost of fixed assets as of September 30, 2021 includes an amount of L.E. 15 957 Million fully depreciated fixed assets and still in use.

12. PROJECTS IN PROGRESS

	30/9/2021 LE (000)	31/12/2020 LE (000)
Land	145 944	37 845
Buildings and Infrastructure	1 251 669	1 437 326
Furniture	2 007	12 016
Tools and supplies	4 972	11 139
Centrals and information technology equipment	1 706 614	2 835 618
Other Assets	551 124	547 625
Advanced payments - fixed assets	1 602 223	1 601 816
Frequencies license for 20 MH	2 397 300	-
	7 661 853	6 483 385

The balance of projects in progress is represented in the part that has been executed from commitments capital and contracts, and the advanced payment until September 30, 2021.

Notes to the condensed Separate Interim Financial Statements
For The nine months ended September 30, 2021 (continued)

Translation from Arabic

13. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

	30/9/2021		31/12/2020	
	Ownership %	Amount L.E. (000)	Ownership %	Amount L.E. (000)
13-1 Investments in subsidiaries				
- Telecom Egypt France (TE France)	100.00	69 220	100.00	69 220
- WE Data	99.99	252 461	99.99	252 461
- TE Investment Holding	99.99	39 998	99.99	39 998
- Egyptian international submarine cables company (Eiscc)	99.00	267 578	99.00	267 578
- Egyptian telecommunication integrated services company	98.00	246	98.00	246
- Egyptian Telecommunication for Information System (Xceed)	97.66	31 250	97.66	31 250
- Centra Technology (centra)	58.76	14 737	58.76	14 737
- Middle East Radio Communication (Merc)	49.00	7 350	49.00	7 350
13-2 Investments in associates				
- Wataneya for Telecommunications	50.00	125	50.00	125
- Vodafone Egypt Telecommunications Company	44.95	5 960 054	44.95	5 960 054
- Egypt Trust	35.71	10 000	35.71	10 000
		6 653 019		6 653 019
Less:				
Impairment loss on investments of subsidiaries and associates*		7 894		7 894
		6 645 125		6 645 125

*Impairment loss on investments of subsidiaries and associates is formed for, Telecom Egypt France, Egypt Trust, Wataneya for Telecommunications.

14. OTHER ASSETS

	30/9/2021 L.E. (000)	31/12/2020 L.E. (000)
Cost		
Fourth generation network license	8 633 330	8 633 330
Usefract (Projects)	91 216	34 296
Lease (right of use)	758 739	-
Submarine cables (right of way)	1 950 701	1 885 122
Right of way (National)	540 664	541 095
Land (possession-usufruct)	440 684	440 684
Licenses and programs	104 551	104 551
	12 519 885	11 639 078
Less:		
Accumulated amortization	3 233 737	2 479 787
Net carrying amount	9 286 148	9 159 291

- The increase in net carrying value of other assets mainly due to the increase in lease (right of use) item by an amount of L.E 758 739 K.
- Other assets cost includes at September 30, 2021 an amount of L.E 167 Million, other assets fully amortized and still in use in operating.

Notes to the condensed Separate Interim Financial Statements
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Translation from Arabic

15. INVENTORIES

	30/9/2021	31/12/2020
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Spare parts	1 224 925	1 170 518
Material supplies ,Merchandise for sale and Letters of credit	282 869	256 365
Others – cables and supplies	463 498	534 697
	<u>1 971 292</u>	<u>1 961 580</u>

The value of inventories was written down by an amount of L.E. 90 275 K (against L.E. 13 561 K as at December 31, 2020) for obsolete and slow-moving items directly from the cost of each type of related inventory.

16. TRADE RECEIVABLES

	30/9/2021	31/12/2020
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Trade Receivables - National	3 371 747	3 607 743
Trade Receivables - International	2 477 691	3 864 720
	<u>5 849 438</u>	<u>7 472 463</u>
Less:		
Impairment loss on trade receivables	1 840 409	1 739 377
	<u>4 009 029</u>	<u>5 733 086</u>

Trade receivables balance has decreased by an amount of L.E. 1 724 057 K mainly due to the decrease in both of trade receivables – international cables and networks by an amount of L.E. 949 603 K, trade receivables - international carriers by an amount of L.E. 437 426 K and trade receivables-enterprise by an amount of L.E. 475 592 K, however the increase in trade receivables – domestic wholesale by an amount of L.E. 210 908 K led to the limitation of this decrease.

17. DEBTORS AND OTHER DEBIT BALANCES

	30/9/2021	31/12/2020
	<u>LE (000)</u>	<u>LE (000)</u>
Suppliers – debit balances	1 035 750	878 736
Deposits with others	317 048	269 252
Accrued revenues	4 554	11 119
Tax Authority - value added tax	981 373	1 483 623
Tax Authority - withholding tax	1 080 477	826 976
Tax authority - income tax	29 549	29 552
Due from ministries, organizations and companies	513 363	871 415
Temporary debts due from employees	519 457	657 093
Other debit balances	1 214 544	932 842
	<u>5 696 115</u>	<u>5 960 608</u>
Less:		
Impairment loss on debtors and other debit balances	55 199	55 199
	<u>5 640 916</u>	<u>5 905 409</u>

Debtors and other debit net balances have decreased by an amount of L.E. 264 493 K mainly due to the decrease in Tax authority (value added tax) item by an amount of L.E. 502 250 K and due from ministries, organizations and companies item by an amount of L.E. 358 052 K and temporary debts due from employees item by an amount of L.E. 137 636 K, however the increase in Tax authority (withholding tax) item by an amount of L.E. 253 501 K, and suppliers – debit balances item by an amount of L.E. 157 014 K and other debit balances item by an amount of L.E. 281 702 K led to the limitation of this decrease.

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Translation from Arabic

18. CASH AND CASH EQUIVALENTS

	Note No.	30/9/2021 L.E. (000)	31/12/2020 L.E. (000)	30/9/2020 L.E. (000)
Banks - time deposits (less than 3 months)		121 641	1 064 991	210 198
Banks - current accounts		1 006 957	520 809	710 809
Cash on hand		6 777	1 343	7 651
Cash and cash equivalents		1 135 375	1 587 143	928 658
Less:				
Restricted time deposits and current accounts at banks	(26)	43 911	48 411	84 365
Cash and cash equivalents as per cash flows statement		1 091 464	1 538 732	844 293

19. LOANS AND CREDIT FACILITIES

The decrease in the balance of loans and credit facilities by an amount of L.E 4 233 704 K mainly resulting from payments within the period of loans and credit facilities with local and foreign currencies and decrease in credit facilities with local and foreign currencies by an amount of L.E. 3 119 006 K, where loans and credit facilities with local and foreign currencies in September, 30 2021 amounted to L.E. 16 019 643 K (against LE 20 253 347 K at December,31 2020), due within a year by an amount of L.E. 13 851 180 K.

20. CREDITORS AND OTHER CREDIT BALANCES

	Note No.	30/9/2021 L.E. (000)	31/12/2020 L.E. (000)
Suppliers		689 330	1 364 820
Tax Authority (income tax)		611 972	-
Tax Authority (taxes other than income tax)		702 311	190 311
Deposits from others		546 329	528 022
Liabilities of early retirement scheme	(9-1)	35 098	67 140
Assets creditors		8 999 039	11 085 577
Lease obligations		626 193	-
Dividends creditors		770	770
Accrued interest		59 495	108 762
Accrued expenses		491 778	707 863
Public Authority for Social Insurance		58 974	54 666
Trade receivables - credit balances		1 713 401	725 028
Credit balances- organizations and companies		209 411	355 651
Deferred revenue		1 402 930	632 650
National Telecommunication Regulatory Authority (NTRA)		501 297	661 203
Other credit balances		639 651	622 727
		17 287 979	17 105 190
balances due within more than one year:			
Assets creditors		5 530 517	5 055 227
Lease obligations		550 726	-
Deferred revenue		28 177	28 177
Non current creditors and other credit balances		6 109 420	5 083 404
Current creditors and other credit balances		11 178 559	12 021 786
Total creditors and other credit balances		17 287 979	17 105 190

Creditors and other credit balances have increased by an amount of L.E. 182 789 K mainly due to the increase in trade receivables - credit balances item by an amount of L.E. 988 373 K, lease obligations item by an amount of L.E. 626 193 K, tax authority item (income tax) by an amount of L.E 611 972 K, tax authority item (taxes other than income tax) by an amount of L.E 512 000 K and deferred revenue item by an amount of L.E 770 280 K, however the decrease in both of assets creditors item by an amount of L.E 2 086 538 K, suppliers item by an amount of L.E 675 490 K, credit balances-organization and companies by an amount of L.E. 146 240 K, accrued expenses item by an amount of L.E. 216 085 K and accrued interest item by an amount of L.E. 49 267 K led to the limitation of this increase.

Notes to the condensed Separate Interim Financial Statements
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Translation from Arabic

21. PROVISIONS

	30/9/2021	31/12/2020
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Balance at the beginning of the period / year	852 201	668 004
Reclassification during the period/year	229 343	-
Reversal of provisions	(240 000)	-
Charged to income statement for the period / year	-	184 197
Balance at the end of the period / year	<u>841 544</u>	<u>852 201</u>

22. CAPITAL

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

23. RESERVES

	30/9/2021	31/12/2020
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Legal reserve	2 223 826	2 115 811
Other reserves	2 787 550	2 787 550
	<u>5 011 376</u>	<u>4 903 361</u>

*The balance of legal reserve has increased as a result of retaining an amount of L.E. 108 015 K from the profit of 2020 in accordance with the company's articles of association.

24. DEFERRED TAX

24-1 Recognized deferred tax assets and liabilities

	<u>30/9/2021</u>		<u>31/12/2020</u>	
	Assets	Liabilities	Assets	Liabilities
	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Total deferred tax asset / (liability)	176 749	(1 364 128)	131 209	(1 279 686)
Net deferred tax liability	-	<u>(1 187 379)</u>	-	<u>(1 148 477)</u>
Deferred tax charged to the income statement for the period / year		<u>(38 902)</u>		<u>(538 815)</u>

24-2 Unrecognized deferred tax assets

	30/9/2021	31/12/2020
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Unrecognized deferred tax assets	<u>431 413</u>	<u>381 928</u>

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

25. CAPITAL COMMITMENTS

The company's capital commitments for the unexecuted parts of contracts until September 30, 2021 amounted to L.E. 333 Million (against L.E.271 Million at the year ended December 31, 2020).

26. CONTINGENT LIABILITIES

In addition to the amounts included in the condensed separate statement of financial position, the company has the following contingent liabilities as at September 30, 2021:

	30/9/2021	31/12/2020
	<u>LE (000)</u>	<u>LE (000)</u>
- Letters of guarantee issued by banks on behalf of the company	2 369 196	1 858 140
- Letters of credit	1 149 840	1 773 804

27.TAX POSITION

27-1 Corporate tax

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

27- 2 Value Added Tax \ Sales Tax

- Tax inspection for the years 2010 untill 2015 was performed and the tax differences were settled and the company didn't pay the additional tax, lawsuit was raised regarding it and the company provide request to override it according to law No. 173 for year 2020.
- Tax inspection for the years 2016 and 2017 is in process.
- Tax returns were submitted according to the value added tax law and the accrued taxes were paid.

27- 3 Salary Tax

- Tax inspection was performed for the years till December 31 ,2014 and the Company was notified with tax differences and all due taxes were settled, the company disputed for one item and has been transferred to the Internal Committee.
- Tax inspection for the years 2015 and 2016 is in process.

27- 4 Stamp Tax

- Tax inspection for the period from March 27, 1998 to December 31, 2000 was performed for certain sectors and the company was notified with assessment basis, the company objected and apealed on the disputed items on the due dates and the provisions were formed to meet any tax liabilities that may arise.
- Tax inspection for the period from January 1, 2001 till July 31, 2006 was performed for certain sectors of the company and taxes due were settled. Tax inspection for the remaining sectors is currently being undertaken for the same period.
- Tax inspection for period from August 1, 2006 to December 31, 2016 was performed and the tax differences were settled.
- Tax inspection for the years 2017 and 2018 is in process.

27- 5 Real Estate Tax

- All taxes are paid according to the tax forms received by the company. The company's Legal Department follows up the disputes according to the real estate tax law.
- Tax returns were submitted according to the new real estate tax law No.196 for year 2008 on the due dates. Provisions were formed to meet any tax liabilities that may arise from the tax inspection.

Notes To The Condensed Separate Interim Financial Statements
For The Nine Months Ended September 30, 2021 (continued)

28. RELATED PARTY TRANSACTIONS

There are transactions between Telecom Egypt and its subsidiaries and associates and such transactions are approved by the company's management, the following statement contain the most important transactions during the financial period and the balances shown in the date of financial position:

Transactions with subsidiaries & associates

Debit balances due from subsidiaries and associates

- TE Jordan
- Egyptian Telecommunication Company for Information Systems
- Egyptian Telecommunication Company for Information Systems

Nature of transaction during the period	Amount of transactions during the period stated in the income statement L.E. 000	Movement during the period		Balance as of 30/9/2021 Debit/(Credit) L.E. 000	Balance as of 31/12/2020 Debit/(Credit) L.E. 000
		Debit L.E. 000	Credit L.E. 000		
Participation contract	-	-	310	-	310
Services rendered from subsidiary company	526 559	299 204	766 569	(781 847)	(314 482)
Leased sites for subsidiary company, Electricity, Maintenance, leased circuits and selling of fixed assets	36 452	1 137 441	160 288	1 111 533	134 380
		1 436 645	926 857	329 686	(180 102)

Credit balances due to subsidiaries and associates

- WE Data
- WE Data
- TE Jordan
- Egyptian International Submarine Cables Company (EISCC)
- Egyptian International Submarine Cables Company (EISCC)
- Egyptian International Submarine Cables Company (EISCC)

Participation contract and Purchasing of fixed assets and services rendered from subsidiaries company	13 747	5 310 190	12 399 501	(8 477 039)	(1 387 728)
Leased circuits, information transfer network and service rendered	5 499 695	8 261 830	3 375 363	3 596 884	(1 289 583)
		13 572 020	15 774 864	(4 880 155)	(2 677 311)
Participation contract	31 995	55 462	56 204	(742)	-

- Leased sites for subsidiary company
- purchase of intangible assets from subsidiary company
- Paid of expenses and debts on behalf of company

	15	15	-	15	-
	-	-	-	(620 752)	(620 752)
	2	2	-	2	-
	17	17	-	(620 735)	(620 752)

- Centra for Technologies
- Centra for Electronic Industries

- Maintenance & supplying devices
- Maintenance & supplying devices

	101 340	751 262	356 827	(83 100)	(477 535)
	1 345	2 981	1 538	(2 217)	(3 660)

- Middle East Radio Communication (MERC)

- Leased of information circuits

	2 389	2 753	2 723	-	(30)
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- TE investment Holding

- Services rendered from subsidiary company

	106 301	169 869	169 443	(12 953)	(13 379)
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- TE investment Holding

- Leased sites for subsidiary company

	12	16	30	(9)	5
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- TE France

- Participation contract

	21 896	169 885	169 473	(12 962)	(13 374)
		24 080	24 933	(81 381)	(80 528)

- Maintenance -services rendered from subsidiary company

	5 800	45 165	51 393	(10 402)	(4 174)
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- Non-recurring payment

	-	33	1 214	(1 214)	(33)
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- Paid of expenses on behalf of company

	-	69 419	66 924	(13 787)	(16 282)
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- Advanced payment

	155	3 319	12 685	(486)	8 880
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- Maintenance -services rendered to subsidiary company

	2 386	2 389	3	3 958	1 572
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- Ongoing calls and voice services for associate company

	1 237 897	120 325	132 219	(21 931)	(10 037)
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- Incoming international calls, claims, transmissions, lease of locations and towers for the associate company

	1 085 094	4 401 059	3 863 163	(794 009)	(1 331 905)
		19 099 844	20 381 944	(6 497 232)	(5 395 234)

- Amount of transactions during the period which included in the statement of income does not include the value added tax.

29 –CLAIMS AND LITIGATIONS:**The Existing Remedy lawsuit between Telecom Egypt “TE”, Etisalat Misr Company & its subsidiaries: the EGY Net and Nile on Line)**

The aforementioned telecom operators “ companies” (Etisalat’s Misr and its subsidiaries) filed a lawsuit “in the Economic Court” against Telecom Egypt on January 18, 2019 , based on the decision of the Egyptian Competition Protection Authority “ECA” on March 8, 2016, where the claiming companies had filed a complaint with the ECA against TE on the basis that the TE’s has carried out practices that restrict competition in the Egyptian market, and the ECA decision to prove the violation of Telecom Egypt.

where the claiming companies (Etisalat misr and other subsidiary) claim that Telecom Egypt implemented the process of replacing and installing the modern fiber-optic cable “MSAN” network suddenly replaces and swapped the copper cables infrastructure without prior notification or coordination, which entailed cutting off the service for the clients of the claiming operators , and at the May 28, 2019 case session, the court decided to reserve the lawsuit for the judgment for the 25th of June 2019 session, so that the court issued a preliminary ruling delegating a tripartite experts committee. Which has been finalized and submitted its report officially to the court on the second half of January 2021, and still now the lawsuit is before the Economic Court in Cairo, On November 10, 2021 the session is being determined to consider before another experts committee

The TE’s legal advisor believes that based on the legal position in the previous lawsuit referred to, that there are explicit appeals procedures against the report of the tripartite committee where measurements and procedures are under way for a legal response on the report as to submit it to the court and request to return the file again to the experts to reconsider the report’s result .

30. Comparative figures

- Reclassification was made to some of the comparative figures of the condensed separate interim financial statement of cash flow to conform to the current presentation of the condensed separate interim financial statements.
- The following is the effect of reclassification on the condensed separate interim financial statements:

Effect on condensed Separate Statement of Cash Flow

	<u>For the period ended</u> <u>30/9/2020</u> <u>as previously</u> <u>reported</u>	<u>Reclassification</u>	<u>For the period ended</u> <u>30/9/2020</u> <u>Reclassified</u>
	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>
Cash receipts from related party	6 869 739	(1 139 799)	5 729 940
Cash paid to suppliers	(6 374 615)	1 139 799	(5 234 816)

31- SIGNIFICANT EVENTS

Most of countries in the world included Egypt during the first quarter of 2020, have been exposed to the outbreak of Coronavirus (Covid-19) and the company had taken considerations performing the precautionary measures to protect its employees and customers from the risk of spreading the virus.

The Company’s executive management assigned an overall plan and precautionary measures for dealing with the pandemic.

Firstly: Actions taken by the company to Employees

Reduction in presence of the company workforce at this time by following the work from home policy, to do that the fixed internet package was increased to a doubling load capacity In addition, to increase the mobile internet package. Furthermore sending a periodical messages for employees to motivate them on following the precautionary measures. And application of the country guidelines regarding the women, special needs and chronic diseases, and provide the functions of prevention especially the employees that interact directly with the clients.

Secondly: Actions taken by the company to Customers

The company has been taking the customers safety in consideration during this exceptional circumstances, with the availability for all electronic means of payments through Telecom Egypt website or the digital wallet (WE Pay).

Third: Actions taken by the company to the Egyptian general public in light of the social responsibility

The company adopted multiple initiatives, as the medical, social and symbiotic, which aim to help and aware the Egyptian general public with the main risks.

Hereunder the main risks that defined by crisis management team and approved by the company:**1- The risks of collection, deposit and credit liquidity**

- The company is studying the impairment of customer balances according to the requirements of the Egyptian Accounting Standards.
- The company has a strong and balanced financial position supported by the company's cash sales and collections from the market, and the company has a distinct credit rating with Egyptian and international banks.

2- A decrease in indicators of the company's non-financial assets and investments

Telecom Egypt analyze changes in the value of non-financial assets and clarify those changes in accordance with the requirements of the Egyptian accounting standards and financial reporting of losses in the value of those assets, as that decrease would have a considerable impact on the financial indicators. However the management at their own discretion, considers that there is no decrease to be proven written.

3- Selling and distribution risks

Telecom Egypt Group achieved growth in the period revenue compared to the comparative period to reflect the absence of the negative impact of Coronavirus on the company's revenue, and the company's sales plans have been reviewed and updated to be suitable for the current events.

Under the procedures established by the company and the suffered risks and the current situation in the country, the company ensures carrying on providing and stability of the service for the customers by expansion of the infrastructure and attract new clients in light of increasingly widespread use of the telecommunication services and the reliability on it.

It is evident from the above, that until now there is no negative impact on the Telecom Egypt's condensed separate interim financial statements, for the financial Nine months ended September 30, 2021 as well as during the subsequent periods of that date.

32- SUBSEQUENT EVENTS

- On October 20, 2021 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 that was received on October 2018. FAB is the facility agent for the transaction and Mashreq Bank is the designated Account Bank.

- On November 9, 2021 Vodafone Egypt (VFE) management has informed Telecom Egypt (TE) that Vodafone Group (VFG) has received an initial offer from Vodacom for the transfer of VFG's stake in Vodafone Egypt to Vodacom. Vodafone Group will disclose the value and structure of the offer.

The current modified shareholders' agreement signed on 7 June 2021 by VFE's shareholders grants TE enhanced rights and benefits and allows VFG to transfer its shareholding in VFE within the broader Vodafone Group (as has been disclosed earlier). The latter is conditional on the new shareholder submitting a deed of adherence to the new amended shareholders agreement, which Vodafone Egypt management has confirmed that Vodacom has committed to with Vodafone Group.

33- SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of the condensed separate financial statements as of September 30, 2021 is the same as the accounting policies applied in the preparation of the annual separate financial statements as of December 31, 2020, these accounting policies have been applied consistently to all periods presented in these condensed separate interim financial statements as of September, 30 2021 (except what was determined in Note No.2-7) .