

telecomegypt



**Telecom Egypt Company**  
**(An Egyptian Joint Stock Company)**  
**Condensed Consolidated Interim Financial Statements**  
**For The Nine Months Ended September 30, 2020**  
**And Limited Review Report**

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*Translation from Arabic*

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

***Introduction***

We have performed a limited review on the accompanying condensed consolidated statement of financial position of Telecom Egypt Company “an Egyptian joint stock company” as at September 30, 2020 and the related condensed consolidated 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 consolidated interim financial statements in accordance with Egyptian Accounting Standard number (30) “Interim Financial Reporting”. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our limited review.

***Scope of Limited Review***

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

***Conclusion***

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of the company as at September 30, 2020 and of its consolidated financial performance and its consolidated cash flows for the nine months then ended in accordance with Egyptian Accounting Standard number (30) “Interim Financial Reporting”.

***Emphasis of Matter***

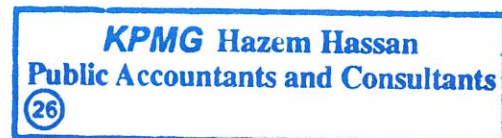
Without qualifying our conclusion, we draw attention to note no. (30) of the notes to the condensed consolidated interim financial statements, a dispute arose between the company and both Orange Egypt Company and Etisalat Misr Company and its subsidiaries (plaintiff companies) in regards to the company's change of technology used in the infrastructure necessary to provide internet service to customers which the plaintiff companies contracted to rent from the company, the plaintiff companies have filed lawsuits against the company regarding this matter and those litigations are still under deliberation before the judicial bodies and expert committees and the final ruling has not been issued, the plaintiffs companies filed complaints to the Egyptian Competition Authority (ECA) against the company on the basis that the company has carried out practices limiting competition in the Egyptian market.

According to the opinion of the company's legal consultant, these lawsuits are still in the process of submitting documents and judicial defenses from both sides of the dispute before the judicial bodies and expert committees and that it is not possible to determine the final legal position of those cases, it is difficult, in the meantime to determine the outcome of the above mentioned lawsuits till the final ruling of the judicial bodies is issued.



**KPMG Hazem Hassan**  
**Public Accountants & Consultants**

Cairo, November 11, 2020





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

	Note No.	30/9/2020 L.E. (000)	31/12/2019 Reclassified L.E. (000)
<b>Assets</b>			
<b>Non Current Assets</b>			
Fixed assets	(11)	33 740 595	29 728 055
Projects in progress	(12)	6 378 003	6 828 631
Investments in associates	(13)	11 666 990	10 818 196
Available-for-sale investments		98 023	79 811
Long-term balances (prepaid expense)		54 699	60 072
Other assets	(14)	9 601 080	10 119 638
Deferred tax assets	(24-1)	178 015	213 188
<b>Total Non Current Assets</b>		<b>61 717 405</b>	<b>57 847 591</b>
<b>Current Assets</b>			
Inventories	(15)	2 159 154	2 353 882
Trade and notes receivable	(16)	6 048 648	5 275 556
Debtors and other debit balances	(17)	7 963 663	6 315 453
Held-to-maturity investments-treasury bills		-	25 829
Cash and cash equivalents	(18)	1 305 123	1 433 184
<b>Total Current Assets</b>		<b>17 476 588</b>	<b>15 403 904</b>
<b>Total Assets</b>		<b>79 193 993</b>	<b>73 251 495</b>
<b>Equity</b>			
Capital	(22)	17 070 716	17 070 716
Reserves	(23)	5 028 446	4 762 625
Retained earnings		15 329 867	13 382 616
Foreign entities translation reserve		( 31 670)	( 10 623)
<b>Equity attributable to shareholders of the company</b>		<b>37 397 359</b>	<b>35 205 334</b>
<b>Non - controlling interest</b>		<b>13 078</b>	<b>15 803</b>
<b>Total Equity</b>		<b>37 410 437</b>	<b>35 221 137</b>
<b>Non Current Liabilities</b>			
Loans and credit facilities	(19)	3 636 882	4 785 550
Creditors and other credit balances	(20)	5 859 052	5 266 553
Deferred tax liabilities	(24-1)	1 788 548	1 462 286
<b>Total non current Liabilities</b>		<b>11 284 482</b>	<b>11 514 389</b>
<b>Current Liabilities</b>			
Loans and credit facilities installments due within one year	(19)	14 518 467	11 666 363
Creditors and other credit balances	(20)	14 019 755	13 027 354
Credit accounts to associates	(28)	981 991	1 049 642
Provisions	(21)	978 861	772 610
<b>Total Current Liabilities</b>		<b>30 499 074</b>	<b>26 515 969</b>
<b>Total Liabilities</b>		<b>41 783 556</b>	<b>38 030 358</b>
<b>Total Equity and Liabilities</b>		<b>79 193 993</b>	<b>73 251 495</b>

The accompanying notes on pages (8) to (29 ) are an integral part of these Condensed Consolidated 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


  
 "Maged Osman"

Limited Review Report "attached"

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

		<u>For the nine months ended</u>		<u>For the three months ended</u>	
	Note	30/9/2020	30/9/2019	30/9/2020	30/9/2019
	<u>No.</u>		<u>Restated</u>		<u>Restated</u>
		<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Operating revenues	(3)	22 347 392	19 011 841	7 402 072	6 315 988
Operating costs	(4)	(13 865 335)	(12 014 029)	(4 699 135)	(4 323 906)
<b>Gross Profit</b>		<b>8 482 057</b>	<b>6 997 812</b>	<b>2 702 937</b>	<b>1 992 082</b>
Other income		338 022	316 755	109 553	144 638
Selling and distribution expenses	(5)	(2 110 246)	(1 982 347)	( 675 922)	( 538 864)
General and administrative expenses	(6)	(2 312 271)	(3 657 194)	( 706 773)	(1 175 125)
Other expenses		( 281 055)	( 122 157)	( 41 348)	( 12 169)
<b>Operating profit</b>		<b>4 116 507</b>	<b>1 552 869</b>	<b>1 388 447</b>	<b>410 562</b>
Finance income	(7)	217 905	1 415 007	184 552	437 569
Finance cost	(7)	(1 278 030)	(1 010 977)	( 230 400)	( 343 449)
<b>Net finance (cost) income</b>	(7)	<b>(1 060 125)</b>	<b>404 030</b>	<b>( 45 848)</b>	<b>94 120</b>
Share of profit of equity accounted investees	(8)	1 563 434	2 187 515	558 246	1 062 518
<b>Net profit for the period before tax</b>		<b>4 619 816</b>	<b>4 144 414</b>	<b>1 900 845</b>	<b>1 567 200</b>
Income tax expense		( 722 404)	( 674 807)	( 262 035)	( 55 791)
Deferred tax expense	(24-1)	( 361 435)	( 45 470)	( 164 391)	( 214 279)
<b>Total income tax</b>		<b>(1 083 839)</b>	<b>( 720 277)</b>	<b>( 426 426)</b>	<b>( 270 070)</b>
<b>Net profit for the period</b>		<b>3 535 977</b>	<b>3 424 137</b>	<b>1 474 419</b>	<b>1 297 130</b>
<b><u>Profit attributable to :</u></b>					
Shareholders of the company		3 532 277	3 419 565	1 473 662	1 295 263
Non-controlling interest		3 700	4 572	757	1 867
<b>Net profit for the period</b>		<b>3 535 977</b>	<b>3 424 137</b>	<b>1 474 419</b>	<b>1 297 130</b>
<b>Basic and diluted earning per share for the period (L.E. / Share)</b>	(10)	<b>2.07</b>	<b>2.00</b>	<b>0.86</b>	<b>0.76</b>

The accompanying notes on pages (8) to (29) are an integral part of these Condensed Consolidated Interim Financial Statements.

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

	<b><u>For the nine months ended</u></b>		<b><u>For the three months ended</u></b>	
	<b><u>30/9/2020</u></b>	<b><u>30/9/2019</u></b>	<b><u>30/9/2020</u></b>	<b><u>30/9/2019</u></b>
		<b><u>Restated</u></b>		<b><u>Restated</u></b>
	<b><u>L.E.(000)</u></b>	<b><u>L.E.(000)</u></b>	<b><u>L.E.(000)</u></b>	<b><u>L.E.(000)</u></b>
Net profit for the period	3 535 977	3 424 137	1 474 419	1 297 130
<b><u>Other Comprehensive Income items :</u></b>				
Translation differences of foreign entities	( 21 047)	( 159 880)	( 26 948)	( 47 998)
<b>Total Comprehensive Income</b>	<b><u>3 514 930</u></b>	<b><u>3 264 257</u></b>	<b><u>1 447 471</u></b>	<b><u>1 249 132</u></b>
<b><u>Attributable to :</u></b>				
Shareholders of the company	3 511 230	3 259 685	1 446 714	1 247 265
Non-controlling interest	3 700	4 572	757	1 867
<b>Total Comprehensive Income</b>	<b><u>3 514 930</u></b>	<b><u>3 264 257</u></b>	<b><u>1 447 471</u></b>	<b><u>1 249 132</u></b>

The accompanying notes on pages (8) to (29) are an integral part of these Condensed Consolidated Interim Financial Statements.

**Telecom Egypt Company**  
(An Egyptian Joint Stock Company)  
**Condensed Consolidated Statement of Changes in Equity**  
**For The Nine Months Ended September 30, 2020**

	Capital	Legal reserve	Other reserves	Retained earnings	Foreign entities translation reserve	Total of equity attributable to shareholders of the company	Non-controlling interest	Total
	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
<b>Balance as of January 1, 2019 (Restated)</b>	17 070 716	1 899 028	2 796 578	10 342 231	176 729	32 285 282	15 820	32 301 102
<b>Comprehensive Income</b>								
Net profit for the period (Restated)	-	-	-	3 419 565	-	3 419 565	4 572	3 424 137
Translation differences of foreign entities	-	-	-	-	(159 880)	(159 880)	-	(159 880)
<b>Total Comprehensive Income (Restated)</b>	-	-	-	3 419 565	(159 880)	3 259 685	4 572	3 264 257
<b>Transactions with shareholders</b>								
Transferred to legal reserve	-	66 500	-	(66 500)	-	-	-	-
Dividends for year 2018 (shareholders)	-	-	-	(426 768)	-	(426 768)	(5 917)	(432 685)
Dividends for year 2018 (Employees & Board of Directors)	-	-	-	(732 844)	-	(732 844)	(865)	(733 709)
Dividends in associates (Employees & Board of Directors)	-	-	-	(56 632)	-	(56 632)	-	(56 632)
<b>Total transactions with shareholders</b>	-	66 500	-	(1 282 744)	-	(1 216 244)	(6 782)	(1 223 026)
<b>Balance as of September 30, 2019 (Restated)</b>	17 070 716	1 965 528	2 796 578	12 479 052	16 849	34 328 723	13 610	34 342 333
<b>Balance as of January 1, 2020 (Reclassified)</b>	17 070 716	1 966 047	2 796 578	13 382 616	(10 623)	35 205 334	15 803	35 221 137
<b>Comprehensive Income</b>								
Net profit for the period	-	-	-	3 532 277	-	3 532 277	3 700	3 535 977
Translation differences of foreign entities	-	-	-	-	(21 047)	(21 047)	-	(21 047)
<b>Total Comprehensive Income</b>	-	-	-	3 532 277	(21 047)	3 511 230	3 700	3 514 930
<b>Transactions with shareholders</b>								
Transferred to legal reserve	-	274 849	-	(274 849)	-	-	-	-
Adjustment on retained earnings in associates	-	-	-	(2 248)	-	(2 248)	-	(2 248)
Dividends for employees announced in associates	-	-	-	(60 735)	-	(60 735)	-	(60 735)
Dividends for year 2019 (shareholders)	-	-	-	(426 768)	-	(426 768)	(5 515)	(432 283)
Dividends for year 2019 (Employees & Board of Directors)	-	-	-	(820 426)	-	(820 426)	(910)	(821 336)
Fixed assets evaluation disposals (land & building)	-	-	(9 028)	-	-	(9 028)	-	(9 028)
<b>Total transactions with shareholders</b>	-	274 849	(9 028)	(1 585 026)	-	(1 319 205)	(6 425)	(1 325 630)
<b>Balance as of September 30, 2020</b>	17 070 716	2 240 896	2 787 550	15 329 867	(31 670)	37 397 359	13 078	37 410 437

The accompanying notes on page from (8) to (29) are an integral part of these Condensed Consolidated Interim Financial Statements.



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

	Note	<b>For the nine months ended:</b>	
		<b>30/9/2020</b>	<b>30/9/2019</b>
			<b>Reclassified</b>
	<b>No.</b>	<b>L.E. (000)</b>	<b>L.E. (000)</b>
<b><u>Cash flows from operating activities:-</u></b>			
Cash receipts from customers		21 317 935	18 142 367
Value added tax collected from customers		392 103	368 926
Stamp tax and fees collected (from third party)		35 812	31 973
Deposits collected from customers		1 335	2 413
Cash paid to suppliers		(6 641 310)	(6 982 391)
Payments for NTRA license fees		( 788 818)	( 667 433)
Dividends paid to employees and Board of Directors		( 97 518)	( 18 302)
Cash paid to employees and Board of Directors		(4 127 761)	(5 078 178)
Cash paid on behalf of employees to third party		( 802 130)	( 797 449)
<b>Cash provided by operating activities</b>		<b>9 289 648</b>	<b>5 001 926</b>
Interest paid		( 667 149)	( 690 627)
Payments to Tax Authority - income tax		( 334 540)	( 109 591)
Payments to Tax Authority - value added tax		(1 096 442)	(1 327 638)
Payments to Tax Authority - other taxes		(1 176 591)	(1 158 094)
Used from the provisions		-	( 3 637)
Other payments		( 287 512)	( 351 776)
<b>Net cash provided by operating activities</b>		<b>5 727 414</b>	<b>1 360 563</b>
<b><u>Cash flows from investing activities:-</u></b>			
Payments for purchase of fixed assets, projects in progress and other assets		(7 066 539)	(6 513 955)
Payments for purchase of other assets		( 730 953)	( 747 779)
Proceeds from sales of fixed assets and other assets		13	42
Payments for acquisition of investments		( 18 212)	-
Payments from retrieval of held-to-maturity investment - treasury bills		( 9 566)	( 34 358)
Proceeds from sale available for sale investment		36 974	-
Interest received		28 035	45 155
Dividends of profit collected from investments		621 343	5 067 193
Proceeds from retrieval of held-to-maturity investment - treasury bills		-	108 957
Proceeds from securities (treasury bills - mutual fund)		14 265	10 377
<b>Net cash used in investing activities</b>		<b>(7 124 640)</b>	<b>(2 064 368)</b>
<b><u>Cash flows from financing activities:-</u></b>			
Payments for loans and credit facilities		(1 096 758)	(5 907 824)
Proceeds from loans and credit facilities		2 877 236	7 408 680
Dividends paid to Shareholders		( 481 216)	( 432 683)
<b>Net cash provided by financing activities</b>		<b>1 299 262</b>	<b>1 068 173</b>
<b>Net change in cash and cash equivalents during the period</b>		<b>( 97 964)</b>	<b>364 368</b>
Translation differences of foreign entities		( 7 575)	( 15 321)
Cash and cash equivalents at the beginning of the period	(18)	1 311 391	873 555
<b>Cash and cash equivalents at the end of the period</b>	(18)	<b>1 205 852</b>	<b>1 222 602</b>

The attached notes on pages from (8) to (29) are an integral part of these Condensed Consolidated Interim Financial statements.



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

**Notes to the Condensed Consolidated Interim Financial Statements**  
**For The Nine Months Ended September 30, 2020**

**1. BACKGROUND**

**1-1 Legal Entity**

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

**1-2 Purpose of the company**

The main purpose of the company represents in the following:

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

**1-3 Issuance of Condensed Consolidated Interim Financial Statements**

These Condensed Consolidated Interim Financial Statements were approved by the Board of Directors for issuance on November 11, 2020.

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

**2-1 Statement of compliance**

- These Condensed Consolidated Interim Financial Statements as of September 30, 2020 have been prepared in accordance with Egyptian Accounting Standard No.30 "Interim Financial Reporting" accordingly it is condensed comparative view to the annual consolidated financial statements for the company, and in the light of applicable Egyptian laws and regulations related to.
- These Condensed Consolidated Interim Financial Statements don't include all the required information needed for preparing the full annual financial statements and must be read with the consolidated annual financial statements of the company as of December 31, 2019

## 2-2 Basis of measurement

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

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

## 2-3 Functional and presentation currency

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

## 2-4 Use of estimates

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

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

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

- Impairment loss on non-financial and financial assets.
- 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 consolidated interim financial statements without deducting any estimated future selling costs. The financial assets values are determined with the current purchase prices; however, the financial liabilities values are determined with the current prices that could settle these liabilities.

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

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

## 2-6 Segment reporting

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

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



**3. OPERATING REVENUES**

	<u>For the nine months ended</u>		<u>For the three months ended</u>	
	<u>30/9/2020</u>	<u>30/9/2019</u>	<u>30/9/2020</u>	<u>30/9/2019</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Home and personal communications	10 515 323	7 656 554	3 755 832	2 716 635
Enterprise	2 916 684	2 560 064	998 480	959 128
Domestic wholesale	3 608 428	3 260 248	1 046 381	1 010 314
International carrier	3 338 464	3 380 753	1 070 430	1 111 017
International cables and networks	1 968 493	2 154 222	530 949	518 894
	<u>22 347 392</u>	<u>19 011 841</u>	<u>7 402 072</u>	<u>6 315 988</u>

Total operating revenues have increased by an amount of L.E. 3 335 551 K mainly due to the increase in home and personal communications revenues by an amount of L.E. 2 858 769 K due to the increase in revenues resulting from fixed line and rendering mobile phone services and internet services, in addition to the increase in Enterprise revenue by an amount of L.E. 356 620 K and the increase in domestic wholesale revenue by an amount of L.E. 348 180 K due to the increase in access service revenue and infrastructure revenue, however the decrease in International cables and networks by an amount of L.E. 185 729 K led to limitation of this increase.

**4. OPERATING COSTS**

	<u>For the nine months ended</u>		<u>For the three months ended</u>	
	<u>30/9/2020</u>	<u>30/9/2019</u>	<u>30/9/2020</u>	<u>30/9/2019</u>
	<u>L.E. (000)</u>	<u>Restated L.E. (000)</u>	<u>L.E. (000)</u>	<u>Restated L.E. (000)</u>
Interconnection cost	4 263 934	3 663 967	1 465 314	1 306 439
Depreciation and amortization*	3 378 267	2 475 454	1 133 239	971 867
Salaries and wages*	2 116 236	1 913 392	725 392	614 854
Company's social insurance contribution	231 595	234 187	77 594	77 386
Frequencies and licenses charges ( National Telecom Regulatory Authority )	831 693	675 944	350 287	208 045
Other operating cost*	3 043 610	3 051 085	947 309	1 145 315
	<u>13 865 335</u>	<u>12 014 029</u>	<u>4 699 135</u>	<u>4 323 906</u>

Operating costs have increased by an amount of L.E. 1 851 306 K mainly due to the following: -

- The increase of interconnection cost by an amount of L.E. 599 967 K which is mainly due to the increase in cost of international connection fees and national roaming fees.
- The increase in the depreciation and amortization item by an amount of L.E 902 813 K due to the additions of the last year after the first nine months and the current period.
- The increase in other operating cost item by an amount of L.E. 89 334 K is mainly due to the increase in the organizations services costs item by an amount of L.E 365 852 K due to the increase in collection to other service, however the decrease in merchandise for sale cost by an amount of L.E 463 783 K led to limitation of this increase.

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

**5. SELLING AND DISTRIBUTION EXPENSES**

	<u>For the nine months ended</u>		<u>For the three months ended</u>	
	<u>30/9/2020</u>	<u>30/9/2019</u>	<u>30/9/2020</u>	<u>30/9/2019</u>
	<u>L.E. (000)</u>	<u>Reclassified</u> <u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>Reclassified</u> <u>L.E. (000)</u>
Salaries and wages*	802 180	737 648	234 939	174 287
Company's social insurance contribution	82 573	80 304	27 726	26 482
Depreciation and amortization *	5 655	5 359	1 901	1 965
Advertising and marketing	604 781	668 605	200 181	181 032
Commissions	268 580	185 286	84 281	70 143
Other selling and distribution expenses	346 477	305 145	126 894	84 955
	<b>2 110 246</b>	<b>1 982 347</b>	<b>675 922</b>	<b>538 864</b>

The increase in selling and distribution expenses by an amount of L.E 127 899 K mainly due to the increase in sales and collection commissions item by an amount of L.E 83 294 K, however the decrease in advertising and marketing item by an amount of L.E 63 824 K led to limitation of this increase.

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

**6. GENERAL AND ADMINISTRATIVE EXPENSES**

	<u>Note</u> <u>No</u>	<u>For the nine months ended</u>		<u>For the three months ended</u>	
		<u>30/9/2020</u>	<u>30/9/2019</u>	<u>30/9/2020</u>	<u>30/9/2019</u>
		<u>L.E. (000)</u>	<u>Restated</u> <u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>Reclassified</u> <u>L.E. (000)</u>
Salaries and wages*		1 479 627	1 491 056	419 213	586 968
Company's social insurance contribution		113 800	124 133	38 371	40 846
End of service compensation - early retirement scheme*	(9-1)	-	1 266 549	-	262 297
The company's contribution in loyalty and belonging fund	(9-2)	135 000	207 136	45 000	69 045
Depreciation and amortization		73 222	71 439	20 568	21 070
Organization services cost and consultants		146 814	151 713	49 341	70 398
Tax and duties		87 259	95 942	32 535	30 290
Other general and administration expenses		276 549	249 226	101 745	94 211
		<b>2 312 271</b>	<b>3 657 194</b>	<b>706 773</b>	<b>1 175 125</b>

The decrease in general and administrative expenses by an amount of L.E. 1 344 923 K is mainly due to decrease in end of service compensation – early retirement program item by an amount of L.E 1 266 549 K and the company's contribution in loyalty and belonging fund item by an amount of L.E. 72 136 K.

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

**7. NET FINANCE (COST) INCOME**

The increase in net finance (cost) income by an amount of L.E 1 464 155 K during the period is mainly due to the decrease in translation profits of foreign currencies balances and transactions by an amount of L.E. 1 133 033 K and the increase in impairment of financial assets value by an amount of L.E 270 810 K.

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

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

	<u>For the nine months ended</u>		<u>For the three months ended</u>	
	<u>30/9/2020</u>	<u>30/9/2019</u>	<u>30/9/2020</u>	<u>30/9/2019</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Vodafone Egypt	1 563 663	2 187 510	558 227	1 062 518
Egypt trust	(229)	5	19	-
	<u>1 563 434</u>	<u>2 187 515</u>	<u>558 246</u>	<u>1 062 518</u>

**9. EMPLOYEES' 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 annum.
- 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 the earliest.
- Enjoying the benefit of telecommunication services for employees for three years or until the age of sixty whichever is the 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 said 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 said 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 1 266 549 K charged to the income statement for year 2019 (share of the nine months ended 30/09/2019 an amount of L.E 1 266 549 K was charged to general and administrative expenses -Note no. 6).

## 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, 2015 increasing annually at a compound rate of 5%. The subscription for employees hired after January 1, 2015 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 annual raise of employees.

The employees share in loyalty & belonging fund according to constant subscription are based on the same employees' basic salary where the end of service benefit calculated. The company's share represents annual defined contribution and the company had contributed by an amount of L.E 135 000 K for the period ended in September 30, 2020 (against an amount of L.E. 207 136 K for the same period of 2019) stated in the general and administrative expenses as shown in (Note no. 6).

## 10. BASIC AND DILUTED EARNING PER SHARE FOR THE PERIOD

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

	<u>For the nine months ended</u>		<u>For the three months ended</u>	
	<u>30/9/2020</u>	<u>30/9/2019</u> <u>Restated</u>	<u>30/9/2020</u>	<u>30/9/2019</u> <u>Restated</u>
<b><u>The holding company owners' equity :</u></b>				
Net profit for the period (LE in thousand)*	3 532 277	3 419 565	1 473 662	1 295 263
Number of shares available during the period (share)	1 707 071 600	1 707 071 600	1707 071 600	1707 071 600
Basic and diluted earning per share for the period (LE / share)	<u>2.07</u>	<u>2.00</u>	<u>0.86</u>	<u>0.76</u>

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

Notes to the Condensed Consolidated Interim Financial Statements  
For The Nine Months Ended September 30, 2020 (continued)

Translation from Arabic

**11. FIXED ASSETS**

Description	30/9/2020 Cost L.E.(000)	30/9/2019 Cost L.E.(000)	30/9/2020 Accumulated depreciation L.E.(000)	30/9/2019 Accumulated *depreciation L.E.(000)	30/9/2020 Net L.E.(000)	30/9/2019 Net L.E.(000)	31/12/2019 Net L.E.(000)
Land	2 344 437	2 350 037	-	-	2 344 437	2 350 037	2 354 950
Buildings & Infrastructure	35 361 268	30 622 794	16 909 008	16 270 880	18 452 260	14 351 914	17 348 321
Centrals & information technologies equipment	35 499 468	30 860 703	23 052 725	22 608 284	12 446 743	8 252 419	9 622 717
Vehicles	187 449	175 848	117 463	112 661	69 986	63 187	67 031
Furniture	960 048	788 520	671 881	570 374	288 167	217 946	242 488
Tools & supplies	209 363	144 703	113 357	92 900	96 006	51 803	57 742
Decoration & fixtures	175 611	137 910	132 615	123 206	42 996	14 704	34 806
Fixtures on trunk radio network	315	315	315	315	-	-	-
<b>Total</b>	<b>74 737 959</b>	<b>65 080 830</b>	<b>40 997 364</b>	<b>39 778 820</b>	<b>33 740 595</b>	<b>25 302 010</b>	<b>29 728 055</b>

- The increase in net carrying value of fixed assets mainly due to the additions during the period by an amount of L.E. 6 999 275 K, however the depreciation of the period by an amount of L.E. 2 927 689 K led to limitation of this increase.
- The cost of fixed assets as of September 30, 2020 includes an amount of L.E. 21 997 Million fully depreciated fixed assets and still in use.

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

**12. PROJECTS IN PROGRESS**

	30/9/2020 L.E. (000)	31/12/2019 L.E. (000)
Land	23 077	11 894
Buildings and Infrastructure	1 760 246	1 107 310
Centrals and information technologies equipment	2 929 102	4 642 160
Tools and supplies	6 109	56 940
Furniture	13 399	19 404
Other Assets (cables)	289 052	255 420
Advance payments - Fixed assets	1 377 692	755 994
	<b>6 398 677</b>	<b>6 849 122</b>
<b>Less:</b>		
Impairment loss on projects in progress	20 674	20 491
	<b>6 378 003</b>	<b>6 828 631</b>

The balance of projects in progress is represented in the part that have been executed from commitments and capital contracts, and advanced payment until September 30, 2020.

### 13. INVESTMENTS IN ASSOCIATES

	30/9/2020		31/12/2019	
	Ownership %	amount L.E. (000)	Ownership %	amount L.E. (000)
- Vodafone Egypt Telecommunication company*	44.95	11 667 067	44.95	10 818 042
- Wataneya for Telecommunication**	50.00	125	50.00	125
- International Telecommunication Consortium Limited. (ITCL)**	-	-	50.00	54
- Egypt Trust**	35.71	7 425	35.71	7 654
- Consortium Algerien de Telecommunications (CAT)**	-	-	33.00	133
		<b>11 674 617</b>		<b>10 826 008</b>
<b>Less:</b>				
Impairment loss on investment in associates		7 627		7 812
		<b>11 666 990</b>		<b>10 818 196</b>

\* The investments in Vodafone Egypt on September 30, 2020 represents the ownership of 107 869 799 shares with a percentage of 44.95% from the total shares of Vodafone Egypt.

The financial year of Vodafone Egypt ends on March 31 of each year and the equity method was applied in recognizing the investment in Vodafone Egypt during preparing the Condensed Consolidated Interim Financial Statements as of March 31, 2020 by using the consolidated financial statements of Vodafone Egypt for the financial year ended in March 31, 2020 which presents the 12 months from the 1st of April 2019 till March 31, 2020, deduct the movements of the period from April 1, 2019 till December 31, 2019 from the consolidated interim financial data of Vodafone Egypt as of December 31, 2019 in addition to the movement of the period from April 1, 2020 to June 30, 2020 based on Vodafone Egypt's consolidated interim financial statements on September 30, 2020 to determine the share of financial period from January 1 to September 30, 2020 of business results.

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

### 14. OTHER ASSETS

	30/9/2020	31/12/2019
	L.E. (000)	L.E. (000)
<b>Cost</b>		
Fourth generation network license	8 633 330	8 633 330
Submarine Cables (right of way)	2 078 717	2 096 630
Right of Use (ROU)	902 223	882 013
License (internet service - programs )	127 156	183 585
Land (possession-usufruct)	440 684	440 684
Good will	15 839	15 839
	<b>12 197 949</b>	<b>12 252 081</b>
<b>Less:</b>		
Accumulated amortization and impairment	2 596 869	2 132 443
<b>Net other assets</b>	<b>9 601 080</b>	<b>10 119 638</b>

- The decrease in net carrying value of other assets mainly due to the amortization of the period by an amount of L.E 529 455 K.

- Other assets cost includes at September 30, 2020 an amount of L.E 192 Million, other assets fully amortized and still in use.



**15. INVENTORIES**

	<b>30/9/2020</b>	<b>31/12/2019</b>
	<b><u>L.E. (000)</u></b>	<b><u>L.E. (000)</u></b>
Spare parts	1 134 408	1 012 846
Computers	11 301	14 942
Project cables and supplies	420 488	638 654
Material supplies , Merchandise for sale and Letters of credit	592 957	687 440
	<b><u>2 159 154</u></b>	<b><u>2 353 882</u></b>

The value of inventories was written down by L.E. 23 380 K (against LE 23 375 K as at December 31, 2019) for obsolete and slow-moving items directly from the cost of each type of inventory related to.

**16. TRADE AND NOTES RECEIVABLE**

	<b>30/9/2020</b>	<b>31/12/2019</b>
	<b><u>L.E. (000)</u></b>	<b><u>Reclassified L.E. (000)</u></b>
Trade Receivables - National	5 386 555	4 788 610
Trade Receivables - International	<u>2 646 857</u>	<u>2 527 744</u>
	<b>8 033 412</b>	<b>7 316 354</b>
<b><u>Less:</u></b>		
Impairment loss on trade receivables	<u>1 984 910</u>	<u>2 042 013</u>
	<b>6 048 502</b>	<b>5 274 341</b>
<b><u>Add:</u></b>		
Notes receivable	<u>146</u>	<u>1 215</u>
	<b><u>6 048 648</u></b>	<b><u>5 275 556</u></b>

Trade and notes receivable balance have increased by an amount of L.E. 773 092 K is mainly due to the increase in revenue for home and personal communications trade receivables, whole sale trade receivable and Trade Receivables –international cables and networks.

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

**17. DEBTORS AND OTHER DEBIT BALANCES**

	30/9/2020	31/12/2019
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Suppliers – debit balances	1 781 178	788 389
Tax Authority - value added tax	2 455 556	2 341 449
Tax Authority - withholding tax	676 724	575 122
Due from ministries, organizations and companies	1 108 355	993 908
Deposits with other	257 348	256 206
Accrued revenues	76 160	51 997
Temporary debts due from employees	606 811	799 816
Tax Authority - income tax	130 587	111 687
Other debit balances	1 175 595	711 639
	<u>8 268 314</u>	<u>6 630 213</u>
<b>Less:</b>		
Impairment loss on debtors and other debit balances	304 651	314 760
	<u>7 963 663</u>	<u>6 315 453</u>

Debtors and other debit net balances have increased by an amount of L.E. 1 648 210 K mainly due to the increase in suppliers – debit balances item by an amount of L.E. 992 789 K and due from ministries, organizations and companies by an amount of L.E. 114 447 K and Tax Authority- value added tax item by an amount of L.E. 114 107 K and Tax Authority- withholding tax item by an amount of L.E. 101 602 K, however the decrease in Temporary debts due from employees by an amount of L.E. 193 005 K led to limitation of this decrease.

**18. CASH AND CASH EQUIVALENTS**

	Note	30/9/2020	31/12/2019	30/9/2019
	No.	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Banks - time deposits (less than 3 months)		322 034	295 061	169 851
Banks - current accounts		821 549	967 140	913 164
Cash on hand		12 260	4 322	21 943
Treasury bills (less than 3 months)		34 718	66 579	133 751
Money market funds (less than 3 months)		114 562	100 082	107 847
<b>Cash and cash equivalents</b>		<u>1 305 123</u>	<u>1 433 184</u>	<u>1 346 556</u>
<b>Less:</b>				
Restricted cash and cash equivalents at banks	(26)	99 271	121 793	123 954
<b>Cash and cash equivalents as per statement of cash flows</b>		<u>1 205 852</u>	<u>1 311 391</u>	<u>1 222 602</u>

**19. LOANS AND CREDIT FACILITIES**

- The increase in the balance of loans and credit facilities by an amount of L.E. 1 703 436 K mainly resulting from proceeds of loans and credit facilities with local and foreign currencies amounted to L.E. 2 877 237 K, where loans and credit facilities with local and foreign currencies in September, 30 2020 amounted to L.E. 18 155 349 K (against L.E. 16 451 913 K at 31 December, 2019) due within a year by an amount of L.E. 14 518 467 K, including credit facilities by an amount of L.E. 13 063 052 K.



**20. CREDITORS AND OTHER CREDIT BALANCES**

	<b>Note No</b>	<b>30/9/2020 L.E. (000)</b>	<b>31/12/2019 Reclassified L.E. (000)</b>
Suppliers and notes payable		2 095 536	2 000 779
Tax Authority-Income Tax		662 747	577 047
Tax Authority (taxes other than income tax)		1 381 286	630 464
Deposits from others		510 946	495 610
Liabilities of early retirement scheme	(9-1)	77 425	108 262
Assets creditors		9 233 270	9 993 357
Accrued expenses		979 037	854 579
Public Authority for Social Insurance		80 787	65 000
Trade receivables - credit balances *		1 293 527	958 211
Credit balances organizations and companies		314 834	250 657
Deferred revenues		1 847 685	1 112 056
National Telecommunication Regulatory Authority (NTRA)		685 396	701 182
Other credit balances		716 331	546 703
		<b>19 878 807</b>	<b>18 293 907</b>
<b><u>Less balances due within more than one year:</u></b>			
Assets creditors		5 575 554	4 958 240
Deferred revenues		283 498	308 313
<b>Creditors and non current liabilities balances</b>		<b>5 859 052</b>	<b>5 266 553</b>
<b>Creditors and current liabilities balances</b>		<b>14 019 755</b>	<b>13 027 354</b>
<b>Total Creditors and other balances</b>		<b>19 878 807</b>	<b>18 293 907</b>

Creditors and other credit balances have increased by an amount of L.E. 1 584 900 K mainly due to the increase in both of deferred revenue by an amount of L.E. 735 629 K as a result of the increase in transmission systems lease revenue from mobile and internet by an amount of L.E. 671 947 K, tax authority (taxes other than income tax) item by an amount of L.E. 750 822 K and trade receivables – credit balances item by an amount of L.E. 335 316 K and Accrued expenses item by an amount of L.E. 124 458 K and accrued interests item by an amount of L.E. 115 996 K and Tax Authority – income tax by an amount of L.E. 85 700 K, credit balances – organization and companies item by an amount of L.E. 64 177 K and Suppliers and notes payable item by an amount of L.E. 94 757 K, however the decrease in assets creditors item by an amount of L.E. 760 087 K led to the limitation of this increase.

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

**21. PROVISIONS**

	<b>30/9/2020 L.E.(000)</b>	<b>31/12/2019 L.E.(000)</b>	<b>30/9/2019 L.E.(000)</b>
Balance at the beginning of the period /year	772 610	740 529	740 529
Reclassification during the period/year	24 462	-	-
Charged to income statement for the period / year	189 296	43 841	39 031
Provision used during the period / year	( 7 419)	( 11 746)	( 3 637)
Translation differences	( 88)	( 14)	(11)
<b>Balance at the end of the period / year</b>	<b>978 861</b>	<b>772 610</b>	<b>775 912</b>

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

**22. CAPITAL**

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

**23. RESERVES**

	30/9/2020	31/12/2019
	<u>L.E.(000)</u>	<u>Reclassified</u> <u>L.E.(000)</u>
Legal reserve*	2 240 896	1 966 047
Other reserves	2 787 550	2 796 578
	<u>5 028 446</u>	<u>4 762 625</u>

The increase in the legal reserve balance as a result of retaining an amount of L.E. 274 849 K from the profit of 2019 in accordance with the company's article of association.

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

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

	30/9/2020		31/12/2019	
	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)	178 015	(1 788 548)	213 188	(1 462 286)
Net deferred tax liability	-	(1 610 533)	-	(1 249 098)
Deferred tax charged to income statement for the period / year		(361 435)		(243 365)

**24-2 Unrecognized deferred tax assets**

	30/9/2020	31/12/2019
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Unrecognized deferred tax assets	496 883	573 096

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

**25. CAPITAL COMMITMENTS**

The group's capital commitments for the unexecuted parts of contracts up to September 30, 2020 amounted to L.E 948 Million (against L.E. 781 Million up to December 31, 2019).

## 26. CONTINGENT LIABILITIES

In addition to the amounts included in the condensed consolidated statement of financial statements as of September 30, 2020, the company has the following contingent liabilities:

	30/9/2020	31/12/2019
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
- Letters of guarantee issued by banks on behalf of the company*	1 851 339	1 100 298
- Letters of credit	1 139 590	2 796 897

## 27. TAX POSITION (Telecom Egypt Company)

### 27-1 Corporate tax

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

### 27- 2 Value added Tax /Sales

- Tax inspection for the years 2010 untill 2015 was performed and the tax differences were settled and the company didn't pay the additional tax, lawsuit was raised regarding it.
- Tax inspection for the year 2016 , 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 and the company objected on disputed item and follow up the matter.
- Tax inspection for the year 2015 is in process.

### 27- 4 Stamp Tax

- Tax inspection for the period from March 27, 1998 to December 31, 2000 was performed for certain sectors and the company was notified with assessment basis, the company objected and apealed on the disputed items on the due dates and provisions were formed to meet any liabilities.
- 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 due taxes 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 the year 2008 on the due dates. . Provisions were formed to meet any tax liabilities that may arise from the tax inspection.



28. RELATED PARTY TRANSACTIONS IS REPRESENTED IN

transactions between the group and its associates. The related transactions during the period and balances on the condensed consolidated interim financial statements date are stated as follows:-

Nature of transactions during the period	Transactions volume			
	during the period stated in the statement of income LE 000	Movement during the period		Balance as of 31/12/2019 Debit (Credit) LE 000
		Debit LE 000	Credit LE 000	
<u>Debit balances due from associates</u>				
- Consortium Algerien de Telecommunications (CAT)*/**	-	-	-	453 902
- International Telecommunication Consortium Limited (ITCL)***	-	-	-	66
		-	-	453 968
<u>Credit balances due to associates</u>				
- Vodafone Egypt Telecommunications Company	1 488 156			
Outgoing calls and voice services to the associate company		4 532 429	4 466 405	(1 047 999)
Incoming and international calls, transmission & lease of company premises and towers to the associates company	965 040			
Telecommunications and services	4 488	8 240	6 613	(1 643)
		4 540 669	4 473 018	(1 049 642)

\*The Balance represented in the value of the finance provided by Telecom Egypt to Consortium Algerien de Telecommunication Company (CAT) where Telecom Egypt participates directly and indirectly by 50%, accordingly, impairment has been made for the full balance, 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 Algerien de Telecommunication Company. In the light of these circumstances, there is high probability that will not be able to collect the finance given to Consortium Algerien de Telecommunication Company

\*\* The balances are fully impaired due to company's inability to recover this amount and the debt was settled against the formed impairment according to the Company's Board Of Director in this regard.

**29. GROUP ENTITIES**

Company's direct and indirect share in subsidiaries companies on September 30, 2020 which were included in the condensed consolidated interim financial statements is as follows:

<u>Company name:</u>	<u>Country of incorporation</u>	<u>Ownership interest</u>	
		<u>30/9/2020</u>	<u>31/12/2019</u>
Telecom Egypt France	France	100.00 %	100.00 %
WE Data	Egypt	100.00 %	100.00 %
T.E Data Jordan	Jordan	100.00 %	100.00 %
TE Investment Holding	Egypt	100.00 %	100.00 %
The Egyptian Telecommunication Company for Information Systems (Xceed)	Egypt	100.00 %	100.00 %
Xceed Customer Care Maroc	Morocco	100.00 %	100.00 %
Centra Technologies	Egypt	100.00 %	100.00 %
Centra Industries	Egypt	100.00 %	100.00 %
Telecom Egypt Globe	Singapore	100.00 %	100.00 %
Egyptian international submarine cables company (Eiscc)	Egypt	100.00 %	100.00 %
Middle East and North Africa Submarine Cable Company ( MENA CABLE )	Egypt	100.00 %	100.00 %
Mena Company For Submarine Cable Company ( MENA CABLE ITALY )	Italy	100.00 %	100.00 %
Centra Distribution	Egypt	99.99 %	99.99 %
Middle East Radio Communication (MERC)	Egypt	51.00 %	51.00 %



**30 –SIGNIFICANT CLAIMS AND LITIGATION:****30-1 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 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 claim that the 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 28 May 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. The lawsuit is under investigation and analysis by the Committee of technical and financial experts and the committee has not completed its mission up to date.

**The legal advisor of the TE’s** believes that it is not possible to stand up to date on the legal position in the lawsuit, as the claiming telecom operators (Etisalat Misr & its subsidiaries) and TE are still in the stage of submitting documents in front of the experts’ committee.

**30-2 The dispute between Telecom Egypt and Orange Egypt Company**

On February 20, 2019, Orange Egypt filed a lawsuit in the “Economic Court” against Telecom Egypt “TE” and “WE-Data” , This is 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 company (Orange Egypt) claiming that TE developed a plan to swap and replace PSTN network “land-line network” outdoor cabinet which using copper cables network with new fiber optic cable network “MSAN cabins” and began implementing them, resulting in the cessation of Internet (Fixed broadband) service for the claiming telecom operators (Orange Misr and link.net) customers.

On June 3, 2020, the court issued a decision delegating a panel of experts from the Egyptian Competition Protection Authority “ECA”, A request was submitted for the response of the expert committee, as it had previously ruled on the matter, and at the August 6 session set to consider the request for the dismissal of the experts committee, and none of the litigants attended, and we implemented the court’s decision in the previous session regarding the announcement of the parties to the case, On November 3,2020, the court issued a preliminary ruling replacing the delegated committee by the previous preliminary ruling with a five member committee including three employees of the Egyptian competition authority “ ECA “who were suggested by the ECA according to a letter has been issued to the court and also with two experts registered in the list of experts of the economic court. The court set a supplementary experts ’secretariat estimated at ten Thousands of pounds “10,000 EGP”, and in case of the non-payment of such amount a session was set on December 8,2020, another session on January 3,2021 for the oath of the experts appointed by ECA and on February 3,2021 a session to submit the report.

**Moreover, the Legal Adviser of the TE’s** believes that it is not possible to stand up to date on the legal position in the case due to the lack of documents submitted by the claiming company and refer the invitation to The Committee of Experts.

**31. COMPARATIVE FIGURES**

- Restatement was made to some of the comparative figures of the condensed consolidated statement of income and condensed consolidated statement of comprehensive income as a result of recognizing the fair value of the acquisition net assets from ( MENA CABLE ) which the acquisition had done within ( ESICC)- Subsidiary company by differences between the PPA (Purchase Price Allocation) and the provisional values used in preparing the consolidated financial statements at September 30, 2019 .
- Restatement was made to some of the comparative figures of the condensed consolidated statement of income and condensed consolidated statement of comprehensive income as a result of restating general and administrative expenses due to restate the value of the early retirement expense to be the actual value.
- Reclassification was made to some of the comparative figures of the condensed consolidated statement of financial position, the condensed consolidated statement of income and condensed consolidated statement of cash flows to conform to the current presentation of the condensed consolidated interim financial statements.
- The following is the impact of restatement and reclassification on the condensed consolidated interim financial statements:

**31-1 Impact on the condensed consolidated statement of financial position:**

	<b>31/12/2019</b>	<b>Reclassification</b>	<b>31/12/2019</b>
	<b>as previously reported</b>		<b>Reclassified</b>
	<b>debit / (credit)</b>	<b>debit / (credit)</b>	<b>debit / (credit)</b>
	<b>L.E.(000)</b>	<b>L.E.(000)</b>	<b>L.E.(000)</b>
Trade receivables	4 996 871	278 685	5 275 556
Reserves	(4 762 106)	( 519)	(4 762 625)
Retained earning	(13 379 060)	( 3 556)	(13 382 616)
Foreign Entities translation reserve	6 548	4 075	10 623
Creditors and other credit balances	(12 748 669)	( 278 685)	(13 027 354)

**31-2 Impact on the condensed consolidated statement of income:**

	<b>For the nine months ended</b>		<b>For the nine months ended</b>		<b>For the three months ended</b>		<b>For the three months ended</b>	
	<b>30/9/2019</b>	<b>Restatements/ Reclassification</b>	<b>30/9/2019</b>	<b>30/9/2019</b>	<b>30/9/2019</b>	<b>Restatements/ Reclassification</b>	<b>30/9/2019</b>	<b>30/9/2019</b>
	<b>as previously reported</b>	<b>(debit) / credit</b>	<b>Restated</b>	<b>as previously reported</b>	<b>as previously reported</b>	<b>(debit) / credit</b>	<b>Restated</b>	<b>Restated</b>
	<b>LE(000)</b>	<b>LE(000)</b>	<b>LE(000)</b>	<b>LE(000)</b>	<b>LE(000)</b>	<b>LE(000)</b>	<b>LE(000)</b>	<b>LE(000)</b>
Operating costs	(12 303 825)	289 796	(12 014 029)	(4 620 269)	296 363	(4 323 906)		
General and administrative expenses	(3 453 626)	( 203 568)	(3 657 194)	( 971 557)	( 203 568)	(1 175 125)		
Selling and distribution expenses	(2 095 929)	113 582	(1 982 347)	( 652 446)	113 582	( 538 864)		
Finance cost	(1 010 786)	( 191)	(1 010 977)	( 343 385)	( 64)	( 343 449)		



**31-3 Impact on the condensed consolidated statement of cash flows:**

	<u>For the nine months ended</u> <u>30/9/2019</u> <u>as previously</u> <u>reported</u> <u>LE(000)</u>	<u>Reclassification</u>	<u>For the nine months ended</u> <u>30/9/2019</u> <u>Reclassified</u> <u>LE(000)</u>
Cash receipts from customers	15 810 607	2 331 760	18 142 367
Cash paid to suppliers	(4 795 568)	(2 186 823)	(6 982 391)
Payments for NTRA license fees	( 522 496)	( 144 937)	( 667 433)
Payments for purchase of fixed assets , other assets and projects in progress	(6 538 955)	25 000	(6 513 955)
Payments for purchase of other assets	( 722 779)	( 25 000)	( 747 779)

**32- SIGNIFICANT EVENTS**

The financial period ended on September 30, 2020, included a major global event through outbreak Coronavirus (Covid-19) which advocated the company to take into consideration with performing the precautionary measures to protect its employees and customers from the risk of spreading the virus, The Group'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 group's companies 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 disease. And provide the functions of prevention especially the employees that relate directly with the clients.

**Secondly: Actions taken by the company to Customers**

Extending the internet package by 20% with alimit of 30 Gigabyte as The company has been taking the customer safety in consideration during this exceptional circumstances by extending the repayment periods for the January and April invoices until the middle of June, with the availability for all electronic means of payments through Telecom Egypt website or the electronic 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 counselling the Egyptian general public with the main risks of coronavirus pandemic.

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

- The company collects debts from its clients normally, with consideration extend the time of payment for the January and April invoices untill the middle of June 2020 regarding the fixed voice, whereas the fixed voice revenue represents the ineffective ratio of the total revenue. The company is studying the impairment of customer balances according to the requirements of the Egyptian Accounting Standards.
- The company has a financial position heavy and balanced 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 a decrease shall require written.

### 3- Selling and distribution risks

Telecom Egypt Group achieved growth in the period revenue compared to the comparable period units 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 financial statements, for the nine months ended September 30, 2020 as well as during the subsequent periods of that date.

## 33- SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of the condensed consolidated interim financial statements as of September 30, 2020 is the same as the accounting policies applied in the preparation of the annual consolidated financial statements as of December 31, 2019, these accounting policies have been applied consistently to all periods presented in these condensed consolidated interim financial.

Restatement and reclassification were made to some of comparative figures of the condensed consolidated interim financial statements (note no.31).

### 34- New issues and amendments issued to the Egyptian Accounting Standards:

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

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
New Egyptian Accounting Standard No. (47) "Financial instruments"	1. The new Egyptian Accounting Standard No. (47) "Financial Instruments" replaces the corresponding topics in Egyptian Accounting Standard (26) Financial Instruments: Recognition and Measurement. Accordingly, the Egyptian Accounting Standard No. (26) Was amended and reissued after the withdrawal of the paragraphs related to new EAS (47) and define the scope of the amended Standard (26) to work only with limited cases of hedge accounting according to the Entity's choice. 2. In accordance with the requirements of the Standard, financial assets are classified based on subsequently measured at their amortized cost, at fair value through other comprehensive income or at	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Standard No. 47 is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted, on the condition of applying the Egyptian Accounting Standards No. (1), (25), (26) and (40) amended 2019 together at the same Date.  On September 17, 2020, Prime Minister Decision No. 1871 of 2020 was issued to postpone the adaption of the standard, as the standard applies to financial periods beginning on or after January 1, 2021.

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	<p>fair value through profit or loss, in accordance with the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial asset.</p> <p>3. The realized loss model in the measurement of impairment of financial assets is replaced by the expected credit loss models, which requires the measurement of impairment of all financial assets measured at amortized cost and financial instruments measured at fair value through other comprehensive income from the initial recognition regardless of the existence of an index of the loss event</p> <p>4. Pursuant to the requirements of this standard, the following criteria have been amended:</p> <ul style="list-style-type: none"> <li>- Egyptian Accounting Standard No. (1) "Presentation of Financial Statements", amended 2019</li> <li>- Egyptian Accounting Standard No. (4) "Statement of Cash Flows"</li> <li>- Egyptian Accounting Standard No. (25) "Financial Instruments: Presentation"</li> <li>- Egyptian Accounting Standard No. (26) "Financial Instruments: Recognition and Measurement"</li> <li>Egyptian Accounting Standard No. (40) "Financial Instruments: Disclosures"</li> </ul>		These amendments shall be effective from the date of application of the standard 47.
New Accounting Egyptian Standard No. (48) "Revenue from contracts with customers"	<p>1. The new Egyptian Accounting Standard No. 48, Revenue from Contracts with Customers, replaces and cancels the following criteria:</p> <p>(A) Egyptian Accounting Standard No. (8) "Construction Contracts", amended 2015;</p> <p>(B) Egyptian Accounting Standard No. 11, "Revenue", amended 2015;</p>	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	<p>Standard No. 48 is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted.</p> <p>On September 17, 2020, Prime Minister Decision No. 1871 of 2020 was issued to postpone the adaption of the standard, as the standard applies to financial</p>



New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	<p>2. The control model was used to recognize revenue instead of the benefit and risk model.</p> <p>3. The incremental costs of obtaining a contract with a customer are recognized as an asset if the entity expects to recover those costs and the recognition of the costs of fulfilling the contract as an asset when specific conditions are met.</p> <p>4. The standard requires that the contract has commercial substance in order for revenue to be recognized.</p> <p>5. Expanding disclosure and presentation requirements.</p>		periods beginning on or after January 1, 2021.
New Egyptian Accounting Standard (49) "Leases"	<p>1. The new Egyptian Accounting Standard No. (49) "Leases" replaces the Egyptian Accounting Standard No. (20) "Accounting Standards and Standards for Financial Leasing Operations 2015 and cancels it.</p> <p>2. The Standard introduces a single accounting model for the lessor and the lessee, the lessee recognizes the right of use of the leased asset within the assets of the company and recognizes an obligation that represents the present value of the unpaid lease payments within the company's obligations, taking into account that the lease contracts are not classified as operating lease or a finance lease.</p> <p>3. For the lessor, the lessor shall classify each contract of its lease contracts either as an operating lease or as a finance lease.</p> <p>4. For the finance lease, the lessor must recognize the assets held under a finance lease in the statement of financial position and present them as a due amounts equal to the net investment in the lease contract.</p> <p>5. For operating lease, the lessor should recognize the lease payments from operating leases as income</p>	<p>During year 2019</p> <p>The group's management applied the accounting treatment of the new Egyptian accounting standard No. (49) regarding the finance lease contracts and the management is currently assessing the potential impact on the financial statements in case of applying this standard on the rest of the lease contracts which the group made.</p>	<p>Standard No. (49) Applies to financial periods beginning on or after 1 January 2020 and early adoption is permitted if the Egyptian Accounting standard No. (48) "Revenue from contracts with customers" 2019 in the same time.</p> <p>On September 17, 2020, Prime Minister Decision No. 1871 of 2020 was issued to postpone the adaption of the standard, as the standard applies to financial periods beginning on or after January 1, 2021 regarding to the operating lease contracts.</p> <p>Except as of the effective date above, Standard No. 49 (2019) applies to leases that were subject to the Financial Leasing Law No. 95 of 1995 and its amendments which were treated in accordance with Egyptian Accounting Standard No. 20, "Accounting Standards and Standards Related to Finance Lease Operations" The finance lease contracts which are arise subject to the Law of Organizing Finance Lease and Factoring Activities No. 176 of</p>



New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	either on a straight-line basis or on another regular basis.		2018, from the beginning of the annual report period, in which law No. 95 of 1995 was canceled And issuing law No. 176 of 2018
Amended Egyptian Accounting Standard No. (38) "Employees Benefits"	A number of paragraphs were added and amended to amend the accounting rules for the modification, reduction and settlement of the employee benefits scheme	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Standard No. (38) is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted During the year 2020, the Financial Regulatory Authority postponed the application of the standard to the quarterly financial statements for 2020, to be applied to the annual financial statements on December 31, 2020, starting from January 1, 2020.
Amended Egyptian Accounting Standard No. (42) "Consolidated financial statements"	Some of the paragraphs were added related to the exception of investment entities from the consolidation. This amendment resulted in an amendment to some standards related to the subject of investment entities. The following is the amended standards - Egyptian Accounting Standard No. (15) "Disclosure of Related Parties" - Egyptian Accounting Standard No. 17 "Separate Financial Statements" - Egyptian Accounting Standard No. (18) "Investments in Associates" - Egyptian Accounting Standard No. (24) "Income Tax" - Egyptian Accounting Standard No. (29) "Business Combinations" - Egyptian Accounting Standard No. (30) "interim Financial Statements" - Egyptian Accounting Standard No. (44) - " Disclosure of Interests in Other Entities "	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Standard No. 42 is effective for financial periods beginning on or after 1 January 2020 and early adaption is permitted The new or amended paragraphs are also applied to the standards that have been amended with respect to investment entities on the effective date of the Egyptian Accounting Standard No. 42 "Consolidated Financial Statements", and amended 2019. During the year 2020, the Financial Regulatory Authority postponed the application of the standard to the quarterly financial statements for 2020, to be applied to the annual financial statements on December 31, 2020, starting from January 1, 2020.