

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

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## **Hazem Hassan**

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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, 2020 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, 2020 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”.



Hazem Hassan

Translation from Arabic

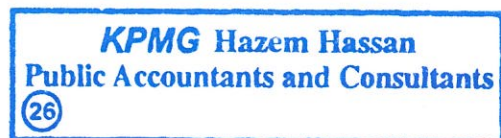
***Emphasis of Matter***

Without qualifying our conclusion, we draw attention to note no. (29) of the notes to the condensed separate 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 Separate 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><u>Non Current Assets</u></b>			
Fixed assets	(11)	32 970 815	29 829 655
Projects in progress	(12)	6 273 869	6 763 708
Investments in subsidiaries and associates	(13)	6 644 879	6 644 879
Available-for-sale investments		78 561	78 561
Other assets	(14)	9 311 589	9 801 690
Deferred tax assets	(24-1)	175 712	212 816
<b>Total Non Current Assets</b>		<b>55 455 425</b>	<b>53 331 309</b>
<b><u>Current Assets</u></b>			
Inventories	(15)	1 927 331	1 839 458
Trade receivables	(16)	4 828 682	4 374 060
Debtors and other debit balances	(17)	7 014 806	5 194 549
Debit balances with subsidiaries and associates	(28)	476 822	41 539
Cash and cash equivalents	(18)	928 658	791 558
<b>Total Current Assets</b>		<b>15 176 299</b>	<b>12 241 164</b>
<b>Total Assets</b>		<b>70 631 724</b>	<b>65 572 473</b>
<b><u>Equity</u></b>			
Capital	(22)	17 070 716	17 070 716
Reserves	(23)	4 903 361	4 640 565
Retained earnings		7 750 382	7 265 622
<b>Total Equity</b>		<b>29 724 459</b>	<b>28 976 903</b>
<b><u>Non Current Liabilities</u></b>			
Loans and credit facilities	(19)	3 636 882	4 785 550
Creditors and other credit balances	(20)	5 595 501	4 975 712
Deferred tax liabilities	(24-1)	1 001 471	822 478
<b>Total Non Current Liabilities</b>		<b>10 233 854</b>	<b>10 583 740</b>
<b><u>Current Liabilities</u></b>			
Loans and credit facilities installments due within one year	(19)	14 496 099	11 651 026
Creditors and other credit balances	(20)	10 647 864	10 061 096
Accrued credit accounts to subsidiaries and associates	(28)	4 761 982	3 631 704
Provisions	(21)	767 466	668 004
<b>Total Current Liabilities</b>		<b>30 673 411</b>	<b>26 011 830</b>
<b>Total Liabilities</b>		<b>40 907 265</b>	<b>36 595 570</b>
<b>Total Equity and Liabilities</b>		<b>70 631 724</b>	<b>65 572 473</b>

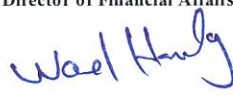
The attached notes on pages (8) to (28) are an integral part of these condensed separate interim financial statements.

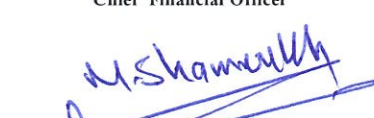
Director of Financial Affairs

Senior Director of Financial Affairs

Chief Financial Officer

Managing Director  
& Chief Executive Officer
  
 " Ehab Abdo "

  
 " Wael Hanafy "

  
 " Mohamed Shamroukh "

  
 "Adel Hamed"

Board of Directors approval

Limited Review Report "attached"

Chairman

  
 "Maged Osman"

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

	Note	<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>No.</u>	<u>Restated</u>	<u>Restated</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)	17 190 501	15 064 536	5 613 252	4 831 748
Operating costs	(4)	(11 814 240)	(10 233 508)	(3 990 207)	(3 566 718)
<b>Gross Profit</b>		<b>5 376 261</b>	<b>4 831 028</b>	<b>1 623 045</b>	<b>1 265 030</b>
Other operating income		383 743	346 092	128 865	157 241
Selling and distribution expenses	(5)	(1 637 265)	(1 433 890)	( 538 005)	( 386 722)
General and administrative expenses	(6)	(1 950 076)	(3 320 415)	( 593 833)	(1 066 406)
Other operating expenses		( 168 264)	( 108 148)	( 23 388)	( 8 228)
<b>Operating profit / (loss)</b>		<b>2 004 399</b>	<b>314 667</b>	<b>596 684</b>	<b>( 39 085)</b>
Finance income		154 537	1 268 291	140 674	395 040
Finance cost		(1 204 082)	(1 007 679)	( 221 745)	( 342 235)
<b>Net finance (cost) / income</b>	(7)	<b>(1 049 545)</b>	<b>260 612</b>	<b>( 81 071)</b>	<b>52 805</b>
<b>Income from investments in subsidiaries and associates</b>	(8)	<b>1 334 417</b>	<b>5 348 779</b>	<b>500 000</b>	<b>449 458</b>
<b>Net profit for the period before tax</b>		<b>2 289 271</b>	<b>5 924 058</b>	<b>1 015 613</b>	<b>463 178</b>
Income tax expense		( 221 456)	( 351 545)	( 79 155)	56 321
Deferred tax expense	(24-1)	( 216 097)	( 156 464)	( 72 017)	( 141 861)
<b>Total tax</b>		<b>( 437 553)</b>	<b>( 508 009)</b>	<b>( 151 172)</b>	<b>( 85 540)</b>
<b>Net profit for the period</b>		<b>1 851 718</b>	<b>5 416 049</b>	<b>864 441</b>	<b>377 638</b>
<b>Basic and diluted earning per share for the period (L.E. / Share)</b>	(10)	<b>1.08</b>	<b>3.17</b>	<b>0.51</b>	<b>0.22</b>

The attached notes on pages (8) to (28) 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>	
	30/9/2020	30/9/2019	30/9/2020	30/9/2019
		<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>
Net profit for the period	1 851 718	5 416 049	864 441	377 638
Other Comprehensive Income items	-	-	-	-
Total Comprehensive Income	<u>1 851 718</u>	<u>5 416 049</u>	<u>864 441</u>	<u>377 638</u>

The attached notes on pages (8) to (28) 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, 2020**

	Capital L.E. (000)	Legal reserve L.E. (000)	Other reserves L.E. (000)	Retained earnings L.E. (000)	Total L.E. (000)
<b>Balance as of January 1, 2019</b>	17 070 716	1 781 454	2 796 578	2 953 141	24 601 889
<b>Comprehensive income</b>					
Net profit for the period (Restated)	-	-	-	5 416 049	5 416 049
Other comprehensive income items (Restated)	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	5 416 049	5 416 049
<b>Transactions with shareholders</b>					
Transferred to legal reserve	-	62 533	-	( 62 533 )	-
Dividends for year 2018 (Shareholders)	-	-	-	( 426 768 )	( 426 768 )
Dividends for year 2018 (Employees & Board of Directors)	-	-	-	( 634 701 )	( 634 701 )
<b>Total transactions with shareholders</b>	-	62 533	-	( 1 124 002 )	( 1 061 469 )
<b>Balance as of September 30, 2019 (Restated)</b>	17 070 716	1 843 987	2 796 578	7 245 188	28 956 469
<b>Balance as of January 1, 2020</b>	17 070 716	1 843 987	2 796 578	7 265 622	28 976 903
<b>Comprehensive income</b>					
Net profit for the period (Restated)	-	-	-	1 851 718	1 851 718
Other comprehensive income items	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	1 851 718	1 851 718
<b>Transactions with shareholders</b>					
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 )
<b>Total transactions with shareholders</b>	-	271 824	( 9 028 )	( 1 366 958 )	( 1 104 162 )
<b>Balance as of September 30, 2020</b>	17 070 716	2 115 811	2 787 550	7 750 382	29 724 459

The attached notes on pages (8) to (28) are an integral part of these condensed separate interim financial statements.



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

	Note No.	<b>For the nine months ended:</b>	
		<b>30/9/2020</b>	<b>30/9/2019</b>
		<b>L.E.(000)</b>	<b>Reclassified L.E.(000)</b>
<b><u>Cash flows from operating activities</u></b>			
Cash receipts from customers		11 164 990	11 055 888
Cash receipts from related party		6 869 739	3 307 204
Value added tax collected from customers		347 614	297 625
Stamp tax and fees collected from third party		35 799	31 973
Deposits collected from customers		1 335	2 413
Cash paid to suppliers		(6 374 615)	(5 599 467)
Payments for NTRA license fees		( 626 786)	( 468 794)
Dividends paid to employees and Board of Directors		( 8 594)	( 5 619)
Cash paid to employees and Board of Directors		(3 178 324)	(4 259 460)
Cash paid on behalf of employees to third party		( 622 101)	( 666 915)
<b>Cash provided by operating activities</b>		<b>7 609 057</b>	<b>3 694 848</b>
Interest paid		( 665 682)	( 688 322)
Payments to Tax Authority - value added tax		( 810 506)	( 752 648)
Payments to Tax Authority - other taxes		( 877 564)	( 784 781)
Other payments		( 178 064)	( 248 379)
<b>Net cash provided by operating activities</b>		<b>5 077 241</b>	<b>1 220 718</b>
<b><u>Cash flows from investing activities</u></b>			
Payments for purchase of fixed assets , other assets and projects in progress		(6 814 013)	(6 277 820)
Payments for purchase of other assets		( 730 953)	( 747 097)
Interest received		9 711	22 740
Dividends collected from investments		1 269 909	5 084 495
Proceeds from retrieval of held-to-maturity investment - treasury bills		-	100 051
<b>Net cash used in investing activities</b>		<b>(6 265 346)</b>	<b>(1 817 631)</b>
<b><u>Cash flows from financing activities</u></b>			
Proceeds for loans and credit facilities		2 870 205	7 408 680
Payments from loans and credit facilities		(1 096 758)	(5 908 406)
Dividends paid to shareholders		( 426 768)	( 426 768)
<b>Net cash provided by financing activities</b>		<b>1 346 679</b>	<b>1 073 506</b>
<b>Net change in cash and cash equivalents during the period</b>		<b>158 574</b>	<b>476 593</b>
Cash and cash equivalents at the beginning of the period	(18)	685 719	187 604
<b>Cash and cash equivalents at the end of the period</b>	<b>(18)</b>	<b>844 293</b>	<b>664 197</b>

The attached notes on pages (8) to (28) are an integral part of these condensed separate interim financial statements.

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

**Notes to the Condensed Separate Interim Financial Statements**  
**For The 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 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 11, 2020.

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

**2-1 Statement of compliance**

- These Condensed Separate 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 separate financial statements for the company, and in the light of applicable Egyptian laws and regulations related to.
- These Condensed Separate Interim Financial Statements don't include all the required information needed for preparing the full annual financial statements and must be read with the separate annual financial statements as of December 31, 2019

**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.



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

*Translation from Arabic*

- For presentational purposes, the current and non-current classification has been used for the condensed separate statement of Financial Position, while expenses are analysed in condensed separate statement of income using a classification based on their function. The direct method has been used in preparing the condensed separate statement of cash flows.

**2-3 Functional and presentation currency**

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

**2-4 Use of estimates**

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

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

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

**2-5 Fair value measurement**

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

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

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

**2-6 Segment reporting**

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

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

### 3. OPERATING REVENUES

	<u>For the 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	3 312 841	2 499 421	1 146 741	903 980
Enterprise	1 632 436	1 386 025	563 221	469 833
Domestic wholesale	7 634 931	6 255 378	2 570 630	2 042 929
International carriers	3 338 464	3 380 753	1 070 430	1 111 017
International cables and networks	1 271 829	1 542 959	262 230	303 989
	<u>17 190 501</u>	<u>15 064 536</u>	<u>5 613 252</u>	<u>4 831 748</u>

Total operating revenues have increased by an amount of L.E. 2 125 965 K mainly due to the increase in domestic wholesale revenues by an amount of L.E. 1 379 553 K due to the increase in access service and infrastructure revenue in addition to the increase in home and personal communications revenues by an amount of L.E. 813 420 K due to the increase in revenues resulting from subscription fees of fixed line and rendering mobile phone services and the increase in enterprise revenues by an amount of L.E. 246 411 K, however the decrease in international cables and networks revenues by an amount of L.E. 271 130 K led to the 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>Reclassified</u> <u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>Reclassified</u> <u>L.E. (000)</u>
Interconnection cost	4 263 934	3 663 967	1 465 314	1 306 439
Depreciation and amortization	3 083 168	2 364 110	1 036 227	933 803
Salaries and wages*	1 606 927	1 513 755	559 577	475 785
Company's social insurance contribution	174 206	202 021	58 475	66 042
Frequencies and licenses charges (NTRA)	472 202	403 695	159 307	113 958
Other operating cost	2 213 803	2 085 960	711 307	670 691
	<u>11 814 240</u>	<u>10 233 508</u>	<u>3 990 207</u>	<u>3 566 718</u>

Operating costs have increased by an amount of L.E. 1 278 898 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 and national roaming fees.
- The increase in the depreciation and amortization item by an amount of L.E. 719 058 K due to the additions of the last year after the nine months and the current period.

\*Reclassification was made to comparative figures as shown in note no (30-2).



## 5. SELLING AND DISTRIBUTION EXPENSES

	For the nine months ended:		For the three months ended :	
	30/9/2020	30/9/2019	30/9/2020	30/9/2019
		<u>Reclassified</u>		<u>Reclassified</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Salaries and wages*	573 908	531 306	160 213	104 611
Company's social insurance contribution	63 742	63 206	21 375	20 075
Advertising and marketing	306 069	337 546	102 242	91 333
Organizations services costs	313 040	221 637	113 908	81 809
Commissions	235 335	137 239	90 136	53 628
Depreciation	5 333	5 022	1 795	1 854
Other selling and distribution expenses	139 838	137 934	48 336	33 412
	<u>1 637 265</u>	<u>1 433 890</u>	<u>538 005</u>	<u>386 722</u>

The increase in selling and distribution expenses by an amount of L.E 203 375 K mainly due to the increase in organizations services costs item by an amount of L.E 91 403 K due to the increase in out sourcing services, the increase in commissions item by an amount of L.E 98 096 K and salaries and wages item by an amount of L.E 42 602 K, however the decrease in advertising and marketing item by an amount of L.E 31 477 K led to the limitation of this increase.

\*Reclassification was made to comparative figures as shown in note no (30-2).

## 6. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>Note</u>	For the nine months ended:		For the three months ended :	
		30/9/2020	30/9/2019	30/9/2020	30/9/2019
			<u>Restated</u>		<u>Restated</u>
	<u>No.</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Salaries and wages*		1 218 930	1 260 369	332 432	513 799
Company's social insurance contribution		99 722	109 329	33 504	35 155
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	69 046
Depreciation		24 159	27 824	7 606	9 438
Tax and duties		81 167	88 738	30 679	27 492
Organizations services costs and consultants		254 510	239 455	88 877	103 240
Other general and administrative expenses		136 588	121 015	55 735	45 939
		<u>1 950 076</u>	<u>3 320 415</u>	<u>593 833</u>	<u>1 066 406</u>

The decrease in general and administrative expenses by an amount of L.E 1 370 339 K mainly due to the decrease in end of service compensation – early retirement scheme 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 and salaries and wages item by an amount of L.E 41 439 K.

\*Restatement and reclassification were made to comparative figures as shown in note no (30-2)

## 7. NET FINANCE (COST) INCOME

The increase in net finance (cost) income by an amount of L.E 1 310 157 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 1 063 704 K and net of impairment on financial assets by an amount of L.E 208 525 K for the same period of the last year.

## 8. INCOME FROM INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

	<u>For the nine months ended:</u>		<u>For the three months ended :</u>	
	<u>30/9/2020</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 Telecommunications Company	651 714	5 330 567	-	449 458
WE-Data	600 000	10 000	500 000	-
Middle East Radio Communication (MERC)	5 513	5 915	-	-
The Egyptian Telecommunication Company for information system (Xceed)	62 500	1 562	-	-
Centra for Technology ( centra )	14 690	735	-	-
	<u>1 334 417</u>	<u>5 348 779</u>	<u>500 000</u>	<u>449 458</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 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 of 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 contribution to be determined annually according to a board of directors decree 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 year 2019) stated in the general and administrative expenses as shown in (Note no. 6).

## 10. BASIC AND DILUTED EARNING/ (LOSS) PER SHARE.

	For the nine months ended:		For the three months ended:	
	30/9/2020	30/9/2019 Restated	30/9/2020	30/9/2019 Restated
Net profit for the period (LE in thousand)	1 851 718	5 416 049	864 441	377 638
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)	1.08	3.17	0.51	0.22

\*Restatement was made to comparative figures as shown in note no (30-2).

**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	2 338 973	2 344 458	-	-	2 338 973	2 344 458	2 349 427
Buildings & Infrastructure	35 824 413	31 124 434	16 586 767	15 866 650	19 237 646	15 257 784	18 180 122
Centrals & information technologies equipment	32 501 925	29 208 780	21 373 379	21 254 704	11 128 546	7 954 076	9 079 808
Vehicles	169 244	167 693	110 404	107 829	58 840	59 864	61 407
Furniture	415 533	366 683	304 370	278 485	111 163	88 198	101 606
Tools & supplies	208 353	143 955	112 706	92 426	95 647	51 529	57 285
<b>Total</b>	<b>71 458 441</b>	<b>63 356 003</b>	<b>38 487 626</b>	<b>37 600 094</b>	<b>32 970 815</b>	<b>25 755 909</b>	<b>29 829 655</b>

- The increase in net carrying value of fixed assets mainly due to the additions during the period by an amount of L.E.5 816 301 K, however the depreciation of the period by an amount of L.E. 2 609 238 K led to limitation of this increase.
- The cost of fixed assets as of September 30, 2020 includes an amount of L.E. 21 160 Million fully depreciated fixed assets and still in use.

**12. PROJECTS IN PROGRESS**

	30/9/2020 LE (000)	31/12/2019 LE (000)
Land	23 077	11 894
Buildings and Infrastructure	1 760 246	1 107 310
Furniture	13 399	19 404
Tools and supplies	6 109	56 940
Centrals and information technology equipment	2 804 294	4 556 746
Other Assets (cables)	289 052	255 420
Advanced payments - fixed assets	1 377 692	755 994
	<b>6 273 869</b>	<b>6 763 708</b>

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



### 13. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

	30/9/2020		31/12/2019	
	Ownership	Amount	Ownership	Amount
	%	L.E. (000)	%	L.E. (000)
<b>13-1 Investments in subsidiaries</b>				
- Telecom Egypt France (TE France)	100.00	69 220	100.00	69 220
- WE Data	99.99	252 461	99.99	252 461
- Egyptian international submarine cables company (Eiscc)	99.00	267 578	99.00	267 578
- TE Investment Holding	99.99	39 998	99.99	39 998
- 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
<b>13-2 Investments in associates</b>				
- Vodafone Egypt Telecommunications Company	44.95	5 960 054	44.95	5 960 054
- Egypt Trust	35.71	10 000	35.71	10 000
- Wataneya for Telecommunications	50.00	125	50.00	125
- Consortium Algerien de Telecommunications	-	-	33.00	133
- International Telecommunications Consortium limited (ITCL)	-	-	50.00	54
		<b>6 652 773</b>		<b>6 652 960</b>
<b>Less:</b>				
Impairment loss on investments of subsidiaries and associates*		7 894		8 081
		<b>6 644 879</b>		<b>6 644 879</b>

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

### 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)	1 904 623	1 916 501
Right of way ( National )	543 896	522 722
Land (possession-usufruct)	440 684	440 684
Licenses and programs	104 465	160 847
	<b>11 626 998</b>	<b>11 674 084</b>
<b>Less:</b>		
Accumulated amortization	2 315 409	1 872 394
<b>Net carrying amount</b>	<b>9 311 589</b>	<b>9 801 690</b>

- The decrease in net carrying value of other assets mainly due to the amortization of the period by an amount of L.E 503 422 K.
- Other assets amortization is charged to operating costs.
- Other assets cost includes at September 30, 2020 an amount of L.E 167 Million, other assets fully amortized and still in use in operating.

**15. INVENTORIES**

	30/9/2020	31/12/2019
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Spare parts	1 133 438	1 011 876
Material supplies ,Merchandise for sale and Letters of credit	373 405	188 928
Others – cables and supplies	420 488	638 654
	<u>1 927 331</u>	<u>1 839 458</u>

The value of inventories was written down by an amount of L.E. 20 586 K (against L.E. 20 586 K as at December 31, 2019) for obsolete and slow-moving items directly from the cost of each type of related inventory.

**16. TRADE RECEIVABLES**

	30/9/2020	31/12/2019
	<u>L.E. (000)</u>	<u>Reclassified</u> <u>L.E. (000)</u>
Trade Receivables - National*	4 263 003	3 955 449
Trade Receivables - International	2 362 799	2 345 236
	<u>6 625 802</u>	<u>6 300 685</u>
<b>Less:</b>		
Impairment loss on trade receivables	1 797 120	1 926 625
	<u>4 828 682</u>	<u>4 374 060</u>

- Trade receivables balance has increased by an amount of L.E. 454 622 K mainly due to the increase in both of trade receivables – domestic whole sale by an amount of L.E 191 387 K and trade receivables - international cables and networks by an amount of L.E 144 283 K and trade receivables –home and personal communications by an amount of L.E 103 247 K and trade receivables-enterprise by an amount of L.E 12 920 K, however the decrease in trade receivables - international carriers by an amount of L.E 126 720 K led to the limitation of this increase.

\*Reclassification was made to comparative figures as shown in note no (30-1).

**17. DEBTORS AND OTHER DEBIT BALANCES**

	30/9/2020	31/12/2019
	<u>LE (000)</u>	<u>LE (000)</u>
Suppliers – debit balances	1 441 024	595 086
Tax Authority - value added tax	2 259 551	1 826 670
Tax Authority - withholding tax	641 582	527 885
Due from ministries, organizations and companies	1 092 656	717 083
Deposites with others	242 613	242 622
Accrued revenues	10 530	16 452
Temporary debts due from employees	496 409	659 841
Tax authority - income tax	29 552	29 481
Other debit balances	855 117	643 766
	<u>7 069 034</u>	<u>5 258 886</u>
<b>Less:</b>		
Impairment loss on debtors and other debit balances	54 228	64 337
	<u>7 014 806</u>	<u>5 194 549</u>

Debtors and other debit net balances have increased by an amount of L.E.1 820 257 K mainly due to the increase in suppliers - debit balances by an amount of L.E. 845 938 K and due from ministers, organizations and companies by an amount of L.E 375 573 K and tax authority – value added tax by an amount of L.E 432 881 K, however the decrease in temporary debts due from employees by an amount of L.E 163 432 K led to limitation of this increase.

**18. CASH AND CASH EQUIVALENTS**

	Note	30/9/2020	31/12/2019	30/9/2019
	No.	L.E. (000)	L.E. (000)	L.E. (000)
Banks - time deposits (less than 3 months)		210 198	174 042	114 723
Banks - current accounts		710 809	616 040	648 938
Cash on hand		7 651	1 476	8 712
<b>Cash and cash equivalents</b>		<b>928 658</b>	<b>791 558</b>	<b>772 373</b>
<b>Less:</b>				
Restricted time deposits and current accounts at banks	(26)	84 365	105 839	108 176
<b>Cash and cash equivalents as per cash flows statement</b>		<b>844 293</b>	<b>685 719</b>	<b>664 197</b>

The increase in cash and cash equivalents due to the increase in Banks – current accounts in addition to the decrease in restricted cash and cash equivalents at banks.

**19. LOANS AND CREDIT FACILITIES**

- The increase in the balance of loans and credit facilities by an amount of L.E 1 696 405 K mainly resulting from proceeds within the period of loans and credit facilities with local and foreign currencies amounted to L.E. 2 870 206 K, where loans and credit facilities with local and foreign currencies in September, 30 2020 amounted to L.E. 18 132 981 K (against L.E. 16 436 576 K at 31 December, 2019) due within a year by an amount of L.E. 14 496 099 K, including bank facilities by an amount of L.E. 13 039 684 K.

**20. CREDITORS AND OTHER CREDIT BALANCES**

	Note	30/9/2020	31/12/2019
	No.	L.E. (000)	Reclassified L.E. (000)
Suppliers		855 285	906 333
Tax Authority-Income Tax		154 656	130 618
Tax Authority (taxes other than income tax)		1 324 915	534 813
Deposits from others		501 450	490 793
Liabilities of early retirement scheme	(9-1)	77 425	108 262
Assets creditors		9 215 749	9 965 501
Accrued expenses		719 794	644 086
Public Authority for Social Insurance		63 882	52 965
Trade receivables - credit balances*		886 795	646 813
Credit balances- organizations and companies		301 277	233 350
Deferred revenue		1 012 454	345 817
National Telecommunication Regulatory Authority (NTRA)		437 574	452 925
Other credit balances		692 109	524 532
		<b>16 243 365</b>	<b>15 036 808</b>
<b>Less balances due within more than one year:</b>			
Assets creditors		5 564 506	4 944 717
Deferred revenue		30 995	30 995
<b>Non current creditors and other credit balances</b>		<b>5 595 501</b>	<b>4 975 712</b>
<b>Current creditors and other credit balances</b>		<b>10 647 864</b>	<b>10 061 096</b>
<b>Total creditors and other credit balances</b>		<b>16 243 365</b>	<b>15 036 808</b>

Creditors and other credit balances have increased by an amount of L.E. 1 206 557 K mainly due to the increase in deferred revenue by an amount of L.E. 666 637 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, trade receivables – credit balances item by an amount of L.E. 239 982 K and tax authority (taxes other than income tax) item by an amount of L.E. 790 102 K and accrued interests item by an amount of L.E. 115 996 K and credit balances – organization and companies item by an amount of L.E. 67 927 K however, the decrease in both of assets creditors item by an amount of L.E. 749 752 K and suppliers item by an amount of L.E. 51 048 K led to the limitation of this increase.

\*Reclassification was made to some of comparative figures as shown in note no (30-1).



**21. PROVISIONS**

	30/9/2020	31/12/2019	30/9/2019
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Balance at the beginning of the period / year	668 004	638 004	638 004
Reclassification during the period/year	24 462	-	-
Charged to income statement for the period / year	75 000	31 418	25 000
Used during the period / year	-	( 1 418)	-
<b>Balance at the end of the period / year</b>	<b><u>767 466</u></b>	<b><u>668 004</u></b>	<b><u>663 004</u></b>

- The provision charged to income statement during the period to meet contingent 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 LE 10 each.
- The Egyptian Government owns 80% after floating 20% of company's shares in public offering during December 2005.

**23. RESERVES**

	30/9/2020	31/12/2019
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Legal reserve	2 115 811	1 843 987
Other reserves	2 787 550	2 796 578
	<b><u>4 903 361</u></b>	<b><u>4 640 565</u></b>

The balance of legal reserve have increased as a result of retaining an amount of L.E. 271 824 K from the profit of 2019 in accordance with the company's articles of association.

**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)	175 712	(1 001 471)	212 816	( 822 478)
Net deferred tax liability	-	<b><u>( 825 759)</u></b>	-	<b><u>( 609 662)</u></b>
Deferred tax charged to the income statement for the period / year		<b><u>( 216 097)</u></b>		<b><u>( 264 550)</u></b>

**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	<b><u>374 641</u></b>	<b><u>510 436</u></b>

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, 2020 amounted to L.E. 921 Million (against L.E.738 Million at the year ended December 31, 2019).

## 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, 2020:

	30/9/2020	31/12/2019
	<u>LE (000)</u>	<u>LE (000)</u>
- Letters of guarantee issued by banks on behalf of the company	1 746 640	982 252
- Letters of credit	1 139 590	2 796 897

## **27. TAX POSITION**

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

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

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

- Tax inspection for the years 2010 until 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 appealed on the disputed items on the due dates.
- 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.

Notes To The Condensed Separate Interim Financial Statements  
For The Nine Months Ended September 30, 2020 (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

- Consortium Algerien de Telecommunications (CAT)\*
- International Telecommunication Consortium Limited (ITCL)\*
- Egyptian Telecommunication Company for Information Systems
- Egyptian Telecommunication Company for Information Systems
- Egyptian Telecommunication Company for Information Systems
- Egyptian Telecommunication Company for Information Systems

Credit balances due to subsidiaries and associates

- WE Data
- WE Data
- Centra for Technologies
- Centra for Electronic Industries
- Middle East Radio Communication (MERC)
- T E investment Holding
- T E investment Holding
- Jordanian Egyptian Company for data transfer
- TE France
- Egyptian International Submarine Cables Company ( EISCC )
- Egyptian International Submarine Cables Company ( EISCC )
- Egyptian International Submarine Cables Company ( EISCC )
- Mena Cable
- Mena Cable
- Mena Cable
- Mena Cable
- Vodafone Egypt Telecommunications Company
- Vodafone Egypt Telecommunications Company



Translation from Arabic

Nature of transaction during the period	Amount of transactions during the period stated in the income statement L.E. 000	Movement during the period Debit L.E. 000	Credit L.E. 000	Balance as of 30/9/2020 Debit/(Credit) L.E. 000	Balance as of 31/12/2019 Debit/(Credit) L.E. 000
Paid on behalf of associate to finance operating expenses	-	-	-	-	453 902
Services rendered from subsidiary company	333 066	777 079	382 829	355 217	66
Lease of subsidiary company premises, electricity claims, maintenance and Leased circuits and selling fixed assets	39 773	49 663	8 630	121 605	( 39 033 )
Services rendered from subsidiary company	-	826 742	391 459	476 822	80 572
Lease of subsidiary company premises, electricity claims, maintenance and Leased circuits and selling fixed assets	-	-	-	( 37 227 )	41 539
Participation contract and Purchasing of fixed assets and services rendered from subsidiaries company	21 483	5 167 072	9 143 988	( 4 146 454 )	( 169 538 )
Leased circuits and information transfer network rendered	4 253 582	6 363 860	3 401 676	1 986 515	( 975 669 )
Maintenance & supplying devices	299 577	172 501	415 390	( 886 193 )	( 1 145 207 )
Maintenance & supplying devices	1 534	353	1 748	( 3 591 )	( 643 304 )
Leased of information circuits	2 815	3 209	3 209	-	( 2 196 )
Rendered services from subsidiary company	104 679	131 690	128 404	( 11 130 )	-
Leased sites for subsidiary company	14	15	10	5	( 14 416 )
Participation contract	34 061	131 705	128 414	( 11 125 )	( 14 416 )
Participation contract	20 312	53 776	53 766	( 1 888 )	( 1 898 )
Leased sites for subsidiary company	15	23 986	29 124	( 76 908 )	( 71 770 )
Purchasing of intangible assets from subsidiaries company	-	15	5	10	-
Financing	-	17 251	3 850	( 625 214 )	( 638 615 )
Maintenance - Rendered services from subsidiary company	5 275	21 673	3 855	( 620 797 )	( 638 615 )
Paid of expenses on behalf of parent company	-	28 175	33 518	( 16 302 )	( 10 959 )
Rendered services from subsidiary company	-	103 360	90 385	( 12 933 )	( 25 908 )
Equipment upgrade - Rendered services from subsidiary company	-	8 880	-	8 880	-
Maintenance - Rendered services to subsidiary company	2 386	35 278	-	-	( 35 278 )
Outgoing calls and voice services for associate company	1 488 156	1 627	6 684	789	5 846
Incoming international calls, claims, transmissions, lease of locations and towers for the associate company	965 040	177 320	130 587	( 19 566 )	( 66 299 )
		4 532 429	4 466 405	( 981 975 )	( 1 047 999 )
		16 647 884	17 778 162	( 4 761 982 )	( 3 631 704 )

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

\*Long-term debit balances amounted to L.E. 453 902 K are 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 and the debt was settled against the formed provision according to the Company's Board Of Director in this regard.



**29 –CLAIMS AND LITIGATION:****29-1 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 before the experts’ committee.

**29-2 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 a session on February 3,2021 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.

**30. COMPARITIVE FIGURES**

- Restatement was made to some of the comparative figures of the Separate statement of income and separate statement of comprehensive income as a result of restating general and administrative expenses due to restate the value of the early retirement expense to reach the actual value .

- Restatement and reclassification was made to some of the comparative figures of condensed separate statement of financial position, condensed separate statement of Income, condensed separate statement of comprehensive income and condensed separate statement of cash flows to conform to the current presentation of the condensed separate interim financial statements.

-The following is the effect of restatements reclassification on the condensed separate interim financial statements:

**30-1 Effect on condensed Separate Statement of Financial Position**

	31/12/2019 as previously reported debit / (credit) LE(000)	Reclassification debit / (credit) LE(000)	31/12/2019 Reclassified debit / (credit) LE(000)
Trade receivables	4 095 375	278 685	4 374 060
Creditors and other credit balances	(9 782 411)	( 278 685)	(10 061 096)

**30-2 Effect on Condensed Separate Statement of Income**

	For the nine months ended		For the nine months ended		For the three months ended		For the three months ended	
	30/9/2019	Restatement	30/9/2019		30/9/2019	Restatement	30/9/2019	
	as previously reported debit / (credit)	debit / (credit)	Restated debit / (credit)		as previously reported debit / (credit)	(debit) / (credit)	Restated debit / (credit)	
Operating costs L.E	(10 535 342)	301 834	(10 233 508)		(3 868 552)	301 834	(3 566 718)	
Selling and distribution expenses	(1 545 280)	111 390	(1 433 890)		( 498 112)	111 390	( 386 722)	
General and administrative expenses (in thousands)	(3 116 847)	( 203 568)	(3 320 415)		( 862 838)	( 203 568)	(1 066 406)	
Basic and diluted earnings per share for the period (LE / share)	3.05	0.12	3.17		0.10	0.12	0.22	

**30-2 Effect on condensed Separate Statement of Cash Flows**

	For the Nine months ended		For the Nine months ended	
	30/9/2019 as previously reported debit/ (credit) LE(000)	Reclassification debit/ (credit) LE(000)	30/9/2019 Reclassified debit/ (credit) LE(000)	
Cash receipts from customers	8 724 128	2 331 760	11 055 888	
Cash paid to suppliers	(3 412 644)	(2 186 823)	(5 599 467)	
Payments of NTRA license fees	( 323 857)	( 144 937)	( 468 794)	
Payments for purchase of fixed assets , project in progress and other assets	(6 302 820)	25 000	(6 277 820)	
Payments for purchase of other assets	( 722 097)	( 25 000)	( 747 097)	



**31- SIGNIFICANT EVENTS**

The financial period ended on September 30, 2020, included a major global event through the outbreak of Coronavirus (Covid-19) which advocated the company to take into consideration 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 relate directly with the clients.

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

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 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 counselling the Egyptian general public with the main risks of coronavirus pandemic.

**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 collects debts from its clients normally, with consideration extend the time of payment for the January and April invoices to 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 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 Nine months ended September 30, 2020 as well as during the subsequent periods of that date.



**32- SIGNIFICANT ACCOUNTING POLICIES**

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

-Restatement and reclassification were made to some of comparative figures of the condensed separate statement of financial position , Condensed Separate Statement of Income, condensed separate statement of comprehensive income and the condensed separate statement of cash flows (Note no.30).

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

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

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

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	<p>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>		
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> <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>	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 periods beginning on or after January 1, 2021.</p>



New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	5. Expanding disclosure and presentation requirements.		
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 either on a straight-line basis or on another regular basis.</p>	During year 2019 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>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 2018, from the beginning of the annual report period, in which law No. 95 of 1995 was canceled And issuing law No. 176 of 2018</p>
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	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 adoption 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.



New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	<ul style="list-style-type: none"> <li>- Egyptian Accounting Standard No. (15) "Disclosure of Related Parties"</li> <li>- Egyptian Accounting Standard No. 17 "Separate Financial Statements"</li> <li>- Egyptian Accounting Standard No. (18) "Investments in Associates"</li> <li>- Egyptian Accounting Standard No. (24) "Income Tax"</li> <li>- Egyptian Accounting Standard No. (29) "Business Combinations"</li> <li>- Egyptian Accounting Standard No. (30) "interim Financial Statements"</li> <li>- Egyptian Accounting Standard No. (44) - " Disclosure of Interests in Other Entities "</li> </ul>		On September 17, 2020, Prime Minister Decision No. 1871 of 2020 was issued to postpone the application of the standard, as the standard applies to financial periods beginning on or after January 1, 2021.