

telecomegypt



**Telecom Egypt Company  
Condensed Consolidated Interim Financial Statements  
Prepared in Accordance with IFRSs  
For The Six Months Ended June 30, 2020  
And Independent Auditor's Review Report**

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## **Hazem Hassan**

**Public Accountants & Consultants**

B (105) – Avenue (2) – Smart Village  
Km 28 Cairo – Alex Desert Road  
Giza – Cairo – Egypt  
Postal Code : 12577

Telephone : (202) 35 37 5000 – 35 37 5005  
E-mail : Egypt@kpmg.com.eg  
Fax : (202) 35 37 3537  
P.O. Box : (5) Smart Village

# **Independent auditors' report on review of condensed consolidated interim financial statements**

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**To the Board of Directors of Telecom Egypt Company**

## **Introduction**

We have reviewed the accompanying condensed consolidated statement of financial position of Telecom Egypt Company as at 30 June 2020, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim financial statements ('the condensed consolidated interim financial statements'). Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review

## **Scope of Review**

We conducted our review in accordance with the International Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International 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.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at and for the six months ended 30 June 2020 are not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting"



Hazem Hassan

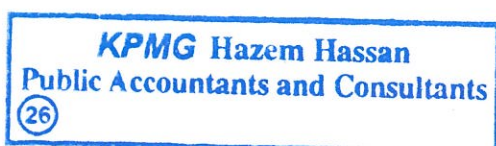
### Emphasis of Matter

Without qualifying our conclusion, we draw attention to note no. (28) 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**  
Cairo, Egypt

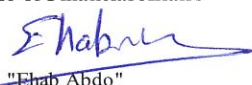
November 11, 2020



**Telecom Egypt Company**  
**Condensed consolidated statement of financial position**

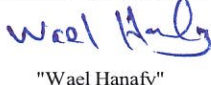
In thousands of Egyptian Pound	Note	30 June 2020	31 December 2019 Reclassified
<b>Assets</b>			
Property, plant and equipment	11	37 627 708	36 301 170
Intangible assets	12	10 382 467	10 823 421
Equity-accounted investees	13	11 077 133	10 763 157
Available-for-sale investments		89 273	79 811
Other financial assets		57 319	60 072
Deferred tax assets	22	292 291	341 223
<b>Non-current assets</b>		<b>59 526 191</b>	<b>58 368 854</b>
Inventories	14	2 200 573	2 353 882
Held-to-maturity investment (treasury bills)		11 178	25 829
Trade and other receivables	15	13 341 731	10 793 887
Cash and cash equivalents	16	1 545 225	1 433 184
<b>Current assets</b>		<b>17 098 707</b>	<b>14 606 782</b>
<b>Total assets</b>		<b>76 624 898</b>	<b>72 975 636</b>
<b>Equity</b>			
Share capital	17	17 070 716	17 070 716
Reserves	17	5 023 724	4 752 002
Retained earnings		13 233 990	12 441 313
<b>Equity attributable to owners of the company</b>		<b>35 328 430</b>	<b>34 264 031</b>
<b>Non-controlling interests</b>		<b>11 877</b>	<b>14 904</b>
<b>Total equity</b>		<b>35 340 307</b>	<b>34 278 935</b>
<b>Liabilities</b>			
Loans and credit facilities	19	4 066 094	4 785 550
Trade and other payables	20	3 420 412	5 376 579
Deferred revenue		296 151	308 313
Deferred tax liabilities	22	1 716 644	1 558 975
<b>Non-current liabilities</b>		<b>9 499 301</b>	<b>12 029 417</b>
Loans and credit facilities	19	13 740 064	11 666 363
Trade and other payables	20	14 231 317	12 374 926
Deferred revenue		2 232 565	803 743
Credit accounts due to associates		621 085	1 049 642
Provisions	21	960 259	772 610
<b>Current liabilities</b>		<b>31 785 290</b>	<b>26 667 284</b>
<b>Total liabilities</b>		<b>41 284 591</b>	<b>38 696 701</b>
<b>Total equity and liabilities</b>		<b>76 624 898</b>	<b>72 975 636</b>

Director of Financial Affairs



"Ehab Abdo"

Senior Director of Financial Affairs

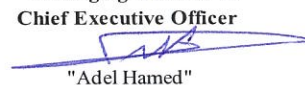


"Wael Hanafy"

Chief Financial Officer



"Mohamed Shamroukh"

Managing Director &  
Chief Executive Officer


"Adel Hamed"

Board of Directors approval

Chairman



"Maged Osman"

Independent auditor's review report " attached "

The notes on pages 7 to 24 are an integral part of these condensed consolidated interim financial statements.

**Telecom Egypt Company**  
**Condensed consolidated statement of profit or loss and other comprehensive income**

In thousands of Egyptian Pound	Note	For the six months ended 30 June		For the three months ended 30 June	
		2020	2019	2020	2019
			Restated		Restated
Continuing operations					
Revenue	5	14 831 811	12 694 846	7 827 937	6 597 529
Operating costs	6	(9 269 927)	(7 841 936)	(4 902 551)	(4 151 771)
Gross profit		5 561 884	4 852 910	2 925 386	2 445 758
Other income		228 469	172 117	101 252	72 346
Selling and distribution expenses	7	(1 565 458)	(1 526 310)	(749 734)	(928 532)
Administrative expenses	8	(1 748 571)	(2 623 266)	(895 513)	(1 751 421)
Impairment loss on trade and other receivables		(187 398)	20 655	(151 430)	(6 210)
Other expenses		(239 707)	(109 988)	(99 743)	(97 830)
Operating profit (loss)		2 049 219	786 118	1 130 218	(265 889)
Finance income		33 353	956 783	16 919	479 051
Finance costs		(909 993)	(714 977)	(927 383)	(297 743)
Net finance (cost) income	10	(876 640)	241 806	(910 464)	181 308
Share of profit of equity-accounted investees, net of tax		957 545	1 084 540	506 427	466 986
Profit for the period before tax		2 130 124	2 112 464	726 181	382 405
Income tax		(641 431)	(397 415)	(226 053)	(127 864)
Profit for the period		1 488 693	1 715 049	500 128	254 541
Other comprehensive income					
Foreign operations - foreign currency translation differences		5 901	(111 882)	43 304	(56 573)
Other comprehensive income, net of tax		5 901	(111 882)	43 304	(56 573)
Total comprehensive income		1 494 594	1 603 167	543 432	197 968
Profit attributable to:					
Owners of the company		1 486 205	1 712 776	498 444	253 283
Non - controlling interests		2 488	2 273	1 684	1 258
		1 488 693	1 715 049	500 128	254 541
Total comprehensive income attributable to:					
Owners of the company		1 492 106	1 600 894	541 748	196 710
Non - controlling interests		2 488	2 273	1 684	1 258
		1 494 594	1 603 167	543 432	197 968
Earning per share					
Basic earnings per share (LE)	18	0.87	1.00	0.29	0.15
Diluted earnings per share (LE)	18	0.87	1.00	0.29	0.15

The notes on pages 7 to 24 are an integral part of these condensed consolidated interim financial statements.

**Attributable to owners of the company**

The notes on pages 7 to 24 are an integral part of these condensed consolidated interim financial statements.

**Telecom Egypt Company**  
**Condensed consolidated statement of cash flows**

In thousands of Egyptian Pound	Note	For the six months ended 30 June	
		2020	2019 Reclassified
<b>Cash flows from operating activities</b>			
Cash receipts from customers		15 512 586	12 534 337
Value added tax collected from customers		234 250	243 803
Stamp tax and fees collected (from third party)		32 125	29 314
Deposits collected from customers		933	1 848
Cash paid to suppliers		(4 470 504)	(4 927 950)
Payments of NTRA license fees		( 774 280)	( 666 751)
Dividends paid to employees and board of directors		( 64 930)	( 37 652)
Cash paid to employees and board of directors		(2 865 519)	(2 787 127)
Cash paid on behalf of employees to third party		( 508 864)	( 525 456)
Interest paid		( 439 143)	( 428 000)
Payments to Tax Authority - income tax		( 89 437)	( 79 050)
Payments to Tax Authority - value added tax		( 758 843)	( 891 623)
Payments to Tax Authority - other taxes		( 950 038)	( 848 736)
Provision Used		-	( 148)
Other (payments) proceeds		( 199 983)	107 298
<b>Net cash provided by operating activities</b>		<b>4 658 353</b>	<b>1 724 107</b>
<b>Cash flows from investing activities</b>			
Payments for purchase of property, plant and equipment and intangible assets		(5 380 738)	(3 441 105)
Payments for purchase of intangible assets		( 73 307)	( 73 307)
Proceeds from sale of property, plant and equipment and intangible assets		11	39
Payments for acquisition of investments		( 9 462)	-
Payments for purchase of held -to- maturity investments - treasury bills		( 9 566)	( 8 529)
Interest received		18 940	29 833
Dividends of profit collected from investments		176 031	4 614 589
Proceeds from sale available for sale investment		25 795	-
Proceeds from retrieval of held-to-maturity investment - treasury bills		-	108 957
Proceeds from securities (treasury bills - mutual fund)		12 008	10 036
<b>Net cash (used in) provided by investing activities</b>		<b>(5 240 288)</b>	<b>1 240 513</b>
<b>Cash flows from financing activities</b>			
Proceeds / (payments) from loans and other facilities		1 332 618	(2 113 349)
Dividends paid to shareholders		( 627 021)	( 432 683)
<b>Net cash provided by (used in) financing activities</b>		<b>705 597</b>	<b>(2 546 032)</b>
<b>Net change in cash and cash equivalents</b>			
Cash and cash equivalents at 1 January		1 311 391	1 081 867
Effect of movements in exchange rate on cash held		( 7 082)	( 8 665)
<b>Cash and cash equivalents at 30 June</b>	16	<b>1 427 971</b>	<b>1 491 790</b>

The notes on pages 7 to 24 are an integral part of these condensed consolidated interim financial statements.

## 1. Reporting entity

- 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 consolidated interim financial statements of the Company for the period ended June 30, 2020 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates and jointly controlled entities.
- 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.
  - Real estate investment for serving its purposes and executing its projects.
- 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 London Stock Exchange.

## 2. Basis of preparation

### a. Basis of accounting

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2019 ('last annual financial statements'). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

These condensed consolidated interim financial statements were authorized for issuance by the Company's Board of Directors on November 11, 2020.

### b. Use of judgements and estimates

In preparing these condensed consolidated interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

**C. Measurement of fair values**

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the group audit committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

**D. Functional and presentation currency**

These condensed consolidated financial statements are presented in Egyptian Pound (LE), which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

**E. Significant accounting policies**

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2019. A number of new standards are effective from 1 January 2020 but they do not have a material effect on the Group's financial statements.

- Restatement and reclassification were made to some of comparative figures of the condensed consolidated interim financial statements as shown in Note no (29)

**F. Standards issued but not yet effective**

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier is permitted; however, the group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim financial statements.

### 3. 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.

#### For the six months ended June 30,2020

Description	Communications, marine cables and infrastructure <u>L.E. (000)</u>	Internet <u>L.E. (000)</u>	Outsourcing <u>L.E. (000)</u>	All other <u>L.E. (000)</u>	Total <u>L.E. (000)</u>
Revenue	9 856 438	4 434 351	428 930	112 092	14 831 811
Operating costs	( 8 079 668)	( 689 682)	( 393 971)	( 106 606)	( 9 269 927)
<b>Gross profit</b>	<b>1 776 770</b>	<b>3 744 669</b>	<b>34 959</b>	<b>5 486</b>	<b>5 561 884</b>
Credit interest	10 106	11 355	999	5 048	27 508
Debit interest and Finance cost	( 908 446)	-	-	( 1 547)	( 909 993)
Depreciation and amortization	( 2 200 864)	( 118 737)	( 24 874)	( 2 112)	( 2 346 587)
share of profit of equity-accounted investees, net of tax	-	-	-	957 545	957 545
<b>Non cash items</b>					
Impairment loss on financial assets	( 145 502)	( 41 896)	-	-	( 187 398)
Provisions	( 75 083)	( 87 200)	( 8 407)	-	( 170 690)
<b>Total assets</b>	<b>72 552 835</b>	<b>3 036 142</b>	<b>544 818</b>	<b>491 103</b>	<b>76 624 898</b>
<b>Total liabilities</b>	<b>38 249 920</b>	<b>1 960 699</b>	<b>280 885</b>	<b>793 087</b>	<b>41 284 591</b>

#### For the six months ended June 30,2019 (Restated)

Description	Communications, marine cables and infrastructure <u>L.E. (000)</u>	Internet <u>L.E. (000)</u>	Outsourcing <u>L.E. (000)</u>	All other <u>L.E. (000)</u>	Total <u>L.E. (000)</u>
Revenue	8 215 633	4 064 715	353 996	60 502	12 694 846
Operating costs*	( 6 741 811)	( 466 460)	( 576 040)	( 57 625)	( 7 841 936)
<b>Gross profit</b>	<b>1 473 822</b>	<b>3 598 255</b>	<b>( 222 044)</b>	<b>2 877</b>	<b>4 852 910</b>
Credit interest	17 489	21 144	1 426	8 557	48 616
Debit interest and Finance cost*	( 710 541)	-	( 2 320)	( 2 116)	( 714 977)
Depreciation and amortization	( 1 461 771)	( 78 979)	( 16 596)	( 1 199)	( 1 558 545)
share of profit of equity-accounted investees, net of tax	-	-	-	1 084 540	1 084 540
<b>Non cash items</b>					
Reversal of Impairment on financial assets	19 632	-	-	1 023	20 655
Provisions	( 24 796)	( 10 200)	( 95)	-	( 35 091)
<b>Total assets</b>	<b>60 265 655</b>	<b>2 617 603</b>	<b>452 879</b>	<b>397 842</b>	<b>63 733 979</b>
<b>Total liabilities</b>	<b>28 595 408</b>	<b>1 477 406</b>	<b>210 485</b>	<b>597 237</b>	<b>30 880 536</b>

\*Restatement was made on comparative figures as shown in Note no. (29-2)

#### 4. Impact of covid - 19

The financial period ended on June 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 first-quarter revenue compared to the comparable period in all business 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 consolidated interim financial statements, for the financial period ended June 30, 2020 as well as during the subsequent periods to that date.

## 5. Revenues

In thousands of Egyptian Pound	For the six months ended 30 June		For the three months ended 30 June	
	2020	2019	2020	2019
Home and personal communications	6 645 982	4 938 912	3 515 094	2 527 250
Enterprise	1 918 204	1 600 936	1 131 950	850 998
Domestic wholesale	2 562 047	2 249 934	1 314 184	940 747
International carrier	2 268 034	2 269 736	1 132 230	1 141 429
International cables and networks	1 437 544	1 635 328	734 479	1 137 105
	14 831 811	12 694 846	7 827 937	6 597 529

Revenues have increased by an amount of L.E. 2 136 965 K mainly due to the increase in home and personal communications revenues by an amount of L.E. 1 707 070 K due to the increase in revenues resulting from internet services, fixed line services and mobile phone services, in addition to the increase in Enterprise revenue by an amount of L.E. 317 268 K and the increase in Domestic Wholesale revenue by an amount of L.E. 312 113 K, however the decrease in International cables and networks by an amount of L.E. 197 784 K, led to the limitation of this increase.

## 6. Operating costs

In thousands of Egyptian Pound	For the six months ended 30 June		For the three months ended 30 June	
	2020	2019 Restated	2020	2019 Restated
Interconnection cost	2 798 620	2 357 528	1 428 693	1 223 760
Property, plant and equipment depreciation*	1 827 332	1 134 855	935 486	539 617
Amortization of intangible assets*	392 217	371 500	194 181	186 002
Salaries and wages	1 390 844	1 298 538	694 120	623 094
Company's social insurance contribution	154 001	156 801	77 400	77 850
Employee's compensated absence	5 540	3 867	2 797	3 854
Employees' share in profit	181 790	195 725	87 117	108 708
Frequencies and licenses	481 406	467 899	244 201	237 289
Other operating costs*	2 038 177	1 855 223	1 238 556	1 151 597
	9 269 927	7 841 936	4 902 551	4 151 771

Operating costs have increased by an amount of L.E. 1 427 991 K mainly due to the following: -

- The increase of interconnection cost by an amount of L.E. 441 092 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. 713 194 K due to the additions of the last year after the first half of the year and the current period.
- The increase in salaries and wages and equivalent item by an amount of L.E. 91 179 K due to the annual increase by 10 % from the basic salary starting from January 2020
- The increase in other operating costs item is mainly due to the increase of organizations service cost item by an amount of L.E. 208 416 K, however the decrease in cost of merchandise available for sale item by an amount of L.E. 177 893 K led to the limitation of this increase.

\* Restatement was made on comparative figures as shown in Note no (29-2).

## 7. Selling and distribution expenses

In thousands of Egyptian Pound	For the six months ended 30 June		For the three months ended 30 June	
	2020	2019	2020	2019
Salaries & wages	567 241	563 361	287 959	348 656
Company's social insurance contribution	54 847	53 822	27 880	28 354
Employees' compensated absence	12 637	1 547	6 443	1 547
Employees' share in profit	74 141	84 914	36 191	57 253
Property, plant & equipment depreciation	71 633	3 348	42 300	1 774
Amortization of intangible assets	1 442	4 589	721	2 480
Advertising and marketing	404 600	487 573	206 074	288 043
Other selling and distribution expenses	378 917	327 156	142 166	200 425
	<b>1 565 458</b>	<b>1 526 310</b>	<b>749 734</b>	<b>928 532</b>

The increase in selling and distribution expenses by an amount of L.E 39 148 K mainly due to the increase in salaries and wages and equivalent item by an amount of L.E. 15 995 K and the increase in the depreciation and amortization item by an amount of L.E 65 138 K and the increase in other selling and distribution expenses by an amount of L.E. 51 761 K mainly due to the increase in sales and collection commissions item by an amount of L.E 69 156 K, however the decrease in advertising and marketing item by an amount of L.E 82 973 K led to the limitation of this increase.

## 8. Administrative expenses

In thousands of Egyptian Pound	Note.	For the six months ended 30 June		For the three months ended 30 June	
		2020	2019	2020	2019
Salaries & wages		1 060 414	904 088	549 299	389 605
Company's social insurance contribution		75 429	83 288	37 845	41 821
Employees' compensated absence		7 238	3 186	1 362	(1 114)
Early retirement compensations	(9-1)	1 672	1 004 252	1 672	1 004 252
End of service benefits	(9-2)	90 000	138 090	45 000	69 045
Employees' & BOD share in profit		146 500	141 757	73 100	72 735
Property, plant & equipment depreciation		52 570	50 279	29 352	17 622
Amortization of intangible assets		1 393	916	697	338
Other administration expenses		313 355	297 410	157 186	157 117
		<b>1 748 571</b>	<b>2 623 266</b>	<b>895 513</b>	<b>1 751 421</b>

The decrease in administrative expenses by an amount of L.E. 874 695 K is mainly due to decrease in early retirement compensations item by an amount of L.E. 1 002 580 K, however the increase in salaries and wages item by an amount of L.E 156 326 K led to the limitation of this decrease.

## 9. EMPLOYEES' BENEFITS

### 9-1 Early retirement scheme (Telecom Egypt)

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 was charged to the income statement for 2019 (share of six months ended 30/6/2019 an amount of L.E. 1 004 252 K was charged to income statement in the administrative expenses Note no. 8).

### 9-2 End of service benefits (the company's contribution in loyalty and belonging fund)

The employees are granted an end of service benefits through a Loyalty & belonging Fund established in January 2004. Employees' benefit 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 determined annually according to BOD decree and the company had contributed by an amount of L.E 90 000 K for the period ended in June 30, 2020 (against an amount of L.E. 138 090 K for the same period of 2019) stated in the administrative expenses as shown in (Note no. 8).

**10. Net finance (cost) income**

In thousands of Egyptian Pound	For the six months ended 30 June		For the three months ended 30 June	
	2020	2019 <u>Restated</u>	2020	2019 <u>Restated</u>
Finance income	33 353	956 783	16 919	479 051
Finance costs*	( 909 993)	( 714 977)	( 927 383)	( 297 743)
<b>Net finance (cost) income</b>	<b>( 876 640)</b>	<b>241 806</b>	<b>( 910 464)</b>	<b>181 308</b>

The decrease in net finance (cost) income by an amount of L.E 1 118 446 K during the period is mainly due to the decrease in translation gain of foreign currencies balances and transactions by an amount of L.E 1 003 957 K and the increase in interest expense by an amount of L.E 103 448 K.

\* Restatement was made on comparative figures as shown in Note no (29-2).

**11. Property, plant and equipment**

Description	30/6/2020	30/6/2019	30/6/2020	30/6/2019	30/6/2020	30/6/2019	31/12/2019
	Cost	Cost	Accumulated depreciation	Accumulated depreciation	Net	Net	Net
	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Land, Buildings & Infrastructure	36 710 214	31 487 741	16 445 339	15 882 297	20 264 875	15 605 444	19 703 170
Technical equipments & information technologies	34 260 219	28 533 312	21 880 997	21 475 482	12 379 222	7 057 830	9 622 722
Vehicles	227 892	198 563	158 052	151 838	69 840	46 725	67 032
Office furniture & fixtures	1 253 531	1 049 948	930 598	827 759	322 933	222 189	277 293
Tools & supplies	204 775	143 268	107 524	89 431	97 251	53 837	57 742
Under construction	4 493 587	6 201 584	-	-	4 493 587	6 201 584	6 573 211
<b>Total</b>	<b>77 150 218</b>	<b>67 614 416</b>	<b>39 522 510</b>	<b>38 426 807</b>	<b>37 627 708</b>	<b>29 187 609</b>	<b>36 301 170</b>

- The increase in net carrying value of Property, plant and equipment by an amount of L.E. 8 440 099 K due to the increase in land, buildings & infrastructure item and technical equipments & information technologies & fixtures on trunk radio network item by an amount of L.E. 4 659 431 K and L.E. 5 321 392K respectively, however the decrease in under construction item by an amount of L.E. 1 707 997 K led to the limitation of this increase.
- The cost of Property, plant and equipment as of June 30, 2019 includes an amount of L.E. 22 055 million fully depreciated Property, plant and equipment and still in use.

**12. Intangible assets**

	30/6/2020 L.E. (000)	31/12/2019 L.E. (000)	30/6/2019 L.E. (000)
<b>Cost</b>			
Fourth generation network license	8 633 330	8 633 330	8 633 330
Submarine Cables (right of way)	2 085 534	2 096 630	2 391 490
Right of Use (ROU)	882 233	882 013	718 686
License (internet service - programs )	127 207	183 585	79 226
Land (possession-usufruct)	440 684	440 684	440 684
Under construction	217 083	255 420	78 920
Lease ROU	676 788	676 788	635 796
Goodwill	15 839	15 839	-
	<b>13 078 698</b>	<b>13 184 289</b>	<b>12 978 132</b>
<b>Less:</b>			
Accumulated amortization and impairment	2 696 231	2 360 868	1 942 132
<b>Net intangible assets</b>	<b>10 382 467</b>	<b>10 823 421</b>	<b>11 036 000</b>

- The decrease in net carrying value of intangible assets mainly due to the decrease in submarine cables (right of way) item by an amount of L.E. 305 956 K, and the amortization during the period by an amount of L.E. 395 052 K, and the disposal by an amount of L.E. 60 407 K, however the increase in the under construction item by an amount of L.E. 138 163 K, led to the limitation of this decrease.
- Intangible assets cost includes at June 30, 2020 an amount of L.E. 192 million, fully amortized intangible assets and still in use.

**13. Equity-accounted investees**

In thousands of Egyptian Pound

	Ownership		Carrying amount	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Wataneya for Telecommunication	50.00%	50.00%	-	-
International Telecommunication Consortium Limited. (ITCL)	50.00%	50.00%	-	-
Vodafone Egypt. (SAE)*	44.95%	44.95%	11 077 229	10 763 003
Egypt Trust**	35.71%	35.71%	( 96)	154
Consortium Algérien de Télé – communications (CAT)	33.00%	33.00%	-	-
Total			11 077 133	10 763 157

- Investment in Wataneya for Telecommunication amounted to LE 125 K is fully impaired.
- Investment in International Telecommunication Consortium Limited (ITCL) amounted to LE 54 K is fully impaired.
- Investment in Egypt Trust amounted to LE 7 500 k is fully impaired.
- Investment in Consortium Algerien de Telecommunications (CAT) amounted to LE 133 K is shown a nil balance as the Company sustained losses that exceed the investment's carrying amount.

**\* Investment in Vodafone – Egypt**

The investments in Vodafone Egypt on June 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 June 30, 2020 by using the consolidated financial data 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 interim financial data of Vodafone Egypt as of December 31, 2019, and add the movement from April 1, 2020 till June 30, 2020 from the interim financial data of Vodafone Egypt as of June 30, 2020 to determine the share of financial period from January 1 to June 30, 2020 of business results.

**\*\* Egypt Trust**

The balance is represented in Subscription of the remaining 25% of the company's share in Egypt Trust capital after deduction the company's share in the associates accumulated losses, the commercial registration related to in process.

**14. Inventories**

In thousands of Egyptian Pound	30 June 2020	31 December 2019
Spare parts	1 067 209	1 012 846
Merchandise for sale telecommunication equipment and computers	349 936	534 207
Project cables and supplies	567 105	638 654
Others	216 323	168 175
	<b>2 200 573</b>	<b>2 353 882</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.

**15. Trade and other receivables**

In thousands of Egyptian Pound	30 June 2020	31 December 2019
		<u>Reclassified</u>
Trade receivables - National*	4 168 479	3 027 999
Trade receivables - International	2 596 666	2 326 926
Notes Receivable	1 237	1 215
<b>Other trade and notes receivable</b>	<b>6 766 382</b>	<b>5 356 140</b>
suppliers- debit balances	1 522 783	788 389
Deposits with others	255 146	256 206
Due from ministries & organizations and companies and franchises	990 001	993 908
Payments on the account of corporate tax	86 419	111 687
Tax authority - withholding tax	613 078	575 122
Tax authority - value added tax	1 793 975	2 341 449
Other receivables	1 313 947	370 986
<b>Other receivables and pre-payments</b>	<b>6 575 349</b>	<b>5 437 747</b>
	<b>13 341 731</b>	<b>10 793 887</b>

Trade and other receivables have increased by an amount of L.E. 2 547 844 K mainly due to the increase in suppliers- debit balances item by an amount of L.E. 734 394 K and Trade receivables – National item by an amount of L.E. 1 140 480 K and Trade receivables – International item by an amount of L.E. 269 740 K and Other receivables by an amount of L.E. 942 961 K, however the decrease in Tax authority – value added tax by an amount of L.E. 547 474 K led to the limitation of this increase.

\* Reclassification was made on comparative figures as shown in Note no (29-1).

**16. Cash and cash equivalents**

In thousands of Egyptian Pound	Note	30 June 2020	31 December 2019	30 June 2019
Bank balances		931 949	967 140	801 939
Time deposits ( less than 3 months)		462 423	295 061	194 278
Cash on hand		14 075	4 322	282 886
Treasury bills ( less than 3 months)		33 482	66 579	135 699
Money market funds ( less than 3 months)		103 296	100 082	107 656
<b>Cash and cash equivalents</b>		<b>1 545 225</b>	<b>1 433 184</b>	<b>1 522 458</b>
Restricted Cash and cash equivalents	24	(117 254)	(121 793)	(30 668)
<b>Cash and cash equivalents in the statement of cash flows</b>		<b>1 427 971</b>	<b>1 311 391</b>	<b>1 491 790</b>

## 17. Capital and reserves

### Share capital

The Company's issued and fully paid up capital amounted to LE 17 070 716 K represented in 1 707 071 600 shares of par value LE 10.

In December 2005, the share capital ownership became as follows; 80% the Egyptian Government and 20% private investors.

The holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

### Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Company, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

## 18. Earnings per share

### Basic earnings per share

The calculation of basic earnings per share at June 30, 2020 based on the profit attributable to owners of the company of L.E. 1 486 205 K (June 30, 2019: L.E. 1 712 776 K) and a number of ordinary shares outstanding during the period ended June 30, 2020 of 1 707 071 600 (June 30, 2019: 1 707 071 600), calculated as follows:

In thousands of Egyptian Pound	For the six months ended 30 June		For the three months ended 30 June	
	2020	2019 Restated	2020	2019 Restated
Profit for the period *	1 488 693	1 715 049	500 128	254 541
Profit attributable to owners of the company	1 486 205	1 712 776	498 444	253 283
<b>Number of ordinary shares</b>				
In thousands				
Issued ordinary shares at 1 January	1 707 072	1 707 072	1 707 072	1 707 072
Number of ordinary shares at 30 June	1 707 072	1 707 072	1 707 072	1 707 072
Basic earnings per share (L.E./share)*	0.87	1.00	0.29	0.15
Diluted earnings per share (L.E./share)*	0.87	1.00	0.29	0.15

\* Restatement was made on comparative figures as shown in Note no (29-2).

## 19. Loans and credit facilities

- The increase in the balance of loans and credit facilities by an amount of L.E. 1 354 245 K is mainly resulting from proceeds of loans and credit facilities from banks with local and foreign currencies amounted to L.E. 2 066 262 K where loans and credit facilities with local and foreign currencies in June, 30 2020 amounted to L.E. 17 806 158 K (against LE 16 451 913 K at 31 December, 2019) due within a year by an amount of L.E. 13 740 064 K, including credit facilities by an amount of L.E. 12 252 039 K.

**20. Trade and other payables**

In thousands of Egyptian Pound	30 June 2020	31 December 2019 <u>Reclassified</u>
Local suppliers	2 038 888	1 983 339
Notes payable	41 206	17 440
Accrued expenses	1 031 426	874 600
Assets creditors	9 069 236	9 993 357
Due to organizations and companies	331 922	315 657
<b>Trade payables</b>	<b>12 512 678</b>	<b>13 184 393</b>
Tax Authority - income tax	403 784	565 080
Tax Authority ( taxes other than income tax )	994 133	623 018
Deposits from others	496 644	495 610
Customers advances*	1 096 683	958 211
Dividends payable	3 877	3 392
Due to National Telecommunication Regulatory Authority (NTRA)	463 452	701 182
Lease liabilities	516 473	569 046
Other credit balances	1 164 005	651 573
<b>Other payables</b>	<b>5 139 051</b>	<b>4 567 112</b>
	<b>17 651 729</b>	<b>17 751 505</b>
<b>Non current</b>	<b>3 420 412</b>	<b>5 376 579</b>
<b>Current</b>	<b>14 231 317</b>	<b>12 374 926</b>
	<b>17 651 729</b>	<b>17 751 505</b>

Trade and other payables have decreased by an amount of L.E. 99 776 K mainly due to the decrease in assets creditors item by an amount of L.E. 924 121 K and due to national telecommunication regulatory authority (NTRA) item by an amount of L.E. 237 730 K, however the increase in both of Tax Authority – taxes other than income tax item by an amount of L.E. 371 115 K and accrued expenses by an amount of L.E. 156 826 K and other credit balance by an amount of L.E. 512 432 K led to the limitation of this decrease.

\* Reclassification was made on comparative figures as shown in Note no (29-1).

**21. Provisions**

In thousands of Egyptian Pound	30 June 2020 Provision for liabilities, Claims	30 June 2019 Provision for liabilities, Claims	31 December 2019 Provision for liabilities, Claims
Balance at 1 January	772 610	740 529	740 529
Reclassification	24 462	-	-
Provisions formed	170 694	35 091	43 841
Provisions used	( 7 419 )	( 148 )	( 11 746 )
Translation differences	(88)	( 5 )	( 14 )
Balance at end of the period	<b>960 259</b>	<b>775 467</b>	<b>772 610</b>

- As at June 30, 2020 provisions are mainly related to taxes, liabilities, lawsuits, and compensation in respect of agreements concluded with others.

**22. Deferred tax****Recognized deferred tax assets and liabilities**

	<u>30/6/2020</u>		<u>31/12/2019</u>	
	Assets	Liabilities	Assets	Liabilities
	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Total deferred tax asset / (liability)	292 291	(1 716 644)	341 223	(1 558 975)
Net deferred tax liability	-	<u>(1 424 353)</u>	-	<u>(1 217 752)</u>
Deferred tax charged to income statement for the period / year		<u>(206 601)</u>		<u>(162 073)</u>

**Unrecognized deferred tax assets**

	<u>30/6/2020</u>	<u>31/12/2019</u>
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Unrecognized deferred tax assets	<u>489 701</u>	<u>(573 096)</u>

Deferred tax assets have not been recognized in respect of the above items because there is no reasonable certainty concerning the company's ability to use the benefits in the future from these assets.

**23. Capital commitments**

The group's capital commitments for the unexecuted parts of contracts up to June 30, 2020 amounted to L.E 1 352 Million (against L.E. 781 Million up to December 31, 2019).

**24. Contingencies**

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

In thousands of Egyptian Pounds	<u>30 June 2020</u>	<u>31 December 2019</u>
Letters of guarantee issued by banks on behalf of the Group	1 188 524	1 100 298
Letters of credit	3 730 868	2 796 897

- letters of guarantee which were issued by banks at June 30, 2020 include letters of guarantee have been issued against restricted cash and cash equivalents at banks.

## 25. Tax position (Telecom Egypt Company)

### 25-1 Corporate tax

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

### 25- 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 years 2016 and 2017 is in process.
- Tax returns were submitted according to the value added tax law and the accrued taxes were paid.

### 25- 3 Salary Tax

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

### 25- 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 legal 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.

### 25- 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.

## 26. Related parties

### Identity of related parties

The Group has a relationship with its associate Vodafone Egypt and Consortium Algerian de Telecommunications (CAT).

### Transaction with Associates

During the financial period ended June 30, 2020, fixed to mobile interconnection, audio text fees and sale of products and services in favor of Vodafone Egypt LE 1 007 530 K. Lease of company's premises and towers in favor of the group, transmission and international calls and telecommunication services amounted to L.E. 642 276 K and the balance due to Vodafone Egypt at June 30, 2020 amounted to LE 621 085 K.

## 27. Group entities

TE direct and indirect share in subsidiaries companies on June 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>30/6/2020</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 (Eisc)	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 %

## **28 –SIGNIFICANT CLAIMS AND LITIGATION:**

### **28-1 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.

### **28-2 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.

## 29. Comparative figures

- Restatement and Reclassification were made to some of the comparative figures of the condensed consolidated statement of financial position, the condensed consolidated statement of profit or loss and other comprehensive 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 effect of restatement and reclassification on the condensed consolidated interim financial statements:

### 29.1 Impact on the condensed consolidated statement of financial position

	31/12/2019 as previously reported	Reclassification	31/12/2019 Reclassified
	debit / (credit) L.E.(000)	debit / (credit) L.E.(000)	debit / (credit) L.E.(000)
Trade and other receivables	10 515 202	278 685	10 793 887
Reserves	(4 755 558)	3 556	(4 752 002)
Retained earnings	(12 437 757)	( 3 556)	(12 441 313)
Trade and other payables	(17 472 820)	( 278 685)	(17 751 505)

### 29.2 Impact on the condensed consolidated statement of profit or loss and other comprehensive income

	For the six months ended		For the six months ended		For the three months ended		For the three months ended	
	30/6/2019 as previously reported LE(000)	Restatement (debit) / credit LE(000)	30/6/2019 Restated LE(000)		30/6/2019 as previously reported LE(000)	Restatement (debit) / credit LE(000)	30/6/2019 Restated LE(000)	
Operating costs	(7 835 369)	( 6 567)	(7 841 936)		(4 148 451)	( 3 320)	(4 151 771)	
Finance Costs	( 714 850)	( 127)	( 714 977)		( 297 681)	( 62)	( 297 743)	
Basic earning per share for the period (LE / share)	1.01	(0.01)	1.00		0.15	0.00	0.15	
Diluted earning per share for the period (LE / share)	1.01	(0.01)	1.00		0.15	0.00	0.15	

### 29.3 Impact on the condensed consolidated statement of cash flows

	For the six months ended 30/6/2019 as previously reported LE(000)	Reclassification LE(000)	For the six months ended 30/6/2019 Reclassified LE(000)
Cash receipts from customers	10 962 779	1 571 558	12 534 337
Cash paid to suppliers	(3 501 510)	(1 426 440)	(4 927 950)
Payments for NTRA license fees	( 521 633)	( 145 118)	( 666 751)
Payments for purchase of property, plant and equipment and intangible assets	(3 465 414)	24 309	(3 441 105)
Payments for purchase of intangible assets	( 48 998)	( 24 309)	( 73 307)