

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

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Translation from Arabic

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

Introduction

We have performed a limited review on the accompanying condensed separate statement of financial position of Telecom Egypt Company “an Egyptian joint stock company” as at June 30, 2020 and the related condensed separate statements of income, comprehensive income, changes in equity and cash flows for the six 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 June 30, 2020 and of its financial performance and its cash flows for the six months then ended in accordance with Egyptian Accounting Standard number (30) “Interim Financial Reporting”.



Hazem Hassan

Translation from Arabic

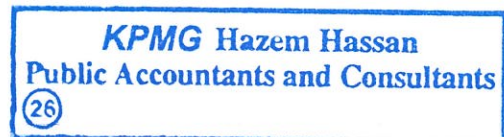
Emphasis of Matter

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, August 12, 2020

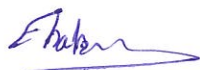


Telecom Egypt Company
(An Egyptian Joint Stock Company)
Condensed Separate Statement of Financial Position as of:

	Note No.	30/6/2020 L.E. (000)	31/12/2019 Reclassified L.E. (000)
Assets			
<u>Non Current Assets</u>			
Fixed assets	(11)	32 479 663	29 829 655
Projects in progress	(12)	4 654 154	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)	9 461 325	9 801 690
Deferred tax assets	(24-1)	175 712	212 816
Total Non Current Assets		53 494 294	53 331 309
<u>Current Assets</u>			
Inventories	(15)	1 881 499	1 839 458
Trade receivables	(16)	5 619 724	4 374 060
Debtors and other debit balances	(17)	6 277 793	5 194 549
Debit balances with subsidiaries and associates	(28)	505 173	41 539
Cash and cash equivalents	(18)	1 105 984	791 558
Total Current Assets		15 390 173	12 241 164
Total Assets		68 884 467	65 572 473
<u>Equity</u>			
Capital	(22)	17 070 716	17 070 716
Reserves	(23)	4 903 361	4 640 565
Retained earnings		6 885 941	7 265 622
Total Equity		28 860 018	28 976 903
<u>Non Current Liabilities</u>			
Loans and credit facilities	(19)	4 066 094	4 785 550
Creditors and other credit balances	(20)	3 012 051	4 975 712
Deferred tax liabilities	(24-1)	929 454	822 478
Total Non Current Liabilities		8 007 599	10 583 740
<u>Current Liabilities</u>			
Loans and credit facilities installments due within one year	(19)	13 714 185	11 651 026
Creditors and other credit balances	(20)	13 250 577	10 061 096
Accrued credit accounts to subsidiaries and associates	(28)	4 284 622	3 631 704
Provisions	(21)	767 466	668 004
Total Current Liabilities		32 016 850	26 011 830
Total Liabilities		40 024 449	36 595 570
Total Equity and Liabilities		68 884 467	65 572 473

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

Director of Financial Affairs



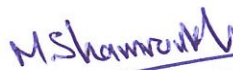
" Ehab Abdo "

Senior Director of Financial Affairs



" Wael Hanafy "

Chief Financial Officer



" Mohamed Shamroukh "

Managing Director
& Chief Executive Officer


"Adel Hamed"

Board of Directors approval

Chairman



"Maged Osman"

Limited Review Report "attached"

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

		<u>For the six months ended</u>		<u>For the three months ended</u>	
	Note	30/6/2020	30/6/2019	30/6/2020	30/6/2019
	<u>No.</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Operating revenues	(3)	11 577 249	10 232 788	6 119 333	5 301 801
Operating costs	(4)	(7 824 033)	(6 666 790)	(4 087 706)	(3 504 930)
Gross Profit		3 753 216	3 565 998	2 031 627	1 796 871
Other operating income		254 878	188 851	116 050	81 731
Selling and distribution expenses	(5)	(1 099 260)	(1 047 168)	(569 365)	(682 961)
General and administrative expenses	(6)	(1 356 243)	(2 254 009)	(668 976)	(1 573 368)
Other operating expenses		(144 876)	(99 920)	(82 827)	(92 949)
Operating profit / (loss)		1 407 715	353 752	826 509	(470 676)
Finance income		13 863	873 251	7 377	417 719
Finance cost		(982 337)	(665 444)	(985 444)	(273 090)
Net finance (cost) / income	(7)	(968 474)	207 807	(978 067)	144 629
Income from investments in subsidiaries and associates	(8)	834 417	4 899 321	651 714	26 968
Net profit/ (loss) for the period before tax		1 273 658	5 460 880	500 156	(299 079)
Income tax expense		(142 301)	(407 866)	4	85 535
Deferred tax expense	(24-1)	(144 080)	(14 603)	(79 797)	(56 274)
Total tax		(286 381)	(422 469)	(79 793)	29 261
Net profit / (loss) for the period		987 277	5 038 411	420 363	(269 818)
Basic and diluted earning / (loss) per share for the period (L.E. / Share)	(10)	0.58	2.95	0.25	(0.16)

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 six months ended</u>		<u>For the three months ended</u>	
	30/6/2020	30/6/2019	30/6/2020	30/6/2019
	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Net profit (loss) for the period	987 277	5 038 411	420 363	(269 818)
Other Comprehensive Income items	-	-	-	-
Total Comprehensive Income	<u><u>987 277</u></u>	<u><u>5 038 411</u></u>	<u><u>420 363</u></u>	<u><u>(269 818)</u></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 six Months Ended June 30, 2020

	Capital	Legal reserve	Other reserves	Retained earnings	Total
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Balance as of January 1, 2019	17 070 716	1 781 454	2 796 578	2 953 141	24 601 889
Comprehensive income					
Net profit for the period	-	-	-	5 038 411	5 038 411
Other comprehensive income items	-	-	-	-	-
Total comprehensive income	-	-	-	5 038 411	5 038 411
Transactions with shareholders					
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)
Total transactions with shareholders	-	62 533	-	(1 124 002)	(1 061 469)
Balance as of June 30, 2019	17 070 716	1 843 987	2 796 578	6 867 550	28 578 831
Balance as of January 1, 2020	17 070 716	1 843 987	2 796 578	7 265 622	28 976 903
Comprehensive income					
Net profit for the period	-	-	-	987 277	987 277
Other comprehensive income items	-	-	-	-	-
Total comprehensive income	-	-	-	987 277	987 277
Transactions with shareholders					
Transferred to legal reserve	-	271 824	-	(271 824)	-
Dividends for year 2019 (Shareholders)	-	-	-	(426 768)	(426 768)
Dividends for year 2019 (Employees & Board of Directors)	-	-	-	(668 366)	(668 366)
Fixed assets evaluation disposals (land & building)	-	-	(9 028)	-	(9 028)
Total transactions with shareholders	-	271 824	(9 028)	(1 366 958)	(1 104 162)
Balance as of June 30, 2020	17 070 716	2 115 811	2 787 550	6 885 941	28 860 018

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

		For the six months ended:	
	Note	30/6/2020	30/6/2019
	No.		Reclassified
		L.E.(000)	L.E.(000)
<u>Cash flows from operating activities</u>			
Cash receipts from customers		10 475 587	7 607 831
Cash receipts from related party		2 586 479	2 094 835
Value added tax collected from customers		226 487	198 370
Stamp tax and fees collected from third party		32 125	29 314
Deposits collected from customers		933	1 848
Cash paid to suppliers		(4 612 403)	(3 681 213)
Payments for NTRA license fees		(626 286)	(468 112)
Dividends paid to employees and Board of Directors		(8 594)	(5 619)
Cash paid to employees and Board of Directors		(2 198 490)	(2 258 864)
Cash paid on behalf of employees to third party		(411 736)	(441 544)
Cash provided by operating activities		5 464 102	3 076 846
Interest paid		(438 238)	(426 593)
Payments to Tax Authority - value added tax		(533 984)	(582 689)
Payments to Tax Authority - other taxes		(598 601)	(538 105)
Other (payments) proceeds		(166 795)	144 401
Net cash provided by operating activities		3 726 484	1 673 860
<u>Cash flows from investing activities</u>			
Payments for purchase of fixed assets , other assets and projects in progress		(4 413 222)	(3 362 562)
Payments for purchase of other assets		(73 307)	(73 307)
Interest received		6 867	8 838
Dividends collected from investments		175 782	4 631 892
Proceeds from retrieval of held-to-maturity investment - treasury bills		-	100 051
Proceeds from securities - treasury bills interest		-	9 749
Net cash (used in) provided by investing activities		(4 303 880)	1 314 661
<u>Cash flows from financing activities</u>			
Payments for loans		(733 634)	(389 931)
Proceeds for loans and credit facilities		-	7 408 680
Proceeds (Payments) from credit facilities		2 055 710	(9 137 087)
Dividends paid to shareholders		(426 768)	(426 768)
Net cash provided by (used in) financing activities		895 308	(2 545 106)
Net change in cash and cash equivalents during the period		317 912	443 415
Cash and cash equivalents at the beginning of the period	(18)	685 719	187 604
Cash and cash equivalents at the end of the period	(18)	1 003 631	631 019

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 Six Months Ended June 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 August 12, 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 June 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.
- 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 six months ended</u>		<u>For the three months ended :</u>	
	<u>30/6/2020</u>	<u>30/6/2019</u>	<u>30/6/2020</u>	<u>30/6/2019</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	2 166 100	1 595 441	1 131 340	815 815
Enterprise	1 069 215	916 192	667 851	430 457
Domestic wholesale	5 064 301	4 212 449	2 659 698	1 977 907
International carriers	2 268 034	2 269 736	1 132 230	1 141 429
International cables and networks	1 009 599	1 238 970	528 214	936 193
	<u>11 577 249</u>	<u>10 232 788</u>	<u>6 119 333</u>	<u>5 301 801</u>

Total operating revenues have increased by an amount of L.E. 1 344 461 K mainly due to the increase in domestic wholesale revenues by an amount of L.E 851 852 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 570 659 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 153 023 K, however the decrease in international cables and networks revenues by an amount of L.E 229 371 K led to the limitation of this increase.

4. OPERATING COSTS

	<u>For the six months ended</u>		<u>For the three months ended :</u>	
	<u>30/6/2020</u>	<u>30/6/2019</u>	<u>30/6/2020</u>	<u>30/6/2019</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Interconnection cost	2 798 620	2 357 528	1 428 693	1 223 760
Depreciation and amortization	2 046 941	1 430 307	1 003 748	688 424
Salaries and wages	1 047 350	1 037 970	524 201	485 132
Company's social insurance contribution	115 731	135 979	57 679	67 362
Frequencies and licenses charges (NTRA)	312 895	289 737	154 664	150 429
Other operating cost	1 502 496	1 415 269	918 721	889 823
	<u>7 824 033</u>	<u>6 666 790</u>	<u>4 087 706</u>	<u>3 504 930</u>

Operating costs have increased by an amount of L.E. 1 157 243 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 and national roaming fees.
- The increase in the depreciation and amortization item by an amount of L.E 616 634 K due to the additions of the last year after the first half and the current period.

5. SELLING AND DISTRIBUTION EXPENSES

	<u>For the six months ended</u>		<u>For the three months ended :</u>	
	<u>30/6/2020</u>	<u>30/6/2019</u>	<u>30/6/2020</u>	<u>30/6/2019</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Salaries and wages	413 695	426 695	215 695	276 777
Company's social insurance contribution	42 367	43 131	21 115	22 232
Advertising and marketing	203 827	246 213	106 866	154 285
Organizations services costs	199 132	139 828	101 333	104 953
Commissions	145 199	83 611	68 773	48 845
Depreciation	3 538	3 168	1 754	1 684
Other selling and distribution expenses	91 502	104 522	53 829	74 185
	<u>1 099 260</u>	<u>1 047 168</u>	<u>569 365</u>	<u>682 961</u>

The increase in selling and distribution expenses by an amount of L.E 52 092 K mainly due to the increase in organizations services costs by an amount of L.E 59 304 K, the increase in commissions item by an amount of L.E 61 588 K, however the decrease in advertising and marketing item by an amount of L.E 42 386 K salaries and wages item by an amount of L.E 13 000 K led to the limitation of this increase.

6. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>Note</u> <u>No.</u>	<u>For the six months ended</u>		<u>For the three months ended :</u>	
		<u>30/6/2020</u>	<u>30/6/2019</u>	<u>30/6/2020</u>	<u>30/6/2019</u>
		<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Salaries and wages		886 498	746 570	459 102	313 847
Company's social insurance contribution		66 218	74 174	33 015	36 670
End of service compensation - early retirement scheme	(9-1)	-	1 004 252	-	1 004 252
The company's contribution in loyalty and belonging fund	(9-2)	90 000	138 090	45 000	69 045
Depreciation		16 553	18 386	7 778	9 158
Tax and duties		50 488	61 246	27 634	31 787
Organizations services costs and consultants		165 633	136 215	58 555	73 319
Other general and administrative expenses		80 853	75 076	37 892	35 290
		<u>1 356 243</u>	<u>2 254 009</u>	<u>668 976</u>	<u>1 573 368</u>

The decrease in general and administrative expenses by an amount of L.E 897 766 K mainly due to the decrease in end of service compensation – early retirement program item by an amount of L.E 1 004 252 K and the company's contribution in loyalty and belonging fund item by an amount of L.E 48 090 K and tax and duties item by an amount of L.E 10 758 K, however the increase in both of salaries and wages item by an amount of L.E 139 928 K and organizations services costs and consultants item by an amount of L.E 29 418 K led to the limitation of this decrease.

7. NET FINANCE (COST) INCOME

	<u>For the six months ended</u>		<u>For the three months ended :</u>	
	<u>30/6/2020</u>	<u>30/6/2019</u>	<u>30/6/2020</u>	<u>30/6/2019</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Total finance income	13 863	873 251	7 377	417 719
Total finance cost	(982 337)	(665 444)	(985 444)	(273 090)
Net finance (cost) income	(968 474)	207 807	(978 067)	144 629

The increase in net finance (cost) income by an amount of L.E 1 176 281 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 810 605 K and net of impairment on financial assets by an amount of L.E 180 563 K in addition to the increase in debit interests by an amount of L.E 103 950 K.

8. INCOME FROM INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

	<u>For the six months ended</u>		<u>For the three months ended :</u>	
	<u>30/6/2020</u>	<u>30/6/2019</u>	<u>30/6/2020</u>	<u>30/6/2019</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	4 881 109	651 714	26 968
WE-Data	100 000	10 000	-	-
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>834 417</u>	<u>4 899 321</u>	<u>651 714</u>	<u>26 968</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 six months ended 30/06/2019 an amount of L.E 1 004 252 K was charged to general and administrative expenses -Note no. 6).

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

The employees are granted an end of service benefits through a Loyalty & belonging Fund established in January 2004. Employees' benefit is based on the employees' basic salary in January 1, 2015 increasing annually at a compound rate of 5%. The subscription for employees hired after January 1, 2015 is calculated according to a subscription schedule for new hires and increase annually at a compound rate of 5% starting from the next year of the hiring date with the same conditions of annual raise of employees.

The employees share in loyalty & belonging fund according to constant subscription are based on the same employees' basic salary where the end of service benefit calculated. The company's share represents annual defined contribution and the company had contributed by an amount of L.E 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 year 2019) stated in the general and administrative expenses as shown in (Note no. 6).

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

	<u>For the six months ended</u>		<u>For the three months ended :</u>	
	<u>30/6/2020</u>	<u>30/6/2019</u>	<u>30/6/2020</u>	<u>30/6/2019</u>
Net profit (loss) for the period (LE in thousand)	987 277	5 038 411	420 363	(269 818)
Number of shares available during the period (share)	1707 071 600	1707 071 600	1707 071 600	1707 071 600
Basic and diluted earnings/ (loss) per share for the period (LE / share)	<u>0.58</u>	<u>2.95</u>	<u>0.25</u>	<u>(0.16)</u>

11. FIXED ASSETS

	30/6/2020	30/6/2019	30/6/2020	30/6/2019	30/6/2020	30/6/2019	31/12/2019
Description	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	2 338 973	2 344 458	-	-	2 338 973	2 344 458	2 349 427
Buildings & Infrastructure	35 083 930	29 882 124	16 360 922	15 685 834	18 723 008	14 196 290	18 180 122
Centrals & information technologies equipment	32 111 078	27 659 965	20 948 099	20 795 333	11 162 979	6 864 632	9 079 808
Vehicles	171 068	148 919	110 162	105 764	60 906	43 155	61 407
Furniture	393 836	358 593	296 894	271 619	96 942	86 974	101 606
Tools & supplies	203 772	142 542	106 917	88 992	96 855	53 550	57 285
Total	<u>70 302 657</u>	<u>60 536 601</u>	<u>37 822 994</u>	<u>36 947 542</u>	<u>32 479 663</u>	<u>23 589 059</u>	<u>29 829 655</u>

- The increase in net carrying value of fixed assets mainly due to the additions during the period by an amount of L.E.4 443 806 K, however the depreciation of the period by an amount of L.E. 1 734 520 K led to limitation of this increase.
- The cost of fixed assets as of June 30, 2020 includes an amount of L.E. 21 270 Million fully depreciated fixed assets and still in use.

12. PROJECTS IN PROGRESS

	<u>30/6/2020</u>	<u>31/12/2019</u>
	<u>LE (000)</u>	<u>LE (000)</u>
Land	11 894	11 894
Buildings and Infrastructure	1 359 296	1 107 310
Furniture	18 784	19 404
Tools and supplies	6 116	56 940
Centrals and information technology equipment	1 716 178	4 556 746
Other Assets (cables)	217 083	255 420
Advanced payments - fixed assets	1 324 803	755 994
	<u>4 654 154</u>	<u>6 763 708</u>

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 June 30, 2020.

13. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

	30/6/2020		31/12/2019	
	Ownership	Amount	Ownership	Amount
	%	L.E. (000)	%	L.E. (000)
13-1 Investments in subsidiaries				
- Telecom Egypt France (TE France)	100.00	69 220	100.00	69 220
- Egyptian international submarine cables company (Eiscc)	99.00	267 578	99.00	267 578
- WE Data	99.99	252 461	99.99	252 461
- 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	1 350	49.00	1 350
13-2 Investments in associates				
- 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
		6 652 773		6 652 960
Less:				
- Impairment loss on investments of subsidiaries and associates*		7 894		8 081
		6 644 879		6 644 879

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

14. OTHER ASSETS

	30/6/2020	31/12/2019
	L.E. (000)	L.E. (000)
Cost		
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)	522 722	522 722
Land (possession-usufruct)	440 684	440 684
Licenses and programs	104 465	160 847
	11 605 824	11 674 084
Less:		
- Accumulated amortization	2 144 499	1 872 394
Net carrying amount	9 461 325	9 801 690

- The decrease in net carrying value of other assets mainly due to the amortization of the period by an amount of L.E 332 512 K.
- Other assets amortization is charged to operating costs.
- Other assets cost includes at June 30, 2020 an amount of L.E 167 Million, other assets fully amortized and still in use in operating.

15. INVENTORIES

	30/6/2020	31/12/2019
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Spare parts	1 066 233	1 011 876
Material supplies ,Merchandise for sale and Letters of credit	248 161	188 928
Others – cables and supplies	567 105	638 654
	<u>1 881 499</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

	30/6/2020	31/12/2019
	<u>L.E. (000)</u>	<u>Reclassified</u> <u>L.E. (000)</u>
Trade Receivables – National*	4 794 039	3 955 449
Trade Receivables – International	2 594 842	2 345 236
	<u>7 388 881</u>	<u>6 300 685</u>
Less:		
Impairment loss on trade receivables	1 769 157	1 926 625
	<u>5 619 724</u>	<u>4 374 060</u>

- Trade receivables balance has increased by an amount of L.E 1 245 664 K mainly due to the increase in both of trade receivables – domestic whole sale by an amount of L.E 645 787 K and trade receivables - international cables and networks by an amount of L.E 199 163 K and trade receivables –home and personal communications by an amount of L.E 96 498 K and trade receivables-enterprise by an amount of L.E 96 305 K and trade receivables - international carriers by an amount of L.E 50 443 K.

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

17. DEBTORS AND OTHER DEBIT BALANCES

	30/6/2020	31/12/2019
	<u>LE (000)</u>	<u>LE (000)</u>
Suppliers – debit balances	1 205 337	595 086
Tax Authority - value added tax	1 571 460	1 826 670
Tax Authority - withholding tax	591 082	527 885
Due from ministries, organizations and companies	974 302	717 083
Deposites with others	241 275	242 622
Accrued revenues	639 266	16 452
Temporary debts due from employees	329 757	659 841
Tax authority - income tax	29 552	29 481
Other debit balances	759 230	643 766
	<u>6 341 261</u>	<u>5 258 886</u>
Less:		
Impairment loss on debtors and other debit balances	63 468	64 337
	<u>6 277 793</u>	<u>5 194 549</u>

Debtors and other debit net balances have increased by an amount of L.E.1 083 244 K mainly due to the increase in suppliers - debit balances by an amount of L.E. 610 251 K and accrued revenue by an amount of L.E. 622 814 K represented investments revenue from cash dividends from the associate company – Vodafone egypt and due from ministers, organizations and companies by an amount of L.E 257 219 K, however the decrease in temporary debts due from employees by an amount of L.E 330 084 K and tax authority – value added tax by an amount of L.E 255 210 K led to limitation of this increase.

18. CASH AND CASH EQUIVALENTS

	Note	30/6/2020	31/12/2019	30/6/2019
	No.	L.E. (000)	L.E. (000)	L.E. (000)
Banks - time deposits (less than 3 months)		336 714	174 042	71 051
Banks - current accounts		761 573	616 040	563 970
Cash on hand		7 697	1 476	9 784
Cash and cash equivalents		1 105 984	791 558	644 805
Less:				
Restricted cash and cash equivalents at banks	(26)	102 353	105 839	13 786
Cash and cash equivalents as per cash flows statement		1 003 631	685 719	631 019

19. LOANS AND CREDIT FACILITIES

- The increase in the balance of loans and credit facilities by an amount of L.E. 1 343 703 K mainly resulting from proceeds of loans and credit facilities with local and foreign currencies amounted to L.E. 2 055 712 K, where loans and credit facilities with local and foreign currencies in June, 30 2020 amounted to L.E. 17 780 279 K (against L.E. 16 436 576 K at 31 December, 2019) due within a year by an amount of L.E. 13 714 185 K, including bank facilities by an amount of L.E. 12 226 160 K.

20. CREDITORS AND OTHER CREDIT BALANCES

	Note	30/6/2020	31/12/2019
	No.	L.E. (000)	Reclassified L.E. (000)
Suppliers		767 829	906 333
Tax Authority-Income Tax		100 501	130 618
Tax Authority (taxes other than income tax)		918 591	534 813
Deposits from others		489 572	490 793
Liabilities of early retirement scheme	(9-1)	88 677	108 262
Assets creditors		9 052 034	9 965 501
Accrued expenses		758 777	644 086
Public Authority for Social Insurance		55 718	52 965
Trade receivables - credit balances*		736 679	646 813
Credit balances- organizations and companies		322 800	233 350
Deferred revenue		1 719 517	345 817
National Telecommunication Regulatory Authority (NTRA)		289 979	452 925
Other credit balances		961 954	524 532
		16 262 628	15 036 808
Less balances due within more than one year:			
Assets creditors		2 981 056	4 944 717
Deferred revenue		30 995	30 995
Non current creditors and other credit balances		3 012 051	4 975 712
Current creditors and other credit balances		13 250 577	10 061 096
Total creditors and other credit balances		16 262 628	15 036 808

Creditors and other credit balances have increased by an amount of L.E. 1 225 820 K mainly due to the increase in deferred revenue by an amount of L.E. 1 373 700 K as a result of the increase in transmission systems lease revenue from mobile and internet by an amount of L.E. 1 355 839 K, tax authority (taxes other than income tax) item by an amount of L.E. 383 778 K and accrued expenses item by an amount of L.E. 114 691 K and accrued interests item by an amount of L.E. 113 377 K and trade receivables – credit balances item by an amount of L.E. 89 866 K and credit balances – organization and companies item by an amount of L.E. 89 450 K however, the decrease in both of assets creditors item by an amount of L.E. 913 467 K and national telecommunication regulatory authority (NTRA) by an amount of L.E. 162 946 K and suppliers item by an amount of L.E. 138 504 K and tax authority – income tax item by an amount of L.E. 47 644 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

	30/6/2020	31/12/2019	30/6/2019
	<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)	-
Balance at the end of the period / year	<u>767 466</u>	<u>668 004</u>	<u>663 004</u>

- 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

	30/6/2020	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
	<u>4 903 361</u>	<u>4 640 565</u>

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**

	30/6/2020		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	(929 454)	212 816	(822 478)
Net deferred tax liability	-	<u>(753 742)</u>	-	<u>(609 662)</u>
Deferred tax charged to the income statement for the period / year		<u>(144 080)</u>		<u>(264 550)</u>

24-2 Unrecognized deferred tax assets

	30/6/2020	31/12/2019
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Unrecognized deferred tax assets	<u>374 641</u>	<u>510 436</u>

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

25. CAPITAL COMMITMENTS

The company's capital commitments for the unexecuted parts of contracts until June 30, 2020 amounted to L.E. 1 304 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 June 30, 2020:

	30/6/2020	31/12/2019
	<u>LE (000)</u>	<u>LE (000)</u>
- Letters of guarantee issued by banks on behalf of the company*	1 079 352	982 252
- Letters of credit	3 730 868	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 untill 2015 was performed and the tax differences were settled and the company didn't pay the additional tax, lawsuit was ruised regarding it.
- Tax inspection for the year 2016 , 2017 is in process.
- Tax returns were submitted according to the value added tax law and the accrued taxes were paid.

27- 3 Salary Tax

- Tax inspection was performed for the years till December 31 ,2014, and the Company was notified with tax differences and all due taxes were settled and the company objected on disputed item and follow up the matter.
- Tax inspection for the year 2015 is in process.

27- 4 Stamp Tax

- Tax inspection for the period from March 27, 1998 to December 31, 2000 was performed for certain sectors and the company was notified with assessment basis, the company objected and apealed on the disputed items on the due dates.
- 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 Six Months Ended June 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

Credit balances due to subsidiaries and associates

- WE Data
- WE Data
- Egyptian Telecommunication Company for Information Systems
- Egyptian Telecommunication Company for Information Systems
- Centra for Technologies
- Centra for Electronic Industries
- Middle East Radio Communication (MERC)
- TE investment Holding
- TE 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
- Mena Cable

- Vodafone Egypt Telecommunications Company
- Vodafone Egypt Telecommunications Company

- 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.

				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 30/6/2020 Debit/(Credit) L.E. 000	Balance as of 31/12/2019 Debit/(Credit) L.E. 000
	Nature of transaction during the period							
	Paid on behalf of associate to finance operating expenses			-	-	-	-	453 902
				-	-	-	-	66
	Services rendered from subsidiary company			215 639	19 023	248 464	(268 474)	(39 033)
	Lease of subsidiary company premises, electricity claims, maintenance and Leased circuits and selling fixed assets			20 671	658 747	5 672	773 647	80 572
					717 770	254 136	505 173	41 539
	Participation contract and Purchasing of fixed assets and services rendered from subsidiaries company			115	3 970 319	5 818 595	(2 017 814)	(169 538)
	Leased circuits and information transfer network rendered			2 650 134	4 178 123	3 179 295	23 159	(975 669)
					8 148 442	8 997 890	(1 994 655)	(1 145 207)
	Services rendered from subsidiary company			-	-	-	(37 227)	(37 227)
	Lease of subsidiary company premises, electricity claims, maintenance and Leased circuits and selling fixed assets			-	-	-	37 227	37 227
	Maintenance & supplying devices			231 035	50 739	304 444	(897 009)	(643 304)
	Maintenance & supplying devices			976	216	1 113	(3 093)	(2 196)
	Lensed of information circuits			2 027	2 311	2 311	-	-
	Rendered services from subsidiary company			69 434	87 638	85 028	(11 806)	(14 416)
	Leased sites for subsidiary company			9	9	5	4	-
					87 647	85 033	(11 802)	(14 416)
	Participation contract			24 047	2 962	5 803	(4 739)	(1 858)
	Participation contract			13 404	21 366	19 221	(69 625)	(71 770)
	Leased sites for subsidiary company			10	10	5	5	-
	Purchasing of intangible assets from subsidiaries company			-	17 251	3 851	(625 215)	(638 615)
	Financing			-	4 407	-	4 407	-
					21 668	3 856	(620 803)	(638 615)
	Maintenance - Rendered services from subsidiary company			3 261	-	32 054	(43 013)	(10 959)
	Paid of expenses on behalf of parent company			-	76 227	77 452	(27 133)	(25 908)
	Rendered services from subsidiary company			101	-	105	(105)	-
	RT Equipment upgrade - Rendered services from subsidiary company			-	35 278	-	-	(35 278)
	Maintenance - Rendered services to subsidiary company			1 580	1 644	-	7 490	5 846
	Outgoing calls and voice services for associate company			1 003 042	113 149	109 611	(62 761)	(66 259)
	Incoming international calls, claims, transmissions, lease of locations and towers for the associate company			642 276	3 715 151	3 287 287	(620 135)	(1 047 959)
					12 163 651	12 816 569	(4 284 622)	(3 631 704)

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, and consideration of the response was postponed to the October 5, 2020 session.

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

- Reclassification was made to some of the comparative figures of condensed separate statement of financial position 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 reclassification on the condensed separate interim financial statements:

30-1 Effect on condensed Separate Statement of Financial Position

	31/12/2019 <u>as previously reported</u> <u>debit / (credit)</u> <u>LE(000)</u>	<u>Reclassification</u> <u>debit / (credit)</u> <u>LE(000)</u>	31/12/2019 <u>Reclassified</u> <u>debit / (credit)</u> <u>LE(000)</u>
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 Cash Flows

	<u>For the Six months ended</u> <u>30/6/2019</u> <u>as previously</u> <u>reported</u> <u>LE(000)</u>	<u>Reclassification</u> <u>LE(000)</u>	<u>For the Six months ended</u> <u>30/6/2019</u> <u>Reclassified</u> <u>LE(000)</u>
Cash receipts from customers	6 036 273	1 571 558	7 607 831
Cash paid to suppliers	(2 254 773)	(1 426 440)	(3 681 213)
Payments of NTRA license fees	(322 994)	(145 118)	(468 112)
Payments for purchase of fixed assets , project in progress and other assets	(3 387 562)	25 000	(3 362 562)
Payments for purchase of other assets	(48 307)	(25 000)	(73 307)

31- SIGNIFICANT EVENTS

The financial period ended on June 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 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 separate financial statements, for the six months ended June 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 June 30, 2020 is the same as 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.

- Reclassification were made to some of comparative figures of the condensed separate statement of financial position 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 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>	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>During the year 2020, the Financial Regulatory Authority postponed the application of the standard to the quarterly financial statements for 2020, to be applied to the annual financial statements on December 31, 2020, starting from January 1, 2020.</p> <p>These amendments shall be effective from the date of application of the standard 47.</p>

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	<ul style="list-style-type: none"> - Egyptian Accounting Standard No. (1) "Presentation of Financial Statements", amended 2019 - Egyptian Accounting Standard No. (4) "Statement of Cash Flows" - Egyptian Accounting Standard No. (25) "Financial Instruments: Presentation" - Egyptian Accounting Standard No. (26) "Financial Instruments: Recognition and Measurement" - Egyptian Accounting Standard No. (40) "Financial Instruments: Disclosures" 		
New Accounting Egyptian Standard No. (48) "Revenue from contracts with customers"	<ol style="list-style-type: none"> 1. The new Egyptian Accounting Standard No. 48, Revenue from Contracts with Customers, replaces and cancels the following criteria: (A) Egyptian Accounting Standard No. (8) "Construction Contracts", amended 2015; (B) Egyptian Accounting Standard No. 11, "Revenue", amended 2015; 2. The control model was used to recognize revenue instead of the benefit and risk model. 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. 4. The standard requires that the contract has commercial substance in order for revenue to be recognized. 5. Expanding disclosure and presentation requirements. 	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>During the year 2020, the Financial Regulatory Authority postponed the application of the standard to the quarterly financial statements for 2020, to be applied to the annual financial statements on December 31, 2020, starting from January 1, 2020.</p>

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
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>	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>During the year 2020, the Financial Regulatory Authority postponed the application of the standard to the quarterly financial statements for 2020, to be applied to the annual financial statements on December 31, 2020, starting from January 1, 2020.</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"	<p>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</p> <p>- Egyptian Accounting Standard No. (15) "Disclosure of Related Parties"</p>	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	<p>Standard No. 42 is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted</p> <p>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.</p> <p>During the year 2020, the Financial Regulatory Authority</p>

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	<ul style="list-style-type: none"> - Egyptian Accounting Standard No. 17 "Separate Financial Statements" - Egyptian Accounting Standard No. (18) "Investments in Associates" - Egyptian Accounting Standard No. (24) "Income Tax" - Egyptian Accounting Standard No. (29) "Business Combinations" - Egyptian Accounting Standard No. (30) "Interim Financial Statements" - Egyptian Accounting Standard No. (44) - "Disclosure of Interests in Other Entities" 		postponed the application of the standard to the quarterly financial statements for 2020, to be applied to the annual financial statements on December 31, 2020, starting from January 1, 2020.
Amended Egyptian Accounting Standard No. (38) "Employees Benefits"	A number of paragraphs were added and amended to amend the accounting rules for the modification, reduction and settlement of the employee benefits scheme	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Standard No. (38) is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted. During the year 2020, the Financial Regulatory Authority postponed the application of the standard to the quarterly financial statements for 2020, to be applied to the annual financial statements on December 31, 2020, starting from January 1, 2020.