

Telecom Egypt Company
Condensed Consolidated Interim Financial Statements
Prepared in Accordance with IFRSs
For The Three Months Ended March 31, 2021
And Independent Auditor's Review Report

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

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 31 March 2021, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three months 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

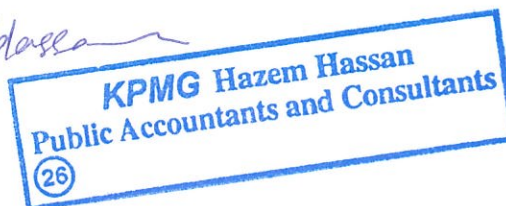
We conducted our review in accordance with the Egyptian Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial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

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 three months ended 31 March 2021 are not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".

KPMG Hazem Hassan

KPMG Hazem Hassan
Cairo, Egypt



October 13, 2021

Telecom Egypt Company
Condensed consolidated statement of financial position

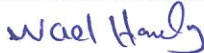
In thousands of Egyptian Pound	Note	31 March 2021	31 December 2020
Assets			
Property, plant and equipment	11	46 814 407	44 175 044
Intangible assets	12	10 588 126	10 551 905
Equity-accounted investees	13	12 170 903	12 270 440
Available-for-sale investments		74 856	74 856
Other financial assets		51 972	53 334
Deferred tax assets	22	192 102	131 959
Non-current assets		69 892 366	67 257 538
Inventories	14	2 393 626	2 092 242
Trade and other receivables	15	13 770 435	12 610 163
Cash and cash equivalents	16	1 430 871	2 003 432
Current assets		17 594 932	16 705 837
Total assets		87 487 298	83 963 375
Equity			
Share capital	17	17 070 716	17 070 716
Reserves	17	5 105 220	5 003 828
Retained earnings		16 035 518	15 551 451
Equity attributable to owners of the company		38 211 454	37 625 995
Non-controlling interests		10 577	15 095
Total equity		38 222 031	37 641 090
Liabilities			
Loans and credit facilities	19	2 897 962	3 278 144
Trade and other payables	20	5 936 306	5 482 961
Deferred revenue		266 533	273 577
Deferred tax liabilities	22	2 831 164	2 371 968
Non-current liabilities		11 931 965	11 406 650
Loans and credit facilities	19	18 293 226	17 009 238
Trade and other payables	20	14 963 351	14 253 280
Deferred revenue		2 986 937	1 218 721
Credit accounts due to associates		212 312	1 331 920
Provisions	21	877 476	1 102 476
Current liabilities		37 333 302	34 915 635
Total liabilities		49 265 267	46 322 285
Total equity and liabilities		87 487 298	83 963 375

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 6 to 23 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 three months ended 31 March	
		2021	2020 Reclassified
Continuing operations			
Revenue	5	8 399 081	7 003 874
Operating costs	6	(4 923 666)	(4 427 712)
Gross profit		3 475 415	2 576 162
Other income		324 053	127 217
Selling and distribution expenses	7	(764 320)	(755 388)
Administrative expenses	8	(846 631)	(853 058)
Impairment loss on trade and other receivables		(106 746)	(35 968)
Other expenses		(24 996)	(139 964)
Operating profit		2 056 775	919 001
Finance income		367 082	459 700
Finance costs		(364 984)	(425 876)
Net finance income	10	2 098	33 824
Share of profit of equity-accounted investees, net of tax		799 380	451 118
Profit before tax		2 858 253	1 403 943
Income tax		(982 633)	(415 378)
Profit for the period		1 875 620	988 565
Other comprehensive income			
Item that are or may be reclassified subsequently to profit or loss			
Foreign operations - foreign currency translation differences		(9 001)	(37 403)
Other comprehensive income for the period , net of tax		(9 001)	(37 403)
Total comprehensive income		1 866 619	951 162
Profit attributable to:			
Owners of the company		1 874 764	987 761
Non - controlling interests		856	804
		1 875 620	988 565
Total comprehensive income attributable to:			
Owners of the company		1 865 763	950 358
Non - controlling interests		856	804
		1 866 619	951 162
Earning per share			
Basic earnings per share (LE)	18	1.10	0.58
Diluted earnings per share (LE)	18	1.10	0.58

The notes on pages 6 to 23 are an integral part of these condensed consolidated interim financial statements.

Telecom Egypt Company
Consolidated statement of changes in equity
For the three months ended 31 March 2021

Attributable to owners of the company

In thousands of Egyptian Pound	Share capital	Legal reserve	Translation reserve	Other reserve	Retained Earnings	Total equity attributable to equity holders of the company	Non-controlling interest	Total equity
Balance at 31 December 2020	17 070 716	2 241 767	(25 489)	2 787 550	15 551 451	37 625 995	15 095	37 641 090
<u>Total comprehensive income for the period</u>								
Profit for the period	-	-	-	-	1 874 764	1 874 764	856	1 875 620
Other comprehensive income for the period	-	-	(9 001)	-	-	(9 001)	-	(9 001)
Total comprehensive income	-	-	(9 001)	-	1 874 764	1 865 763	856	1 866 619
<u>Transactions with owners of the company</u>								
Transferred to reserves	-	110 393	-	-	(110 393)	-	-	-
Dividends	-	-	-	-	(1 280 304)	(1 280 304)	(5 374)	(1 285 678)
Total transactions with owners of the company	-	110 393	-	-	(1 390 697)	(1 280 304)	(5 374)	(1 285 678)
Balance as at 31 March 2021	17 070 716	2 352 160	(34 490)	2 787 550	16 035 518	38 211 454	10 577	38 222 031
Balance at 1 January 2020, as previously reported	17 070 716	1 966 047	(10 623)	2 796 578	12 502 431	34 325 149	14 904	34 340 053
<u>Total comprehensive income for the period</u>								
Profit for the period	-	-	-	-	987 761	987 761	804	988 565
Other comprehensive income for the period	-	-	(37 403)	-	-	(37 403)	-	(37 403)
Total comprehensive income	-	-	(37 403)	-	987 761	950 358	804	951 162
<u>Transactions with owners of the company</u>								
<u>Contributions and distribution</u>								
Transferred to reserves	-	274 847	-	-	(274 847)	-	-	-
Dividends	-	-	-	-	(426 768)	(426 768)	(5 516)	(432 284)
Restatements on retained earnings in associates	-	-	-	-	2 245	2 245	-	2 245
Excluded of landing & building	-	-	-	(9 028)	-	(9 028)	-	(9 028)
Total transactions with owners of the company	-	274 847	-	(9 028)	(699 370)	(433 551)	(5 516)	(439 067)
Balance as at 31 March 2020	17 070 716	2 240 894	(48 036)	2 787 550	12 790 822	34 841 956	10 192	34 852 148

The notes on pages 6 to 23 are an integral part of these condensed consolidated interim financial statements.

Telecom Egypt Company
Condensed consolidated statement of cash flows

For the three months ended 31 March

In thousands of Egyptian Pound	<u>Note</u>	2021	2020 Reclassified
Cash flows from operating activities			
Cash receipts from customers		8 818 995	6 946 290
Value added tax collected from customers		188 146	148 969
Stamp tax and fees collected (from third party)		37 626	26 179
Deposits collected from customers		8 523	372
Cash paid to suppliers		(2 635 839)	(2 124 506)
Payments of NTRA license fees		(590 156)	(266 796)
Dividends paid to employees and board of directors		(17 166)	(19 239)
Cash paid to employees and board of directors		(1 363 224)	(1 400 499)
Cash paid on behalf of employees to third party		(285 598)	(254 447)
Interest paid		(329 425)	(305 582)
Payments to Tax Authority - income tax		(77 663)	(18 360)
Payments to Tax Authority - value added tax		(411 841)	(356 022)
Payments to Tax Authority - other taxes		(556 998)	(357 122)
Other proceeds (payments)		622 612	(121 750)
Net cash provided by operating activities		3 407 992	1 897 487
Cash flows from investing activities			
Payments for purchase of property, plant and equipment and intangible assets		(3 263 359)	(2 573 915)
Payments for purchase of intangible assets		(2 453 622)	(25 000)
Proceeds from sale of property, plant and equipment and intangible assets		18	3
Paid for lease contract		(9 883)	-
Payments for acquisition of investments		-	(4 740)
Payments for purchase of held-to-maturity investment - treasury bills		-	(386)
Interest received		13 626	15 318
Dividends of profit collected from investments		809 245	-
Proceeds from income of securities (treasury bills - mutual fund)		477	241
Net cash used in investing activities		(4 903 498)	(2 588 479)
Cash flows from financing activities			
Payments for loans and other facilities		(354 114)	(361 322)
Proceeds from loans and other facilities		1 288 582	1 024 604
Dividends paid to shareholders		(773)	-
Net cash provided by financing activities		933 695	663 282
Net change in cash and cash equivalents		(561 811)	(27 710)
Cash and cash equivalents at 1 January	16	1 936 943	1 311 391
Effect of movements in exchange rate on cash held		(5 492)	(9 286)
Cash and cash equivalents at 31 March	16	1 369 640	1 274 395

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 condensed consolidated interim financial statements of the Company for the period ended March 31, 2021 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 2020 ('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 October 13, 2021.

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 used in the preparation of this condensed consolidated interim financial statements are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, and the notes attached thereto, except for the adoption of certain new and revised standards, that became effective in the current period as set out below and as disclosed in Note F.1.

F. Changes to significant accounting policies

1. New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period, and the Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

- Amendments regarding the classification of liabilities
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods on the Group's financial statements.

2. Impact of new standards (issued but not yet adopted by the Group)

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and have not been adopted by the Group. The management of the Group is in the process of assessing the impact of these new standards, interpretation and amendments which will be adopted in the Group's financial statement as and when they are applicable.

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 three months ended March 31,2021

Description	Communications, marine cables and infrastructure	Internet	Outsourcing	All other	Total
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Revenue	4 596 750	3 224 574	338 334	239 423	8 399 081
Operating costs	(4 056 925)	(345 875)	(290 430)	(230 436)	(4 923 666)
Gross profit	539 825	2 878 699	47 904	8 987	3 475 415
Credit interest	2 720	2 049	566	2 425	7 760
Debit interest and Finance cost	(363 621)	-	-	(1 363)	(364 984)
Depreciation and amortization	(1 084 362)	(67 023)	(16 825)	(1 956)	(1 170 166)
share of profit of equity-accounted investees, net of tax	-	-	-	799 380	799 380
Non cash items					
Impairment on financial assets	(87 636)	(19 110)	-	-	(106 746)
Reversed of used provision	(210 000)	-	-	-	(210 000)
Total assets	83 007 569	3 431 839	697 573	350 317	87 487 298
Total liabilities	45 276 450	2 393 290	369 335	1 226 192	49 265 267

For the three months ended March 31,2020

Description	Communications, marine cables and infrastructure	Internet	Outsourcing	All other	Total
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Revenue	4 236 777	2 361 720	256 283	149 094	7 003 874
Operating costs *	(3 810 185)	(252 427)	(222 132)	(142 968)	(4 427 712)
Gross profit	426 592	2 109 293	34 151	6 126	2 576 162
Credit interest	4 316	5 557	494	3 830	14 197
Debit interest and Finance cost	(351 764)	-	-	(820)	(352 584)
Depreciation and amortization	(1 064 982)	(62 887)	(14 907)	(1 074)	(1 143 850)
share of profit of equity-accounted investees, net of tax	-	-	-	451 118	451 118
Non cash items					
Impairment loss on financial assets	(12 423)	(23 545)	-	-	(35 968)
Provisions	-	(3 600)	-	-	(3 600)
Total assets	70 151 047	3 248 014	601 928	350 024	74 351 013
Total liabilities	36 360 357	1 921 103	299 596	978 927	39 559 983

* Reclassification was made to the comparative figures as shown in note no . (29-1)

4. SIGNIFICANT EVENTS

The financial period ended on March 31, 2021, 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

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

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

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

3- Selling and distribution risks

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

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

It is evident from the above, that until now there is no negative impact on the Telecom Egypt's condensed separate financial statements, for The Three Months ended March 31, 2021 as well as during the subsequent periods of that date.

5. Revenues

In thousands of Egyptian Pound	For the three months ended 31 March	
	2021	2020
Home and personal communications	4 190 899	3 130 888
Enterprise	1 128 829	786 254
Domestic wholesale	1 364 133	1 247 863
International carrier	1 049 968	1 135 804
International cables and networks	665 252	703 065
	8 399 081	7 003 874

Revenues increased by an amount of L.E. 1 395 207 K mainly due to the increase in home and personal communications revenues by an amount of L.E. 1 060 011 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 revenues by an amount of L.E. 342 575 K, and the increase in Domestic Wholesale revenue by an amount of L.E. 116 270 K, however the decrease in International carrier revenue by an amount of L.E. 85 836 K led to the limitation of this increase.

6. Operating costs

In thousands of Egyptian Pound	For the three months ended 31 March	
	2021	2020
Interconnection cost	1 434 060	1 369 927
Property, plant and equipment depreciation*	1 079 723	919 308
Amortization of intangible assets	65 352	198 036
Salaries and wages	708 911	696 724
Company's social insurance contribution	81 072	76 601
Employee's compensated absence	5 289	2 743
Employees' share in profit	90 717	94 673
Frequencies and licenses	314 046	237 205
Other operating costs*	1 144 496	832 495
	4 923 666	4 427 712

Operating costs have increased by an amount of L.E. 495 954 K mainly due to the following: -

- The increase of interconnection cost by an amount of L.E. 64 133 K which is mainly due to the increase in cost of international connection fees and national roaming fees.
- The increase in Property, plant and equipment depreciation item by an amount of L.E. 160 415 K due to the additions of the last year after the first quarter and the current period.
- The increase in Frequencies and licenses item by an amount of L.E. 76 841 K.

* Reclassification was made to the comparative figures as shown in note no. (29 - 1).

7. Selling and distribution expenses

In thousands of Egyptian Pound	For the three months ended 31 March	
	2021	2020 <u>Reclassified</u>
Salaries & wages	303 008	279 282
Company's social insurance contribution	33 486	26 967
Employees' compensated absence	8 847	6 194
Employees' share in profit	38 775	37 950
Property, plant & equipment depreciation*	2 014	1 871
Amortization of intangible assets	4 749	721
Advertising and marketing	186 681	198 526
Other selling and distribution expenses*	186 760	203 877
	764 320	755 388

The increase in selling and distribution expenses by an amount of L.E 8 932 K mainly due to the increase in salaries and wages by an amount of L.E. 23 726 K, tax and duties item by an amount of L.E 12 086 K, however the decrease in organizations service cost item by an amount of L.E 28 943 K led to the limitation of this increase.

* Reclassification was made to the comparative figures as shown in note no. (29 - 1).

8. Administrative expenses

In thousands of Egyptian Pound	For the three months ended 31 March	
	2021	2020
Salaries & wages	505 209	511 115
Company's social insurance contribution	44 872	37 584
Employees' compensated absence	3 781	5 876
End of service benefits	50 000	45 000
Employees' & BOD share in profit	70 755	73 400
Property, plant & equipment depreciation	14 796	23 218
Amortization of intangible assets	3 532	696
Other administration expenses	153 686	156 169
	846 631	853 058

The decrease in administrative expenses by an amount of L.E. 6 427 K is mainly due to decrease in Property, plant & equipment depreciation item by an amount of L.E 8 422 K and the decrease in salaries and wages item by an amount of L.E 5 906 K, however the increase in company's social insurance contribution item by an amount of L.E. 7 288 K led to 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 bare as a result of the application of the optional early retirement scheme an amount of L.E 1 368 221 K was charged to the income statement of year 2020 by an amount of L.E. 101 672 K.

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 and the company had contributed by an amount of L.E 50 000 K for the period ended in March 31, 2021 (against an amount of L.E. 45 000 K for the same period of 2020) stated in the general and administrative expenses as shown in (Note no. 8).

10. Net finance income

In thousands of Egyptian Pound	For the three months ended 31 March	
	2021	2020
Total Finance income	367 082	459 700
Total Finance costs	(364 984)	(425 876)
Net finance (cost) income	2 098	33 824

The decrease in net finance income by an amount of L.E 31 726 K during the period is mainly due to the decrease in interest income by an amount of L.E 6 437 K, the decrease in Translation gain of foreign currencies balances and transactions by an amount of L.E 88 478 K, however the increase in present value expenses by an amount of L.E. 24 590 K led to the limitation of this decrease.

11. Property, plant and equipment

Description	31/3/2021	31/3/2020	31/3/2021	31/3/2020	31/3/2021	31/3/2020	31/12/2020
	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	40 296 250	36 265 965	17 392 587	16 259 780	22 903 663	20 006 185	22 809 022
Technical equipments & information technologies	38 602 510	32 270 920	23 803 009	21 260 800	14 799 501	11 010 120	14 753 809
Vehicles	303 169	228 034	155 452	155 539	147 717	72 495	115 391
Office furniture & fixtures	1 365 197	1 184 052	1 016 929	893 133	348 268	290 919	362 277
Tools & supplies	219 315	203 346	123 344	101 805	95 971	101 541	100 070
Under construction	8 519 287	4 856 255	-	-	8 519 287	4 856 255	6 034 475
Total	89 305 728	75 008 572	42 491 321	38 671 057	46 814 407	36 337 515	44 175 044

- The increase in net carrying value of Property, plant and equipment mainly due to the additions during the period by an amount of L.E. 5 014 250 K, however the depreciation of the period by an amount of L.E. 1 096 533 K led to limitation of this increase.
- The cost of fixed assets as of March 31, 2021 includes an amount of L.E. 21 880 Million fully depreciated fixed assets and still in use.

12. Intangible assets

	31/3/2021	31/12/2020	31/3/2020
	L.E. (000)	L.E. (000)	L.E. (000)
Cost			
Fourth generation network license	8 633 330	8 633 330	8 633 330
Submarine Cables (right of way)	2 128 554	2 093 481	2 112 755
Right of Use (ROU)	887 281	899 335	880 965
License (internet service - software)	127 233	127 239	127 158
Land (possession-usufruct)	440 684	440 684	440 684
Under construction	500 007	547 625	221 355
Lease ROU	984 434	855 054	676 788
Goodwill	15 839	15 839	15 839
	13 717 362	13 612 587	13 108 874
Less:			
Accumulated amortization and impairment	3 129 236	3 060 682	2 499 723
Net intangible assets	10 588 126	10 551 905	10 609 151

- The increase in net carrying value of intangible assets mainly due to the increase in Lease Rou item by an amount of L.E. 129 380 K and the amortization during the period by an amount of L.E. 68 554 K However, the decrease in the under-construction item by an amount of L.E. 47 618 K led to the limitation of this increase.
- Intangible assets cost includes at March 31, 2021 an amount of L.E. 253 million, fully amortized intangible assets and still in use.

13. Equity-accounted investees

In thousands of Egyptian Pound	Ownership		Carrying amount	
	31 March 2021	31 December 2020	31 March 2021	31 December 2020
Wataneya for Telecommunication	50.00%	50.00%	-	-
Vodafone Egypt. (SAE)*	44.95%	44.95%	12 169 405	12 269 190
Egypt Trust	35.71%	35.71%	-	-
New matrix for technology**	25.50%	25.50%	1 498	1 250
Total			12 170 903	12 270 440

- 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 March 31, 2021 represents the ownership of 107 869 799 shares with a percentage of 44.95% from the total shares of Vodafone Egypt.

The financial year of Vodafone Egypt ends on March 31 of each year and the equity method was applied in recognizing the investment in Vodafone Egypt during preparing the Condensed Consolidated Interim Financial Statements as of March 31, 2021 by using the consolidated financial data of Vodafone Egypt for the financial year ended in March 31, 2021 which presents the 12 months from the 1st of April 2020 till March 31, 2021, deduct the movements of the period from April 1, 2020 till December 31, 2020 from the consolidated interim financial data of Vodafone Egypt as of December 31, 2020 to determine the share of financial period from January 1 to March 31, 2021 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	31 March 2021	31 December 2020
Spare parts	1 187 071	1 171 477
Merchandise for sale telecommunication equipment and computers	349 763	221 393
Project cables and supplies	458 808	534 697
Others	397 984	164 675
	2 393 626	2 092 242

The value of inventories was written down by an amount of L.E. 89 371 K (against decrease of LE 16 351 K as at December 31, 2020) for obsolete and slow-moving items directly deducted from the cost of each type of inventory.

Notes to the Condensed Consolidated Interim Financial Statements Prepared in accordance with (IFRSs)
For The Three Months Ended March 31, 2021(continued)

15. Trade and other receivables

In thousands of Egyptian Pound	31 March 2021	31 December 2020
Trade receivables - National	3 818 829	2 870 924
Trade receivables - International	3 350 532	3 901 085
Notes Receivable	17	7
Other trade and notes receivable	7 169 378	6 772 016
suppliers- debit balances	1 511 102	984 539
Deposits with others	283 051	283 411
Due from ministries & organizations and companies and franchises	912 077	887 114
Payments on the account of corporate tax	179 474	175 563
Tax authority - withholding tax	996 060	896 466
Tax authority - value added tax	1 575 845	1 608 903
Other receivables	1 143 448	1 002 151
Other receivables and pre-payments	6 601 057	5 838 147
Total	13 770 435	12 610 163

Trade and other receivables have increased by an amount of L.E. 1 160 272 K mainly due to the increase in Trade receivables – National item by an amount of L.E. 947 905 K, suppliers- debit balances item by an amount of L.E. 526 563 K and Tax authority – withholding tax by an amount of L.E. 99 594 K, however the decrease in Trade receivables - International by an amount of L.E. 550 553 K led to the limitation of this increase.

16. Cash and cash equivalents

In thousands of Egyptian Pound	Note	31 March 2021	31 December 2020	31 March 2020
Bank balances		659 302	659 812	851 383
Time deposits (less than 3 months)		637 347	1 205 037	394 231
Cash on hand		10 557	4 373	14 347
Treasury bills (less than 3 months)		48 996	55 982	53 209
Money market funds (less than 3 months)		74 669	78 228	83 050
Cash and cash equivalents		1 430 871	2 003 432	1 396 220
Restricted Cash	24	(61 231)	(66 489)	(121 825)
Cash and cash equivalents in the statement of cash flows		1 369 640	1 936 943	1 274 395

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 and diluted earnings per share

The calculation of basic and diluted earnings per share at March 31, 2021 based on the profit attributable to owners of the company of L.E. 1 874 764 K (March 31, 2020 L.E. 987 761 K) and a number of ordinary shares outstanding during the period ended March 31, 2021 of 1 707 071 600 (March 31, 2020: 1 707 071 600), calculated as follows:

In thousands of Egyptian Pound	For the three months ended 31 March	
	2021	2020
Profit for the period	1 875 620	988 565
Profit attributable to owners of the company	1 874 764	987 761
Number of ordinary shares		
In thousands		
	2021	2020
Issued ordinary shares at 1 January	1 707 072	1 707 072
Number of ordinary shares at 31 March	1 707 072	1 707 072
Basic earnings per share (L.E./share)	1.10	0.58
Diluted earnings per share (L.E./share)	1.10	0.58

19. Loans and credit facilities

- The increase in the balance of loans and credit facilities by an amount of L.E 903 806 K mainly resulting from proceeds of loans and credit facilities with local and foreign currencies amounted to L.E. 1 891 088 K, where loans and credit facilities with local and foreign currencies in March, 31 2021 amounted to L.E. 21 191 188 K (against L.E. 20 287 382 K at 31 December, 2020) due within a year by an amount of L.E. 18 293 226 K, including credit facilities by an amount of L.E. 16 841 911 K.

20. Trade and other payables

In thousands of Egyptian Pound	31 March 2021	31 December 2020
Local suppliers	1 584 247	2 133 255
Notes payable	17 961	17 961
Accrued expenses	915 531	957 436
Assets creditors	10 245 881	11 102 296
Due to organizations and companies	689 966	374 658
Trade payables	13 453 586	14 585 606
Tax Authority - income tax	1 208 976	689 922
Tax Authority (taxes other than income tax)	781 127	373 670
Deposits from others	530 215	538 467
Customers advances	976 755	973 138
Dividends payable	1 290 430	3 763
Liabilities of early retirement scheme	56 725	67 140
Due to National Telecommuincation Reguleatory Authority (NTRA)	947 514	1 001 733
Lease liabilities	790 622	660 289
Other credit balances	863 707	842 513
Other payables	7 446 071	5 150 635
	20 899 657	19 736 241
Non current	5 936 306	5 482 961
Current	14 963 351	14 253 280
Total	20 899 657	19 736 241

Trade and other payables have increase by an amount of L.E. 1 163 423 K mainly due to the increase in due to dividends payable item by an amount of L.E. 1 286 667 K, assets creditors item by an amount of L.E. 856 415 K, tax authority – income tax item by an amount of L.E. 519 054 K, tax authority (taxes other than incom tax) by an amount of L.E. 407 457 K, organizations and companies item by an amount of L.E. 315 308 K, however the decrease in local suppliers item by an amount of L.E. 549 008 K led to the limitation of this increase.

21. Provisions

In thousands of Egyptian Pound	31 March 2021 Provision for liabilities	31 December 2020 Provision for liabilities, Claims	31 March 2020 Provision for liabilities, Claims
Balance at 1 January	1 102 476	772 610	772 610
Provisions formed	-	362 553	3 600
Provisions used	(15 000)	(32 693)	-
Provisions no longer required	(210 000)	-	-
Translation differences	-	6	(5)
Balance at end of the period	877 476	1 102 476	776 205

- The reverse of provisions charged to income statement during the period, as it's no longer required.

22. Deferred tax

Recognized deferred tax assets and liabilities

	<u>31/3/2021</u>		<u>31/12/2020</u>	
	Assets	Liabilities	Assets	Liabilities
	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Total deferred tax asset / (liability)	192 102	(2 831 164)	131 959	(2 371 968)
Net deferred tax liability	-	<u>(2 639 062)</u>	-	<u>(2 240 009)</u>
Deferred tax charged to income statement for the period / year		<u>(399 053)</u>		<u>(995 104)</u>

Unrecognized deferred tax assets

	<u>31/3/2021</u>	<u>31/12/2020</u>
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Unrecognized deferred tax assets	<u>578 148</u>	<u>518 869</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 March 31, 2021 amounted to L.E 321 Million (against L.E. 274 Million up to December 31, 2020).

24. Contingencies

In addition to the amounts included in the condensed consolidated statement of financial position as of March 31, 2021, the company has the following contingent liabilities:

In thousands of Egyptian Pounds	<u>31 March 2021</u>	<u>31 December 2020</u>
Letters of guarantee issued by banks on behalf of the Group	1 806 292	2 008 421
Letters of credit	1 455 013	1 773 804

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

- 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 according to law no 173 for the year 2020.
- Tax inspection for the years 2016 and 2017 is in process.
- Tax returns were submitted according to the value added tax law and the accrued taxes were paid.

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 and the disputes is being followed up.
- Tax inspection for the years 2015 and 2016 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 disputed items on the due dates and the provisions were formed to meet any tax liabilities that may arise.
- Tax inspection for the period from January 1, 2001 till July 31, 2006 was performed for certain sectors of the company and taxes due were settled. Tax inspection for the remaining sectors is currently being undertaken for the same period.
- Tax inspection for period from August 1, 2006 to December 31, 2016 was performed and the tax differences were settled.
- Tax inspection for the years 2017 and 2018 is in process.

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 March 31, 2021, fixed to mobile interconnection, audio text fees and sale of products and services in favor of Vodafone Egypt LE 439 573 K. Lease of company's premises and towers in favor of the group, transmission and international calls and telecommunication services amounted to L.E. 352 284 K and the balance due to Vodafone Egypt at March 31, 2021 amounted to LE 212 312 K.

27. Group entities

TE direct and indirect share in subsidiaries companies on March 31, 2021 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>31/3/2021</u>	<u>31/12/2020</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 %
Xceed Customer Care Mauritius	Mauritius	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 (Eisce)	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 –CLAIMS AND LITIGATION:

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 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. Which has been finalized and submitted its report officially to the court on the second half of January 2021, and still now the lawsuit is before the Economic Court in Cairo, On August 17, 2021, the session has been determined to consider before another experts committee.

The legal advisor of the TE’s believes that based on the legal position in the previous lawsuit referred to, that there are explicit appeals procedures against the report of the tripartite committee and to prepare the legal response to the tripartite committee decision and submit it to the court and will ask the court to return the file back to the committee.

29. Comparative figures

- Reclassification was made to some of the comparative figures of the condensed consolidated statement of profit or loss and other comprehensive income and the 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 reclassification on the condensed consolidated interim financial statements:

29.1 Effect on the condensed consolidated statement of profit or loss and other comprehensive income

	For the three months ended 31/3/2020 <u>as previously reported</u> <u>L.E. (000)</u>	Reclassification (debit)/credit <u>L.E. (000)</u>	For the three months ended 31/3/2020 <u>Reclassified</u> <u>L.E. (000)</u>
Operating cost	(4 367 376)	(60 336)	(4 427 712)
Selling and distribution expenses	(815 724)	60 336	(755 388)

29.2 Effect on the condensed consolidated statement of cash flows

	<u>For the three months ended</u> 31/3/2020 <u>as previously reported</u> <u>LE(000)</u>	<u>Reclassification</u> <u>LE(000)</u>	<u>For the three months ended</u> 31/3/2020 <u>Reclassified</u> <u>LE(000)</u>
Cash receipts from customers	5 984 447	961 843	6 946 290
Cash paid to suppliers	(1 162 663)	(961 843)	(2 124 506)