

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Condensed Separate Interim Financial Statements
For The Six Months Ended June 30, 2021
And Limited Review Report

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(An Egyptian Joint Stock Company)
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For The Six Months Ended June 30, 2021
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, 2021 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

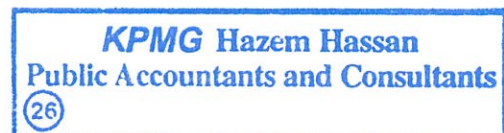
We conducted our limited review in accordance with Egyptian Standard on Review Engagements number (2410), "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity". A limited review of condensed separate interim financial statements consists of making inquiries, 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, 2021 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”.

KPMG Hazem Hassan
Public Accountants & Consultants

Cairo, August 9, 2021



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

	Note No.	30/6/2021 L.E. (000)	31/12/2020 L.E. (000)
Assets			
<u>Non Current Assets</u>			
Fixed assets	(11)	38 299 560	37 237 301
Projects in progress	(12)	8 012 910	6 483 385
Investments in subsidiaries and associates	(13)	6 645 125	6 645 125
Available-for-sale investments		74 856	74 856
Other assets	(14)	9 433 821	9 159 291
Deferred tax assets	(24-1)	167 216	131 209
Total Non Current Assets		62 633 488	59 731 167
<u>Current Assets</u>			
Inventories	(15)	2 044 534	1 961 580
Trade receivables	(16)	5 442 097	5 733 086
Debtors and other debit balances	(17)	8 426 580	5 905 409
Debit balances with subsidiaries and associates	(28)	169 057	310
Cash and cash equivalents	(18)	786 854	1 587 143
Total Current Assets		16 869 122	15 187 528
Total Assets		79 502 610	74 918 695
<u>Equity</u>			
Capital	(22)	17 070 716	17 070 716
Reserves	(23)	5 011 376	4 903 361
Retained earnings		11 344 208	8 058 960
Total Equity		33 426 300	30 033 037
<u>Non Current Liabilities</u>			
Loans and credit facilities	(19)	2 526 262	3 278 144
Creditors and other credit balances	(20)	5 954 469	5 083 404
Deferred tax liabilities	(24-1)	1 392 388	1 279 686
Total Non Current Liabilities		9 873 119	9 641 234
<u>Current Liabilities</u>			
Loans and credit facilities installments due within one year	(19)	17 733 122	16 975 203
Creditors and other credit balances	(20)	12 475 583	12 021 786
Accrued credit accounts to subsidiaries and associates	(28)	5 152 942	5 395 234
Provisions	(21)	841 544	852 201
Total Current Liabilities		36 203 191	35 244 424
Total Liabilities		46 076 310	44 885 658
Total Equity and Liabilities		79 502 610	74 918 695

The attached notes on pages (7) to (27) 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

	Note	For the six months ended :		For the three months ended :	
		30/6/2021	30/6/2020	30/6/2021	30/6/2020
	No.	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)
Operating revenues	(3)	12 941 852	11 577 249	6 637 479	6 119 333
Operating costs	(4)	(8 382 204)	(7 824 033)	(4 292 147)	(4 087 706)
Gross Profit		4 559 648	3 753 216	2 345 332	2 031 627
Other operating income		498 216	254 878	131 759	116 050
Selling and distribution expenses	(5)	(1 260 746)	(1 099 260)	(662 296)	(569 365)
General and administrative expenses	(6)	(1 422 587)	(1 356 243)	(756 850)	(668 976)
Other operating expenses		(53 443)	(144 876)	(30 093)	(82 827)
Operating profit		2 321 088	1 407 715	1 027 852	826 509
Finance income		351 173	13 863	(2 588)	7 377
Finance cost		(763 392)	(982 337)	(320 988)	(985 444)
Net finance cost	(7)	(412 219)	(968 474)	(323 576)	(978 067)
Income from investments in subsidiaries and associates	(8)	4 617 368	834 417	3 595 660	651 714
Net profit for the period before tax		6 526 237	1 273 658	4 299 936	500 156
Income tax expense		(968 787)	(142 301)	(612 277)	4
Deferred tax expense	(24-1)	(76 695)	(144 080)	(56 776)	(79 797)
Total tax		(1 045 482)	(286 381)	(669 053)	(79 793)
Net profit for the period		5 480 755	987 277	3 630 883	420 363
Basic and diluted earning per share for the period (L.E. / Share)	(10)	3.21	0.58	2.13	0.25

The attached notes on pages (7) to (27) 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>	
	<u>30/6/2021</u>	<u>30/6/2020</u>	<u>30/6/2021</u>	<u>30/6/2020</u>
	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Net profit for the period	5 480 755	987 277	3 630 883	420 363
<u>Other Comprehensive Income Items:</u>				
Other Comprehensive Income items	-	-	-	-
Total Comprehensive Income	<u>5 480 755</u>	<u>987 277</u>	<u>3 630 883</u>	<u>420 363</u>

The attached notes on pages (7) to (27) 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, 2021

	Note	Capital L.E. (000)	Legal reserve L.E. (000)	Other reserves L.E. (000)	Retained earnings L.E. (000)	Total L.E. (000)
	No.	17 070 716	1 843 987	2 796 578	7 265 622	28 976 903
Balance as of January 1, 2020						
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)
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
Balance as of January 1, 2021 (Before restated)		17 070 716	2 115 811	2 787 550	8 058 960	30 033 037
Restatement according to the Egyptian Accounting Standards (2-7)		-	-	-	(140 718)	(140 718)
Balance as of January 1, 2021 (After restated)		17 070 716	2 115 811	2 787 550	7 918 242	29 892 319
Comprehensive income						
Net profit for the period		-	-	-	5 480 755	5 480 755
Other comprehensive income items		-	-	-	-	-
Total comprehensive income		-	-	-	5 480 755	5 480 755
Transactions with shareholders						
Transferred to legal reserve		-	108 015	-	(108 015)	-
Dividends for year 2020 (Shareholders)		-	-	-	(1 280 304)	(1 280 304)
Dividends for year 2020 (Employees & Board of Directors)		-	-	-	(666 470)	(666 470)
Total transactions with shareholders		-	108 015	-	(2 054 789)	(1 946 774)
Balance as of June 30, 2021		17 070 716	2 223 826	2 787 550	11 344 208	33 426 300

The attached notes on pages (7) to (27) are an integral part of these condensed separate interim financial statements.

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

	Note No.	For the six months ended:	
		30/6/2021	30/6/2020
		<u>L.E.(000)</u>	<u>Reclassified L.E.(000)</u>
<u>Cash flows from operating activities</u>			
Cash receipts from customers		9 969 117	9 578 459
Cash receipts from related party		5 083 856	2 586 479
Value added tax collected from customers		302 944	226 487
Stamp tax and fees collected (from third party)		50 332	32 125
Deposits collected from customers		18 382	933
Cash paid to suppliers		(2 920 595)	(3 715 275)
Payments for NTRA license fees		(837 246)	(626 286)
Dividends paid to employees and Board of Directors		(9 377)	(8 594)
Cash paid to employees and Board of Directors		(2 247 750)	(2 198 490)
Cash paid on behalf of employees to third party		(431 246)	(411 736)
Cash provided by operating activities		<u>8 978 417</u>	<u>5 464 102</u>
Interest paid		(609 878)	(438 238)
Payments to Tax Authority - value added tax		(289 276)	(533 984)
Payments to Tax Authority - other taxes		(846 656)	(598 601)
Other proceeds / (payments)		312 462	(166 795)
Net cash provided by operating activities		<u>7 545 069</u>	<u>3 726 484</u>
<u>Cash flows from investing activities</u>			
Payments for purchase of fixed assets , other assets and projects in progress		(5 533 842)	(4 413 222)
Payments for purchase of other assets		(2 453 622)	(73 307)
Cash paid for lease obligation		(68 534)	-
Interest received		5 863	6 867
Dividends collected from investments		920 530	175 782
Net cash used in investing activities		<u>(7 129 605)</u>	<u>(4 303 880)</u>
<u>Cash flows from financing activities</u>			
Proceeds from loans and credit facilities		765 636	2 055 710
Payments for loans and credit facilities		(707 552)	(733 634)
Dividends paid to shareholders		(1 280 304)	(426 768)
Net cash (used in) provided by financing activities		<u>(1 222 220)</u>	<u>895 308</u>
Net change in cash and cash equivalents during the period		<u>(806 756)</u>	<u>317 912</u>
Cash and cash equivalents at the beginning of the period	(18)	1 538 732	685 719
Cash and cash equivalents at the end of the period	(18)	<u>731 976</u>	<u>1 003 631</u>

The attached notes on pages (7) to (27) 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, 2021

1. BACKGROUND & ACTIVITIES

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 9, 2021

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, 2021 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 first condensed separate interim financial statements have been prepared which Egyptian accounting standard No. 47 "Financial Instruments", Egyptian accounting standard No. 48 "Revenue from contracts with customers" and Egyptian accounting standard No. 49 "lease" were applied.
- The effect of the changes of the current accounting policies clarified in note No. (2-7)
- 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, 2020.

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 accordance 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 are 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

2-7 Significant accounting policies

On March 18, 2019, the Minister of Investment and International Cooperation amended some provisions of the Egyptian accounting standards issued by Minister of Investment Decision No. 110 of 2015, which include some new accounting standards and amendments to some existing standards.

- On April 12, 2020, the Financial Supervisory Authority issued a decision to postpone the application of amendments in the new Egyptian accounting standards to the interim financial statements and limit them to the annual financial statements by the end of 2020.

On September 17, 2020, Prime Minister Decision No. 1871 of 2020 was issued to postpone the application of the following Egyptian accounting standards until January 1, 2021:

A- Standard (47) - Financial Instruments

B- Criterion (48) - Revenue from contracts with customers

C- Standard (49) - Lease Contracts

- Amendments to the standards have been applied with effect from the beginning of 2021, and the company's management decided to apply the Egyptian Accounting Standard No. 47 "Financial Instruments" (see A), the Egyptian Accounting Standard No. 48 "Revenue from Contracts with Customers" (see B) and the Egyptian Accounting Standard No. 49 "Lease Contracts" (see C) effective January 1, 2021.

- The company has chosen the modified cumulative effect method in applying the changes in accounting policies resulting from the application of these standards. Consequently, the differences resulting from the application of those standards referred to above were recognized in the retained earnings item on January 1, 2021 "if any", and the comparative information included has not been restated to reflect the requirements of the new standards.

- In the following table, the transitional impact of applying the Egyptian Accounting Standard No. 47 "Financial Instruments" and the Egyptian Accounting Standard No. 48 "Revenue from Contracts with Customers" and the Egyptian Accounting Standard No. 49 "Lease Contracts" on the beginning balances of the Group's financial position was made on January 1, 2021.

Notes to the Condensed Separate Interim Financial Statements
For The Six Months Ended June 30, 2021 (continued)

Translation from Arabic

L.E (000)	Beginning balance of financial position	The effect of standard No. 47 "Financial instruments"	The effect of standard No. 47 "Revenue from contracts with customers"	The effect of standard No. 48 "lease contracts"	Restated Beginning balance of financial position
Assets					
Non Current Assets					
Fixed assets	37 237 301	-	-	-	37 237 301
Projects in progress	6 483 385	-	-	-	6 483 385
Investments in subsidiaries and associates	6 645 125	-	-	-	6 645 125
Available-for-sale investments	74 856	-	-	-	74 856
Other assets	9 159 291	-	-	459 580	9 618 871
Deferred tax assets	131 209	-	-	-	131 209
Total Non Current Assets	59 731 167	-	-	459 580	60 190 747
Current Assets					
Inventories	1 961 580	-	-	-	1 961 580
Trade receivables	5 733 086	(35 977)	-	-	5 697 109
Debtors and other debit balances	5 905 409	-	-	(16 992)	5 888 417
Debit balances with subsidiaries and associates	310	-	-	-	310
Cash and cash equivalents	1 587 143	-	-	-	1 587 143
Total Current Assets	15 187 528	(35 977)	-	(16 992)	15 134 559
Total Assets	74 918 695	(35 977)	-	442 588	75 325 306
Equity					
Capital	17 070 716	-	-	-	17 070 716
Reserves	4 903 361	-	-	-	4 903 361
Retained earnings	8 058 960	(35 977)	(325)	(104 416)	7 918 242
Total Equity	30 033 037	(35 977)	(325)	(104 416)	29 892 319
Non Current Liabilities					
Loans and credit facilities	3 278 144	-	-	-	3 278 144
Creditors and other credit balances	5 083 404	-	-	493 911	5 577 315
Deferred tax liabilities	1 279 686	-	-	-	1 279 686
Total Non Current Liabilities	9 641 234	-	-	493 911	10 135 145
Current Liabilities					
Loans and credit facilities installments due within one year	16 975 203	-	-	-	16 975 203
Creditors and other credit balances	12 021 786	-	325	53 093	12 975 204
Accrued credit accounts to subsidiaries and associates	5 395 234	-	-	-	5 395 234
Provisions	852 201	-	-	-	852 201
Total Current Liabilities	35 244 424	-	325	53 093	35 297 842
Total Liabilities	44 885 658	-	325	547 004	45 432 987
Total Equity and Liabilities	74 918 695	(35 977)	-	442 588	75 325 306

(A) Egyptian Accounting Standard No. (47) - Financial Instruments

- Egyptian Accounting Standard No. 47 specifies requirements for recognition and measurement of financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces Egyptian Accounting Standard No. 25 Financial Instruments: Presentation and Disclosure and Financial Accounting Standard No. 26 Financial Instruments: Recognition and Measurement and Egyptian Accounting Standard No. 40 Financial Instruments: Disclosures applied to the disclosures for the year 2021.

Classification and measurement of financial assets and financial liabilities

The new standard requires a company to evaluate financial assets in its financial statements according to the cash flow characteristics of financial assets and the company's related business models for a particular class of financial assets.

Egyptian Accounting Standard 47 no longer has an "available for sale" classification of financial assets. The new standard contains different requirements for financial assets in debt or equity instruments.

Debt instruments must be classified and measured in one of the following ways:

Amortized cost, as the effective interest rate method or

- Fair value through other comprehensive income, with subsequent reclassification to the statement of profit and loss when selling the financial asset or
- Fair value through profit or loss.

Investments in equity instruments other than those that are considered and for which equity accounting should be applied must be classified and measured in one of the following:

- Fair value through other comprehensive income, with subsequent reclassification to the statement of profit and loss when selling the financial asset or
- Fair value through profit or loss.

The company continues to initially measure financial assets at fair value plus transaction cost upon initial recognition, excluding financial assets measured at fair value through profit and loss in line with current practices. The classification of most financial assets has not been affected. By moving to Egyptian Accounting Standard No. 47 on January 1, 2021, with regard to the reclassification statement that took place when the transition to Egyptian Accounting Standard No. 47 was clarified in the previous countries in this clarification, EAS 47 retains to a large extent the current requirements of it in the Accounting Standard. The Egyptian No. 26 for classification and measurement of current obligations.

The application of Egyptian Accounting Standard No. 47 had no impact on the company's accounting policies relating to financial liabilities and derivative financial instruments.

-Impairment

Egyptian Accounting Standard No. 47 uses the expected credit loss model. Which replaces the actual loss model in the Egyptian Accounting Standard No. 26, as there was no need to create a provision for doubtful debts except in cases where a loss actually occurred. In contrast, the ECL model requires the company to recognize an allowance for doubtful debts on all financial assets listed at amortized cost as well as debt instruments classified as financial assets at FVTOCI since the initial recognition, regardless of whether the loss occurred.

As a result, an increase in impairment for financial assets increased for the company when applying the Egyptian Accounting Standard No. 47 on January 1, 2021, as the effect of applying the expected credit loss model appears in the previous table of this note.

-Hedge accounting

Egyptian Accounting Standard No. 47 increases the company's ability to apply hedge accounting. In addition, the requirements of the standard have been more closely aligned with the Company's risk management policy, and the effectiveness of the hedging will be measured in the future.

-Transitional period

The company applied the standard using the modified cumulative effect method, which means that the effect of applying the standard has been recognized in the retained earnings with effect from January 1, 2021, and the comparative figures have not been restated.

(B) Egyptian Accounting Standard No. 48 - Revenue from contracts with customers

Egyptian Accounting Standard No. 48 defines a comprehensive framework for determining the value and timing of revenue recognition. This replaces the standard in place of the following Egyptian standards (Egyptian Accounting Standard No. (11) "Revenue" and Egyptian Accounting Standard No. (8) "Construction Contracts") Revenue is recognized when the customer can Control of units and services. The timing of the transfer of control - over a period of time or at a point in time - requires a measure of personal judgment.

- Revenue recognition

Due to the nature of the company's activities, in addition to the company's current accounting policies, the application of the Egyptian Accounting Standard No. 48 did not have a material impact on the recognition of revenue by the company, as shown in the previous table in this note.

- The costs of obtaining a contract with the client

Under Egyptian Accounting Standard No. 48, some of the additional costs incurred in obtaining a contract with a customer (contract costs) that were previously not eligible for recognition as an asset under any of the other accounting standards have been deferred in the separate financial position statement.

*Notes to the condensed Separate Interim Financial Statements
For The six months ended June 30, 2021 (continued)*

Translation from Arabic

There is no effect of capitalizing contract costs resulting from the application of Egyptian Accounting Standard No. 48 in the previous table in this note.

-Transitional period

The company applied the standard using the modified cumulative effect method, which means that the effect of applying the standard has been recognized in retained earnings with effect from January 1, 2021, and the comparative figures have not been restated.

The effect of applying the Egyptian Accounting Standard No. 48 to the opening balances of the financial position of the company, as of January 1, 2021, is shown in the previous table in this note.

(C) Egyptian Accounting Standard No. (49) - Lease Contracts

The Egyptian Accounting Standard No. 49 replaces the Egyptian Accounting Standard No. 20 - Accounting rules and standards related to finance lease operations.

Egyptian Accounting Standard No. 49 "Lease Contracts" provides a single accounting model for the lessor and the lessee where the lessee recognizes the right to use the leased asset within the company's assets and recognizes a commitment that represents the current value of unpaid lease payments within the company's obligations, taking into account that contracts are not classified for the lessee an operating lease contract or a finance lease contract. There are optional exemptions for short-term and low-value leases.

With regard to the lessor, the lessor must classify each of his lease contracts as either an operating lease contract or a finance lease contract.

With regard to the financial lease, the lessor must recognize the assets held under a finance lease contract in the statement of the financial position and present them as dues in an amount equal to the net investment in the lease contract.

With regard to operating lease, the lessor must recognize lease payments from operating lease contracts as income, either on a straight-line basis or any other regular basis.

The effect of applying Egyptian Accounting Standard No. 49 to the opening balances of the company's financial position, as of January 1, 2021, is shown in the previous table in this note.

Recognition and measurement

At the commencement of the contract, the company evaluates whether the contract contains lease arrangements and for such arrangements for lease contracts, the company recognizes right of use assets and lease contract liabilities, with the exception of short-term leasing contracts and low-value asset contracts as follows:

Upon initial recognition: right of use asset is measured as the amount equal to the lease obligation that is initially measured and adjusted for pre-contract lease payments, initial direct cost, incentives, and the discounted value of the estimated costs of dismantling and removing the asset.

In the subsequent measurement: the right of use is measured at cost minus the accumulated depreciation and the accumulated impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful lives of the right of use assets or the lease term, whichever is less.

The lease obligation is measured at the beginning of the lease contract at the present value of the unpaid lease payments on that date over the lease period, and lease payments must be deducted using the additional borrowing rate prevailing in the country. In general, the company uses the additional borrowing rate as the discount rate. Then the lease contract liability is measured at amortized cost using the effective interest rate method.

- The right of use assets and the liability of the lease contracts will be re-measured later in the event that one of the following events occurs:

- The change in the lease price due to the link to the price or the rate that has become effective for the period.
- Amendments to the lease contract.
- Reassessment of the lease term.
- The lease contracts for leasing non-core assets that are not related to the main operating activities of the company, which are short-term in nature (less than 12 months including renewal options) and low value commodity leases are included in the income statement as incurred.

-Transitional period

The company applied the standard using the modified cumulative effect method, which means that the effect of applying the standard has been recognized in retained earnings with effect from January 1, 2021, and the comparative figures have not been restated.

Lease contracts previously classified as operating leases under the Egyptian Accounting Standard No. (20):

- Application of a single discount rate to a group of lease contracts with reasonably similar characteristics - the average additional interest rate applied to the lease obligations recognized on January 1, 2021, was 10%
- The application of the exemption by not recognizing the assets and liabilities of the right of use asset that expire during the year 2021
- Excluding the initial direct cost from measuring the right of use asset on the date of its first application.

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The company has also chosen to use recognition exemptions for lease contracts whose lease period does not exceed 12 months or less from the date of first application and does not contain the option to purchase "short-term lease contracts" as well as low-value leasing contracts for "low-value assets."

When switching to Egyptian Accounting Standard No. (49), The company has chosen to apply the practical method to exclude the evaluation under which translations represent lease contracts , The company applied EAS 49 only to contracts that were previously identified as lease contracts that were not identified as leases under EAS 20 were not reassessed consequently , the definition of a lease under EAS 49 was applied to contracts signed or changed before January 1 ,2020 and the company also adopted practiced incentives . The following when applying Egyptian Accounting Standard No. (49) to lease contracts previously classified as operating lease under Egyptian Accounting Standard No.(20)

- Important provisions in determining the lease term for contracts that include renewal options

The company defines the lease term as the irrevocable period of the lease contract, along with any periods covered by the option to extend the lease contract if this right can be exercised in a very reasonable degree, or any periods covered by the option to terminate the lease contract, if it is certain that Exercise this right.

The company has the option under some lease contracts to lease assets for additional periods. The company applies judgment in assessing whether it is certain and to a reasonable degree to exercise the renewal option, and this means that all relevant factors that create an economic incentive to practice the renewal are taken into account.

After the commencement date, the company will return the lease term if there is a major event or change in the circumstances under its control that affects its ability to exercise (or not exercise) the renewal option (for example) a change in business strategy.

Notes to the condensed Separate Interim Financial Statements
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Translation from Arabic

3. OPERATING REVENUES

	For the six months ended:		For the three months ended:	
	30/6/2021	30/6/2020	30/6/2021	30/6/2020
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Home and personal communications	2 526 775	2 166 100	1 272 508	1 131 340
Enterprise	1 235 028	1 069 215	591 601	667 851
Domestic wholesale	6 050 496	5 064 301	3 061 982	2 659 698
International carriers	2 149 211	2 268 034	1 099 243	1 132 230
International cables and networks	980 342	1 009 599	612 145	528 214
	12 941 852	11 577 249	6 637 479	6 119 333

Total operating revenues have increased by an amount of L.E. 1 364 603 K due to the increase in domestic wholesale revenues by an amount of L.E 986 195 K due to the increase in access service and infrastructure revenues in addition to the increase in home and personal communications revenues by an amount of L.E 360 675 K due to the increase in revenues resulting from fixed line and rendering mobile phone service, however the decrease in international carriers revenues by an amount of L.E. 118 823 K and the decrease in international cables and networks revenues by an amount of L.E 29 257 K led to the limitation of this increase.

4. OPERATING COSTS

	For the six months ended :		For the three months ended :	
	30/6/2021	30/6/2020	30/6/2021	30/6/2020
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Interconnection cost	2 967 310	2 798 620	1 533 250	1 428 693
Depreciation and amortization	2 425 871	2 046 941	1 272 708	1 003 748
Salaries and wages	1 080 014	1 047 350	523 105	524 201
Company's social insurance contribution	118 495	115 731	56 439	57 679
Frequencies and licenses charges (NTRA)	337 908	312 895	142 173	122 153
Other operating cost	1 452 606	1 502 496	764 472	951 232
	8 382 204	7 824 033	4 292 147	4 087 706

Operating costs have increased by an amount of L.E. 558 171 K mainly due to the following: -

- The increase of interconnection cost by an amount of L.E. 168 690 K which is mainly due to the increase in cost of national roaming fees.
- The increase in the depreciation and amortization item by an amount of L.E 378 930 K due to the additions of the last year after the first half and the current period.
- The decrease in the other operating cost by an amount of L.E. 49 890 K which is mainly due to the decrease in IRU right of use by an amount of L.E. 134 367 K however the increase in cost of spare parts by an amount of L.E. 86 167 K and the increase in maintenance item by an amount of L.E. 51 387 K led to the limitation of this decrease.

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Translation from Arabic

5. SELLING AND DISTRIBUTION EXPENSES

	<u>For the six months ended :</u>		<u>For the three months ended :</u>	
	<u>30/6/2021</u>	<u>30/6/2020</u>	<u>30/6/2021</u>	<u>30/6/2020</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Salaries and wages	468 226	413 695	247 402	215 695
Company's social insurance contribution	55 506	42 367	29 466	21 115
Advertising and marketing	199 504	203 827	104 977	106 866
Organizations services costs	241 238	199 132	122 776	101 333
Commissions	192 701	145 199	105 066	68 773
Depreciation & Amortization	15 173	3 538	13 244	1 754
Other selling and distribution expenses	88 398	91 502	39 365	53 829
	<u>1 260 746</u>	<u>1 099 260</u>	<u>662 296</u>	<u>569 365</u>

The increase in selling and distribution expenses by an amount of L.E 161 486 K mainly due to the increase in salaries and wages item by an amount of L.E 54 531 K and the increase in commissions item by an amount of L.E 47 502 K and the increase of the cost of organizations services by an amount of L.E. 42 106 K.

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>30/6/2021</u>	<u>30/6/2020</u>	<u>30/6/2021</u>	<u>30/6/2020</u>
		<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Salaries and wages		873 073	886 498	460 723	459 102
Company's social insurance contribution		79 017	66 218	39 941	33 015
The company's contribution in loyalty and belonging fund	(9-2)	100 000	90 000	50 000	45 000
Depreciation & Amortization		16 374	16 553	8 194	7 778
Tax and duties		78 828	50 488	41 419	27 634
Organizations services costs and consultants		172 217	165 633	96 923	58 555
Other general and administrative expenses		103 078	80 853	59 650	37 892
		<u>1 422 587</u>	<u>1 356 243</u>	<u>756 850</u>	<u>668 976</u>

The increase in general and administrative expenses by an amount of L.E 66 ٣٤٤ K mainly due to the increase in tax and duties item by an amount of L.E 28 340 K and the increase in other general and administrative expenses item by an amount of L.E. 22 ٧٧٠ K.

7. NET FINANCE COST

The decrease in net finance cost by an amount of L.E 556 255 K during the period is mainly due to the decrease in impairment expense on financial assets by an amount of L.E. 86 120 K and the increase in translation profits of foreign currencies balances and transactions by an amount of L.E 425 929 K and the decrease of the present value expense by an amount of L.E. 11 441 K and the interest expense by an amount of L.E. 37 109 K.

8. INCOME FROM INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

	<u>For the six months ended :</u>		<u>For the three months ended :</u>	
	<u>30/6/2021</u>	<u>30/6/2020</u>	<u>30/6/2021</u>	<u>30/6/2020</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	4 494 575	651 714	3 595 660	651 714
WE-Data	50 000	100 000	-	-
Middle East Radio Communication (Merc)	5 372	5 513	-	-
The Egyptian Telecommunication Company for information system (Xceed)	62 500	62 500	-	-
Centra for Technology (Centra)	4 921	14 690	-	-
	<u>4 617 368</u>	<u>834 417</u>	<u>3 595 660</u>	<u>651 714</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.

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- 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 1 368 221 K with a balance of an amount of 46 186 K in June 30, 2021.

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, 2018 increasing annually at a compound rate of 5%. The subscription for employees hired after January 1, 2018 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 100 000 K for the period ended in June 30, 2021 (against an amount of L.E. 90 000 K for the same period of 2020) stated in the general and administrative expenses as shown in (Note no. 6).

10. BASIC AND DILUTED EARNING PER SHARE.

	<u>For the six months ended :</u>		<u>For the three months ended :</u>	
	<u>30/6/2021</u>	<u>30/6/2020</u>	<u>30/6/2021</u>	<u>30/6/2020</u>
Net profit for the period (LE in thousand)	5 480 755	987 277	3 630 883	420 363
Number of shares available during the period (share)	1707 071 600	1707 071 600	1707 071 600	1707 071 600
Basic and diluted earnings per share for the period (LE / share)	<u>3.21</u>	<u>0.58</u>	<u>2.13</u>	<u>0.25</u>

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For The six months ended June 30, 2021 (continued)

Translation from Arabic

11. FIXED ASSETS

Description	30/6/2021	30/6/2020	30/6/2021	30/6/2020	30/6/2021	30/6/2020	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	2 338 973	2 338 973	-	-	2 338 973	2 338 973	2 338 973
Buildings & Infrastructure	39 267 190	35 083 930	17 669 492	16 360 922	21 597 698	18 723 008	21 236 521
Centrals & information technologies equipment	33 476 556	32 111 078	19 485 123	20 948 099	13 991 433	11 162 979	13 323 925
Vehicles	242 498	171 068	109 285	110 162	133 213	60 906	103 437
Furniture	466 928	393 836	325 685	296 894	141 243	96 942	134 734
Tools & supplies	225 333	203 772	128 333	106 917	97 000	96 855	99 711
Total	76 017 478	70 302 657	37 717 918	37 822 994	38 299 560	32 479 663	37 237 301

- The increase in net carrying value of fixed assets mainly due to the additions during the period by an amount of L.E.3 189 752 K, however the depreciation of the period by an amount of L.E. 2 072 999 K led to limitation of this increase.
- The cost of fixed assets as of June 30, 2021 includes an amount of L.E. 17 442 Million fully depreciated fixed assets and still in use.

12. PROJECTS IN PROGRESS

	30/6/2021	31/12/2020
	<u>LE (000)</u>	<u>LE (000)</u>
Land	37 845	37 845
Buildings and Infrastructure	1 253 055	1 437 326
Furniture	10 775	12 016
Tools and supplies	5 304	11 139
Centrals and information technology equipment	2 283 418	2 835 618
Other Assets	641 001	547 625
Advanced payments - fixed assets	1 384 212	1 601 816
Frequencies license for 20 MH	2 397 300	-
	<u>8 012 910</u>	<u>6 483 385</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, 2021.

Notes to the condensed Separate Interim Financial Statements
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Translation from Arabic

13. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

	30/6/2021		31/12/2020	
	Ownership %	Amount L.E. (000)	Ownership %	Amount L.E. (000)
13-1 Investments in subsidiaries				
- Telecom Egypt France (TE France)	100.00	69 220	100.00	69 220
- WE Data	99.99	252 461	99.99	252 461
- Egyptian international submarine cables company (Eisc)	99.00	267 578	99.00	267 578
- TE Investment Holding	99.99	39 998	99.99	39 998
- Egyptian Telecommunication for Information System (Xceed)	97.66	31 250	97.66	31 250
- Centra Technology (centra)	58.76	14 737	58.76	14 737
- Middle East Radio Communication (Merc)	49.00	7 350	49.00	7 350
- Egyptian telecommunication integrated services company	98.00	246	98.00	246
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
		6 653 019		6 653 019
Less:				
Impairment loss on investments of subsidiaries and associates*		7 894		7 894
		6 645 125		6 645 125

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

14. OTHER ASSETS

	30/6/2021	31/12/2020
	L.E. (000)	L.E. (000)
Cost		
Fourth generation network license	8 633 330	8 633 330
Projects (right of use)	73 058	34 296
Lease (right of use)	725 729	-
Submarine cables (right of way)	1 953 057	1 885 122
Right of way (National)	540 664	541 095
Land (possession-usufruct)	440 684	440 684
Licenses and programs	104 551	104 551
	12 471 073	11 639 078
Less:		
Accumulated amortization	3 037 252	2 479 787
Net carrying amount	9 433 821	9 159 291

- The increase in net carrying value of other assets mainly due to the increase in lease (right of use) item by an amount of L.E 725 729 K.
- Other assets cost includes at June 30, 2021 an amount of L.E 167 Million, other assets fully amortized and still in use in operating.

15. INVENTORIES

	30/6/2021	31/12/2020
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Spare parts	1 187 741	1 170 518
Material supplies ,Merchandise for sale and Letters of credit	396 917	256 365
Others – cables and supplies	459 876	534 697
	<u>2 044 534</u>	<u>1 961 580</u>

The value of inventories was written down by an amount of L.E. 90 275 K (against L.E. 13 561 K as at December 31, 2020) for obsolete and slow-moving items directly from the cost of each type of related inventory.

16. TRADE RECEIVABLES

	30/6/2021	31/12/2020
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Trade Receivables - National	4 007 628	3 607 743
Trade Receivables - International	3 269 159	3 864 720
	<u>7 276 787</u>	<u>7 472 463</u>
Less:		
Impairment loss on trade receivables	1 834 690	1 739 377
	<u>5 442 097</u>	<u>5 733 086</u>

- Trade receivables balance has decreased by an amount of L.E 290 989 K mainly due to the decrease in both of trade receivables – international cables and networks by an amount of LE. 477 039 K, trade receivables - international carriers by an amount of L.E 118 522 K and trade receivables-enterprise by an amount of L.E 75 038 K, however the increase in trade receivables – domestic wholesale by an amount of L.E 431 550 K and trade receivables – home and personal communication by an amount of L.E 43 373 K led to the limitation of this decrease.

17. DEBTORS AND OTHER DEBIT BALANCES

	30/6/2021	31/12/2020
	<u>LE (000)</u>	<u>LE (000)</u>
Suppliers – debit balances	873 148	878 736
Deposites with others	279 053	269 252
Accrued revenues	3 248 301	11 119
Tax Authority - value added tax	1 091 532	1 483 623
Tax Authority - withholding tax	977 391	826 976
Tax authority - income tax	29 549	29 552
Due from ministries, organizations and companies	473 884	871 415
Temporary debts due from employees	349 085	657 093
Other debit balances	1 159 836	932 842
	<u>8 481 779</u>	<u>5 960 608</u>
Less:		
Impairment loss on debtors and other debit balances	55 199	55 199
	<u>8 426 580</u>	<u>5 905 409</u>

Debtors and other debit net balances have increased by an amount of L.E. 2 521 171 K mainly due to the increase in accrued revenue by an amount of L.E. 3 236 094 K which represented by Net investment income from cash dividends from Vodafon and Tax authority (withholding tax) by an amount of L.E. 150 415 K, however the decrease in Tax authority (value added tax) by an amount of L.E. 392 091 K due from ministries, organizations and companies by an amount of L.E. 397 531 K and temporary debts due from employees by an amount of L.E 308 008 K as a result of the employees dividends for 2020 led to the limitation of this increase.

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Translation from Arabic

18. CASH AND CASH EQUIVALENTS

	Note	30/6/2021	31/12/2020	30/6/2020
	No.	L.E. (000)	L.E. (000)	L.E. (000)
Banks - time deposits (less than 3 months)		145 394	1 064 991	336 714
Banks - current accounts		634 593	520 809	761 573
Cash on hand		6 867	1 343	7 697
Cash and cash equivalents		786 854	1 587 143	1 105 984
Less:				
Restricted time deposits and current accounts at banks	(26)	54 878	48 411	102 353
Cash and cash equivalents as per cash flows statement		731 976	1 538 732	1 003 631

19. LOANS AND CREDIT FACILITIES

- The increase in the balance of loans and credit facilities by an amount of L.E 6 037 K mainly resulting from proceeds within the period of loans and credit facilities with local and foreign currencies amounted to L.E. 765 636 K, where loans and credit facilities with local and foreign currencies in June, 30 2021 amounted to L.E. 20 259 384 K (against LE 20 253 347 K at December,31 2020), due within a year by an amount of L.E. 17 733 122 K, including bank facilities by an amount of L.E. 16 284 931 K.

20. CREDITORS AND OTHER CREDIT BALANCES

	Note	30/6/2021	31/12/2020
	No.	L.E. (000)	L.E. (000)
Suppliers		826 169	1 364 820
Tax Authority (income tax)		506 864	-
Tax Authority (taxes other than income tax)		596 322	190 311
Deposits from others		532 212	528 022
Liabilities of early retirement scheme	(9-1)	46 186	67 140
Assets creditors		9 465 528	11 085 577
Lease obligations		611 313	-
Dividends creditors		770	770
Accrued interest		75 363	108 762
Accrued expenses		640 296	707 863
Public Authority for Social Insurance		66 210	54 666
Trade receivables - credit balances		1 524 876	725 028
Credit balances- organizations and companies		226 963	355 651
Deferred revenue		2 307 570	632 650
National Telecommunication Regulatory Authority (NTRA)		322 471	661 203
Other credit balances		680 939	622 727
		18 430 052	17 105 190
Less balances due within more than one year:			
Assets creditors		5 386 474	5 055 227
Lease obligations		539 818	-
Deffered revenue		28 111	28 177
Non current creditors and other credit balances		5 954 469	5 083 404
Current creditors and other credit balances		12 475 583	12 021 786
Total creditors and other credit balances		18 430 052	17 105 190

Creditors and other credit balances have increased by an amount of L.E. 1 324 862 K mainly due to the increase in deferred revenue by an amount of L.E. 1 674 920 K as a result of the increase in transmission systems lease revenue from mobile and internet by an amount of L.E. 1 596 156 K, lease obligations item by an amount of L.E. 611 363 K, tax authority item (income tax) by an amount of L.E. 506 864 K, tax authority item (taxes other than income tax) by an amount of L.E. 406 011 K, however the decrease in both of assets creditors item by an amount of L.E. 1 620 049 K, suppliers item by an amount of L.E. 538 651 K, credit balances-organization and companies by an amount of L.E. 128 688 K, accrued expenses item by an amount of L.E. 67 567 K and accrued interest item by an amount of L.E. 33 399 K led to the limitation of this increase.

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21. PROVISIONS

	30/6/2021	31/12/2020
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Balance at the beginning of the period / year	852 201	668 004
Reclassification during the period/year	229 343	-
Reversal of provisions	(240 000)	-
Charged to income statement for the period / year	-	184 197
Balance at the end of the period / year	<u>841 544</u>	<u>852 201</u>

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

	30/6/2021	31/12/2020
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Legal reserve	2 223 826	2 115 811
Other reserves	2 787 550	2 787 550
	<u>5 011 376</u>	<u>4 903 361</u>

The balance of legal reserve has increased as a result of retaining an amount of L.E. 108 015 K from the profit of 2020 in accordance with the company's articles of association.

24. DEFERRED TAX

24-1 Recognized deferred tax assets and liabilities

	<u>30/6/2021</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)	167 216	(1 392 388)	131 209	(1 279 686)
Net deferred tax liability	-	(1 225 172)	-	(1 148 477)
Deferred tax charged to the income statement for the period / year		<u>(76 695)</u>		<u>(538 815)</u>

24-2 Unrecognized deferred tax assets

	30/6/2021	31/12/2020
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Unrecognized deferred tax assets	<u>431 413</u>	<u>381 928</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, 2021 amounted to L.E. 514 Million (against L.E. 271 Million at the year ended December 31, 2020).

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, 2021:

	<u>30/6/2021</u>	<u>31/12/2020</u>
	<u>LE (000)</u>	<u>LE (000)</u>
- Letters of guarantee issued by banks on behalf of the company	2 391 239	1 858 140
- Letters of credit	1 517 264	1 773 804

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 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.

27- 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 and the company provide request to override it according to law No. 173 for 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.

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, the company disputed for one item and has been transferred to the Internal Committee.
- Tax inspection for the years 2015 and 2016 is in process.

27- 4 Stamp Tax

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

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 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, 2021 (continued)

Translation from Arabic

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	Nature of transaction during the period	Amount of transactions during the period stated in the income statement L.E. 000	Movement during the period		Balance as of 30/6/2021 Debit/(Credit) L.E. 000	Balance as of 31/12/2020 Debit/(Credit) L.E. 000
			Debit L.E. 000	Credit L.E. 000		
- TE Jordan	Participation contract	-	-	310	-	310
- Egyptian Telecommunication Company for Information Systems	Services rendered from subsidiary company	349 905	184 998	443 446	(572 930)	(314 482)
- Egyptian Telecommunication Company for Information Systems	Leased sites for subsidiary company, Electricity, Maintenance, leased circuits and selling of fixed assets	20 931	765 212	157 605	741 987	154 380
			950 210	601 051	169 057	(180 102)
Credit balances due to subsidiaries and associates						
- WE Data	Participation contract and Purchasing of fixed assets and services rendered from subsidiaries company	13 747	2 833 031	8 192 481	(6 747 178)	(1 387 728)
- WE Data	Leased circuits, information transfer network and service rendered	3 540 398	5 724 697	1 392 104	3 043 010	(1 289 583)
TE Jordan	Participation contract	21 632	8 557 728	9 584 585	(3 704 168)	(2 677 311)
			6 399	7 094	(695)	-
- Egyptian International Submarine Cables Company (EISCC)	Leased sites for subsidiary company	10	11	-	11	-
- Egyptian International Submarine Cables Company (EISCC)	Selling of intangible assets to subsidiaries company	-	-	-	(620 752)	(620 752)
			11	-	(620 741)	(620 752)
- Centra for Technologies	Maintenance & supplying devices	65 031	711 311	307 492	(73 716)	(477 535)
- Centra for Electronic Industries	Maintenance & supplying devices	989	350	1 128	(4 428)	(3 660)
- Middle East Radio Communication (MERC)	Leased of information circuits	1 623	1 880	1 850	-	30
- TE investment Holding	Services rendered from subsidiary company	67 137	114 986	109 432	(7 825)	(2 379)
- TE investment Holding	Leased sites for subsidiary company	9	11	30	(14)	5
			114 997	109 462	(7 839)	(2 374)
- TE France	Participation contract	14 370	16 732	17 296	(81 092)	(88 528)
- Mena Cable	Maintenance -services rendered from subsidiary company	4 232	3 180	49 728	(50 722)	(4 174)
- Mena Cable	Non-recurring payment	-	33	830	(830)	33
- Mena Cable	Paid of expenses on behalf of company	-	33 296	53 145	(36 131)	(6 282)
- Mena Cable	Advanced payment	155	2 500	12 685	(1 305)	5 880
- Mena Cable	Maintenance -services rendered to subsidiary company	1 585	1 584	8	3 148	572
			40 593	116 396	(85 840)	(18 037)
- Vodafone Egypt Telecommunications Company	Outgoing calls and voice services for associate company	844 883				
- Vodafone Egypt Telecommunications Company	Incoming international calls, claims, transmissions, lease of locations and towers for the associate company	721 139	3 747 211	2 989 729	(574 423)	(1 551 905)
			13 197 222	13 135 032	(5 152 942)	(5 395 234)

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

29 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 Misr 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 May 28, 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 is being determined to consider before another experts committee

The TE’s legal advisor 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.

30. Comparative figures

- Reclassification was made to some of the comparative figures of the condensed separate interim financial statement of cash flow 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:

Effect on condensed Separate Statement of Cash Flow

	<u>For the period ended</u> 30/6/2020 <u>as previously</u> <u>reported</u>	<u>Reclassification</u>	<u>For the period ended</u> 30/6/2020 <u>Reclassified</u>
	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>
Cash receipts from customers	10 475 587	(897 128)	9 578 459
Cash paid to suppliers	(4 612 403)	897 128	(3 715 275)

31- SIGNIFICANT EVENTS

Most of countries in the world included Egypt during the first quarter of 2020, have been exposed to the outbreak of Coronavirus (Covid-19) and the company has been take a 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.

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

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

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

3- Selling and distribution risks

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

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

It is evident from the above, that until now there is no negative impact on the Telecom Egypt's condensed separate interim financial statements, for the financial Six months ended June 30, 2021 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 financial statements as of June 30, 2021 is the same as the accounting policies applied in the preparation of the annual separate financial statements as of December 31, 2020, these accounting policies have been applied consistently to all periods presented in these condensed separate interim financial statements as of June, 30 2021 (except what determined in Note No.2-7) .