

telecomegypt



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

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**And Limited Review Report**

**Index**

<b><u>Explanation</u></b>	<b><u>Page Number</u></b>
- Limited Review Report	1
- Condensed Consolidated Statement of Financial Position	2
- Condensed Consolidated Statement of Income	3
- Condensed Consolidated Statement of Comprehensive Income	4
- Condensed Consolidated Statement of Changes in Equity	5
- Condensed Consolidated Statement of Cash Flows	6
- Notes to the Condensed Consolidated Interim Financial Statements	7:29



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*Translation from Arabic*

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

#### ***Introduction***

We have performed a limited review on the accompanying condensed consolidated statement of financial position of Telecom Egypt Company “an Egyptian joint stock company” as at June 30, 2021 and the related condensed consolidated 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 consolidated interim financial statements in accordance with Egyptian Accounting Standard number (30) “Interim Financial Reporting”. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our limited review.

#### ***Scope of Limited Review***

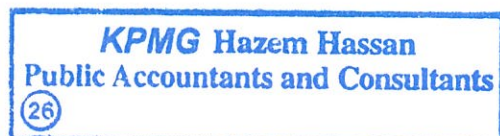
We conducted our limited review in accordance with Egyptian Standard on Review Engagements number (2410), "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity". A limited review of condensed consolidated interim financial statements consists of making inquiries,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

#### ***Conclusion***

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of the company as at June 30, 2021 and of its consolidated financial performance and its consolidated 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 Consolidated Statement of Financial Position as of:**

	Note No.	30/06/2021 L.E. (000)	31/12/2020 L.E. (000)
<b>Assets</b>			
<b>Non Current Assets</b>			
Fixed assets	(11)	39 409 559	38 140 665
Projects in progress	(12)	8 110 867	6 582 100
Investments in associates	(13)	9 158 625	12 306 547
Available-for-sale investments		74 856	74 856
Long-term balances (prepaid expense)		50 589	53 334
Other assets	(14)	9 774 659	9 444 330
Deferred tax assets	(24-1)	205 498	131 959
<b>Total Non Current Assets</b>		<b>66 784 653</b>	<b>66 733 791</b>
<b>Current Assets</b>			
Inventories	(15)	2 498 138	2 092 242
Trade and notes receivable	(16)	6 751 038	6 878 712
Debtors and other debit balances	(17)	9 172 191	6 734 893
Cash and cash equivalents	(18)	1 328 110	2 003 432
<b>Total Current Assets</b>		<b>19 749 477</b>	<b>17 709 279</b>
<b>Total Assets</b>		<b>86 534 130</b>	<b>84 443 070</b>
<b>Equity</b>			
Capital	(22)	17 070 716	17 070 716
Reserves	(23)	5 138 795	5 029 317
Retained earnings		17 828 807	16 643 108
Foreign entities translation reserve		( 37 039)	( 25 489)
<b>Equity attributable to shareholders of the company</b>		<b>40 001 279</b>	<b>38 717 652</b>
<b>Non - controlling interest</b>		<b>10 999</b>	<b>16 028</b>
<b>Total Equity</b>		<b>40 012 278</b>	<b>38 733 680</b>
<b>Non Current Liabilities</b>			
Loans and credit facilities	(19)	2 526 262	3 278 144
Creditors and other credit balances	(20)	6 289 576	5 338 944
Deferred tax liabilities	(24-1)	2 596 303	2 392 317
<b>Total Non Current Liabilities</b>		<b>11 412 141</b>	<b>11 009 405</b>
<b>Current Liabilities</b>			
Loans and credit facilities installments due within one year	(19)	17 781 606	17 009 238
Creditors and other credit balances	(20)	15 617 953	15 256 351
Credit accounts to associates	(28)	574 438	1 331 920
Provisions	(21)	1 135 714	1 102 476
<b>Total Current Liabilities</b>		<b>35 109 711</b>	<b>34 699 985</b>
<b>Total Liabilities</b>		<b>46 521 852</b>	<b>45 709 390</b>
<b>Total Equity and Liabilities</b>		<b>86 534 130</b>	<b>84 443 070</b>

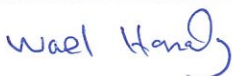
The accompanying notes on pages (7) to (29) are an integral part of these Condensed Consolidated Interim Financial Statements.

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 Consolidated Statement of Income**

	Note	<u>For the six months ended</u>		<u>For the three months ended</u>	
		30/6/2021	30/6/2020	30/6/2021	30/6/2020
		<u>No.</u>	<u>Reclassified</u>		<u>Reclassified</u>
		<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Operating revenues	(3)	17 372 981	14 945 320	8 973 547	7 941 446
Operating costs	(4)	(10 209 793)	(9 166 200)	(5 244 516)	(4 828 122)
<b>Gross Profit</b>		<b>7 163 188</b>	<b>5 779 120</b>	<b>3 729 031</b>	<b>3 113 324</b>
Other income		414 703	228 469	91 003	101 252
Selling and distribution expenses	(5)	(1 575 576)	(1 466 590)	( 850 031)	( 726 036)
General and administrative expenses	(6)	(1 622 416)	(1 573 232)	( 846 540)	( 809 555)
Other expenses		( 55 082)	( 239 707)	( 30 086)	( 174 743)
<b>Operating profit</b>		<b>4 324 817</b>	<b>2 728 060</b>	<b>2 093 377</b>	<b>1 504 242</b>
Finance income		380 941	33 353	13 860	( 426 347)
Finance cost		( 825 762)	(1 047 630)	( 360 584)	( 610 788)
<b>Net finance cost</b>	(7)	<b>( 444 821)</b>	<b>(1 014 277)</b>	<b>( 346 724)</b>	<b>(1 037 135)</b>
Share of profit of equity accounted investees	(8)	1 565 539	1 005 188	613 343	536 541
<b>Net profit for the period before tax</b>		<b>5 445 535</b>	<b>2 718 971</b>	<b>2 359 996</b>	<b>1 003 648</b>
Income tax expense		(1 442 139)	( 460 369)	( 858 559)	( 168 003)
Deferred tax expense	(24-1)	( 130 447)	( 197 044)	246 175	( 87 246)
<b>Total income tax</b>		<b>(1 572 586)</b>	<b>( 657 413)</b>	<b>( 612 384)</b>	<b>( 255 249)</b>
<b>Net profit for the period</b>		<b>3 872 949</b>	<b>2 061 558</b>	<b>1 747 612</b>	<b>748 399</b>
<b>Profit attributable to :</b>					
Shareholders of the company		3 871 659	2 058 615	1 747 414	746 488
Non-controlling interest		1 290	2 943	198	1 911
<b>Net profit for the period</b>		<b>3 872 949</b>	<b>2 061 558</b>	<b>1 747 612</b>	<b>748 399</b>
<b>Basic and diluted earning per share for the period (L.E./ Share)</b>	(10)	<b>2.27</b>	<b>1.21</b>	<b>1.02</b>	<b>0.44</b>

The accompanying notes on pages (7) to (29) are an integral part of these Condensed Consolidated Interim Financial Statements.

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

	<u>For the six months ended :</u>		<u>For the three months ended :</u>	
	30/6/2021	30/6/2020	30/6/2021	30/6/2020
	<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	3 872 949	2 061 558	1 747 612	748 399
<b><u>Other Comprehensive Income items :</u></b>				
Translation differences of foreign entities	( 11 550)	5 901	( 2 549)	43 304
<b>Total Comprehensive Income</b>	<u>3 861 399</u>	<u>2 067 459</u>	<u>1 745 063</u>	<u>791 703</u>
<b>Attributable to :</b>				
Shareholders of the company	3 860 109	2 064 516	1 744 865	789 792
Non-controlling interest	1 290	2 943	198	1 911
<b>Total Comprehensive Income</b>	<u>3 861 399</u>	<u>2 067 459</u>	<u>1 745 063</u>	<u>791 703</u>

The accompanying notes on pages (7) to (29) are an integral part of these Condensed Consolidated Interim Financial Statements.

**Telecom Egypt Company**  
(An Egyptian Joint Stock Company)  
**Condensed Consolidated Statement of Changes in Equity**  
**For The Six Months Ended June 30, 2021**

Note	Capital	Legal reserve	Other reserves	Retained earnings	Foreign entities translation reserve	Total of equity attributable to shareholders of the company	Non-controlling interest	Total
NO	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	±E.(000)	L.E.(000)	L.E.(000)	±E.(000)
	17 070 716	1 966 047	2 796 578	13 382 616	( 10 623)	35 205 334	15 803	35 221 137
<b>Balance as of January 1,2020</b>								
<b>Comprehensive Income</b>								
Net profit for the period	-	-	-	2 058 615	-	2 058 615	2 943	2 061 558
Translation differences of foreign entities	-	-	-	-	5 901	5 901	-	5 901
<b>Total Comprehensive Income</b>				<b>2 058 615</b>	<b>5 901</b>	<b>2 064 516</b>	<b>2 943</b>	<b>2 067 459</b>
<b>Transactions with shareholders</b>								
Transferred to legal reserve	-	274 849	-	( 274 849)	-	-	-	-
Adjustment on retained earnings in associates	-	-	-	( 2 248)	-	( 2 248)	-	( 2 248)
Dividends for year 2019 (shareholders)	-	-	-	(426 768)	-	(426 768)	( 5 515)	( 432 283)
Dividends for year 2019 (Employees & Board of Directors)	-	-	-	(820 426)	-	(820 426)	( 910)	( 821 336)
Dividends for employees announced in associates (employees & Board Of Directors)	-	-	-	( 60 735)	-	( 60 735)	-	( 60 735)
Land & building disposals	-	-	( 9 028)	-	-	( 9 028)	-	( 9 028)
<b>Total transactions with shareholders</b>		<b>274 849</b>	<b>( 9 028)</b>	<b>(1 585 026)</b>	<b>-</b>	<b>(1 319 205)</b>	<b>( 6 425)</b>	<b>( 325 630)</b>
<b>Balance as of June 30,2020</b>	<b>17 070 716</b>	<b>2 240 896</b>	<b>2 787 550</b>	<b>13 856 205</b>	<b>( 4 722)</b>	<b>35 950 645</b>	<b>12 321</b>	<b>35 962 966</b>
	17 070 716	2 241 767	2 787 550	16 643 108	( 25 489)	38 717 652	16 928	38 733 680
<b>Balance as of January 1,2021 (Before Restated)</b>								
<b>Adjustment on retained earnings</b>				( 177 257)	-	( 177 257)	-	( 177 257)
<b>Balance as of January 1,2021 (After Restated)</b>	<b>17 070 716</b>	<b>2 241 767</b>	<b>2 787 550</b>	<b>16 465 851</b>	<b>( 25 489)</b>	<b>38 540 395</b>	<b>16 928</b>	<b>38 556 423</b>
<b>Comprehensive Income</b>								
Net profit for the period	-	-	-	3 871 659	-	3 871 659	1 290	3 872 949
Translation differences of foreign entities	-	-	-	-	( 11 550)	( 11 550)	-	( 11 550)
<b>Total Comprehensive Income</b>				<b>3 871 659</b>	<b>( 11 550)</b>	<b>3 860 109</b>	<b>1 290</b>	<b>3 861 399</b>
<b>Transactions with shareholders</b>								
Transferred to legal reserve	-	109 478	-	( 109 478)	-	-	-	-
Dividends for employees announced in associates	-	-	-	( 218 889)	-	( 218 889)	-	( 218 889)
Dividends for year 2020 (shareholders)	-	-	-	( 1 280 304)	-	( 1 280 304)	( 5 374)	( 1 285 678)
Dividends for year 2020 (Employees & Board of Directors)	-	-	-	( 900 032)	-	( 900 032)	( 945)	( 900 977)
<b>Total transactions with shareholders</b>		<b>109 478</b>		<b>( 2 508 703)</b>		<b>( 2 399 225)</b>	<b>( 6 319)</b>	<b>( 2 405 544)</b>
<b>Balance as of June 30, 2021</b>	<b>17 070 716</b>	<b>2 351 245</b>	<b>2 787 550</b>	<b>17 828 807</b>	<b>( 37 039)</b>	<b>40 001 279</b>	<b>10 990*</b>	<b>40 012 278</b>

The accompanying notes on page from (7) to (29) are an integral part of these Condensed Consolidated Interim Financial Statements.

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

	Note No.	<b>For the six months ended:</b>	
		<b>30/6/2021</b>	<b>30/6/2020</b>
		<b>L.E. (000)</b>	<b>Reclassified L.E. (000)</b>
<b><u>Cash flows from operating activities:-</u></b>			
Cash receipts from customers		19 091 232	14 615 458
Value added tax collected from customers		342 653	234 250
Stamp tax and fees collected (from third party)		50 332	32 125
Deposits collected from customers		18 382	933
Cash paid to suppliers		(3 621 979)	(3 573 376)
Payments for NTRA license fees		(1 183 164)	( 774 280)
Dividends paid to employees and Board of Directors		( 43 669)	( 64 930)
Cash paid to employees and Board of Directors		(2 908 006)	(2 865 519)
Cash paid on behalf of employees to third party		( 554 795)	( 508 864)
<b>Cash provided by operating activities</b>		<b>11 190 986</b>	<b>7 095 797</b>
Interest paid		( 611 349)	( 439 143)
Payments to Tax Authority - income tax		( 564 702)	( 89 437)
Payments to Tax Authority - value added tax		( 950 234)	( 758 843)
Payments to Tax Authority - other taxes		(1 139 110)	( 950 038)
Other proceeds ( payments )		400 505	( 199 983)
<b>Net cash provided by operating activities</b>		<b>8 326 096</b>	<b>4 658 353</b>
<b><u>Cash flows from investing activities:-</u></b>			
Payments for purchase of fixed assets, projects in progress and other assets		(6 028 406)	(5 380 738)
Payments for purchase of other assets		(2 453 622)	( 73 307)
Proceeds from sales of fixed assets and other assets		193	11
Acquisition of investments		-	( 9 462)
Cash paid for lease obligation		( 121 699)	-
Payments for retrieval of held-to-maturity investment - treasury bills		-	( 9 566)
Proceeds from sale available for sale investment		-	25 795
Interest received		7 484	18 940
Dividends collected from investments		810 018	176 031
Proceeds from securities (treasury bills - mutual fund)		1 070	12 008
<b>Net cash used in investing activities</b>		<b>(7 784 962)</b>	<b>(5 240 288)</b>
<b><u>Cash flows from financing activities:-</u></b>			
Payments for loans and credit facilities		( 707 552)	( 733 634)
Proceeds from loans and credit facilities		780 084	2 066 252
Dividends paid to Shareholders		(1 287 432)	( 627 021)
<b>Net cash (used in) provided by financing activities</b>		<b>(1 214 900)</b>	<b>705 597</b>
<b>Net change in cash and cash equivalents during the period</b>		<b>( 673 766)</b>	<b>123 662</b>
Translation differences of foreign entities		( 3 001)	( 7 082)
Cash and cash equivalents at the beginning of the period	(18)	1 936 943	1 311 391
<b>Cash and cash equivalents at the end of the period</b>	(18)	<b>1 260 176</b>	<b>1 427 971</b>



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

**Notes to the Condensed Consolidated Interim Financial Statements**  
**For The Six Months Ended June 30, 2021**

**1. BACKGROUND**

**1-1 Legal Entity**

- Arab Republic of Egypt National Telecommunication Organization (ARENTO) was established according to Law No.153 of 1980. Effective from March 27, 1998 and according to law No.19 of 1998, the legal form of (ARENTO) was amended after the revaluation of its assets on March 26, 1998 to become "Telecom Egypt Company" (TE).
- Telecom Egypt Company (the "Company") is an Egyptian Joint Stock Company registered in the Arab Republic of Egypt and is engaged in the provision of public communications and associated products and services.
- The company is subject to the provisions of the Companies Law No. 159 of 1981 and Capital Market law No. 95 of 1992.
- The registered office of the company is 26 Ramses Street, Cairo, Egypt.
- The nominal shares for the company are traded in the Egyptian Stock Exchange and the London market for securities.

**1-2 Purpose of the company**

The main purpose of the company represents in the following:

- Owning, setting up, operating, maintenance and development of telecommunication networks and infrastructure necessary for communication services for using and / or managing and / or leasing to others and / or dealing on them.
- Providing voice, video and data transmission telecommunication services to subscribers and / or managing and / or leasing to others and / or dealing on them.
- Participating or contributing to global communication systems, such as: - submarine cables and satellites and obtaining capacities or circuits for using and / or managing and / or leasing to others and / or dealing on them.
- Dealing or contracting or Participating with authorities, agencies, companies, organizations or any entity exercising an activity similar to or identical to the company's activities or relates or assists the company to achieve its purposes either in Arab Republic of Egypt or abroad.
- Managing, selling, leasing, purchasing, possessing, renting and dealing on any property and rights or benefit or right in any property. Including the movable and immovable property which could be acquired or owned by the company.
- Selling, purchasing and distributing of fixed line sets , mobile phones and computers, its peripherals, accessories and supplies, complementary devices and necessary spare parts and related maintenance works.
- Setting up voice, video and written data transmission networks and providing value-added services, content services, marketing, electronic signature and online money transfer.
- Investment properties for serving its purposes and executing its projects.

**1-3 Issuance of Condensed Consolidated Interim Financial Statements**

These Condensed Consolidated Interim Financial Statements were approved by the Board of Directors for issuance on August 09, 2021.

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

**2-1 Statement of compliance**

- These Condensed Consolidated 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 consolidated financial statements for the company, and in the light of applicable Egyptian laws and regulations related to.
- These first condensed consolidated interim financial statements for the six months 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 Consolidated Interim Financial Statements don't include all the required information needed for preparing the full annual financial statements and must be read with the consolidated annual financial statements as of December 31, 2020.

## **2 2 Basis of measurement**

These Condensed Consolidated Interim Financial Statements have been prepared under the historical cost basis, except for certain financial investments which are evaluated at fair value in according to the Egyptian Accounting Standards.

For presentation purposes, the current and non-current classification has been used for the condensed consolidated balance sheet, while expenses are analyzed in the condensed consolidated income statement using a classification based on their function. The direct method has been used in preparing the condensed consolidated statement of cash flows.

## **2 3 Functional and presentation currency**

These Condensed Consolidated Interim Financial Statements are presented in Egyptian pound (L.E.), all financial information presented in "L.E." has been rounded to the nearest thousand unless otherwise stated.

## **2-4 Use of estimates**

The preparation of the Condensed Consolidated Interim Financial Statements in conformity with Egyptian Accounting Standards requires 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 believed 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 ongoing basis. Accounting 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 significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements is included in the following notes:

- Impairment loss on financial assets and non-financial.
- Deferred tax assets
- Provisions and contingent 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 consolidated interim financial statements without deducting any estimated future selling costs. The financial assets values are determined with the current purchase prices; however, the financial liabilities values are determined with the current prices that could settle these liabilities.

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

-When the discounted cash flows is used as a valuation technique, the future cash flow 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 group 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- Standard (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 group'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 group 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 Condensed 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. 48 "Revenue from contracts with customers"	The effect of standard No. 49 "Lease contracts"	Restated Beginning balance of financial position
<b>Assets</b>					
<b>Non Current Assets</b>					
Fixed assets	38 140 665	-	-	-	38 140 665
Projects in progress	6 582 100	-	-	-	6 582 100
Investments in associates	12 306 547	-	-	-	12 306 547
Available-for-sale investments	74 856	-	-	-	74 856
Long-term balances (prepaid expense)	53 334	-	-	-	53 334
Other assets	9 444 330	-	-	559 950	10 004 280
Deferred tax assets	131 959	-	-	-	131 959
<b>Total Non Current Assets</b>	<b>66 733 791</b>	-	-	<b>559 950</b>	<b>67 293 741</b>
<b>Current Assets</b>					
Inventories	2 092 242	-	-	-	2 092 242
Trade receivables	6 878 712	(59 601)	-	-	6 819 111
Debtors and other debit balances	6 734 893	-	(16 992)	-	6 717 901
Cash and cash equivalents	2 003 432	-	-	-	2 003 432
<b>Total Current Assets</b>	<b>17 709 279</b>	<b>(59 601)</b>	<b>(16 992)</b>	<b>(16 992)</b>	<b>17 632 686</b>
<b>Total Assets</b>	<b>84 443 070</b>	<b>(59 601)</b>	<b>(325)</b>	<b>542 958</b>	<b>84 926 427</b>
<b>Equity</b>					
Capital	17 070 716	-	-	-	17 070 716
Reserves	5 029 317	-	-	-	5 029 317
Retained earnings	16 643 108	(59 601)	(325)	(117 331)	16 466 881
Foreign entities translation reserve	(25 489)	-	-	-	(25 489)
<b>Total Equity (shareholder)</b>	<b>38 717 652</b>	<b>(59 601)</b>	<b>(325)</b>	<b>(117 331)</b>	<b>38 540 395</b>
<b>Non controlling interest</b>	<b>16 028</b>	-	-	-	<b>16 028</b>
<b>Total Equity</b>	<b>38 733 680</b>	<b>(59 601)</b>	<b>(325)</b>	<b>(117 331)</b>	<b>38 556 423</b>
<b>Non Current Liabilities</b>					
Loans and credit facilities	3 278 144	-	-	-	3 278 144
Creditors and other credit balances	5 338 944	-	-	552 889	5 891 833
Deferred tax liabilities	2 392 317	-	-	-	2 392 317
<b>Total Non Current Liabilities</b>	<b>11 009 405</b>	-	-	<b>552 889</b>	<b>11 562 294</b>
<b>Current Liabilities</b>					
Loans and credit facilities installments due within one year	17 009 238	-	-	-	17 009 238
Creditors and other credit balances	15 256 351	-	325	107 400	15 364 076
Credit balance due to associates	1 331 920	-	-	-	1 331 920
Provisions	1 102 476	-	-	-	1 102 476
<b>Total Current Liabilities</b>	<b>34 699 985</b>	-	<b>325</b>	<b>107 400</b>	<b>34 807 710</b>
<b>Total Liabilities</b>	<b>45 709 390</b>	-	<b>325</b>	<b>660 289</b>	<b>46 370 004</b>
<b>Total Equity and Liabilities</b>	<b>84 443 070</b>	<b>(59 601)</b>	<b>-</b>	<b>542 958</b>	<b>84 926 427</b>

### **(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 group to evaluate financial assets in its financial statements according to the cash flow characteristics of financial assets and the group'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, the group's doubtful debts provision increased 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 group'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 have 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 group'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 group, 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.

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 group 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 consolidated 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 group'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 group evaluates whether the contract contains lease arrangements and for such arrangements for lease contracts, the group 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 group 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

Contracts for leasing non-core assets that are not related to the main operating activities of the group, 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 group 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.

The group 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 group has chosen to apply the practical method to exclude the evaluation under which translations represent lease contracts , The group 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 group 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 group 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 group 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.

**3. OPERATING REVENUES**

	<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>30/6/2021</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Home and personal communications	8 629 112	6 759 491	4 437 860	3 628 603
Enterprise	2 321 351	1 918 204	1 192 522	1 131 950
Domestic wholesale	2 695 893	2 562 047	1 331 760	1 314 184
International carrier	2 149 210	2 268 034	1 099 242	1 132 230
International cables and networks	1 577 415	1 437 544	912 163	734 479
	<u>17 372 981</u>	<u>14 945 320</u>	<u>8 973 547</u>	<u>7 941 446</u>

Total operating revenues have increased by an amount of L.E. 2 427 661 K mainly due to the increase in home and personal communications revenues by an amount of L.E. 1 869 621 K due to the increase in revenues resulting from fixed line and rendering mobile phone services and internet services, in addition to the increase in Enterprise revenue by an amount of L.E. 403 147 K due to the increase in revenues resulting from complementary-access and fixed line and the increase in domestic wholesale revenue by an amount of L.E. 133 846 K due to the increase in access service revenue and infrastructure revenue, and international cables and networks revenue by an amount of L.E. 139 871 K, however the decrease in International carrier by an amount of L.E. 118 824 K led to limitation of this increase.

**4. OPERATING COSTS**

	<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>
		<u>Reclassified</u>		<u>Reclassified</u>
		<u>L.E. (000)</u>		<u>L.E. (000)</u>
Interconnection cost	2 967 310	2 798 620	1 533 250	1 428 693
Depreciation and amortization*	2 692 393	2 245 027	1 414 990	1 148 903
Salaries and wages	1 401 012	1 390 845	692 101	694 121
Company's share in social insurance	154 488	154 001	73 416	77 400
Frequencies and licenses charges ( National Telecom Regulatory Authority )	643 494	546 008	329 448	308 803
Other operating cost*	2 351 096	2 031 699	1 201 311	1 170 202
	<u>10 209 793</u>	<u>9 166 200</u>	<u>5 244 516</u>	<u>4 828 122</u>

Operating costs have increased by an amount of L.E. 1 043 593 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 international connection fees and national roaming fees.
- The increase in the depreciation and amortization item by an amount of L.E. 447 366 K during the period due to the additions of the last year after the first half and the current period.
- The increase in other operating cost item by an amount of L.E. 319 397 K is mainly due to the increase in the organizations services costs item by an amount of L.E. 298 319 K due to the increase in outsourcing from others service and the spare parts item by an amount of L.E. 85 776 K.

\*Reclassification was made on comparative figures as shown in Note no (31-1).



Notes to the condensed Consolidated Interim Financial Statements  
For The Six months ended June 30, 2021 (continued)

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>Reclassified L.E. (000)</u>	<u>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>
Salaries and wages	643 824	567 241	340 816	287 959
Company's share in social insurance	70 488	54 847	37 002	27 880
Advertising and marketing	392 489	404 600	205 808	206 074
Agents' commissions and collection contacts	259 649	216 565	164 282	102 924
Depreciation and amortization *	22 860	3 754	16 097	1 862
Other selling and distribution expenses *	186 266	219 583	86 026	99 337
	<u>1 575 576</u>	<u>1 466 590</u>	<u>850 031</u>	<u>726 036</u>

The increase in selling and distribution expenses by an amount of L.E 108 986 K mainly due to the increase in Salaries and wages item by an amount of L.E 76 583 K, however the decrease in organizations services costs item by an amount of L.E 14 354 K led to limitation of this increase.

\* Reclassification was made on comparative figures as shown in Note No. (31-1).

## 6. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>Note 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>Reclassified L.E. (000)</u>	<u>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>
Salaries and wages		1 063 276	1 060 414	558 067	549 299
Company's share in social insurance		90 695	75 429	45 823	37 845
The company's contribution in loyalty and belonging fund	(9-2)	100 000	90 000	50 000	45 000
Depreciation and amortization		48 320	52 654	29 992	29 394
Organization services cost and consultants		52 517	97 473	31 516	51 291
Tax and duties		83 656	54 724	43 622	30 068
Other general and administration expenses *		183 952	142 538	87 520	66 658
		<u>1 622 416</u>	<u>1 573 232</u>	<u>846 540</u>	<u>809 555</u>

The increase in general and administrative expenses by an amount of L.E. 49 184 K is mainly due to increase in tax and duties item by an amount of L.E. 28 932 K, however the decrease in organizations services costs and consultants by an amount of L.E. 44 956 K led to limitation of this increase.

\* Reclassification was made on comparative figures as shown in Note No. (31-1).

## 7. NET FINANCE COST

The decrease in net finance cost by an amount of L.E 569 456 K during the period is mainly due to the increase in revenue resulted from translation profits of foreign currencies balances and transactions by an amount of L.E. 462 202 K and the decrease in both of impairment of financial assets value by an amount of L.E 73 709 K and the present value expense by an amount of L.E 31 060 K, and the interest expense by an amount of L.E 10 873 K.

## 8. SHARE OF PROFIT OF EQUITY ACCOUNTED INVESTEEES

	<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	1 563 663	1 005 436	611 712	536 652
Egypt trust	1 876	(248)	1 631	(111)
	<u>1 565 539</u>	<u>1 005 188</u>	<u>613 343</u>	<u>536 541</u>

## 9. EMPLOYEE'S BENEFITS

### 9-1 Early retirement scheme

The Company applies an optional early retirement scheme under which a compensation is paid to employees who desired and meet the requirements to end their service before the legal age of retirement, therefore the company's Board of Directors decided in its meeting which have been held on March 24, 2019 to approve the application of the optional early retirement scheme for the employees of the company before the legal age of retirement. Also on June 9, 2019, internal instructions were issued under no. (8) to determine the mechanism of applying the optional early retirement scheme by specifying the conditions of enrollment in the scheme and the benefits offered to the employees of the company, enrollment application to be submitted during the period from June 9, 2019 till July 9, 2019 according to the following:

#### First: The important conditions of the optional early retirement

- The subscription duration in social insurance not less than Twenty years.
- Approval of the company's manpower planning committee of the company according to the requirement of work and the company has the right to reject any application.
- The subscription application submitted by the employee is final and not repealed at the expiration of seven days from the date of its submission.

#### Second: The most important benefits of an optional early retirement

- Payment of compensation for the remaining period, which represents the total of the remaining salaries including periodic increment up to the legal age of retirement calculated at present value by a specified discount rate.
- Payment of compensation instead of the loyalty and belonging grant of 100 months on the basic salary on 1/1/2015 with an increase of 5% per annum.
- Payment of compensation for unused leaves in accordance with the regulations in force.
- Payment of an amount of 1500 per month for three years or until the age of sixty whichever is the earlier.
- Enjoying medical insurance system for employees and their families for three years or until the age of sixty whichever is the earlier.

- Enjoying the benefit of telecommunication services for employees for three years or until the age of sixty whichever is the earlier.

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 an amount of L.E 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 FOR THE PERIOD**

- The profit share of the period is calculated as follows:

	<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>Reclassified</u>	<u>30/6/2021</u>	<u>30/6/2020</u> <u>Reclassified</u>
<b><u>The holding company owners' equity :</u></b>				
Net profit for the period (LE in thousand)	3 871 659	2 058 615	1 747 414	746 488
Number of shares available during the period (share)	1 707 071 600	1 707 071 600	1 707 071 600	1 707 071 600
<b>Basic and diluted earning per share for the period (LE / share)</b>	<b>2.27</b>	<b>1.21</b>	<b>1.02</b>	<b>0.44</b>

Notes to the condensed Consolidated Interim Financial Statements  
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	2 344 415	2 344 517	-	-	2 344 415	2 344 517	2 344 431
Buildings & Infrastructure	38 801 124	34 624 792	17 950 160	16 704 333	20 850 964	17 920 459	20 464 692
Centrals & information technologies equipment	37 129 838	34 914 839	21 512 674	22 535 622	15 617 164	12 379 217	14 753 804
Vehicles	262 102	186 419	118 500	116 580	143 602	69 839	115 389
Furniture	1 072 525	924 369	757 282	644 290	315 243	280 079	315 883
Tools & supplies	226 388	204 775	129 109	107 524	97 279	97 251	100 070
Decoration & fixtures	183 558	172 350	142 666	129 495	40 892	42 855	46 396
Fixtures on trunk radio network	315	315	315	315	-	-	-
<b>Total</b>	<b>80 020 265</b>	<b>73 372 376</b>	<b>40 610 706</b>	<b>40 238 159</b>	<b>39 409 559</b>	<b>33 134 217</b>	<b>38 140 665</b>

- The increase in net carrying value of fixed assets mainly due to the additions during the period by an amount of L.E. 3 663 288 K, however the depreciation of the period by an amount of L.E. 2 335 720 K led to limitation of this increase.
- The cost of fixed assets as of June 30, 2021 includes an amount of L.E. 18 391 Million fully depreciated fixed assets and still in use.

**12. PROJECTS IN PROGRESS**

	<b>30/6/2021</b>	<b>31/12/2020</b>
	<b><u>L.E. (000)</u></b>	<b><u>L.E. (000)</u></b>
Land	37 845	37 845
Buildings and Infrastructure	1 253 055	1 437 326
Centrals and information technologies equipment	2 381 558	2 955 007
Tools and supplies	5 304	11 139
Furniture	10 775	12 016
Frequencies license for 20 MH	2 397 300	-
Other Assets (cables)	641 001	547 625
Advance payments - Fixed assets	1 384 212	1 601 816
	<b>8 111 050</b>	<b>6 602 774</b>
<b>Less:</b>		
Impairment loss on projects in progress	183	20 674
	<b>8 110 867</b>	<b>6 582 100</b>

The balance of projects in progress is represented in the part that have been executed from commitments and capital contracts, and advanced payment until June 30, 2021.

Notes to the condensed Consolidated Interim Financial Statements  
For The Six months ended June 30, 2021 (continued)

Translation from Arabic

### 13. INVESTMENTS IN ASSOCIATES

	30/6/2021		31/12/2020	
	Ownership	amount	Ownership	amount
	%	L.E. (000)	%	L.E. (000)
- Vodafone Egypt Telecommunication company *	44.95	9 155 498	44.95	12 305 297
- Wataneya for Telecommunication	50.00	125	50.00	125
- Egypt Trust	35.71	9 377	35.71	7 500
- New matrix for technology	25.50	1 250	25.50	1 250
		<b>9 166 250</b>		<b>12 314 172</b>
<b>Less:</b>				
Impairment loss on investment in associates **		7 625		7 625
		<b>9 158 625</b>		<b>12 306 547</b>

\* The investments in Vodafone Egypt on June 30, 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 June 30, 2021 by using the consolidated financial statements 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 in addition to the movement of the period from April 1, 2021 to June 30, 2021 based on Vodafone Egypt's consolidated interim financial statements on June 30, 2021 to determine the share of financial period from January 1 to June 30, 2021 of business results.

\*\* The impairment loss on investments value for Egypt Trust, Wataneya for Telecommunication, due to the realized losses by these investee companies, which exceeded this investments amount.

### 14. OTHER ASSETS

	30/6/2021	31/12/2020
	L.E. (000)	L.E. (000)
<b>Cost</b>		
Fourth generation network license	8 633 330	8 633 330
Right of Use (Projects)	73 058	34 296
Assets right of use (Lease Contracts)	951 951	-
Submarine Cables (right of way)	2 126 307	2 059 185
Right of Use (ROU)	886 747	899 335
License (internet service - programs )	127 229	127 239
Land (possession-usufruct)	440 684	440 684
Good will	15 839	15 839
	<b>13 255 145</b>	<b>12 209 908</b>
<b>Less:</b>		
Accumulated amortization and impairment	3 480 486	2 765 578
<b>Net other assets</b>	<b>9 774 659</b>	<b>9 444 330</b>

- The increase in net carrying value of other assets mainly due to the increase in Assets right of use (lease contracts) item by an amount of L.E. 951 951 K.
- Other assets cost includes at June 30, 2021 an amount of L.E 272 Million, other assets fully amortized and still in use.

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

*Translation from Arabic*

**15. INVENTORIES**

	<b>30/6/2021</b>	<b>31/12/2020</b>
	<b><u>L.E. (000)</u></b>	<b><u>L.E. (000)</u></b>
Spare parts	1 188 690	1 171 477
Computers	3 869	841
Project cables and supplies	459 876	534 697
Material supplies , Merchandise for sale and Letters of credit	845 703	385 227
	<b><u>2 498 138</u></b>	<b><u>2 092 242</u></b>

The value of inventories was written down by L.E. 93 549 K (against LE 16 351 K as at December 31, 2020) for obsolete and slow-moving items directly from the cost of each type of inventory related to.

**16. TRADE AND NOTES RECEIVABLES**

	<b>30/6/2021</b>	<b>31/12/2020</b>
	<b><u>L.E. (000)</u></b>	<b><u>L.E. (000)</u></b>
Trade Receivables - National	5 392 264	4 714 503
Trade Receivables - International	3 469 726	4 101 903
	<b><u>8 861 990</u></b>	<b><u>8 816 406</u></b>
<b>Less:</b>		
Impairment loss on trade receivables	2 110 965	1 937 701
	<b><u>6 751 025</u></b>	<b><u>6 878 705</u></b>
<b>Add:</b>		
Notes receivable	13	7
	<b><u>6 751 038</u></b>	<b><u>6 878 712</u></b>

Trade and notes receivable balance have decreased by an amount of L.E. 127 674 K is mainly due to the decrease in revenue for international carrier due to increase in the collection from customers in these sections during this period however the increase in revenue for whole sale led to limitation of this decrease.

**17. DEBTORS AND OTHER DEBIT BALANCES**

	<b>30/6/2021</b>	<b>31/12/2020</b>
	<b><u>L.E.(000)</u></b>	<b><u>L.E.(000)</u></b>
Suppliers – debit balances	1 198 798	984 539
Tax Authority - value added tax	1 196 700	1 608 903
Tax Authority - withholding tax	1 011 759	896 466
Deposits with other	292 675	283 411
Accrued revenues	3 334 556	78 572
Due from ministries, organizations and companies	489 583	887 114
Temporary debts due from employees	385 504	879 754
Tax Authority - Income tax	112 843	175 563
Other debit balances	1 455 579	1 246 351
	<b><u>9 477 997</u></b>	<b><u>7 040 673</u></b>
<b>Less:</b>		
Impairment loss on debtors and other debit balances	305 806	305 780
	<b><u>9 172 191</u></b>	<b><u>6 734 893</u></b>

Debtors and other debit balances have increased by an amount of L.E. 2 437 298 K mainly due to the increase in suppliers – debit balances item by an amount of L.E 214 259 K, and the accrued revenues item by an amount of L.E 3 255 984 K due to the increase investment revenue by an amount of L.E 3 236 094 K, however the decrease in Temporary debts due from employees by an amount of L.E 494 250 K due to 2020 dividends, and due from ministries, organization and companies item by an amount of L.E 397 531 K led to limitation of this increase.

Notes to the condensed Consolidated Interim Financial Statements  
For The Six months ended June 30, 2021 (continued)

Translation from Arabic

**18. CASH AND CASH EQUIVALENTS**

	Note No.	30/6/2021 L.E. (000)	31/12/2020 L.E. (000)	30/6/2020 L.E. (000)
Banks - time deposits (less than 3 months)		248 616	1 205 037	462 423
Banks - current accounts		923 013	659 812	931 948
Cash on hand		10 367	4 373	14 075
Treasury bills (less than 3 months)		34 826	55 982	33 482
Money market funds (less than 3 months)		111 288	78 228	103 297
<b>Cash and cash equivalents</b>		<b>1 328 110</b>	<b>2 003 432</b>	<b>1 545 225</b>
<b>Less:</b>				
Restricted cash and cash equivalents at banks	(26)	67 934	66 489	117 254
<b>Cash and cash equivalents as per statement of cash flows</b>		<b>1 260 176</b>	<b>1 936 943</b>	<b>1 427 971</b>

**19. LOANS AND CREDIT FACILITIES**

- The increase in the balance of loans and credit facilities by an amount of L.E 20 486 K mainly resulting from proceeds of loans and credit facilities with local and foreign currencies amounted to L.E. 1 782 248 K, where loans and credit facilities with local and foreign currencies in June, 30 2021 amounted to L.E. 20 307 868 K (against L.E. 20 287 382 K at December 31, 2020) due within a year by an amount of L.E. 17 781 606 K, including credit facilities by an amount of L.E. 16 333 415 K.

**20. CREDITORS AND OTHER CREDIT BALANCES**

	Note No.	30/6/2021 L.E. (000)	31/12/2020 L.E. (000)
Suppliers and notes payable		1 819 643	2 151 216
Tax Authority-Income Tax		976 146	718 953
Tax Authority (taxes other than income tax)		733 664	391 734
Deposits to others		538 706	538 467
Liability of early retirement scheme	(9-1)	46 186	67 140
Assets creditors		9 499 344	11 102 296
Dividends payable		5 011	3 763
Accrued expenses		898 178	937 711
Contract lease liabilities		692 113	-
Public Authority for Social Insurance		89 858	70 129
Trade receivables - credit balances		1 776 719	973 138
Credit balances organizations and companies		254 646	374 658
Deferred revenues		3 192 498	1 491 973
National Telecommunication Regulatory Authority (NTRA)		566 399	1 001 733
Other credit balances		818 418	772 384
		<b>21 907 529</b>	<b>20 595 295</b>
<b>Less balances due within more than one year:</b>			
Assets creditors		5 396 299	5 065 367
Contract lease liabilities		633 911	-
Deferred revenues		259 366	273 577
<b>Creditors and non current liabilities balances</b>		<b>6 289 576</b>	<b>5 338 944</b>
<b>Creditors and current liabilities balances</b>		<b>15 617 953</b>	<b>15 256 351</b>
<b>Total Creditors and other credit balances</b>		<b>21 907 529</b>	<b>20 595 295</b>

Creditors and other credit balances have increased by an amount of L.E 1 312 234 K mainly due to the increase in both of deferred revenue by an amount of L.E 1 700 525 K as a result of the increase in transmission systems lease revenue from mobile and internet by an amount of L.E 1 315 781 K, and contract lease liabilities item by an amount of L.E 692 113 K, and Tax Authority (taxes other than income tax) item by an amount of L.E 341 930 K.

Notes to the condensed Consolidated Interim Financial Statements  
For The Six months ended June 30, 2021 (continued)

Translation from Arabic

## 21. PROVISIONS

	<b>30/6/2021</b>	<b>31/12/2020</b>	<b>30/6/2020</b>
	<b>L.E.(000)</b>	<b>L.E.(000)</b>	<b>L.E.(000)</b>
Balance at the beginning of the period /year	1 102 476	772 610	772 610
Reclassification during the period/year	229 343	-	-
Charged to income statement for the period / year	( 180 066)	362 553	3 600
Provision used during the period / year	( 16 039)	( 32 693)	-
Translation differences	-	6	(5)
<b>Balance at the end of the period / year</b>	<b>1 135 714</b>	<b>1 102 476</b>	<b>776 205</b>

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

## 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 L.E. 10 each.
- The Egyptian Government owns 80% after floating 20% of company's shares in public offering during December 2005.

## 23. RESERVES

	<b>30/6/2021</b>	<b>31/12/2020</b>
	<b>L.E.(000)</b>	<b>L.E.(000)</b>
Legal reserve *	2 351 245	2 241 767
Other reserves	2 787 550	2 787 550
	<b>5 138 795</b>	<b>5 029 317</b>

The balance of legal reserve has increased as a result of retaining an amount of L.E. 109 478 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	205 498	(2 596 303)	131 959	(2 392 317)
Net deferred tax liability	-	(2 390 805)	-	(2 260 358)
Deferred tax charged to consolidated income statement for the period / year	-	( 130 447)	-	(1 011 260)

### 24-2 Unrecognized deferred tax assets

	<b>30/6/2021</b>	<b>31/12/2020</b>
	<b>L.E.(000)</b>	<b>L.E.(000)</b>
Unrecognized deferred tax assets	581 112	518 869

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

## 25. CAPITAL COMMITMENTS

The group's capital commitments for the unexecuted parts of contracts up to June 30, 2021 amounted to L.E 583 Million (against L.E. 274 Million up to December 31, 2020).



## 26. CONTINGENT LIABILITIES

In addition to the amounts included in the condensed consolidated statement of financial statements as of June 30, 2021, the company has the following contingent liabilities:

	30/6/2021	31/12/2020
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
- Letters of guarantee issued by banks on behalf of the company*	2 641 821	2 008 421
- Letters of credit	1 517 264	1 773 804

\*Includes letters of guarantee which were issued by banks at June 30, 2021 against restricted cash and cash equivalents at banks (note no.18).

## 27. TAX POSITION (Telecom Egypt Company)

### 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 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.

**27- 5 Real Estate Tax**

- All taxes are paid according to the tax forms received by the company. The company's Legal Department follows up the disputes according to the real estate tax law.
- Tax returns were submitted according to the new real estate tax law No.196 for the year 2008 on the due dates.
- Provisions were formed to meet any tax liabilities that may arise from the tax inspection.

**28. RELATED PARTY TRANSACTIONS IS REPRESENTED IN**

transactions between the group and it's associates. The related transactions during the period and balances on the condensed consolidated interim financial statements cate are stated as follows:-

Nature of transactions during the period	Transactions volume during the period stated in the statement		Movement during the period		Balance as of	
	of income	LE 000	Debit	Credit	Debit (Credit)	31/12/2020
		LE 000	LE 000	LE 000	LE 000	LE 000
Outgoing calls and voice services to the associate company	844 883					
Incoming and international calls, transmission & lease of company premises and towers to the associates company	721 139		3 747 211	2 989 729	(574 -23)	(1 331 905)
Telecommunications and services	421		-	-	(15)	(15)
			<u>3 747 211</u>	<u>2 989 729</u>	<u>(574 438)</u>	<u>(1 331 920)</u>

**Credit balances due to associates**

- Vodafone Egypt Telecommunications Company

**29. GROUP ENTITIES**

- Subsidiaries companies are controlled by group companies.
- The group companies control the invested entities when affected by or entitled to variable interest, through participating and influencing the interest due to authority on invested entity.
- The condensed consolidated interim financial statement includes the subsidiary companies that it told, from the date of acquisition till end date.
- Company's direct and indirect share in subsidiaries companies on June 30, 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>30/6/2021</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 %	-
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 (Eiscc)	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 %
Egyptian telecommunication intergrated service Company	Egypt	100.00 %	-
Centra Distribution	Egypt	99.99 %	99.99 %
Middle East Radio Communication (MERC)	Egypt	51.00 %	51.00 %

### 30 **SIGNIFICANT 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.

**31. COMPARATIVE FIGURES**

- Reclassification was made to some of the comparative figures of the condensed consolidated interim financial statement of income and the condensed consolidated statement of cashflow 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:

**31-1 Impact on the condensed consolidated statement of income:**

	<u>For the six months ended</u>		<u>For the six months ended</u>		<u>For the three months ended</u>		<u>For the three months ended</u>	
	<u>30/6/2020</u>	<u>Reclassification</u>	<u>30/6/2020</u>	<u>30/6/2020</u>	<u>Reclassification</u>	<u>30/6/2020</u>	<u>30/6/2020</u>	
	<u>as previously reported</u>	<u>(debit) / credit</u>	<u>Reclassified</u>	<u>as previously reported</u>	<u>(debit) / credit</u>	<u>Reclassified</u>	<u>Reclassified</u>	
	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>	
Operating costs	(9 098 279)	(67 921)	(9 166 200)	(4 787 663)	(40 459)	(4 828 122)		
Selling and distribution expenses	(1 502 245)	35 655	(1 466 590)	(751 908)	25 872	(726 036)		
General and administrative expenses	(1 605 498)	32 266	(1 573 232)	(824 142)	14 587	(809 555)		

**31-2 Impact on the condensed consolidated statement of cash flows:**

	<u>For the six months ended</u>		<u>For the six months ended</u>	
	<u>30/6/2020</u>	<u>Reclassification</u>	<u>30/6/2020</u>	<u>Reclassified</u>
	<u>as previously reported</u>		<u>as previously reported</u>	
	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>
Cash receipts from customers	15 512 586	(897 128)	14 615 458	
Cash paid to suppliers	(4 470 504)	897 128	(3 573 376)	

**32- 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 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 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 units to reflect the absence of the negative impact of Coronavirus on the company's revenue, and the company's sales plans have been reviewed and updated to be suitable for the current events.

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

It is evident from the above, that until now there is no negative impact on the Telecom Egypt's condensed separate financial statements, for The Six Months ended June 30, 2021 as well as during the subsequent periods of that date.

**33- SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied in the preparation of the condensed consolidated interim financial statements as of June 30, 2021 is the same as the accounting policies applied in the preparation of the annual consolidated financial statements as of December 31, 2020, these accounting policies have been applied consistently to all periods presented in these condensed consolidated interim financial (except for what mentioned before – Note No. (2-7)).