

**Telecom Egypt Company**  
**(An Egyptian Joint Stock Company)**  
**Condensed Consolidated Interim Financial Statements**  
**For The Six Months Ended June 30, 2023**  
**And Limited Review Report**

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*Translation from Arabic*

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

### ***Introduction***

We have performed a limited review on the accompanying June 30, 2023, condensed interim consolidated financial statements of Telecom Egypt Company “an Egyptian joint stock company” and its subsidiaries “the Group”, which comprises:

- The condensed interim consolidated statement of financial position as of June 30, 2023;
- The condensed interim consolidated statements of income for the three months and six months periods ended June 30, 2023;
- The condensed interim consolidated statements of comprehensive income for the three months and six months periods ended June 30, 2023;
- The condensed interim consolidated statements of changes in equity for six months periods ended June 30, 2023;
- The condensed interim consolidated statements of cash flows for six months periods ended June 30, 2023;
- The notes to the condensed interim consolidated financial statements.

Management is responsible for the preparation and fair presentation of these condensed interim consolidated financial statements in accordance with Egyptian Accounting Standard number (30) “Interim Financial Reporting”. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our limited review.

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

Except for what will be explained in the basis for the qualified conclusion, 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 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 interim consolidated financial statements.



**Hazem Hassan**

*Translation from Arabic*

***Basis of Qualified Conclusion***

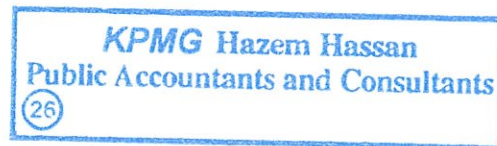
As explained in note no. (13) of the notes in the condensed interim consolidated financial statements, the company has Investments in Vodafone Egypt (associate company) which is accounted for by using the equity method in the condensed interim consolidated financial statement, and the company's share in the equity of the associate company was determined as of June 30, 2023, based on financial information prepared by the management of the associate company there was no report issued by the associate company's external auditor.

***Qualified Conclusion***

Based on our limited review, except for the possible effect on the condensed interim consolidated financial statements of the matter described in the basis of qualified conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying June 30, 2023, condensed interim consolidated financial statements do not present fairly, in all material respects, in accordance with Egyptian Accounting Standard number (30) "Interim Financial Reporting".

**KPMG Hazem Hassan  
Public Accountants & Consultants**

Cairo, August 14, 2023



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

	Note No.	30/6/2023 L.E. (000)	31/12/2022 L.E. (000)
<b>Assets</b>			
<b>Non Current Assets</b>			
Fixed assets	(11)	52 532 748	49 784 679
Contract assets		1 354 369	1 348 006
Projects under construction	(12)	15 034 407	14 009 576
Investments in associates	(13)	11 816 438	12 184 892
Financial assets at fair value through other comprehensive income		74 856	74 856
Debtors and other debit balances	(17)	79 808	67 921
Other assets	(14)	18 979 532	15 549 087
Deferred tax assets	(25-1)	190 017	-
<b>Total Non Current Assets</b>		<b>100 062 175</b>	<b>93 019 017</b>
<b>Current Assets</b>			
Inventories	(15)	4 866 703	4 280 512
Trade and notes receivable	(16)	10 986 066	8 154 841
Debtors and other debit balances	(17)	8 376 902	7 628 275
Debit balances from associates	(29-1)	529 723	-
Financial assets at amortized cost ( treasury bills)		-	-
Cash and cash equivalents	(18)	9 811 230	6 811 305
<b>Total Current Assets</b>		<b>34 570 624</b>	<b>26 874 933</b>
<b>Total Assets</b>		<b>134 632 799</b>	<b>119 893 950</b>
<b>Equity</b>			
Capital	(23)	17 070 716	17 070 716
Reserves	(24)	5 858 045	5 490 375
Retained earnings		22 321 189	23 289 323
Foreign entities translation reserve		702 947	402 277
<b>Equity attributable to shareholders of the company</b>		<b>45 952 897</b>	<b>46 252 691</b>
<b>Non - controlling interest</b>		<b>14 400</b>	<b>15 159</b>
<b>Total Equity</b>		<b>45 967 297</b>	<b>46 267 850</b>
<b>Non Current Liabilities</b>			
Loans - long term	(19)	22 270 942	20 411 441
Creditors and other credit balances	(20)	10 848 384	6 562 291
Lease liabilities long term	(21)	754 175	820 864
Deferred tax liabilities	(25-1)	-	1 482 210
<b>Total Non Current Liabilities</b>		<b>33 873 501</b>	<b>29 276 806</b>
<b>Current Liabilities</b>			
Loans and credit facilities - short term	(19)	21 770 320	10 414 611
Creditors and other credit balances	(20)	31 359 748	31 055 503
Lease liabilities short term	(21)	346 776	291 510
Credit balances to associates	(29-1)	-	677 662
Accrued income tax		110 155	663 205
Provisions	(22)	1 205 002	1 246 803
<b>Total Current Liabilities</b>		<b>54 792 001</b>	<b>44 349 294</b>
<b>Total Liabilities</b>		<b>88 665 502</b>	<b>73 626 100</b>
<b>Total Equity and Liabilities</b>		<b>134 632 799</b>	<b>119 893 950</b>

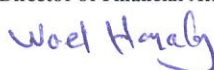
The accompanying notes on pages (6) to (30) are an integral part of these Condensed Consolidated Interim Financial Statements.

Director of Financial Affairs



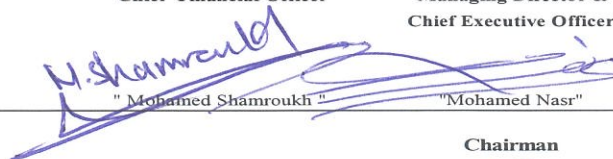
"Ehab Abdo "

Senior Director of Financial Affairs



" Wael Hanafy "

Chief Financial Officer



" Mohamed Shamroukh "

Managing Director &  
Chief Executive Officer

"Mohamed Nasr"

Board of Directors approval

Chairman



"Maged Osman"

**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>	
		30/6/2023	30/6/2022	30/6/2023	30/6/2022
		<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Operating revenues	(3)	28 135 660	20 401 407	14 176 999	10 984 254
Operating costs	(4)	(16 026 059)	(11 866 827)	(8 241 278)	(6 176 924)
<b>Gross Profit</b>		<b>12 109 601</b>	<b>8 534 580</b>	<b>5 935 721</b>	<b>4 807 330</b>
Other income		210 365	311 017	130 104	170 810
Selling and distribution expenses	(5)	(2 189 960)	(1 843 448)	(1 185 722)	( 948 255)
General and administrative expenses	(6)	(2 494 167)	(1 908 341)	(1 312 381)	(1 010 213)
Other expenses		( 167 059)	( 68 796)	( 57 117)	40 508
(Provision)\ Reversal of expected credit loss		( 101 344)	43 205	( 76 585)	112 754
<b>Net Operating profit</b>		<b>7 367 436</b>	<b>5 068 217</b>	<b>3 434 020</b>	<b>3 172 934</b>
Finance income		376 643	95 948	152 021	31 874
Finance cost		(2 536 217)	(1 118 952)	(1 283 024)	( 715 230)
<b>Net finance cost</b>	(7)	<b>(2 159 574)</b>	<b>(1 023 004)</b>	<b>(1 131 003)</b>	<b>( 683 356)</b>
<b>Share of profit of equity accounted investees</b>	(8)	<b>1 964 230</b>	<b>1 044 249</b>	<b>1 070 153</b>	<b>727 034</b>
<b>Net profit for the period before income tax</b>		<b>7 172 092</b>	<b>5 089 462</b>	<b>3 373 170</b>	<b>3 216 612</b>
Income tax expense		(1 161 158)	(1 409 025)	( 695 389)	( 709 836)
Deferred tax expense	(25-1)	688 475	102 562	207 895	( 90 805)
<b>Total income tax</b>		<b>( 472 683)</b>	<b>(1 306 463)</b>	<b>( 487 494)</b>	<b>( 800 641)</b>
<b>Net profit for the period after income tax</b>		<b>6 699 409</b>	<b>3 782 999</b>	<b>2 885 676</b>	<b>2 415 971</b>
<b><u>Profit attributable to :</u></b>					
Shareholders of the company		6 695 533	3 781 693	2 882 163	2 415 340
Non-controlling interest		3 876	1 306	3 513	631
<b>Net profit for the period after income tax</b>		<b>6 699 409</b>	<b>3 782 999</b>	<b>2 885 676</b>	<b>2 415 971</b>
<b>Basic and diluted earning per share for the period (L.E. / Share)</b>	(10)	<b>3.92</b>	<b>2.22</b>	<b>1.69</b>	<b>1.41</b>

The accompanying notes on pages (6) to (30) 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**

	Note	<u>For the six months ended :</u>		<u>For the three months ended :</u>	
		30/6/2023	30/6/2022	30/6/2023	30/6/2022
	<u>No.</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 after income tax		6 699 409	3 782 999	2 885 676	2 415 971
<b><u>Other Comprehensive Income items :</u></b>					
Translation differences of foreign entities		300 670	149 160	2 248	11 534
Translation differences of foreign currency balances		(4 684 535)	(1 864 761)	(102 644)	-
Income tax on translation differences of foreign currency balances		70 268	-	(3 518)	-
Deferred tax on translation differences of foreign currency balances	(25-1)	983 752	419 571	26 612	-
		<u>(3 630 515)</u>	<u>(1 445 190)</u>	<u>(79 550)</u>	<u>-</u>
Transferred to retained earnings during the period		3 630 515	1 445 190	79 550	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Comprehensive Income</b>		<b><u>7 000 079</u></b>	<b><u>3 932 159</u></b>	<b><u>2 887 924</u></b>	<b><u>2 427 505</u></b>
<b>Attributable to :</b>					
Shareholders of the company		6 996 203	3 930 853	2 884 411	2 426 874
Non-controlling interest		3 876	1 306	3 513	631
<b>Total Comprehensive Income</b>		<b><u>7 000 079</u></b>	<b><u>3 932 159</u></b>	<b><u>2 887 924</u></b>	<b><u>2 427 505</u></b>

The accompanying notes on pages (6) to (30) 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, 2023**

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
	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)
	17 070 716	2 351 347	2 787 550	22 147 270	(40 563)	44 316 320	13 240	44 329 560
	-	-	-	3 781 693	-	3 781 693	1 306	3 782 999
	-	-	-	-	149 160	149 160	-	149 160
	-	-	-	3 781 693	149 160	3 930 853	1 306	3 932 159
	-	-	-	(1 445 190)	-	(1 445 190)	-	(1 445 190)
	-	349 071	-	(349 071)	-	-	-	-
	-	-	-	(144 459)	-	(144 459)	-	(144 459)
	-	-	-	(1 707 072)	-	(1 707 072)	(2 797)	(1 709 869)
	-	-	-	(1 008 848)	-	(1 008 848)	(556)	(1 009 404)
	-	-	-	(198)	-	(198)	-	(198)
	-	-	-	(2 860 577)	-	(2 860 577)	(3 353)	(2 863 930)
	17 070 716	2 700 418	2 787 550	21 274 125	108 597	43 941 406	11 193	43 952 599
	17 070 716	2 702 825	2 787 550	23 289 323	402 277	46 252 691	15 159	46 267 850
	-	-	-	6 695 533	-	6 695 533	3 876	6 699 409
	-	-	-	-	300 670	300 670	-	300 670
	-	-	-	6 695 533	300 670	6 996 203	3 876	7 000 079
	-	-	-	(3 630 515)	-	(3 630 515)	-	(3 630 515)
	-	367 670	-	(367 670)	-	-	-	-
	-	-	-	(225 275)	-	(225 275)	-	(225 275)
	-	-	-	(2 133 840)	-	(2 133 840)	(3 792)	(2 137 632)
	-	-	-	(1 306 367)	-	(1 306 367)	(843)	(1 307 210)
	-	-	-	(3 665 482)	-	(3 665 482)	(4 635)	(3 670 117)
	17 070 716	3 070 495	2 787 550	22 688 859	702 947	45 952 897	14 400	45 967 297

The accompanying notes on page from (6) to (30) 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><u>30/6/2023</u></b>	<b><u>30/6/2022</u></b>
		<b><u>L.E. (000)</u></b>	<b><u>L.E. (000)</u></b>
<b><u>Cash flows from operating activities:-</u></b>			
Cash receipts from customers and notes receivables	30	338 256	20 076 613
Stamp tax and fees collected (from third party)		71 478	65 136
Deposits collected from customers		31 097	26 893
Cash paid to suppliers		(7 709 102)	(4 110 449)
Payments for NTRA license fees		(1 727 511)	( 887 007)
Cash paid to Board of Directors		( 30 514)	( 27 705)
Cash paid to employees		(4 835 587)	(3 805 756)
Cash paid on behalf of employees to third party		( 742 842)	( 654 091)
Payments to Tax Authority - taxes other than income tax		(2 371 444)	(1 831 239)
Other payments		( 338 747)	( 17 129)
<b>Cash provided by operating activities</b>		<b>12 685 084</b>	<b>8 835 266</b>
Interest paid		(1 842 527)	( 411 595)
Payments to Tax Authority - income tax		( 307 147)	( 126 300)
<b>Net cash provided by operating activities</b>		<b>10 535 410</b>	<b>8 297 371</b>
<b><u>Cash flows from investing activities:-</u></b>			
Payments for purchase of fixed assets, projects under construction and other assets		(11 235 384)	(6 329 048)
Payments for purchase of other assets		(2 780 130)	(1 719 720)
Proceeds from sales of fixed assets and other assets		270	41
Payments for purchase of financial assets at amortized cost - treasury bills		-	( 596 933)
Proceeds from sale of financial assets at amortized cost - treasury bills		-	606 851
Interest received		180 152	11 315
Dividends collected from investments		4 250	-
proceeds from financial assets at amortized cost - treasury bills income		94 841	15 660
<b>Net cash used in investing activities</b>		<b>(13 736 001)</b>	<b>(8 011 834)</b>
<b><u>Cash flows from financing activities:-</u></b>			
Payments for loans		(2 124 685)	( 941 756)
Net proceeds from credit facilities		10 525 413	1 872 696
Payments for lease liabilities		( 175 604)	( 134 183)
Dividends paid to Shareholders		(2 137 632)	(1 709 301)
<b>Net cash provided by (used in) financing activities</b>		<b>6 087 492</b>	<b>( 912 544)</b>
<b>Net change in cash and cash equivalents during the period</b>		<b>2 886 901</b>	<b>( 627 007)</b>
Translation differences of foreign entities		116 654	24 244
Cash and cash equivalents at the beginning of the period	(18)	6 751 791	2 922 993
<b>Cash and cash equivalents at the end of the period</b>	(18)	<b>9 755 346</b>	<b>2 320 230</b>

The accompanying notes on pages from (6) to (30) are an integral part of these Condensed Consolidated Interim Financial statements.

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

**Notes to the Condensed Consolidated Interim Financial Statements**  
**For The Six Months Ended June 30, 2023**

**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 address of the company is 26 Ramses Street, Cairo, Egypt.
- 30% of the company's nominal shares are traded on the Egyptian Stock Exchange, while GDRs are traded on the London Stock Exchange, each consisting of five ordinary shares.

**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 13, 2023.

## **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, 2023 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 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, 2022.
- The company's management also applied the special accounting treatment to deal with the effects of the liberalization of exchange rates contained in Appendix (C) of the Egyptian Accounting Standard No. (13) Amended in 2015 "Effects of Changes in Foreign Currency Exchange Rates", according to what is detailed in Explanation No. (32-3).

### **2-2 Basis of measurement**

- These Condensed Consolidated Interim Financial Statements have been prepared under the historical cost basis, except for:
- Financial assets and liabilities that are recorded at fair value through profit or loss.
- Financial assets and liabilities that are recorded at fair value through other comprehensive income.
- For presentation purposes, the current and non-current classification has been used for the condensed consolidated financial position, while expenses are analyzed in the condensed consolidated interim income statement using a classification based on their function. The direct method has been used in preparing the condensed consolidated interim 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 of non-financial assets.  | - Provisions and contingencies.                       |
| - Deferred tax assets and liabilities. | - Operational useful life of fixed and other assets.  |
| - Measuring Expected credit losses.    | - Estimate the net realizable value of the inventory. |

### **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.
- Other activities

### 3. OPERATING REVENUES

	<u>For the six months ended :</u>		<u>For the three months ended :</u>	
	<u>30/6/2023</u>	<u>30/6/2022</u>	<u>30/6/2023</u>	<u>30/6/2022</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	12 121 718	10 416 768	6 204 546	5 379 651
Enterprise	3 128 704	2 612 568	1 437 511	1 428 876
Domestic wholesale	4 449 398	3 090 073	1 894 573	1 692 774
International carriers	3 718 484	2 262 764	1 944 921	1 260 966
International cables and networks	4 717 356	2 019 234	2 695 448	1 221 987
	<u>28 135 660</u>	<u>20 401 407</u>	<u>14 176 999</u>	<u>10 984 254</u>

Total operating revenues have increased by an amount of L.E. 7 734 253 K mainly due to the increase in international cables and networks revenues by an amount of L.E 2 698 122 K, the increase in Domestic wholesale revenues by an amount of L.E. 1 359 325 K due to the increase in access service and infrastructure revenues, in addition to home and personal communications revenues by an amount of L.E. 1 704 950 K due to the increase in revenues resulting from fixed line and rendering mobile phone services and internet services, international carriers by an amount of L.E. 1 455 720, and the increase in Enterprise revenue by an amount of L.E. 516 136 K due to the increase in revenues resulting from internet services, and complementary-access.

### 4. OPERATING COSTS

	<u>For the six months ended :</u>		<u>For the three months ended :</u>	
	<u>30/6/2023</u>	<u>30/6/2022</u>	<u>30/6/2023</u>	<u>30/6/2022</u>
	<u>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>	<u>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>
Interconnection call cost	4 129 045	3 187 316	2 189 422	1 659 145
Depreciation and amortization*	4 420 329	3 182 957	2 313 512	1 581 767
Salaries and wages	2 133 316	1 534 257	1 130 673	799 578
Company's share in social insurance	200 518	176 388	101 172	88 476
Frequencies and licenses charges ( NTRA )	1 301 970	1 048 485	636 571	541 551
Other operating cost*	3 840 881	2 737 424	1 869 928	1 506 407
	<u>16 026 059</u>	<u>11 866 827</u>	<u>8 241 278</u>	<u>6 176 924</u>

Operating costs have increased by an amount of L.E. 4 159 232 K mainly due to the following: -

- The increase of interconnection call cost by an amount of L.E. 941 729 K which is mainly due to the increase in international fees costs however, the decrease in national roaming fees by an amount of L.E. 321 880 K led to the limitation of this increase.
- The increase of the depreciation and amortization item by an amount of L.E 1 237 372 K during the period due to the additions of the year after the first half and the current period.
- The increase of frequencies and licenses charges (NTRA) by an amount of L.E. 253 485 K .
- The increase in other operating cost item by an amount of L.E. 1 103 457 which is mainly due to the increase in organizations services costs item by an amount of L.E. 404 170 K, and merchandise for sale costs item by an amount of L.E. 223 299 K and leased circuits and satellite subscription item by an amount of L.E 172 380 K, and Maintenance item by an amount of L.E. 246 835 K.

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

## 5. SELLING AND DISTRIBUTION EXPENSES

	<u>For the six months ended :</u>		<u>For the three months ended :</u>	
	<u>30/6/2023</u>	<u>30/6/2022</u>	<u>30/6/2023</u>	<u>30/6/2022</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Salaries and wages	1 006 174	834 617	522 140	431 262
Company's share in social insurance	93 282	85 090	47 012	42 416
Advertising and marketing	600 721	432 616	379 490	219 467
Agents' commissions and collection organizations	329 190	298 361	148 311	155 000
Depreciation and amortization	34 823	29 436	17 583	16 222
Other selling and distribution expenses	125 770	163 328	71 186	83 888
	<u>2 189 960</u>	<u>1 843 448</u>	<u>1 185 722</u>	<u>948 255</u>

The increase in selling and distribution expenses by an amount of L.E 346 512 K mainly due to the increase in Salaries and wages item by an amount of L.E 171 557 K which is mainly due to the annual increases during the period, in addition to Advertising and marketing item by an amount of L.E 168 105 K, and Agents' commissions and collection organizations item by an amount of L.E 30 829 K ,however the decrease in Organizations service costs item by an amount of L.E 23 703 K within other selling and distribution expenses led to the limitation of this increase.

## 6. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>Note</u> <u>No</u>	<u>For the six months ended :</u>		<u>For the three months ended :</u>	
		<u>30/6/2023</u>	<u>30/6/2022</u>	<u>30/6/2023</u>	<u>30/6/2022</u>
		<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Salaries and wages		1 592 875	1 204 511	831 624	641 488
Company's share in social insurance		118 266	104 963	59 878	52 477
The company's contribution in loyalty and belonging fund	(9)	100 000	100 000	50 000	50 000
Depreciation and amortization		80 560	65 062	50 836	35 643
Organization services cost and consultants		199 976	168 518	108 554	88 868
Taxes and duties		114 942	85 514	63 169	48 358
Other general and administration expenses		287 548	179 773	148 320	93 379
		<u>2 494 167</u>	<u>1 908 341</u>	<u>1 312 381</u>	<u>1 010 213</u>

The increase in general and administrative expenses by an amount of L.E. 585 826 K is mainly due to the increase in Salaries and wages item by an amount of L.E 388 364 K mainly due to the annual increases during the period and the increase in other general and administration expenses item by an amount of L.E 107 775 K, taxes and duties by an amount of L.E 29 428 K, and the increase in organizations services costs and consultants by an amount of L.E. 31 458 K .

## 7. NET FINANCE COST

The increase in net finance cost by an amount of L.E 1 136 570 K during the period is mainly due to the increase in debit interest by an amount of L.E 1 401 869 K and finance costs for credit contracts by an amount of L.E 161 670 K, however the increase in the credit interest by an amount of L.E 287 498 K led to the limitation of this increase.

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

## 8. SHARE OF PROFIT OF EQUITY ACCOUNTED INVESTEEES

	<u>For the six months ended :</u>		<u>For the three months ended :</u>	
	<u>30/6/2023</u>	<u>30/6/2022</u>	<u>30/6/2023</u>	<u>30/6/2022</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	1 948 398	1 036 000	1 061 618	723 627
Egypt trust	15 832	8 249	8 535	3 407
	<u>1 964 230</u>	<u>1 044 249</u>	<u>1 070 153</u>	<u>727 034</u>

Represented in the group's share of profits of the investee companies according to the equity method.

## 9. EMPLOYEE'S BENEFITS

### 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' monthly salary in January 1, 2015 increasing annually at a compound rate of 5%. The subscription for employees hired after January 1, 2015 is calculated according to a subscription schedule for new hires and increase annually at a compound rate of 5% starting from the next year of the hiring date with the same conditions of periodical raise of employees.

Noting that the General Assembly of the Loyalty and belonging Fund, which was held in December 2022, approved the amendment of the subscription fee for disbursing benefits and collecting contributions to be the basic wage on 1/1/2017, provided that this amendment takes effect from 1/1/2022 after the issuance of the General Assembly's decision financial control of the proposed amendments to the Fund's Articles of Association, according to the approval of the Extraordinary General Assembly, which has not been issued to date.

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 M for the period ended in June 30, 2023 (against an amount of L.E. 100 M for the same period of 2022).

## 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>30/6/2023</u>	<u>30/6/2022</u>	<u>30/6/2023</u>	<u>30/6/2022</u>
<b>The holding company owners' equity :</b>				
Net profit for the period (LE in thousand)	6 695 533	3 781 693	2 882 163	2 415 340
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>3.92</b>	<b>2.22</b>	<b>1.69</b>	<b>1.41</b>

## 11. FIXED ASSETS

Description	30/6/2023	30/6/2022	30/6/2023	30/6/2022	30/6/2023	30/6/2022	31/12/2022
	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	2 395 085	2 392 488	-	-	2 395 085	2 392 488	2 393 766
Buildings & Infrastructure	48 509 919	42 745 772	21 975 788	19 642 162	26 534 131	23 103 610	25 574 853
Centrals & information technologies equipment	44 381 060	38 727 410	21 392 468	20 388 712	22 988 592	18 338 698	20 990 570
Vehicles	307 365	291 491	141 841	118 634	165 524	172 857	176 031
Furniture	1 305 247	1 144 030	945 797	818 827	359 450	325 203	532 031
Tools & supplies	270 330	244 890	185 319	165 715	85 011	79 175	87 525
Decoration & fixtures	207 007	188 828	202 052	186 809	4 955	2 019	29 903
Fixtures on trunk radio network	-	315	-	315	-	-	-
<b>Total</b>	<b>97 376 013</b>	<b>85 735 224</b>	<b>44 843 265</b>	<b>41 321 174</b>	<b>52 532 748</b>	<b>44 414 050</b>	<b>49 784 679</b>

- The increase in net carrying value of fixed assets mainly due to the additions during the period by an amount of L.E 4 279 346 K, however the depreciation of the period by an amount of L.E. 3 508 345 K led to limitation of this increase.
- The cost of fixed assets as of June 30, 2023 includes an amount of L.E. 14 642 Million fully depreciated fixed assets and still in use. (against an amount of L.E. 15 451 Million for the same period of 2022).
- The fixed assets include additions by an amount of L.E 2 205 211 K (against an amount of L.E. 788 445 K for the same period of 2022), which is represented in the currency differences resulting from the translation of obligations in foreign currencies existing on the date of the exchange rate liberation and related to the acquisition of these assets Note No. (32-3).



**12. PROJECTS UNDER CONSTRUCTION**

	<b>30/6/2023</b>	<b>31/12/2022</b>
	<b>L.E. (000)</b>	<b>L.E. (000)</b>
Land	324 945	324 945
Buildings and Infrastructure	2 597 329	2 309 034
Centrals and information technologies equipment	6 508 977	4 026 672
Tools and supplies	2 496	7 449
Furniture	1 647	-
Other Assets	1 906 420	4 452 075
Advance payments - Fixed assets	3 712 183	2 908 991
	<b>15 053 997</b>	<b>14 029 166</b>
<b>Less:</b>		
Impairment loss on projects under construction	19 590	19 590
	<b>15 034 407</b>	<b>14 009 576</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, 2023.

- The balance of projects in progress includes an amount of L.E 539 017 K (against an amount of L.E. 135 024 K for the same period of 2022), representing the currency differences resulting from the translation of liabilities in foreign currencies existing on the date of the exchange rate liberalization and related to the acquisition of these assets Note No. (32-3).

**13. INVESTMENTS IN ASSOCIATES**

	<b>30/6/2023</b>		<b>31/12/2022</b>	
	<b>Ownership</b>	<b>Amount</b>	<b>Ownership</b>	<b>Amount</b>
	<b>%</b>	<b>L.E. (000)</b>	<b>%</b>	<b>L.E. (000)</b>
- Vodafone Egypt Telecommunication company *	44.95	11 784 823	44.95	12 169 109
- Egypt Trust	35.71	30 365	35.71	14 533
- New matrix for technology	25.50	1 250	25.50	1 250
- Wataneya for Telecommunication **	50.00	-	50.00	-
		<b>11 816 438</b>		<b>12 184 892</b>

- Shares of investments in associates are accounted for using the equity method, so that the initial recognition is made at cost, including the costs associated with the acquisition, and the subsequent measurement in the consolidated financial statements is made by increasing or decreasing the book value of the investment by the group's share of profits or losses and other comprehensive income items in the investee company.

\* The investments in Vodafone Egypt on June 30, 2023 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, 2023 by using the consolidated financial statements of Vodafone Egypt for the financial year ended in March 31, 2023 which presents the 12 months from the 1st of April 2022 till March 31, 2023, deduct the movements of the period from April 1, 2022 till December 31, 2022 from the consolidated interim financial data of Vodafone Egypt as of December 31, 2022, in addition to the period from April 1, 2023 till June 30, 2023 from the consolidated interim financial data of Vodafone Egypt as of June 30, 2023, To determine the share of financial period from January 1 to June 30, 2023 of business results of the associate company.

\*\* The value of the investment in Wataneya for Telecommunication amounted to L.E. 125 K was fully reduced against the company's share in the losses of associates.

**14. OTHER ASSETS**

	<b>30/6/2023</b>	<b>31/12/2022</b>
	<b><u>L.E. (000)</u></b>	<b><u>L.E. (000)</u></b>
<b><u>Cost</u></b>		
Licenses granted for mobile services	18 830 448	14 995 652
Usufruct (Projects)	982 396	480 175
Assets right of use (Lease Contracts)	1 907 480	1 757 191
Submarine Cables (right of way)	2 520 235	2 467 889
Right of Use (ROU)	778 084	762 498
License (internet service - programs )	24 797	23 942
Land (possession-usufruct)	440 684	440 684
Goodwill	15 839	15 839
	<b><u>25 499 963</u></b>	<b><u>20 943 870</u></b>
<b><u>Less:</u></b>		
Accumulated amortization and impairment	6 520 431	5 394 783
<b>Net other assets</b>	<b><u>18 979 532</u></b>	<b><u>15 549 087</u></b>

- The increase in net carrying value of other assets mainly due to the increase in licenses granted for mobile services item by an amount of L.E.3 065 625 K.
- Other assets cost includes at June 30, 2023 an amount of L.E 249 Million (against an amount of L.E. 459 Million for the same period of 2022), other assets fully amortized and still in use.
- The other assets include an amount of L.E 773 693 K (against an amount of L.E. 226 008 K for the same period of 2022) representing the currency differences resulting from the translation of liabilities in foreign currencies existing on the date of the exchange rate liberalization and related to the acquisition of these assets Note No. (32-3).

**15. INVENTORIES**

	<b>30/6/2023</b>	<b>31/12/2022</b>
	<b><u>L.E. (000)</u></b>	<b><u>L.E. (000)</u></b>
Spare parts	955 843	760 576
Material supplies and merchandise for sale	3 883 034	3 479 465
Others	27 826	40 471
	<b><u>4 866 703</u></b>	<b><u>4 280 512</u></b>

The value of inventories was written down by L.E. 201 665 K (against LE 204 144 K as at December 31, 2022) for obsolete and slow-moving items directly from the cost of each type of inventory related to.

**16. TRADE AND NOTES RECEIVABLES**

	<b>30/6/2023</b>	<b>31/12/2022</b>
	<b><u>L.E. (000)</u></b>	<b><u>L.E. (000)</u></b>
Trade Receivables - National	6 416 761	5 650 436
Trade Receivables - International	<u>7 102 853</u>	<u>4 913 163</u>
	<b>13 519 614</b>	<b>10 563 599</b>
<b><u>Add:</u></b>		
Notes receivable	213 736	246 286
<b><u>Less:</u></b>		
Expected credit loss provision	<u>2 747 284</u>	<u>2 655 044</u>
	<b><u>10 986 066</u></b>	<b><u>8 154 841</u></b>

Trade and notes receivable balance have increased by an amount of L.E.2 831 225 K is mainly due to the increase in trade receivables – International cables and networks by an amount of L.E 1 945 486 K, trade receivables - International carrier by an amount of L.E. 244 204 K, trade receivables – Domestic wholesale by an amount of L.E. 48 097 K and trade receivables - Enterprise and networks by an amount of L.E. 348 541 K.

**17. DEBTORS AND OTHER DEBIT BALANCES**

	<b>30/6/2023</b>	<b>31/12/2022</b>
	<b><u>L.E.(000)</u></b>	<b><u>L.E.(000)</u></b>
Suppliers – advanced payments	1 044 959	688 358
Deposits with other	344 724	322 516
Accrued revenues	2 194 166	166 533
Tax Authority - value added tax	1 276 153	2 176 439
Tax Authority - withholding tax	246 464	1 188 724
Due from ministries, organizations and companies	1 371 231	1 113 386
Temporary debts due from employees	742 004	1 203 763
Prepaid expenses	126 587	123 514
Other debit balances	<u>1 531 049</u>	<u>1 124 486</u>
	<b>8 877 337</b>	<b>8 107 719</b>
<b><u>Less:</u></b>		
Expected credit loss provision	<u>420 627</u>	<u>411 523</u>
<b>Total debtors and other debit balances</b>	<b><u>8 456 710</u></b>	<b><u>7 696 196</u></b>

Debtors and other debit net balances have increased by an amount of L.E. 760 514 K mainly due to the increase in accrued revenue item by an amount of L.E. 2 027 633 K, as a result of the cash dividends from Vodafone Egypt (Associate company), Suppliers – Advanced payments item by an amount of L.E. 356 601 K, due from ministries, organizations and companies item by an amount of L.E. 257 845 K, however the decrease in Tax authority (value added tax) item by an amount of L.E. 900 286 K, and Tax authority (withholding tax) item by an amount of L.E. 942 260 K and Temporary debts due from employees by an amount of L.E. 461 759 K as a result of employees dividends for the year 2022 led to the limitation of this increase.

*Notes to the Condensed Consolidated Interim Financial Statements  
For The Six Months Ended June 30, 2023 (continued)*

*Translation from Arabic*

**18. CASH AND CASH EQUIVALENTS**

	<b>Note</b>	<b>30/6/2023</b>	<b>31/12/2022</b>	<b>30/6/2022</b>
	<b>No.</b>	<b>L.E. (000)</b>	<b>L.E. (000)</b>	<b>L.E. (000)</b>
Banks - time deposits (less than 3 months)		5 736 780	3 544 872	177 406
Banks - current accounts		3 842 782	2 818 478	1 957 638
Cash on hand		16 225	6 767	18 296
Financial assets at amortized cost (Treasury bills-less than 3 months)		91 373	348 078	74 193
Money market funds (less than 3 months)		124 070	93 110	155 591
<b>Cash and cash equivalents</b>		<b>9 811 230</b>	<b>6 811 305</b>	<b>2 383 124</b>
<b>Less:</b>				
Restricted time deposits and current accounts	(27)	55 884	59 514	62 894
<b>Cash and cash equivalents as per statement of cash flows</b>		<b>9 755 346</b>	<b>6 751 791</b>	<b>2 320 230</b>

**19. LOANS AND CREDIT FACILITIES**

The increase in the balance of loans and credit facilities by an amount of L.E 13 215 210 K mainly resulted from credit facilities with local and foreign currencies during the period amounted to L.E. 6 343 325 K, in addition to the currency differences resulting from translation of foreign loans and facilities amounted to L.E 4 112 476 K where loans and credit facilities with local and foreign currencies on June 30, 2023 amounted to L.E. 44 041 262 K (against LE 30 826 052 K at December 31, 2022) with an amount of L.E. 21 770 320 K due within a year.

**20. CREDITORS AND OTHER CREDIT BALANCES**

	<b>30/6/2023</b>	<b>31/12/2022</b>
	<b>L.E. (000)</b>	<b>L.E. (000)</b>
Suppliers	6 036 223	6 048 326
Tax Authority (taxes other than income tax)	2 772 056	2 703 204
Deposits to others	659 264	621 624
Assets creditors	18 281 711	18 525 210
Accrued interests	378 366	282 565
Accrued expenses	1 528 433	1 719 261
Social Insurance Authority	131 247	106 567
Trade receivables - credit balances	4 594 439	2 588 686
Credit balances - organizations and companies	396 515	402 373
Contract liabilities	4 433 317	1 712 178
National Telecommunication Regulatory Authority (NTRA)	2 128 041	2 154 536
Other credit balances	868 520	753 264
	<b>42 208 132</b>	<b>37 617 794</b>
<b><u>balances due within more than one year:</u></b>		
Assets creditors	10 475 341	6 237 165
Contract liabilities	373 043	325 126
<b>Creditors and non current liabilities balances</b>	<b>10 848 384</b>	<b>6 562 291</b>
<b>Creditors and current liabilities balances</b>	<b>31 359 748</b>	<b>31 055 503</b>
<b>Total Creditors and other credit balances</b>	<b>42 208 132</b>	<b>37 617 794</b>

Creditors and other credit balances have increased by an amount of L.E 4 590 338 K mainly due to the increase in contract liabilities by an amount of L.E 2 721 139 K, trade receivables – credit balances item by an amount of L.E 2 005 753 K, and Other credit balances item by an amount of L.E 115 256 K, however, the decrease in Assets creditors item by an amount of L.E 243 499 K and Accrued expenses item by an amount of L.E 190 828 K, led to the limitation of this increase.

**21. Lease liabilities**

The present value of the total liabilities from the ROU as Follows:

	<b>30/6/2023</b>	<b>31/12/2022</b>
	<b>L.E (000)</b>	<b>L.E (000)</b>
Beginning balance of present value for lease liabilities	1 112 374	985 110
Additions	59 932	287 381
Payments	( 175 604)	( 304 746)
Translation difference from foreign currency contracts	-	28 128
Disposal	-	( 11 661)
Entities translation difference	45 594	19 522
Interest	58 655	108 640
<b>Net present value of Lease liabilities</b>	<b>1 100 951</b>	<b>1 112 374</b>
<b>Less:</b>		
Current liabilities	346 776	291 510
<b>Non Current liabilities</b>	<b>754 175</b>	<b>820 864</b>

**22. PROVISIONS**

	<b>30/6/2023</b>	<b>31/12/2022</b>
	<b>L.E.(000)</b>	<b>L.E.(000)</b>
Balance at the beginning of the period / year	1 246 803	1 399 218
Reclassification during the period/year	-	138 319
Provision no longer required	( 307)	-
Charged to income statement for the period / year	101 153	9 261
Provision used during the period / year	( 142 686)	( 300 029)
Translation differences	39	34
<b>Balance at the end of the period / year</b>	<b>1 205 002</b>	<b>1 246 803</b>

**23. 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 70% after floating 20% of company's shares in public offering during December 2005 and 10% during the year 2023.

**24. RESERVES**

	<b>30/6/2023</b>	<b>31/12/2022</b>
	<b><u>L.E.(000)</u></b>	<b><u>L.E.(000)</u></b>
Legal reserve *	3 070 495	2 702 825
Other reserves	<u>2 787 550</u>	<u>2 787 550</u>
	<b><u>5 858 045</u></b>	<b><u>5 490 375</u></b>

\* The balance of legal reserve has increased as a result of retaining an amount of L.E. 367 670 K from the profit of 2022 in accordance with the company's articles of association.

**25. DEFERRED TAX**

**25-1 Recognized deferred tax assets and liabilities**

	<u>30/6/2023</u>		<u>31/12/2022</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	3 675 017	(3 485 000)	2 482 269	(3 964 479)
Net deferred tax asset (liability)	<u>190 017</u>	<u>-</u>	<u>-</u>	<u>(1 482 210)</u>
Deferred tax in the consolidated income statement for the period\ year	1 672 227	-	-	1 511 449
Impact of Deferred tax charged to statement of income	<u>688 475</u>			<u>135 588</u>
Deferred tax charged to other comprehensive income statement	<u>983 752</u>			<u>1 375 861</u>

**25-2 Unrecognized deferred tax assets**

	<b>30/6/2023</b>	<b>31/12/2022</b>
	<b><u>L.E.(000)</u></b>	<b><u>L.E.(000)</u></b>
<b>Unrecognized deferred tax assets</b>	<b><u>747 534</u></b>	<b><u>712 407</u></b>

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

## **26. CAPITAL COMMITMENTS**

The group's capital commitments for the unexecuted parts of contracts up to June 30, 2023 amounted to L.E 988 Million (against L.E. 2 161 Million up to December 31, 2022).

## **27. CONTINGENT LIABILITIES**

In addition to the amounts included in the condensed consolidated statement of financial statements as of June 30, 2023, the company has the following contingent liabilities:

	<b><u>30/6/2023</u></b>	<b><u>31/12/2022</u></b>
	<b><u>L.E. (000)</u></b>	<b><u>L.E. (000)</u></b>
- Letters of guarantee issued by banks on behalf of the company*	3 416 986	3 140 560

\* Includes letters of guarantee which were issued by banks at June 30, 2023 against restricted cash and cash equivalents at banks (note no.18).



## **28. TAX POSITION**

### **28-1 Corporate tax**

- Tax inspection was performed for the years till December 31, 2018 and all due taxes differences were settled.
- Tax inspection for the years from January 1, 2019 until December 31, 2022 have not been done to date.
- Tax return are submitted according to the income tax law no.91 of 2005, its amendments and its executive regulations, and the due tax is paid on legal dates.

### **28- 2 Value Added Tax \ Sales Tax**

- Tax inspection for the years till December 31, 2017 was performed and the tax differences were settled.
- Tax returns are submitted according to the value added tax law and according to the law No.206 of 2020 issuing the Unified Tax Procedures Law, and the due tax, if any, is paid on the legal dates.

### **28- 3 Salary Tax**

- Tax inspection was performed for the years till December 31, 2014 and the Company was informed taxes forms and all due taxes were settled.
- Tax inspection for the years 2015 till 2020 was performed, and the due taxes were settled except fines.
- The company is regular in deducting and remitting tax on legal dates according to the law No. 91 of 2005, its amendments and its executive regulations, and the tax settlement is submitted according to the provisions of law No. 206 of 2020 by issuing the Unified Tax Procedures Law.

### **28- 4 Stamp Tax**

- Tax inspection for the period from March 27, 1998 to December 31, 2000 was performed for certain sectors of the company, and the company was notified of the tax assessment elements, and the company filed a grievance and challenged the legal deadlines.
- 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, 2020 was performed and due taxes differences were settled.

### **28- 5 Real Estate Tax**

- All due 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 are being submitted according to the new real estate tax law No.196 for year 2008, and due tax is paid on the legal dates.

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

**29-1 transactions between the group and its associates.**

The related transactions during the period and balances on the condensed consolidated interim financial statements date are stated as follows:-

Nature of transactions during the period	Transactions volume during the period stated in the statement of income		Movement during the period		Balance as of	
	LE 000	LE 000	Debit LE 000	Credit LE 000	30/6/2023 Debit (Credit) LE 000	31/12/2022 Debit (Credit) LE 000
Outgoing calls and voice services to the associate company		1 647 879				
Incoming and international calls, transmission & lease of company premises and towers to the associate company		3 018 228	7 504 507	6 297 122	529 723	( 677 662)
			<b>7 504 507</b>	<b>6 297 122</b>	<b>529 723</b>	<b>( 677 662)</b>

**Credit balances due to associates**

- Vodafone Egypt Telecommunications Company

**29-2 Transactions with the Egyptian government**

The Egyptian government contributes 70% of the capital represented by the ministry of finance which results in existence of mutual services between the company and the governmental entities, including revenues, costs, and other expenses, transactions related to taxes, social insurance and customs.

**29-3 Transactions with the Board of directors**

On March 28, 2023, The Company's ordinary general assembly decided to approve the disbursement of an amount of L.E 15 250 K to the members of the board of directors as the board's share in the profits for the fiscal year ended in December 31, 2022, in addition to attending board sessions allowances stipulated in the ordinary general assembly of the company.

**30. 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 hold, from the date of acquisition till end date.
- Company's direct and indirect share in subsidiaries companies on June 30, 2023 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>30/6/2023</u>	<u>31/12/2022</u>
Telecom Egypt France	France	100.00 %	100.00 %
WEData	Egypt	100.00 %	100.00 %
T.EData Jordan	Jordan	100.00 %	100.00 %
TE Investment Holding	Egypt	100.00 %	100.00 %
The Egyptian Telecommunication Company for Information Systems (Xceed)	Egypt	100.00 %	100.00 %
Xceed Customer Care Maroc	Morocco	100.00 %	100.00 %
Xceed Customer Care Mauritius	Mauritius	100.00 %	100.00 %
Xceed Customer Care FZCO	UAE	100.00 %	-
Centra Technologies	Egypt	100.00 %	100.00 %
Centra for electronic Industries	Egypt	100.00 %	100.00 %
Telecom Egypt Globe	Singapore	100.00 %	100.00 %
Egyptian international submarine cables company (Eiscs)**	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 CABLEITALY)	Italy	100.00 %	100.00 %
TE for sport investment*	Egypt	100.00 %	100.00 %
Middle East Radio Communication (MERC)	Egypt	51.00 %	51.00 %

\* The Extraordinary General Assembly of the company, which was held on February 20, 2023 decided to change the purpose of the company and it is reflected in the commercial register.

\*\* According to the decisions of the extraordinary general assembly meetings of the companies referred to above, the Egyptian International Submarine Cables Company (EISCC), the merged company, will be merged into the Middle East and North Africa Submarine Cables Company (MENA CABLE), the merging company, and legal measures are being taken regarding the implementation of this merger.

### 31. COMPARATIVE FIGUERS

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

#### Effect on the condensed consolidated statement of income:

	<u>For the six months ended</u> <u>30/6/2022</u>	<u>Reclassification</u>	<u>For the six months ended</u> <u>30/6/2022</u>	<u>For the three months ended</u> <u>30/6/2022</u>	<u>Reclassification</u>	<u>For the three months</u> <u>30/6/2022</u>
	<u>as previously</u> <u>reported</u>		<u>Reclassified</u>	<u>as previously</u> <u>reported</u>		<u>Reclassified</u>
	<u>Debit\ (Credit)</u>	<u>Debit\ (Credit)</u>	<u>Debit\ (Credit)</u>	<u>Debit\ (Credit)</u>	<u>Debit\ (Credit)</u>	<u>Debit\ (Credit)</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 cost	(12 086 808)	219 981	(11 866 827)	(6 296 677)	119 753	(6 176 924)
Other income	310 306	711	311 017	170 099	711	170 810
Reversal of expected credit loss provision	44 401	( 1 196)	43 205	113 950	( 1 196)	112 754
Finance costs	( 899 456)	( 219 496)	( 1 118 952)	( 595 962)	( 119 268)	( 715 230)

### 32- SIGNIFICANT EVENTS

#### 32-1 The effect of the exchange rate liberalization

A- The Monetary Policy Committee of the Central Bank decided, in its session held on October 27, 2022, to announce the implementation of the flexible exchange rate system for pricing foreign exchange, provided that the buying and selling prices of currencies are determined in Egyptian pounds based on the conditions of supply and demand, and accordingly the foreign exchange rate increased. Against the Egyptian pound, for example, the US dollar increased from 24.7 Egyptian pounds on December 31, 2022 to 30.9 Egyptian pounds on June 30, 2023.

B- The monetary policy committee of the Central Bank also decided in its previous meetings to raise the overnight deposit and lending rates to reach 19.25%, 20.25% and 19.75%, respectively. The credit and discount rate were raised to 18.75%. Which has a material impact on the company's revenues and financing costs.

#### 32-2 New Editions and Amendments to Egyptian Accounting Standards:

- On March 6, 2023, the Prime Minister's Decree No. (883) of 2023 was issued amending some provisions of the Egyptian Accounting Standards, the following is a summary of the most significant amendments:

New or reissued standards	Summary of the most significant amendments	Potential impact on the financial statements	Effective date
<p><b>Egyptian Accounting Standard No. (10) amended 2023 "Fixed Assets "</b> and <b>Egyptian Accounting Standard No. (23) amended 2023 "Intangible Assets"</b>.</p>	<p>1- These standards were reissued in 2023, allowing the use of revaluation model when subsequent measurement of fixed assets and intangible assets.</p> <p>- This resulted in amendment of the paragraphs related to the use of the revaluation model option in some of the applicable Egyptian Accounting Standards, which are as follows:</p> <ul style="list-style-type: none"> <li>- Egyptian Accounting Standard No. (5) "Accounting Policies, Changes in Accounting Estimates and Errors".</li> <li>- Egyptian Accounting Standard No. (24) "Income Taxes"</li> <li>- Egyptian Accounting Standard No. (30) "Interim Financial Reporting"</li> <li>- Egyptian Accounting Standard No. (31) "Impairment of Assets"</li> <li>- Egyptian Accounting Standard No. (49) "Leasing Contracts"</li> </ul> <p>2- In accordance with the amendments made to the Egyptian Accounting Standard No. (35) amended 2023 "Agriculture", paragraphs (3), (6) and (37) of Egyptian Accounting Standard No. (10) "Fixed assets " have been amended, and paragraphs 22(a), 80(c) and 80(d) have been added to the same standard, in relation to agricultural produce harvested.</p> <p>- The Company is not required to disclose the quantitative information required under paragraph 28(f) of Egyptian Accounting Standard No. (5) for the current period, which is the period of the financial statements in which the Egyptian Accounting Standard No. (35) amended 2023 and Egyptian Accounting Standard No. (10) amended 2023 are applied for the first time in relation to agricultural produce harvested. However, the quantitative information required under</p>	<p>Management is currently studying the possibility of changing the applied accounting policy and using the revaluation model option stated in those standards and assessing the potential impact on the financial statements in case of using this option.</p> <p>Management is currently</p>	<p>The amendments of adding the option to use the revaluation model are effective for financial periods starting <b><u>on or after January 1, 2023, retrospectively,</u></b> cumulative impact of the preliminary applying of the revaluation model shall be <b>added to the revaluation surplus account in equity, at the beginning of the financial period in which the company applies this model for the first time.</b></p> <p>These amendments are effective for annual financial periods <b><u>on or after</u></b> starting <b><u>January 1, 2023, retrospectively,</u></b> cumulative impact of the preliminary applying of the accounting treatment</p>

New or reissued standards	Summary of the most significant amendments	Potential impact on the financial statements	Effective date
<p><b>Egyptian Accounting Standard No. (34) amended 2023 "Investment property"</b></p>	<p>paragraph 28(f) of Egyptian Accounting Standard No. (5) should be disclosed for each comparative period presented.</p> <ul style="list-style-type: none"> <li>- The company may elect to measure an agricultural produce harvested item at its fair value at the beginning of the earliest period presented in the financial statements for the period in which the company have been applied the above-mentioned amendments for the first time and to use that fair value as its deemed cost on that date. Any difference between the previous carrying amount and the fair value in the opening balance should be recognized by adding it to the revaluation surplus account in equity at the beginning of the earliest period presented.</li> <li>- This standard was reissued in 2023, allowing the use fair value model when subsequent measurement of investment property.</li> <li>- This resulted in amendment of some paragraphs related to the use of the fair value model option in some of the applicable Egyptian Accounting Standards, which are as follows: <ul style="list-style-type: none"> <li>- Egyptian Accounting Standard No. (1) "Presentation of Financial Statements"</li> <li>- Egyptian Accounting Standard No. (5) "Accounting Policies, Changes in Accounting Estimates and Errors."</li> <li>- Egyptian Accounting Standard No. (13) "The Effects of Changes in Foreign Exchange Rates "</li> <li>- Egyptian Accounting Standard No. (24) "Income Taxes"</li> <li>- Egyptian Accounting Standard No. (30) "Interim Financial Reporting "</li> <li>- Egyptian Accounting Standard No. (31) "Impairment of Assets"</li> <li>- Egyptian Accounting Standard No. (32) "Non-Current Assets Held for Sale and Discontinued Operations"</li> <li>- Egyptian Accounting Standard No. (49) "Leasing Contracts "</li> </ul> </li> </ul>	<p>assessing the potential impact on the financial statements from the application of amendments to the standard.</p> <p>The management is currently studying the possibility of changing the accounting policy followed and using the option of the fair value model mentioned in the standard, and evaluating the potential impact on the financial statements if that option is use.</p>	<p>for agricultural produce harvested shall be <b>added to the balance of retained earnings or losses at the beginning of the financial period in which the company applies this treatment for the first time.</b></p> <p>The amendments of adding the option to use the fair value model are effective for financial periods starting <b>on or after January 1, 2023 retrospectively</b>, cumulative impact of the preliminary applying of the fair value model shall be <b>added to the balance of retained earnings or losses at the beginning of the financial period in which the company applies this model for the first time.</b></p>
<p><b>Egyptian Accounting Standard No.</b></p>	<p>-This standard was reissued in 2023, allowing the use of revaluation model when subsequent measurement of exploration and valuation assets.</p>	<p>Management is currently studying the</p>	<p>The amendments of adding the option to use the revaluation</p>

New or reissued standards	Summary of the most significant amendments	Potential impact on the financial statements	Effective date
(36) amended 2023 "Exploration for and Evaluation of Mineral Resources"	-The company applies either the cost model or the revaluation model for exploration and valuation assets, the evaluation should carried out by experts specialized in valuation and registered in a register maintained for this purpose at the Ministry of Petroleum, and in the case of applying the revaluation model (whether the model stated in the Egyptian Accounting Standard (10) "Fixed Assets " or the model stated in Egyptian Accounting Standard (23) "Intangible Assets") should consistent with the classification of assets in accordance with paragraph No. (15) of Egyptian Accounting Standard No. (36) amended 2023.	possibility of changing the applied accounting policy and using the revaluation model option stated in the standard and assessing the potential impact on the financial statements in case of using this option.	model are effective for financial periods starting <b>on or after January 1, 2023, retrospectively</b> , cumulative impact of the preliminary applying of the revaluation model shall be <b>added to the revaluation surplus account in equity, at the beginning of the financial period in which the company applies this model for the first time.</b>
Egyptian Accounting Standard No. (35) amended 2023 "Agriculture"	This standard was reissued in 2023, where paragraphs (1-5), (8), (24), and (44) were amended and paragraphs (5a) - (5c) and (63) were added, with respect to the accounting treatment of agricultural produce harvested, (Egyptian Accounting Standard (10) "Fixed assets " was amended accordingly).	Management is currently assessing the potential impact on the financial statements from the application of amendments to the standard.	These amendments are effective for annual financial periods starting <b>on or after January 1, 2023 retrospectively</b> , cumulative impact of the preliminary applying of the accounting treatment for agricultural produce harvested shall be <b>added to the balance of retained earnings or losses at the beginning of the financial period in which the company applies this treatment for the first time.</b>
Egyptian Accounting Standard No. (50) "Insurance Contracts".	- This standard determines the principles of recognition of insurance contracts falling within the scope of this standard, and determines their measurement, presentation, and disclosure. The objective of the standard is to ensure that the company provides appropriate information that truthfully reflects those contracts. This information provides users of the financial statements with the basis for assessing the impact of insurance contracts on the company's financial position, financial performance, and cash flows.	Management is currently evaluating the potential impact on the financial statements from the application of the standard.	Egyptian Accounting Standard No. (50) is effective for annual financial periods starting <b>on or after July 1, 2024</b> , and if the Egyptian Accounting Standard No. (50) shall be applied for an earlier period, the

New or reissued standards	Summary of the most significant amendments	Potential impact on the financial statements	Effective date
	<ul style="list-style-type: none"> <li>- Egyptian Accounting Standard No. (50) replaces and cancels Egyptian Accounting Standard No. 37 "Insurance Contracts".</li> <li>- Any reference to Egyptian Accounting Standard No. (37) in other Egyptian Accounting Standards to be replaced by Egyptian Accounting Standard No. (50).</li> <li>- The following Egyptian Accounting Standards have been amended to comply with the requirements of the application of Egyptian Accounting Standard No. (50) "Insurance Contracts", as follows:                             <ul style="list-style-type: none"> <li>- Egyptian Accounting Standard No. (10) "Fixed Assets".</li> <li>- Egyptian Accounting Standard No. (23) "Intangible Assets".</li> <li>- Egyptian Accounting Standard No. (34) " Investment property".</li> </ul> </li> </ul>		company should disclose that fact.

**32-3 The issuance of Annex (C) the amendment accompanying the Egyptian Accounting Standard No. (13) “The Effects of Changes in Foreign Exchange Rates”:**

- On May 17, 2023, Prime Minister’s Decision No. 1847 of 2023 was issued to replace some of the provisions of the paragraphs with Appendix C accompanying Egyptian Accounting Standard No. (13) amended in 2015 “The Effects of Changes in Foreign Currency Exchange Rates” added by Prime Minister’s Decision No. 4706 of the year 2022, which deals with the special accounting treatment for dealing with the effects of the liberalization of foreign exchange rates ,This Appendix and its amendments, and these treatments are as follows:

1. An establishment that, prior to the date of moving the exchange rate, may acquire fixed assets and/or real estate investments and/or exploration and evaluation assets and/or intangible assets (other than goodwill) and/or right of use assets for lease contracts, funded by existing obligations in that date in foreign currencies, to recognize within the cost of those assets the debit currency differences resulting from the settled part of these obligations during the financial period to apply this special accounting treatment In addition to the currency difference resulting from translating the remaining balance of these obligations at the end of December 31, 2023 or on the end of the closing date of the financial statements for the fiscal period to apply this accounting treatment using the exchange rate used on that date. The facility can apply this option for each asset separately.

2. as an exception to the requirements of Paragraph No. 28 of the amended Egyptian Accounting Standard No. (13) “The Effects of Changes in Foreign Currency Exchange Rates” regarding the recognition of currency differences, an enterprise whose business results were affected by net profits or losses of currency differences as a result of moving the currency exchange rate A foreign currency, whether the currency of its entry is the Egyptian pound or any other foreign currency, to recognize within the items of other comprehensive income the net debit and credit currency differences realized during the period in addition to the differences resulting from the retranslation of the balances of items of monetary nature existing at the end of December 31, 2023 or at the end of the closing date of the financial statements for the fiscal period to apply this special accounting treatment using the exchange rate used on that date , less any currency translation differences that have been recognized as cost of assets in accordance with paragraph 7 of this Appendix. Considering that these differences were mainly caused by the unusual movements of the exchange rate.



**The application of those treatments has affected the condensed consolidated interim financial statements for the current period as follows:**

<b><u>Item</u></b>	<b>Before applying the accounting transaction</b>	<b>The impact of applying the accounting transaction</b>	<b>After applying the accounting transaction</b>
	<b>Debit / (credit)</b>	<b>Debit / (credit)</b>	<b>Debit / (credit)</b>
	<b><u>L.E(000)</u></b>	<b><u>L.E(000)</u></b>	<b><u>L.E(000)</u></b>
	<b><u>30/6/2023</u></b>		<b><u>30/6/2023</u></b>
<b><u>1. Balance sheet</u></b>			
Fixed assets	50 327 537	2 205 211	52 532 748
Projects under constructions	14 495 390	539 017	15 034 407
Other assets	18 205 839	773 693	18 979 532
Deferred tax (liabilities)\ Assets	(1 190 921)	1 380 938	( 190 017)
Retained earnings	( 25 951 704 )	3 630 515	( 22 321 189 )
<b><u>2. Income statement</u></b>			
Finance cost	10 738 673	(8 202 456)	2 536 217
Depreciation and Amortization	4 274 083	(261 629)	4 535 712
Basic and diluted earning per share	(0.73)	4.65	3.92
<b><u>3. Statement of comprehensive income</u></b>			
Translation differences of foreign currency balances	-	(4 684 535)	(4 684 535)
	-	70 268	70 268
Income tax on translation differences of foreign currency balances			
Deferred tax on translation differences of foreign currency balances	-	983 752	983 752

**32-4 The company's main shareholder offered 10% of the company's capital in the secondary market on the Egyptian Stock Exchange**

The Board of Directors of Telecom Egypt decided in its session held on May 11, 2023, to approve the company's signing of the information memorandum regarding the offering of the main shareholder (the Egyptian government) in the company for 10% of the company's capital in the secondary market on the Egyptian Stock Exchange on May 11, 2023. So the government's shares to become 70% instead of 80% of the company's capital.

**33- SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied in the preparation of the condensed consolidated interim financial statements as of June 30, 2023 is the same as the accounting policies applied in the preparation of the annual consolidated financial statements as of December 31, 2022, these accounting policies have been applied consistently to all periods presented in these condensed consolidated interim financial statements as of June 30, 2023.

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