

**Telecom Egypt Company**  
**(An Egyptian Joint Stock Company)**  
**Condensed Consolidated Interim Financial Statements**  
**For The Three Months Ended March 31, 2021**  
**And Limited Review Report**

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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 March 31, 2021 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three 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.

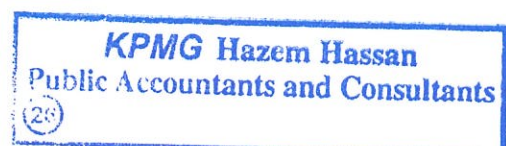
**Conclusion**

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 March 31, 2021 and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with Egyptian Accounting Standard number (30) “Interim Financial Reporting”.

*KPMG Hazem Hassan*

**KPMG Hazem Hassan**  
Public Accountants & Consultants

Cairo, May 10, 2021

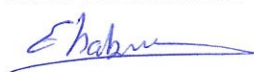


**Telecom Egypt Company**  
**(An Egyptian Joint Stock Company)**  
**Condensed Consolidated Statement of Financial Position as of:**

	Note No.	31/03/2021 L.E. (000)	31/12/2020 L.E. (000)
<b>Assets</b>			
<b><u>Non Current Assets</u></b>			
Fixed assets	(11)	38 295 216	38 140 665
Projects in progress	(12)	9 019 294	6 582 100
Investments in associates	(13)	12 295 109	12 306 547
Available-for-sale investments		74 856	74 856
Long-term balances (prepaid expense)		51 972	53 334
Other assets	(14)	10 088 119	9 444 330
Deferred tax assets	(24-1)	192 102	131 959
<b>Total Non Current Assets</b>		<b>70 016 668</b>	<b>66 733 791</b>
<b><u>Current Assets</u></b>			
Inventories	(15)	2 393 626	2 092 242
Trade and notes receivable	(16)	7 169 378	6 878 712
Debtors and other debit balances	(17)	6 776 823	6 734 893
Cash and cash equivalents	(18)	1 430 871	2 003 432
<b>Total Current Assets</b>		<b>17 770 698</b>	<b>17 709 279</b>
<b>Total Assets</b>		<b>87 787 366</b>	<b>84 443 070</b>
<b><u>Equity</u></b>			
Capital	(22)	17 070 716	17 070 716
Reserves	(23)	5 139 710	5 029 317
Retained earnings		16 364 528	16 643 108
Foreign entities translation reserve		( 34 490)	( 25 489)
<b>Equity attributable to shareholders of the company</b>		<b>38 540 464</b>	<b>38 717 652</b>
<b>Non - controlling interest</b>		<b>10 801</b>	<b>16 028</b>
<b>Total Equity</b>		<b>38 551 265</b>	<b>38 733 680</b>
<b><u>Non Current Liabilities</u></b>			
Loans and credit facilities	(19)	2 897 962	3 278 144
Creditors and other credit balances	(20)	6 202 839	5 338 944
Deferred tax liabilities	(24-1)	2 824 979	2 392 317
<b>Total Non Current Liabilities</b>		<b>11 925 780</b>	<b>11 009 405</b>
<b><u>Current Liabilities</u></b>			
Loans and credit facilities installments due within one year	(19)	18 293 226	17 009 238
Creditors and other credit balances	(20)	17 927 314	15 256 351
Credit accounts to associates	(28)	212 312	1 331 920
Provisions	(21)	877 469	1 102 476
<b>Total Current Liabilities</b>		<b>37 310 321</b>	<b>34 699 985</b>
<b>Total Liabilities</b>		<b>49 236 101</b>	<b>45 709 390</b>
<b>Total Equity and Liabilities</b>		<b>87 787 366</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



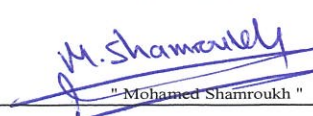
"Ehab Abdo"

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 No.	<u>For the three months ended :</u>	
		31/3/2021	31/3/2020
		<u>L.E.(000)</u>	<u>Reclassified L.E.(000)</u>
Operating revenues	(3)	8 399 081	7 003 874
Operating costs	(4)	(4 965 277)	(4 338 078)
<b>Gross Profit</b>		<b>3 433 804</b>	<b>2 665 796</b>
Other income		324 053	127 217
Selling and distribution expenses	(5)	( 725 545)	( 722 875)
General and administrative expenses	(6)	( 775 876)	( 781 356)
Other expenses		( 24 996)	( 64 964)
<b>Operating profit</b>		<b>2 231 440</b>	<b>1 223 818</b>
Finance income		367 081	459 700
Finance cost		( 465 178)	( 436 842)
<b>Net finance (cost) income</b>	(7)	<b>( 98 097)</b>	<b>22 858</b>
<b>Share of profit of equity accounted investees</b>	(8)	<b>952 196</b>	<b>468 647</b>
<b>Net profit for the period before tax</b>		<b>3 085 539</b>	<b>1 715 323</b>
Income tax expense		( 583 580)	( 292 366)
Deferred tax expense	(24-1)	( 376 622)	( 109 798)
<b>Total income tax</b>		<b>( 960 202)</b>	<b>( 402 164)</b>
<b>Net profit for the period</b>		<b>2 125 337</b>	<b>1 313 159</b>
<b><u>Profit attributable to :</u></b>			
Shareholders of the company		2 124 245	1 312 127
Non-controlling interest		1 092	1 032
<b>Net profit for the period</b>		<b>2 125 337</b>	<b>1 313 159</b>
<b>Basic and diluted earning per share for the period (L.E. / Share)</b>	(10)	<b>1.24</b>	<b>0.77</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**

	<b><u>For the three months ended</u></b>	
	<b>31/3/2021</b>	<b>31/3/2020</b>
	<b><u>L.E.(000)</u></b>	<b><u>L.E.(000)</u></b>
Net profit for the period	2 125 337	1 313 159
<b><u>Other Comprehensive Income items :</u></b>		
Translation differences of foreign entities	( 9 001)	( 37 403)
<b>Total Comprehensive Income</b>	<b><u>2 116 336</u></b>	<b><u>1 275 756</u></b>
<b>Attributable to :</b>		
Shareholders of the company	2 115 244	1 274 724
Non-controlling interest	1 092	1 032
<b>Total Comprehensive Income</b>	<b><u>2 116 336</u></b>	<b><u>1 275 756</u></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 Changes in Equity**  
**For The three Months Ended March 31, 2021**

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	1 966 047	2 796 578	13 382 616	( 10 623)	35 205 334	15 803	35 221 137
-	-	-	1 312 127	-	1 312 127	1 032	1 313 159
-	-	-	-	( 37 403)	( 37 403)	-	( 37 403)
-	-	-	1 312 127	( 37 403)	1 274 724	1 032	1 275 756
-	274 847	-	( 274 847)	-	-	-	-
-	-	-	( 426 768)	-	( 426 768)	( 5 516)	( 432 284)
-	-	-	( 820 426)	-	( 820 426)	( 911)	( 821 337)
-	-	-	16 148	-	16 148	-	16 148
-	-	-	( 8 092)	-	( 8 092)	-	( 8 092)
-	-	( 9 028)	-	-	( 9 028)	-	( 9 028)
-	274 847	( 9 028)	( 1 513 985)	-	( 1 248 166)	( 6 427)	( 1 254 593)
17 070 716	2 240 894	2 787 550	13 180 758	( 48 026)	35 231 892	10 408	35 242 300
17 070 716	2 241 767	2 787 550	16 643 108	( 25 489)	38 717 652	16 028	38 733 680
-	-	-	( 47 377)	-	( 47 377)	-	( 47 377)
17 070 716	2 241 767	2 787 550	16 595 731	( 25 489)	38 670 275	16 028	38 686 303
-	-	-	2 124 245	-	2 124 245	1 092	2 125 337
-	-	-	-	( 9 001)	( 9 001)	-	( 9 001)
-	-	-	2 124 245	( 9 001)	2 115 244	1 092	2 116 336
-	110 393	-	( 110 393)	-	-	-	-
-	-	-	( 64 719)	-	( 64 719)	-	( 64 719)
-	-	-	( 1 280 304)	-	( 1 280 304)	( 5 374)	( 1 285 678)
-	-	-	( 900 032)	-	( 900 032)	( 945)	( 900 977)
-	110 393	-	( 2 355 448)	-	( 2 245 055)	( 6 319)	( 2 251 374)
17 070 716	2 352 160	2 787 550	16 364 528	( 34 490)	38 540 464	10 801	38 551 265

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 three months ended:</b>	
		<b>31/3/2021</b>	<b>31/3/2020</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		8 818 995	6 946 290
Value added tax collected from customers		188 146	148 969
Stamp tax and fees collected (from third party)		37 626	26 179
Deposits collected from customers		8 523	372
Cash paid to suppliers		(2 635 839)	(2 124 506)
Payments for NTRA license fees		( 590 156)	( 266 796)
Dividends paid to employees and Board of Directors		( 17 166)	( 19 239)
Cash paid to employees and Board of Directors		(1 363 224)	(1 400 499)
Cash paid on behalf of employees to third party		( 285 598)	( 254 447)
<b>Cash provided by operating activities</b>		<b>4 161 307</b>	<b>3 056 323</b>
Interest paid		( 329 425)	( 305 582)
Payments to Tax Authority - income tax		( 77 663)	( 18 360)
Payments to Tax Authority - value added tax		( 411 841)	( 356 022)
Payments to Tax Authority - other taxes		( 556 998)	( 357 122)
Other proceeds ( payments )		622 612	( 121 750)
<b>Net cash provided by operating activities</b>		<b>3 407 992</b>	<b>1 897 487</b>
<b><u>Cash flows from investing activities:-</u></b>			
Payments for purchase of fixed assets, projects in progress and other assets		(3 263 359)	(2 573 915)
Payments for purchase of other assets		(2 453 622)	( 25 000)
Proceeds from sales of fixed assets and other assets		18	3
Paid for lease contract		( 9 883)	-
Acquisition of investments		-	( 4 740)
Payments for retrieval of held-to-maturity investment - treasury bills		-	( 386)
Interest received		13 626	15 318
Dividends of profit collected from investments		809 245	-
Proceeds from securities (treasury bills - mutual fund)		477	241
<b>Net cash used in investing activities</b>		<b>(4 903 498)</b>	<b>(2 588 479)</b>
<b><u>Cash flows from financing activities:-</u></b>			
Payments for loans and credit facilities		( 354 114)	( 361 322)
Proceeds from loans and credit facilities		1 288 582	1 024 604
Dividends paid to Shareholders		( 773)	-
<b>Net cash provided by financing activities</b>		<b>933 695</b>	<b>663 282</b>
<b>Net change in cash and cash equivalents during the period</b>		<b>( 561 811)</b>	<b>( 27 710)</b>
Translation differences of foreign entities		( 5 492)	( 9 286)
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>1 369 640</b>	<b>1 274 395</b>

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



*Translation from Arabic*

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

**Notes to the Condensed Consolidated Interim Financial Statements**  
**For The Three Months Ended March 31, 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 May 10, 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 March 31, 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 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).

*Notes to the Condensed Consolidated Interim Financial Statements  
For The Three Months Ended March 31, 2021 (continued)*

*Translation from Arabic*

- 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. | - Provisions and contingent Liabilities    |
| - Deferred tax assets                                    | - 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 company is managed by operating segments at the group activates level as integrated activity, based on the nature of product and the service provided. The segment reporting is prepared according to services provided by activities as a group as follows:

- Communications, marine cables and infrastructure services.
- Internet services.
- Outsourcing services.



**2-7 Significant accounting policies**

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

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

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

A- Standard (47) - Financial Instruments

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

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

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

Notes to the Condensed Separate Interim Financial Statements  
For The Three Months Ended March 31, 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 subsidiaries and 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	-	-	671 824	10 116 154
Deferred tax assets	131 959	-	-	-	131 959
<b>Total Non Current Assets</b>	<b>66 733 791</b>	<b>-</b>	<b>-</b>	<b>671 824</b>	<b>67 405 615</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	-	-	-	6 734 893
Debit balances From subsidiaries and associates	-	-	-	-	-
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>-</b>	<b>-</b>	<b>17 649 678</b>
<b>Total Assets</b>	<b>84 443 070</b>	<b>(59 601)</b>	<b>-</b>	<b>671 824</b>	<b>85 055 293</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)	12 549	16 595 731
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>12 549</b>	<b>38 670 275</b>
<b>Non controlling interest</b>	<b>16 028</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16 028</b>
<b>Total Equity</b>	<b>38 733 680</b>	<b>(59 601)</b>	<b>(325)</b>	<b>12 549</b>	<b>38 686 303</b>
<b>Non Current Liabilities</b>					
Loans and credit facilities	3 278 144	-	-	-	3 278 144
Creditors and other credit balances	5 338 944	-	-	549 693	5 888 837
Deferred tax liabilities	2 392 317	-	-	(4 103)	2 388 214
<b>Total Non Current Liabilities</b>	<b>11 009 405</b>	<b>-</b>	<b>-</b>	<b>545 590</b>	<b>11 554 995</b>
<b>Current Liabilities</b>					
Loans and credit facilities instalments due within one year	17 009 238	-	-	-	17 009 238
Creditors and other credit balances	15 256 351	-	325	113 685	15 370 361
Credit balance due to subsidiaries and 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>-</b>	<b>325</b>	<b>113 685</b>	<b>34 813 995</b>
<b>Total Liabilities</b>	<b>45 709 390</b>	<b>-</b>	<b>325</b>	<b>659 275</b>	<b>46 368 990</b>
<b>Total Equity and Liabilities</b>	<b>84 443 070</b>	<b>(59 601)</b>	<b>-</b>	<b>671 824</b>	<b>85 055 293</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 company to evaluate financial assets in its financial statements according to the cash flow characteristics of financial assets and the company's related business models for a particular class of financial assets.

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

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

Amortized cost, as the effective interest rate method or

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

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

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

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

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

**-Impairment**

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

As a result, the company'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 company's ability to apply hedge accounting. In addition, the requirements of the standard have been more closely aligned with the Company's risk management policy, and the effectiveness of the hedging will be measured in the future.

**-Transitional period**

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

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

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

**- Revenue recognition**

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

**- The costs of obtaining a contract with the client**

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

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

**-Transitional period**

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

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

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

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

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

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

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

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

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

**Recognition and measurement**

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

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

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

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

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

- The change in the lease price due to the link to the price or the rate that has become effective for the period.
- Amendments to the lease contract.
- Reassessment of the lease term.
- The lease contracts

Contracts for leasing non-core assets that are not related to the main operating activities of the company, which are short-term in nature (less than 12 months including renewal options) and low value commodity leases are included in the income statement as incurred.



**-Transitional period**

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

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

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

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

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

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

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

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

### 3. OPERATING REVENUES

	For the three months ended:	
	31/3/2021	31/3/2020
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Home and personal communications	4 190 899	3 130 888
Enterprise	1 128 829	786 254
Domestic wholesale	1 364 133	1 247 863
International carrier	1 049 968	1 135 804
International cables and networks	665 252	703 065
<b>Total Operating Revenue</b>	<b><u>8 399 081</u></b>	<b><u>7 003 874</u></b>

Total operating revenues have increased by an amount of L.E. 1 395 207 K mainly due to the increase in home and personal communications revenues by an amount of L.E. 1 060 011 K due to the increase in revenues resulting from fixed line and rendering mobile phone services and internet services, in addition to the increase in Enterprise revenue by an amount of L.E. 342 575 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. 116 270 K due to the increase in access service revenue and infrastructure revenue, however the decrease in International carrier by an amount of L.E. 85 836 K and international cables and network by an amount of L.E. 37 813 K led to limitation of this increase.

### 4. OPERATING COSTS

	For the three months ended	
	31/3/2021	31/3/2020
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Interconnection cost	1 434 060	1 369 927
Depreciation and amortization*	1 277 403	1 096 124
Salaries and wages	708 911	696 724
Company's social insurance contribution	81 072	76 601
Frequencies and licenses charges ( National Telecom Regulatory Authority )	314 046	237 205
Other operating cost*	1 149 785	861 497
	<b><u>4 965 277</u></b>	<b><u>4 338 078</u></b>

Operating costs have increased by an amount of L.E. 627 199 K mainly due to the following: -

- The increase of interconnection cost by an amount of L.E. 64 133 K which is mainly due to the increase in cost of international connection fees and national roaming fees.
- The increase in the depreciation and amortization item by an amount of L.E. 181 279 K due to the additions of the last year after the first quarter and the current period.
- The increase in other operating cost item by an amount of L.E. 288 288 K is mainly due to the increase in the organizations services costs item by an amount of L.E. 129 507 K due to the increase in outsourcing from others service and the spare parts item by an amount of L.E. 83 848 K.

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



Notes to the condensed Consolidated Interim Financial Statements  
For The three months ended March 31, 2021 (continued)

Translation from Arabic

## 5. SELLING AND DISTRIBUTION EXPENSES

	<u>For the three months ended:</u>	
	<u>31/3/2021</u>	<u>31/3/2020</u>
	<u>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>
Salaries and wages	303 008	279 282
Company's social insurance contribution	33 486	26 967
Advertising and marketing	186 681	198 526
Commissions	95 367	95 962
Depreciation and amortization *	6 763	1 892
Other selling and distribution expenses	100 240	120 246
	<u>725 545</u>	<u>722 875</u>

The increase in selling and distribution expenses by an amount of L.E 2 670 K mainly due to the increase in Salaries and wages item by an amount of L.E 23 726 K, however the decrease in organizations services costs item by an amount of L.E 28 943 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 three months ended:</u>	
		<u>31/3/2021</u>	<u>31/3/2020</u>
		<u>L.E. (000)</u>	<u>L.E. (000)</u>
Salaries and wages		505 209	511 115
Company's social insurance contribution		44 872	37 584
The company's contribution in loyalty and belonging fund	(9-2)	50 000	45 000
Depreciation and amortization		18 328	23 260
Organization services cost and consultants		21 001	46 182
Tax and duties		40 034	24 656
Other general and administration expenses		96 432	93 559
		<u>775 876</u>	<u>781 356</u>

The decrease in general and administrative expenses by an amount of L.E. 5 480 K is mainly due to decrease in organizations services costs and consultants by an amount of L.E. 25 181 K, however the increase in tax and duties item by an amount of L.E. 15 378 K.

## 7. NET FINANCE (COST) INCOME

The increase in net finance cost by an amount of L.E 120 955 K during the period is mainly due to the decrease in translation profits of foreign currencies balances and transactions by an amount of L.E. 88 478 K and the decrease in impairment of financial assets value by an amount of L.E 70 778 K led to limitation of this decrease.

## 8. SHARE OF PROFIT OF EQUITY ACCOUNTED INVESTEEES

	<u>For the three months ended</u>	
	<u>31/3/2021</u>	<u>31/3/2020</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Vodafone Egypt	951 951	468 784
Egypt trust	245	(137)
	<u>952 196</u>	<u>468 647</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 was charged to the income statement of year 2020 by an amount of L.E. 101 672 K

#### **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 50 000 K for the period ended in March 31, 2021 (against an amount of L.E. 45 000 K for the same period of 2020) stated in the general and administrative expenses as shown in (Note no. 6).

#### **10. BASIC AND DILUTED EARNING PER SHARE FOR THE PERIOD**

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

	<b>For the three months ended:</b>	
	<b>31/3/2021</b>	<b>31/3/2020</b>
<b>The holding company owners' equity :</b>		
Net profit for the period (LE in thousand)	2 124 245	1 312 127
Number of shares available during the period (share)	1707 071 600	1707 071 600
<b>Basic and diluted earning per share for the period (LE / share)</b>	<b>1.24</b>	<b>0.77</b>



*Notes to the condensed Consolidated Interim Financial Statements  
For The three months ended March 31, 2021 (continued)*

*Translation from Arabic*

**11. FIXED ASSETS**

Description	31/3/2021	31/3/2020	31/3/2021	31/3/2020	31/3/2021	31/3/2020	31/12/2020
	Cost	Cost	Accumulated depreciation	Accumulated depreciation	Net	Net	Net
	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Land	2 359 194	2 344 412	-	-	2 359 194	2 344 412	2 344 431
Buildings & Infrastructure	38 196 151	34 970 982	17 651 581	16 518 774	20 544 570	18 452 208	21 252 472
Centrals & information technologies equipment	39 257 130	32 135 206	24 457 634	21 915 425	14 799 496	10 219 781	13 974 336
Vehicles	261 695	186 561	113 980	114 067	147 715	72 494	115 388
Furniture	1 024 884	845 028	720 813	610 053	304 071	234 975	308 895
Tools & supplies	219 315	203 346	123 344	101 805	95 971	101 541	98 753
Decoration & fixtures	183 502	182 212	139 303	126 267	44 199	55 945	46 390
Fixtures on trunk radio network	315	315	315	315	-	-	-
<b>Total</b>	<b>81 502 186</b>	<b>70 868 062</b>	<b>43 206 970</b>	<b>39 386 706</b>	<b>38 295 216</b>	<b>31 481 356</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. 1 264 719 K, however the depreciation of the period by an amount of L.E. 1 096 533 K led to limitation of this increase.
- The cost of fixed assets as of March 31, 2021 includes an amount of L.E. 21 880 Million fully depreciated fixed assets and still in use.

**12. PROJECTS IN PROGRESS**

	31/3/2021	31/12/2020
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Land	23 077	37 845
Buildings and Infrastructure	1 375 795	1 437 326
Centrals and information technologies equipment	3 162 055	2 955 007
Tools and supplies	11 176	11 139
Furniture	13 432	12 016
Frequencies license for 20 MH	2 397 300	-
Other Assets (cables)	500 007	547 625
The administrative capital	125 966	-
Advance payments - Fixed assets	1 430 527	1 601 816
Transportation	633	-
	<b>9 039 968</b>	<b>6 602 774</b>
<b>Less:</b>		
Impairment loss on projects in progress	20 674	20 674
	<b>9 019 294</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 March 31, 2021.



*Notes to the condensed Consolidated Interim Financial Statements  
For The three months ended March 31, 2021 (continued)*

*Translation from Arabic*

**13. INVESTMENTS IN ASSOCIATES**

	<u>31/3/2021</u>		<u>31/12/2020</u>	
	<u>Ownership</u>	<u>amount</u>	<u>Ownership</u>	<u>amount</u>
	<u>%</u>	<u>L.E. (000)</u>	<u>%</u>	<u>L.E. (000)</u>
- Vodafone Egypt Telecommunication company	44.95	12 293 614	44.95	12 305 297
- Wataneya for Telecommunication	50.00	125	50.00	125
- Egypt Trust	35.71	7 745	35.71	7 500
- New matrix for technology	25.50	1 250	25.50	1 250
		<u>12 302 734</u>		<u>12 314 172</u>
<b>Less:</b>				
Impairment loss on investment in associates		7 625		7 625
		<u>12 295 109</u>		<u>12 306 547</u>

\* The investments in Vodafone Egypt on March 31, 2021 represents the ownership of 107 869 799 shares with a percentage of 44.95% from the total shares of Vodafone Egypt.

The financial year of Vodafone Egypt ends on March 31 of each year and the equity method was applied in recognizing the investment in Vodafone Egypt during preparing the Condensed Consolidated Interim Financial Statements as of March 31, 2021 by using the consolidated financial 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 March 31, 2021 based on Vodafone Egypt's consolidated interim financial statements on March 31, 2021 to determine the share of financial period from January 1 to March 31, 2021 of business results.

\*\* The impairment loss on investments value for Egypt Trust, Wataneya for Telecommunication, Consortium Algerian Telecommunications (CAT) and International Telecommunication Consortium Limited (ITCL) is due to the realized losses by these investee companies, which exceeded this investments amount.

**14. OTHER ASSETS**

	<u>31/3/2021</u>	<u>31/12/2020</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
<b>Cost</b>		
Fourth generation network license	8 633 330	8 633 330
Administrative Capital (right of use)	40 095	34 296
Assets right of use (Lease Contracts)	984 436	-
Submarine Cables (right of way)	2 088 457	2 059 185
Right of Use (ROU)	887 281	899 335
License (internet service - programs )	127 233	127 239
Land (possession-usufruct)	440 684	440 684
Good will	15 839	15 839
	<u>13 217 355</u>	<u>12 209 908</u>
<b>Less:</b>		
Accumulated amortization and impairment	3 129 236	2 765 578
<b>Net other assets</b>	<u>10 088 119</u>	<u>9 444 330</u>

- 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. 984 436 K.
- Other assets cost includes at March 31, 2021 an amount of L.E 253 Million, other assets fully amortized and still in use.

*Notes to the condensed Consolidated Interim Financial Statements  
For The three months ended March 31, 2021 (continued)*

*Translation from Arabic*

**15. INVENTORIES**

	<b>31/3/2021</b>	<b>31/12/2020</b>
	<b><u>L.E. (000)</u></b>	<b><u>L.E. (000)</u></b>
Spare parts	1 187 071	1 171 477
Computers	6 649	841
Project cables and supplies	458 808	534 697
Material supplies , Merchandise for sale and Letters of credit	741 098	385 227
	<b><u>2 393 626</u></b>	<b><u>2 092 242</u></b>

The value of inventories was written down by L.E. 89 371 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 RECEIVABLE**

	<b>31/3/2021</b>	<b>31/12/2020</b>
	<b><u>L.E. (000)</u></b>	<b><u>L.E. (000)</u></b>
Trade Receivables - National	5 524 655	4 714 503
Trade Receivables - International	3 748 065	4 101 903
	<b><u>9 272 720</u></b>	<b><u>8 816 406</u></b>
<b><u>Less:</u></b>		
Impairment loss on trade receivables	2 103 359	1 937 701
	<b><u>7 169 361</u></b>	<b><u>6 878 705</u></b>
<b><u>Add:</u></b>		
Notes receivable	17	7
	<b><u>7 169 378</u></b>	<b><u>6 878 712</u></b>

Trade and notes receivable balance have increased by an amount of L.E. 290 666 K is mainly due to the increase in revenue for home and personal communications, whole sale and enterprise.

Notes to the condensed Consolidated Interim Financial Statements  
For The three months ended March 31, 2021 (continued)

Translation from Arabic

### 17. DEBTORS AND OTHER DEBIT BALANCES

	31/3/2021	31/12/2020
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Suppliers – debit balances	1 511 102	984 539
Tax Authority - value added tax	1 575 845	1 608 903
Tax Authority - withholding tax	996 060	896 466
Due from ministries, organizations, companies	912 077	887 114
Deposits with other	283 051	283 411
Accrued revenues	94 790	78 572
Temporary debts due from employees	175 766	879 754
Tax Authority - income tax	179 474	175 563
Other debit balances	1 355 127	1 246 351
	<u>7 083 292</u>	<u>7 040 673</u>
<b>Less:</b>		
Impairment loss on debtors and other debit balances	306 469	305 780
	<u>6 776 823</u>	<u>6 734 893</u>

Debtors and other debit net balances have increased by an amount of L.E. 41 930 K mainly due to the increase in suppliers – debit balances item by an amount of L.E 526 563 K, however the decrease in Temporary debts due from employees by an amount of L.E 703 988 K due to 2020 dividends led to limitation of this increase.

### 18. CASH AND CASH EQUIVALENTS

	Note	31/3/2021	31/12/2020	31/3/2020
	<u>No.</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Banks - time deposits (less than 3 months)		637 347	1 205 037	394 231
Banks - current accounts		659 302	659 812	851 383
Cash on hand		10 557	4 373	14 347
Treasury bills (less than 3 months)		48 996	55 982	53 209
Money market funds (less than 3 months)		74 669	78 228	83 050
<b>Cash and cash equivalents</b>		<u>1 430 871</u>	<u>2 003 432</u>	<u>1 396 220</u>
<b>Less:</b>				
Restricted cash and cash equivalents at banks	(26)	61 231	66 489	121 825
<b>Cash and cash equivalents as per statement of cash flows</b>		<u>1 369 640</u>	<u>1 936 943</u>	<u>1 274 395</u>

### 19. LOANS AND CREDIT FACILITIES

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



Notes to the condensed Consolidated Interim Financial Statements  
For The three months ended March 31, 2021 (continued)

Translation from Arabic

**20. CREDITORS AND OTHER CREDIT BALANCES**

	<b>Note</b>	<b>31/3/2021</b>	<b>31/12/2020</b>
	<b>No</b>	<b>L.E. (000)</b>	<b>L.E. (000)</b>
Suppliers and notes payable		1 602 208	2 151 216
Tax Authority-Income Tax		1 208 976	718 953
Tax Authority (taxes other than income tax)		781 127	391 734
Deposits to others		530 215	538 467
Liability of early retirement scheme	(9-1)	56 725	67 140
Assets creditors		10 245 881	11 102 296
Dividends payable		1 290 430	3 763
Accrued expenses		892 550	937 711
Contract lease liabilities		790 622	-
Public Authority for Social Insurance		89 791	70 129
Trade receivables - credit balances		976 755	973 138
Credit balances organizations and companies		689 966	374 658
Deferred revenues		3 253 470	1 491 973
National Telecommunication Regulatory Authority (NTRA)		947 514	1 001 733
Other credit balances		773 923	772 384
		<b>24 130 153</b>	<b>20 595 295</b>
<b>Less balances due within more than one year:</b>			
Assets creditors		5 207 237	5 065 367
Contract lease liabilities		729 069	-
Deferred revenues		266 533	273 577
<b>Creditors and non current liabilities balances</b>		<b>6 202 839</b>	<b>5 338 944</b>
<b>Creditors and current liabilities balances</b>		<b>17 927 314</b>	<b>15 256 351</b>
<b>Total Creditors and other credit balances</b>		<b>24 130 153</b>	<b>20 595 295</b>

Creditors and other credit balances have increased by an amount of L.E. 3 534 857 K mainly due to the increase in both of deferred revenue by an amount of L.E. 1 286 667 K as a result of the increase in transmission systems lease revenue from mobile and internet by an amount of L.E. 2 033 904 K, Dividends payable item by an amount of L.E. 1 286 667 K due to 2020 dividends and contract lease liabilities item by an amount of L.E. 790 622 K and Tax Authority – income tax by an amount of L.E. 490 023 K, and Tax Authority (taxes other than income tax) item by an amount of L.E. 389 393 K, credit balances – organization and companies item by an amount of L.E. 315 308 K, however the decrease in assets creditors item by an amount of L.E. 856 415 K and suppliers and notes payable by an amount of 549 008 K led to the limitation of this increase.

**21. PROVISIONS**

	<b>31/3/2021</b>	<b>31/12/2020</b>	<b>31/3/2020</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
Charged to income statement for the period / year	-	362 553	3 600
Reversal of used provision	( 210 000)	-	-
Provision used during the period / year	( 15 006)	( 32 693)	-
Translation differences	(1)	6	(5)
<b>Balance at the end of the period / year</b>	<b>877 469</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.

*Notes to the condensed Consolidated Interim Financial Statements  
For The three months ended March 31, 2021 (continued)*

*Translation from Arabic*

**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**

	31/3/2021	31/12/2020
	<u>L.E.(000)</u>	<u>Reclassified L.E.(000)</u>
Legal reserve	2 352 160	2 241 767
Other reserves	2 787 550	2 787 550
	<u>5 139 710</u>	<u>5 029 317</u>

- The increase in the legal reserve balance as a result of retaining an amount of L.E. 110 393 K from the profit of 2020 in accordance with the company's article of association.

**24. DEFERRED TAX**

**24-1 Recognized deferred tax assets and liabilities**

	Assets	(Liabilities)	Assets	(Liabilities)
	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Total deferred tax asset / (liability)	192 102	(2 824 979)	131 959	(2 392 317)
Net deferred tax liability	-	(2 632 877)	-	(2 260 358)
Deferred tax liability at the beginning of the period		(2 256 255)		(1 249 098)
Deferred tax charged to consolidated income statement for the period / year		(376 622)		(1 011 260)

**24-2 Unrecognized deferred tax assets**

	31/3/2021	31/12/2020
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Unrecognized deferred tax assets	578 148	518 896

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 March 31, 2021 amounted to L.E 321 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 March 31, 2021, the company has the following contingent liabilities:

	31/3/2021	31/12/2020
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
- Letters of guarantee issued by banks on behalf of the company*	1 806 292	2 008 421
- Letters of credit	1 455 013	1 773 804

## **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.
- 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 date are stated as follows:-

Nature of transactions during the period	Transactions volume		Balance as of 31/3/2021	Balance as of 31/12/2020
	during the period stated in the statement of income	Movement during the period		
	LE 000	Debit LE 000	Credit LE 000	Debit (Credit) LE 000
<u>Credit balances due to associates</u>				
- Vodafone Egypt Telecommunications Company				
Outgoing calls and voice services to the associate company	439 573			
		3 424 150	2 304 542	(212 297)
				(1 331 905)
Incoming and international calls, transmission & lease of company premises and towers to the associates company	352 284			
Telecommunications and services	-			
		3 424 150	2 304 542	(212 312)
				(1 331 920)

**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 March 31, 2021 which were included in the condensed consolidated interim financial statements is as follows:

<u>Company name:</u>	<u>Country of</u> <u>incorporation</u>	<u>Ownership interest</u>	
		<u>31/3/2021</u>	<u>31/12/2020</u>
Telecom Egypt France	France	100.00 %	100.00 %
WE Data	Egypt	100.00 %	100.00 %
T.E Data Jordan	Jordan	100.00 %	100.00 %
TE Investment Holding	Egypt	100.00 %	100.00 %
The Egyptian Telecommunication Company for Information Systems (Xceed)	Egypt	100.00 %	100.00 %
Xceed Customer Care Maroc	Morocco	100.00 %	100.00 %
Xceed Customer Care Mauritius	Mauritius	100.00 %	-
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 %
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.

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 separate interim financial statements:

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

	<u>For the three months ended</u>		<u>For the three months ended</u>
	31/3/2020	<u>Reclassification</u>	31/3/2020
	<u>as previously</u>	<u>(debit) / credit</u>	<u>Reclassified</u>
	<u>reported</u>		
	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>
Operating costs	(4 277 742)	( 60 336)	(4 338 078)
Selling and distribution expenses	( 783 211)	60 336	( 722 875)

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

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

**32- SIGNIFICANT EVENTS**

The financial period ended on March 31, 2021, included a major global event through outbreak Coronavirus (Covid-19) which advocated the company to take into consideration with performing the precautionary measures to protect its employees and customers from the risk of spreading the virus. The Group's executive management assigned an overall plan and precautionary measures for dealing with the pandemic.

**Firstly: Actions taken by the company to Employees**

Reduction in presence of the group's companies workforce at this time by following the work from home policy, to do that the fixed internet package was increased to a doubling load capacity, In addition to increase the mobile internet package. Furthermore sending a periodical messages for employees to motivate them on following the precautionary measures. And application of the country guidelines regarding the women, special needs and chronic disease. And provide the functions of prevention especially the employees that relate directly with the clients.

**Secondly: Actions taken by the company to Customers**

With the availability for all electronic means of payments through Telecom Egypt website or the electronic wallet (WE Pay)

**Third: Actions taken by the company to the Egyptian general public in light of the social responsibility**

The company adopted multiple initiatives, as the medical, social and symbiotic, which aim to help and counselling the Egyptian general public with the main risks of coronavirus pandemic.

**The main risks that defined by crisis management team and approved by the company 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 Three Months ended March 31, 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 March 31, 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)).

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