

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

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(An Egyptian Joint Stock Company)
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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 Separate Interim Financial Statements To The Board of Directors of Telecom Egypt Company

Introduction

We have performed a limited review on the accompanying condensed separate statement of financial position of Telecom Egypt Company “an Egyptian joint stock company” as at March 31, 2021 and the related condensed separate 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 separate interim financial statements in accordance with Egyptian Accounting Standard number (30) “Interim Financial Reporting”. Our responsibility is to express a conclusion on these condensed separate interim financial statements based on our limited review.

Scope of Limited Review

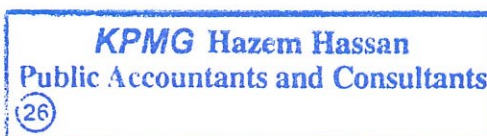
We conducted our limited review in accordance with Egyptian Standard on Review Engagements number (2410), "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity". A limited review of condensed separate interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the Company, and applying analytical and other limited review procedures. A limited review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these condensed separate interim financial statements.

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying condensed separate interim financial statements do not present fairly, in all material respects, the financial position of the company as at March 31, 2021 and of its financial performance and its cash flows for the three months then ended in accordance with Egyptian Accounting Standard number (30) “Interim Financial Reporting”.

KPMG Hazem Hassan
Public Accountants & Consultants

Cairo, May 10, 2021



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

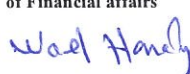
	Note No.	31/3/2021 L.E. (000)	31/12/2020 L.E. (000)
Assets			
<u>Non Current Assets</u>			
Fixed assets	(11)	37 306 371	37 237 301
Projects in progress	(12)	8 931 278	6 483 385
Investments in subsidiaries and associates	(13)	6 645 125	6 645 125
Available-for-sale investments		74 856	74 856
Other assets	(14)	9 709 500	9 159 291
Deferred tax assets	(24-1)	159 920	131 209
Total Non Current Assets		62 827 050	59 731 167
<u>Current Assets</u>			
Inventories	(15)	2 118 669	1 961 580
Trade receivables	(16)	5 864 543	5 733 086
Debtors and other debit balances	(17)	6 201 755	5 905 409
Debit balances with subsidiaries and associates	(28)	-	310
Cash and cash equivalents	(18)	914 434	1 587 143
Total Current Assets		15 099 401	15 187 528
Total Assets		77 926 451	74 918 695
<u>Equity</u>			
Capital	(22)	17 070 716	17 070 716
Reserves	(23)	5 011 376	4 903 361
Retained earnings		7 833 314	8 058 960
Total Equity		29 915 406	30 033 037
<u>Non Current Liabilities</u>			
Loans and credit facilities	(19)	2 897 962	3 278 144
Creditors and other credit balances	(20)	5 854 152	5 083 404
Deferred tax liabilities	(24-1)	1 328 732	1 279 686
Total Non Current Liabilities		10 080 846	9 641 234
<u>Current Liabilities</u>			
Loans and credit facilities installments due within one year	(19)	18 268 690	16 975 203
Creditors and other credit balances	(20)	14 726 522	12 021 786
Accrued credit accounts to subsidiaries and associates	(28)	4 322 786	5 395 234
Provisions	(21)	612 201	852 201
Total Current Liabilities		37 930 199	35 244 424
Total Liabilities		48 011 045	44 885 658
Total Equity and Liabilities		77 926 451	74 918 695

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


Director of financial affairs


 " Ehab Abdo "


Senior Director
of Financial affairs


 " Wael Hanafy "

Chief Financial Officer


 Mohamed Shamroukh "

Managing Director
& Chief Executive Officer


 "Adel Hamed"

Board of Directors approval

Chairman



Limited Review Report "attached"

"Maged Osman"

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

	Note <u>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>Reclassified L.E.(000)</u>
Operating revenues	(3)	6 304 020	5 457 916
Operating costs	(4)	(4 090 057)	(3 736 327)
Gross Profit		2 213 963	1 721 589
Other income		366 810	138 828
Selling and distribution expenses	(5)	(598 450)	(529 895)
General and administrative expenses	(6)	(665 737)	(687 267)
Other expenses		(23 350)	(62 049)
Operating profit		1 293 236	581 206
Finance income		353 761	422 014
Finance cost		(442 404)	(412 421)
Net finance (cost) income	(7)	(88 643)	9 593
Income from investments in subsidiaries and associates	(8)	1 021 708	182 703
Profit before income tax		2 226 301	773 502
Income tax expense		(356 510)	(142 305)
Deferred tax	(24-1)	(19 919)	(64 283)
Total income tax		(376 429)	(206 588)
Net profit for the period		1 849 872	566 914
Basic and diluted earning per share for the period (L.E. / Share)	(10)	1.08	0.33

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

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

	<u>For the three months ended:</u>	
	31/3/2021	31/3/2020
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Net profit for the period	1 849 872	566 914
Other Comprehensive Income items	—	—
Total Comprehensive Income	<u>1 849 872</u>	<u>566 914</u>

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

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Condensed Separate Statement of Changes In Equity
For the three Months Ended March 31, 2021

	Note	Capital L.E. (000)	Legal reserve L.E. (000)	Other reserves L.E. (000)	Retained earnings L.E. (000)	Total L.E. (000)
Balance as of January 1, 2020		17 070 716	1 843 987	2 796 578	7 265 622	28 976 903
Comprehensive income						
Net profit for the period		-	-	-	566 914	566 914
Other comprehensive income items		-	-	-	-	-
Total comprehensive income		-	-	-	566 914	566 914
Transactions with shareholders						
Transferred to legal reserve		-	271 824	-	(271 824)	-
Dividends for year 2019 (Shareholders)		-	-	-	(426 768)	(426 768)
Dividends for year 2019 (Employees & Board of Directors)		-	-	-	(668 366)	(668 366)
Disposals land & building		-	-	(9 028)	-	(9 028)
Total transactions with shareholders		-	271 824	(9 028)	(1 366 958)	(1 104 162)
Balance as of March 31, 2020		17 070 716	2 115 811	2 787 550	6 465 578	28 439 655
Balance as of January 1, 2021 (Before restated)		17 070 716	2 115 811	2 787 550	8 058 960	30 033 027
Restatement according to the Egyptian Accounting Standards	(7-2)	-	-	-	(20 729)	(20 729)
Balance as of January 1, 2021 (After restated)		17 070 716	2 115 811	2 787 550	8 038 231	30 012 308
Comprehensive income						
Net profit for the period		-	-	-	1 849 872	1 849 872
Other comprehensive income items		-	-	-	-	-
Total comprehensive income		-	-	-	1 849 872	1 849 872
Transactions with shareholders						
Transferred to legal reserve		-	108 015	-	(108 015)	-
Dividends for year 2020 (Shareholders)		-	-	-	(1 280 304)	(1 280 304)
Dividends for year 2020 (Employees & Board of Directors)		-	-	-	(666 470)	(666 470)
Total transactions with shareholders		-	108 015	-	(2 054 789)	(1 946 774)
Balance as of March 31, 2021		17 070 716	2 223 826	2 787 550	7 833 314	29 915 406

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

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

	Note No.	For the three months ended:	
		31/3/2021	31/3/2020
		<u>L.E.(000)</u>	<u>Reclassified L.E.(000)</u>
<u>Cash flows from operating activities</u>			
Cash receipts from customers		4 402 502	4 937 001
Cash receipts from related party		2 207 444	1 279 746
Value added tax collected from customers		164 089	110 719
Stamp tax and fees collected (from third party)		37 626	26 179
Deposits collected from customers		8 523	372
Cash paid to suppliers		(1 955 679)	(2 261 462)
Payments for NTRA license fees		(244 298)	(168 802)
Dividends paid to employees and Board of Directors		(9 378)	(8 594)
Cash paid to employees and Board of Directors		(1 045 416)	(1 109 202)
Cash paid on behalf of employees to third party		(220 600)	(205 665)
Cash provided by operating activities		3 344 813	2 600 292
Interest paid		(328 664)	(304 967)
Payments to Tax Authority - value added tax		(207 171)	(201 629)
Payments to Tax Authority - other taxes		(373 383)	(303 346)
Other proceeds / (payments)		702 101	(98 210)
Net cash provided by operating activities		3 137 696	1 692 140
<u>Cash flows from investing activities</u>			
Payments for purchase of fixed assets , other assets and projects in progress		(3 114 200)	(2 247 230)
Payments for purchase of other assets		(2 453 622)	(25 000)
Interest received		3 243	3 207
Dividends collected from investments		809 023	-
Net cash used in investing activities		(4 755 556)	(2 269 023)
<u>Cash flows from financing activities</u>			
Proceeds from loans and credit facilities		1 298 081	1 022 968
Payments for loans and credit facilities		(354 114)	(361 322)
Net cash provided by financing activities		943 967	661 646
Net change in cash and cash equivalents during the period		(673 893)	84 763
Cash and cash equivalents at the beginning of the period	(18)	1 538 732	685 719
Cash and cash equivalents at the end of the period	(18)	864 839	770 482

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

Translation from Arabic

Telecom Egypt Company
(An Egyptian Joint Stock Company)

Notes to the Condensed Separate 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 the condensed separate interim financial statements

- These Condensed Separate Interim Financial Statements were approved by the company's Board of Directors for issuance on May 10, 2021

2. BASIS OF PREPERATION OF THE CONDENSED SEPARATE INTERIM FINANCIAL STATEMENTS

2-1 Statement of compliance

- These Condensed Separate Interim Financial Statements as of 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 separate financial statements for the company, and in the light of applicable Egyptian laws and regulations related to.
- These first condensed separate interim financial statements have been prepared which Egyptian accounting standard No. 47 "Financial Instruments", Egyptian accounting standard No. 48 "Revenue from contracts with customers" and Egyptian accounting standard No. 49 "lease" were applied.
- These Condensed Separate Interim Financial Statements don't include all the required information needed for preparing the full annual financial statements and must be read with the separate annual financial statements as of December 31, 2020.

2-2 Basis of measurement

- These Condensed Separate Interim Financial Statements have been prepared under the historical cost basis, except for certain financial investments which are evaluated at fair value in according to the Egyptian Accounting Standards.
- For presentational purposes, the current and non-current classification has been used for the condensed separate statement of Financial Position, while expenses are analysed in condensed separate statement of income using a classification based on their function. The direct method has been used in preparing the condensed separate statement of cash flows.

2-3 Functional and presentation currency

These Condensed Separate Interim Financial Statements are presented in Egyptian pound (LE), which is the Company's functional currency. All financial information presented in "L.E." has been rounded to the nearest thousands unless otherwise stated.

2-4 Use of estimates

The preparation of the condensed separate interim financial statements in conformity with Egyptian Accounting Standards that requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other various factors that are supposed to be reasonable under the circumstances, the results of these assumption represent the judgmental basis for the value of assets and liabilities that may not apparently available from other sources. The actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on ongoing basis. Accounting recognition estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods. Information about the most significant accounts used the estimation and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the condensed separate interim financial statements is included in the following notes:

- Impairment of financial and non-financial assets.
- Provisions and contingencies.
- Deferred tax assets and liabilities.
- Operational useful life of fixed assets.

2-5 Fair value measurement

The fair value of financial instruments is determined based on the market value of the financial instrument or similar financial instruments at the date of the condensed separate interim financial statements without deducting any estimated future selling costs. The financial assets values are determined with the current purchase prices; however, the financial liabilities values are determined with the current prices that could settle these liabilities.

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

When the discounted cash flows are used as a valuation technique, the future cash flows are estimated based on the management best estimate. The discount rate used is determined in line with the market rate at the date of the financial statements for the similar financial instruments in nature and conditions.

2-6 Segment reporting

Operating activities related to the company is managed by operating segments at the group activates level as integrated activity, based on the nature of product and the service provided. The segment reporting is prepared according to services provided by activities as a group as follows:

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

2-7 Significant accounting policies

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

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

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

A- Standard (47) - Financial Instruments

B- 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
Assets					
Non Current Assets					
Fixed assets	37 237 301	-	-	-	37 237 301
Projects in progress	6 483 385	-	-	-	6 483 385
Investments in subsidiaries and associates	6 645 125	-	-	-	6 645 125
Available-for-sale investments	74 856	-	-	-	74 856
Other assets	9 159 291	-	-	627 674	9 786 965
Deferred tax assets	131 209	-	-	-	131 209
Total Non Current Assets	59 731 167	-	-	627 674	60 358 841
Current Assets					
Inventories	1 961 580	-	-	-	1 961 580
Trade receivables	5 733 086	(35 977)	-	-	5 697 109
Debtors and other debit balances	5 905 409	-	-	-	5 905 409
Debit balances with subsidiaries and associates	310	-	-	-	310
Cash and cash equivalents	1 587 143	-	-	-	1 587 143
Total Current Assets	15 187 528	(35 977)	-	-	15 151 551
Total Assets	74 918 695	(35 977)	-	627 674	75 510 392
Equity					
Capital	17 070 716	-	-	-	17 070 716
Reserves	4 903 361	-	-	-	4 903 361
Retained earnings	8 038 960	(35 977)	(325)	15 573	8 038 231
Total Equity	30 033 037	(35 977)	(325)	15 573	30 012 308
Non Current Liabilities					
Loans and credit facilities	3 278 144	-	-	-	3 278 144
Creditors and other credit balances	5 083 404	-	-	555 613	5 639 017
Deferred tax liabilities	1 279 686	-	-	416	1 280 102
Total Non Current Liabilities	9 641 234	-	-	556 029	10 197 263
Current Liabilities					
Loans and credit facilities installments due within one	16 975 203	-	-	-	16 975 203
Creditors and other credit balances	12 021 786	-	325	56 072	12 078 183
Accrued credit accounts to subsidiaries and associates	5 395 234	-	-	-	5 395 234
Provisions	852 201	-	-	-	852 201
Total Current Liabilities	35 244 424	-	325	56 072	35 300 821
Total Liabilities	44 885 658	-	325	612 101	45 498 084
Total Equity and Liabilities	74 918 695	(35 977)	-	627 674	75 510 392

(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 statement position.

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

Translation from Arabic

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

-Transitional period

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

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

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

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

Egyptian Accounting Standard No. 49 "Lease Contracts" provides a single accounting model for the lessor and the lessee where the lessee recognizes the right to use the leased asset within the company's assets and recognizes a commitment that represents the current value of unpaid lease payments within the company's obligations, taking into account that contracts are not classified for the lessee as 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.

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

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

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

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

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

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

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

Translation from Arabic

3. OPERATING REVENUES

	For the three months ended :	
	31/3/2021	31/3/2020
	L.E. (000)	L.E. (000)
Home and personal communications	1 253 914	1 034 760
Enterprise	643 427	401 364
Domestic wholesale	2 988 514	2 404 603
International carriers	1 049 968	1 135 804
International cables and networks	368 197	481 385
	6 304 020	5 457 916

Total operating revenues have increased by an amount of L.E. 846 104 K mainly due to the increase in domestic wholesale revenues by an amount of L.E. 583 911 K due to the increase in access service and infrastructure revenue in addition to the increase in enterprise revenue by an amount of L.E. 242 063 K due to the increase in complementary access and Fixed line revenues and the increase in home and personal communications revenues by an amount of L.E. 219 154 K due to the increase in revenues resulting from subscription fees of fixed line and rendering mobile phone service, however the decrease in international cables and networks revenues by an amount of L.E. 113 188 K, and the decrease in international carriers revenues by an amount of 85 836 K led to the limitation of this increase.

4. OPERATING COSTS

	For the three months ended :	
	31/3/2021	31/3/2020
	L.E. (000)	Reclassified L.E. (000)
Interconnection cost	1 434 060	1 369 927
Depreciation and amortization	1 153 163	1 043 193
Salaries and wages	556 909	523 149
Company's social insurance contribution	62 056	58 052
Frequencies and licenses charges (NTRA)	195 735	190 742
Other operating cost *	688 134	551 264
	4 090 057	3 736 327

Operating costs have increased by an amount of L.E. 353 730 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 and national roaming fees.
- The increase in the depreciation and amortization item by an amount of L.E. 109 970 K due to the additions of the last year after the first quarter and the current period.
- The increase in the salaries and wages by an amount of L.E. 33 760 K.
- The increase in the other operating cost by an amount of L.E. 136 870 K which is mainly due to the increase in cost of spare parts by an amount of L.E. 84 364 K and the increase in IRU right of use by an amount of L.E. 38 968 K.

*Reclassification was made to comparative figures as shown in Note no (30-1).

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

Translation from Arabic

5. SELLING AND DISTRIBUTION EXPENSES

	For the three months ended :	
	31/3/2021	31/3/2020
	L.E. (000)	Reclassified L.E. (000)
Salaries and wages	220 824	198 000
Company's social insurance contribution	26 040	21 252
Advertising and marketing	94 527	96 961
Organizations services costs *	118 462	97 799
Commissions	87 635	76 426
Depreciation	1 929	1 784
Amortization	6 336	-
Other selling and distribution expenses	42 697	37 673
	598 450	529 895

The increase in selling and distribution expenses by an amount of L.E 68 555 K mainly due to the increase in salaries and wages item by an amount of L.E 22 824 K and the increase in commissions item by an amount of L.E 11 209 K and the increase of the cost of organizations services by an amount of L.E. 20 663 K.

* Reclassification was made to comparative figures as shown in Note no. (30-1)

6. GENERAL AND ADMINISTRATIVE EXPENSES

	Note No.	For the three months ended :	
		31/3/2021	31/3/2020
		L.E. (000)	L.E. (000)
Salaries and wages		412 350	427 396
Company's social insurance contribution		39 076	33 203
The company's contribution in loyalty and belonging fund	(9-2)	50 000	45 000
Depreciation		8 180	8 775
Tax and duties		37 409	22 854
Organizations services costs and consultants		75 294	107 078
Other general and administrative expenses		43 428	42 961
		665 737	687 267

The decrease in general and administrative expenses by an amount of L.E 21 530 K mainly due to the decrease in organizations services costs and consultants item by an amount of L.E 31 784 K and the decrease in salaries and wages item by an amount of L.E 15 046 K, however the increase in tax and duties item by an amount of L.E 14 555 K led to the limitation of this decrease.

7. NET FINANCE (COST) INCOME

The increase in net finance (cost) income by an amount of L.E 98 236 K during the period is mainly due to the increase in impairment expense on financial assets by an amount of L.E. 74 413 K and the decrease in translation profits of foreign currencies balances and transactions by an amount of L.E 65 593 K, however the decrease of the present value expense by amount of L.E. 29 449 K and the interest expense by an amount of L.E. 14 981 K that led to limitation of this increase.

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

Translation from Arabic

8. INCOME FROM INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

	<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 Telecommunications Company	898 915	-
WE-Data	50 000	100 000
Middle East Radio Communication (MERC)	5 372	5 513
The Egyptian Telecommunication Company for information system (Xceed)	62 500	62 500
Centra for Technology (centra)	4 921	14 690
	<u>1 021 708</u>	<u>182 703</u>

This income is represented in the company's share in the cash dividends from investment in those companies according to the resolutions of the General Assembly of investees.

9. EMPLOYEE'S BENEFITS

9-1 Early retirement scheme

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

First: The important conditions of the optional early retirement

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

Second: The most important benefits of an optional early retirement

- Payment of compensation for the remaining period, which represents the total of the remaining salaries including periodic increment up to the legal age of retirement calculated at present value by a specified discount rate.
- Payment of compensation instead of the loyalty and belonging grant of 100 months on the basic salary on 1/1/2015 with an increase of 5% per annum.
- Payment of compensation for unused leaves in accordance with the regulations in force.

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

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- 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.

	<u>For the three months ended :</u>	
	<u>31/3/2021</u>	<u>31/3/2020</u>
Net profit for the period (LE in thousand)	1 849 872	566 914
Number of shares available during the period (share)	1 707 071 600	1 707 071 600
Basic and diluted earnings per share for the period (LE / share)	<u>1.08</u>	<u>0.33</u>

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

Translation from Arabic

11. FIXED ASSETS

	31/3/2021	31/3/2020	31/3/2021	31/3/2020	31/3/2021	31/3/2020	31/12/2020
Description	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	2 353 742	2 338 952	-	-	2 353 742	2 338 952	2 338 973
Buildings & Infrastructure	38 661 678	34 653 631	17 357 206	16 169 645	21 304 472	18 483 986	21 236 521
Centrals & information technologies equipment	35 835 789	30 723 409	22 551 719	20 476 301	13 284 070	10 247 108	13 323 925
Vehicles	241 888	171 229	105 331	108 264	136 557	62 965	103 437
Furniture	448 563	387 802	316 687	289 925	131 876	97 877	134 734
Tools & supplies	218 260	203 684	122 606	101 243	95 654	102 441	99 711
Total	<u>77 759 920</u>	<u>68 478 707</u>	<u>40 453 549</u>	<u>37 145 378</u>	<u>37 306 371</u>	<u>31 333 329</u>	<u>37 237 301</u>

- The increase in net carrying value of fixed assets mainly due to the additions during the period by an amount of L.E.1 050 842 K, however the depreciation of the period by an amount of L.E. 973 250 K led to limitation of this increase.
- The cost of fixed assets as of March 31, 2021 includes an amount of L.E. 21 045 Million fully depreciated fixed assets and still in use.

12. PROJECTS IN PROGRESS

	31/3/2021 <u>LE (000)</u>	31/12/2020 <u>LE (000)</u>
Land	23 077	37 845
Buildings and Infrastructure	1 375 795	1 437 326
Vehicles	633	-
Furniture	13 432	12 016
Tools and supplies	11 176	11 139
Centrals and information technology equipment	3 053 365	2 835 618
Other Assets (cables)	500 007	547 625
Advanced payments - fixed assets	1 430 527	1 601 816
Frequencies license for 20 MH	2 397 300	-
Administrative Capital	125 966	-
	<u>8 931 278</u>	<u>6 483 385</u>

The balance of projects in progress is represented in the part that has been executed from commitments capital and contracts, and the advanced payment until March 31, 2021.

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

Translation from Arabic

13. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

	31/3/2021		31/12/2020	
	Ownership %	Amount L.E. (000)	Ownership %	Amount L.E. (000)
13-1 Investments in subsidiaries				
- Telecom Egypt France (TE France)	100.00	69 220	100.00	69 220
- WE Data	99.99	252 461	99.99	252 461
- Egyptian international submarine cables company (Eiscc)	99.00	267 578	99.00	267 578
- TE Investment Holding	99.99	39 998	99.99	39 998
- Egyptian Telecommunication for Information System (Xceed)	97.66	31 250	97.66	31 250
- Centra Technology (centra)	58.76	14 737	58.76	14 737
- Middle East Radio Communication (Merc)	49.00	7 350	49.00	7 350
- Egyptian telecommunication integrated services company	98.00	246	98.00	246
13-2 Investments in associates				
- Vodafone Egypt Telecommunications Company	44.95	5 960 054	44.95	5 960 054
- Egypt Trust	35.71	10 000	35.71	10 000
- Wataneya for Telecommunications	50.00	125	50.00	125
		6 653 019		6 653 019
Less:				
Impairment loss on investments of subsidiaries and associates*		7 894		7 894
		6 645 125		6 645 125

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

14. OTHER ASSETS

	31/3/2021 L.E. (000)	31/12/2020 L.E. (000)
Cost		
Fourth generation network license	8 633 330	8 633 330
Administrative Capital (right of use)	40 095	34 296
Lease (right of use)	771 320	-
Submarine cables (right of way)	1 914 917	1 885 122
Right of way (National)	541 095	541 095
Land (possession-usufruct)	440 684	440 684
Licenses and programs	104 551	104 551
	12 445 992	11 639 078
Less:		
Accumulated amortization	2 736 492	2 479 787
Net carrying amount	9 709 500	9 159 291

- The increase in net carrying value of other assets mainly due to the increase in lease (right of use) item by an amount of L.E 771 320 K.
- Other assets cost includes at March 31, 2021 an amount of L.E 167 Million, other assets fully amortized and still in use in operating.

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

Translation from Arabic

15. INVENTORIES

	31/3/2021 L.E. (000)	31/12/2020 L.E. (000)
Spare parts	1 186 123	1 170 518
Material supplies ,Merchandise for sale and Letters of credit	473 738	256 365
Others – cables and supplies	458 808	534 697
	2 118 669	1 961 580

The value of inventories was written down by an amount of L.E. 86 939 K (against L.E. 13 561 K as at December 31, 2020) for obsolete and slow-moving items directly from the cost of each type of related inventory.

16. TRADE RECEIVABLES

	31/3/2021 L.E. (000)	31/12/2020 L.E. (000)
Trade Receivables - National	4 190 804	3 607 743
Trade Receivables - International	3 535 929	3 864 720
	7 726 733	7 472 463
Less:		
Impairment loss on trade receivables	1 862 190	1 739 377
	5 864 543	5 733 086

- Trade receivables balance has increased by an amount of L.E 131 457 K mainly due to the increase in both of trade receivables – domestic wholesale by an amount of L.E 607 991 K and trade receivables – home and personal communication by an amount of L.E 31 972 K and trade receivables - international carriers by an amount of L.E 37 914 K, however the decrease in trade receivables – international cables and networks by an amount of L.E. 366 705 K and trade receivables-enterprise by an amount of L.E 56 902 K led to the limitation of this increase.

17. DEBTORS AND OTHER DEBIT BALANCES

	31/3/2021 LE (000)	31/12/2020 LE (000)
Suppliers – debit balances	1 330 727	878 736
Deposites with others	269 576	269 252
Accrued revenues	121 585	11 119
Tax Authority - value added tax	1 463 843	1 483 623
Tax Authority - withholding tax	919 300	826 976
Tax authority - income tax	29 549	29 552
Due from ministries, organizations and companies	896 339	871 415
Temporary debts due from employees	175 742	657 093
Other debit balances	1 050 293	932 842
	6 256 954	5 960 608
Less:		
Impairment loss on debtors and other debit balances	55 199	55 199
	6 201 755	5 905 409

Debtors and other debit net balances have increased by an amount of L.E. 296 346 K mainly due to the increase in suppliers - debit balances by an amount of L.E. 451 991 K and accrued revenue by an amount of L.E. 110 466 K and Tax authority (withholding tax) by an amount of L.E. 92 324 K and debits amounts at banks by an amount of L.E. 81 843 K, however the decrease in temporary debts due from employees by an amount of L.E 481 351 K as a result of the employees dividends for 2020 led to the limitation of this increase.

*Notes to the condensed Separate Interim Financial Statements
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Translation from Arabic

18. CASH AND CASH EQUIVALENTS

	Note	31/3/2021	31/12/2020	31/3/2020
	No.	L.E. (000)	L.E. (000)	L.E. (000)
Banks - time deposits (less than 3 months)		208 429	1 064 991	265 878
Banks - current accounts		698 911	520 809	602 574
Cash on hand		7 094	1 343	7 869
Cash and cash equivalents		914 434	1 587 143	876 321
Less:				
Restricted time deposits and current accounts at banks	(26)	49 595	48 411	105 839
Cash and cash equivalents as per cash flows statement		864 839	1 538 732	770 482

19. LOANS AND CREDIT FACILITIES

- The increase in the balance of loans and credit facilities by an amount of L.E 913 305 K mainly resulting from proceeds within the period of loans and credit facilities with local and foreign currencies amounted to L.E. 1 298 080 K, where loans and credit facilities with local and foreign currencies in March, 31 2021 amounted to L.E. 21 166 652 K (against LE 20 253 347 K at December,31 2020), due within a year by an amount of L.E. 18 268 690 K, including bank facilities by an amount of L.E. 16 817 375 K.

20. CREDITORS AND OTHER CREDIT BALANCES

	Note	31/3/2021	31/12/2020
	No.	L.E. (000)	L.E. (000)
Suppliers		842 387	1 364 820
Tax Authority (taxes other than income tax)		709 681	190 311
Deposits from others		521 216	528 022
Liabilities of early retirement scheme	(9-1)	56 725	67 140
Assets creditors		10 216 376	11 085 577
Lease obligations		690 341	-
Dividends creditors		1 281 074	770
Accrued interest		74 615	108 762
Accrued expenses		628 590	707 863
Public Authority for Social Insurance		65 701	54 666
Trade receivables - credit balances		707 976	725 028
Credit balances- organizations and companies		666 197	355 651
Deferred revenue		2 384 677	632 650
National Telecommunication Regulatory Authority (NTRA)		818 900	661 203
Other credit balances		916 218	622 727
		20 580 674	17 105 190
Less balances due within more than one year:			
Assets creditors		5 197 257	5 055 227
Lease obligations		628 718	-
Deferred revenue		28 177	28 177
Non current creditors and other credit balances		5 854 152	5 083 404
Current creditors and other credit balances		14 726 522	12 021 786
Total creditors and other credit balances		20 580 674	17 105 190

Creditors and other credit balances have increased by an amount of L.E. 3 475 484 K mainly due to the increase in deferred revenue by an amount of L.E 1 752 027 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 creditors item by an amount of L.E 1 280 304 K due to the dividends of year 2020, and lease obligations by an amount of L.E. 690 341 K and tax authority item (taxes other than income tax) by an amount of L.E 519 370 K and credit balances-organization and companies by an amount of L.E. 310 546 K, however the decrease in both of assets creditors item by an amount of L.E 869 201 K, suppliers item by an amount of L.E 522 433 K, accrued expenses by an amount of L.E. 79 273 K and accrued interest by an amount of L.E. 34 147 K led to the limitation of this increase.

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21. PROVISIONS

	31/3/2021	31/12/2020	31/3/2020
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Balance at the beginning of the period / year	852 201	668 004	638 004
Reversal of provisions	(240 000)	-	-
Charged to income statement for the period / year	-	184 197	-
Balance at the end of the period / year	<u>612 201</u>	<u>852 201</u>	<u>638 004</u>

22. CAPITAL

- The company's issued and fully paid-up capital is L.E. 17 070 716 K, represented in 1 707 071 600 shares at a par value of LE 10 each.
- The Egyptian Government owns 80% after floating 20% of company's shares in public offering during December 2005.

23. RESERVES

	31/3/2021	31/12/2020
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Legal reserve	2 223 826	2 115 811
Other reserves	2 787 550	2 787 550
	<u>5 011 376</u>	<u>4 903 361</u>

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

24. DEFERRED TAX

24-1 Recognized deferred tax assets and liabilities

	31/3/2021		1/1/2021		31/12/2020	
	Assets	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>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Total deferred tax asset / (liability)	159 920	(1 328 732)	131 209	(1 280 102)	131 209	(1 279 686)
Net deferred tax liability	-	<u>(1 168 812)</u>	-	<u>(1 148 893)</u>	-	<u>(1 148 477)</u>
Deferred tax charged to the income statement for the period / year		<u>(19 503)</u>		<u>(416)</u>		<u>(538 815)</u>

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	<u>431 413</u>	<u>381 928</u>

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

25. CAPITAL COMMITMENTS

The company's capital commitments for the unexecuted parts of contracts until March 31, 2021 amounted to L.E. 289 Million (against L.E.271 Million at the year ended December 31, 2020).

26. CONTINGENT LIABILITIES

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

	<u>31/3/2021</u>	<u>31/12/2020</u>
	<u>LE (000)</u>	<u>LE (000)</u>
- Letters of guarantee issued by banks on behalf of the company	1 635 314	1 773 804
- Letters of credit	1 455 013	1 858 140

27.TAX POSITION

27-1 Corporate tax

- Tax inspection was performed for the years till December 31, 2015 and all due taxes were settled.
- Tax inspection for the years 2016 and 2017 is in process.
- Tax return was submitted according to the income tax law and all taxes were paid during the legal dates.

27- 2 Value Added Tax \ Sales Tax

- Tax inspection for the years 2010 untill 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 apealed on the disputed items on the due dates and the provisions were formed to meet any tax liabilities that may arise.
- Tax inspection for the period from January 1, 2001 till July 31, 2006 was performed for certain sectors of the company and taxes due were settled. Tax inspection for the remaining sectors is currently being undertaken for the same period.
- Tax inspection for period from August 1, 2006 to December 31, 2016 was performed and the tax differences were settled.
- Tax inspection for the years 2017 and 2018 is in process.

27- 5 Real Estate Tax

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

**Notes To The Condensed Separate Interim Financial Statements
For The Three Months Ended March 31, 2021 (continued)**

Translation from Arabic

28. RELATED PARTY TRANSACTIONS

There are transactions between Telecom Egypt and its subsidiaries and associates and such transactions are approved by the company's management, the following statement contain the most important transactions during the financial period and the balances shown in the date of financial position:

Transactions with subsidiaries & associates

	Nature of transaction during the period	Amount of transactions during the period stated in the income statement L.E. 000	Movement during the period Debit L.E. 000	Credit L.E. 000	Balance as of 31/3/2021 Debit/(Credit) L.E. 000	Balance as of 31/12/2020 Debit/(Credit) L.E. 000
<u>Debit balances due from subsidiaries and associates</u>						
- TE Jordan	Participation contract	11 314	-	310	-	310
<u>Credit balances due to subsidiaries and associates</u>						
- WE Data	Participation contract and purchasing of fixed assets and services rendered from subsidiaries company	-	1 087 486	3 685 683	(3 985 925)	(1 387 728)
- WE Data	Leased circuits, information transfer network and services rendered	1 712 333	2 267 145	210 183	767 379	(1 289 583)
			3 354 631	3 895 866	(3 218 546)	(2 677 311)
TE Jordan	Participation contract	11 314	1 471	4 142	(2 671)	-
- Egyptian Telecommunication Company for Information Systems	Services rendered from subsidiary company	152 031	22 999	210 458	(501 941)	(314 482)
- Egyptian Telecommunication Company for Information Systems	Leased sites for subsidiary company, Electricity, Maintenance, leased circuits and selling of fixed assets	10 506	298 489	13 141	419 728	134 380
			321 488	223 599	(82 213)	(180 102)
- Centra for Technologies	Maintenance & supplying devices	16 573	446 335	19 122	(50 322)	(477 555)
- Centra for Electronic Industries	Maintenance & supplying devices	392	204	447	(3 903)	(3 660)
- Middle East Radio Communication (MERC)	Leased of information circuits	822	967	937	-	(30)
- TE investment Holding	Services rendered from subsidiary company	31 883	54 643	51 746	(10 482)	(13 379)
- TE investment Holding	Leased sites for subsidiary company	5	-	-	5	5
			54 643	51 746	(10 477)	(13 374)
- TE France	Participation contract	6 871	11 022	6 937	(76 443)	(80 528)
- Egyptian International Submarine Cables Company (EISCC)	Purchasing of other assets from subsidiary company	-	-	-	(620 752)	(620 752)
- Egyptian International Submarine Cables Company (EISCC)	Leased sites for subsidiary company	5	5	-	5	-
			5	-	(620 747)	(620 752)
- Mena Cable	Maintenance - services rendered from subsidiary company	1 903	1 573	12 009	(14 610)	(4 174)
- Mena Cable	Non-recurring payment	-	33	-	-	(33)
- Mena Cable	Paid of expenses on behalf of company	-	22 550	37 873	(31 605)	(16 282)
- Mena Cable	Advanced payment	155	2 500	12 685	(1 305)	8 880
- Mena Cable	Maintenance - services rendered to subsidiary company	785	785	4	2 353	1 572
			27 441	62 571	(45 167)	(10 037)
- Vodafone Egypt Telecommunications Company	Outgoing calls and voice services for associate company	439 573				
- Vodafone Egypt Telecommunications Company	Incoming international calls, claims, transmissions, lease of locations and towers for the associate company	352 284	3 424 150	2 304 542	(212 297)	(1 331 905)
			7 642 357	6 570 219	(4 322 786)	(5 394 924)

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

29. CLAIMS AND LITIGATION:**The Existing Remedy lawsuit between Telecom Egypt "TE", Etisalat Misr Company & its subsidiaries: the EGY Net and Nile on Line)**

The aforementioned telecom operators "companies" (Etisalat's Misr and its subsidiaries) filed a lawsuit "in the Economic Court" against Telecom Egypt on January 18, 2019, based on the decision of the Egyptian Competition Protection Authority "ECA" on March 8, 2016, where the claiming companies had filed a complaint with the ECA against TE on the basis that the TE's has carried out practices that restrict competition in the Egyptian market, and the ECA decision to prove the violation of Telecom Egypt

where the claiming companies claim that Telecom Egypt implemented The process of replacing and installing the modern fiber-optic cable "MSAN" network suddenly replaces and swapped the copper cables infrastructure without prior notification or coordination, which entailed cutting off the service for the clients of the claiming operators, and at the May 28, 2019 case session, the court decided to reserve the lawsuit for the judgment for the 25th of June 2019 session, so that the court issued a preliminary ruling delegating a tripartite experts committee. Which has been finalized and submitted its report officially to the court on the second half of January 2021, and still now the lawsuit is before the Economic Court in Cairo.

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

30. Comparative figures

- Reclassification was made to some of the comparative figures of the condensed separate interim financial statement of income and the condensed separate statement of cashflow to conform to the current presentation of the condensed separate interim financial statements.
- The following is the effect of reclassification on the condensed separate interim financial statements:

30-1 Effect on Condensed Separate Statement of Income

	For the period ended		For the period ended
	31/3/2020	<u>Reclassification</u>	31/3/2020
	<u>as previously reported</u>		<u>Reclassified</u>
	<u>LE (000)</u>	<u>(debit) / credit</u>	<u>LE (000)</u>
Operating costs	(3 703 453)	(32 874)	(3 736 327)
Selling and distribution expenses	(562 769)	32 874	(529 895)

30-2 Effect on condensed Separate Statement of Cash Flow

	For the period ended		For the period ended
	31/3/2020	<u>Reclassification</u>	31/3/2020
	<u>as previously reported</u>		<u>Reclassified</u>
	<u>LE(000)</u>	<u>debit/ (credit)</u>	<u>LE(000)</u>
Cash receipts from customers	3 975 158	961 843	4 937 001
Cash paid to suppliers	(1 299 619)	(961 843)	(2 261 462)

31- SIGNIFICANT EVENTS

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

Firstly: Actions taken by the company to Employees

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

Secondly: Actions taken by the company to Customers

The company has been taking the customer safety in consideration during this exceptional circumstances by extending the repayment periods for the January and April invoices until the middle of June, with the availability for all electronic means of payments through Telecom Egypt website or the digital wallet (WE Pay).

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

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

Hereunder the main risks that defined by crisis management team and approved by the company:**1- The risks of collection, deposit and credit liquidity**

- The company collects debts from its clients normally, with consideration extend the time of payment for the January and April invoices to the middle of June 2020 regarding the fixed voice, whereas the fixed voice revenue represents the ineffective ratio of the total revenue. The company is studying the impairment of customer balances according to the requirements of the Egyptian Accounting Standards.
- The company has a financial position heavy and balanced supported by the company's cash sales and collections from the market, and the company has a distinct credit rating with Egyptian and international banks.

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

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

3- Selling and distribution risks

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

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

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

32- SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of the condensed separate statement of cash flows as of March 31, 2021 is the same as the accounting policies applied in the preparation of the annual separate financial statements as of December 31, 2020, these accounting policies have been applied consistently to all periods presented in these condensed separate interim financial statements (except what determined in Note No.7-2) .