

telecomegypt



**Telecom Egypt Company**  
**(An Egyptian Joint Stock Company)**  
**Condensed Consolidated Interim Financial Statements**  
**For The Nine Months Ended September 30, 2022**  
**And Limited Review Report**

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## Hazem Hassan

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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 of September 30, 2022, and the related condensed consolidated statements of income, comprehensive income for the three and nine months ended September 30, 2022, changes in equity and cash flows for the nine 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***

Except for the matter described in the basis for qualified conclusion, we conducted our limited review in accordance with Egyptian Standard on Review Engagements number (2410), "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity" 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.

#### ***Basis for Qualified Conclusion***

As explained in note no. (13) of the notes in the condensed interim consolidated financial statements, the company has Investments in Vodafone Egypt (associate company) which is accounted for by using the equity method in the condensed consolidated interim financial statement, and the company's share in the equity of the associate company was determined as of September 30, 2022, based on financial information prepared by the management of the associate company there was no report issued by the associate company's external auditor.



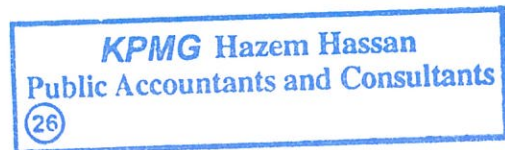
Hazem Hassan

***Qualified Conclusion***

Based on our limited review, except for the possible effect of the matter described in the basis for the qualified conclusion section of our limited review report, 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 September 30, 2022 and of its consolidated financial performance and its consolidated cash flows for the nine months then ended in accordance with Egyptian Accounting Standard number (30) "Interim Financial Reporting".

**KPMG Hazem Hassan  
Public Accountants & Consultants**

Cairo, November 13, 2022



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

	Note No.	30/9/2022 L.E. (000)	31/12/2021 Reclassified L.E. (000)
<b>Assets</b>			
<b><u>Non Current Assets</u></b>			
Fixed assets	(11)	44 738 142	43 464 643
Projects in progress	(12)	7 309 597	6 219 062
Investments in associates	(13)	11 538 073	10 936 209
Financial assets at FV OCI - Equity investment		74 856	74 856
Debtors and other debit balances	(17)	55 245	48 203
Other assets	(14)	15 077 108	12 481 086
<b>Total Non Current Assets</b>		<b>78 793 021</b>	<b>73 224 059</b>
<b><u>Current Assets</u></b>			
Inventories	(15)	3 437 705	2 341 976
Trade and notes receivable	(16)	7 991 303	5 879 356
Debtors and other debit balances	(17)	7 244 779	5 645 483
Cash and cash equivalents	(18)	2 349 789	2 983 337
<b>Total Current Assets</b>		<b>21 023 576</b>	<b>16 850 152</b>
<b>Total Assets</b>		<b>99 816 597</b>	<b>90 074 211</b>
<b><u>Equity</u></b>			
Capital	(22)	17 070 716	17 070 716
Reserves	(24)	5 490 375	5 138 897
Retained earnings		23 692 536	22 147 270
Foreign entities translation reserve		124 657	( 40 563)
<b>Equity attributable to shareholders of the company</b>		<b>46 378 284</b>	<b>44 316 320</b>
<b>Non - controlling interest</b>		<b>12 496</b>	<b>13 240</b>
<b>Total Equity</b>		<b>46 390 780</b>	<b>44 329 560</b>
<b><u>Non Current Liabilities</u></b>			
Loans and credit facilities	(19)	12 796 698	10 987 784
Creditors and other credit balances	(20)	4 670 898	4 383 691
Lease liabilities	(21)	753 423	839 383
Deferred tax liabilities	(25-1)	2 783 219	2 993 659
<b>Total Non Current Liabilities</b>		<b>21 004 238</b>	<b>19 204 517</b>
<b><u>Current Liabilities</u></b>			
Loans and credit facilities installments due within one year	(19)	7 468 644	5 333 249
Creditors and other credit balances	(20)	21 795 647	17 394 936
Lease liabilities	(21)	234 652	145 727
Credit accounts to associates	(29)	320 686	1 047 466
Accrued income tax		1 310 509	1 219 538
Provisions	(22)	1 291 441	1 399 218
<b>Total Current Liabilities</b>		<b>32 421 579</b>	<b>26 540 134</b>
<b>Total Liabilities</b>		<b>53 425 817</b>	<b>45 744 651</b>
<b>Total Equity and Liabilities</b>		<b>99 816 597</b>	<b>90 074 211</b>

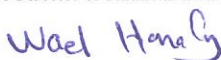
The accompanying notes on pages (6) to (25) are an integral part of these Condensed Consolidated Interim Financial Statements.

Director of Financial Affairs



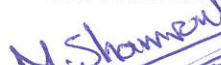
"Ehab Abdo "

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	For the nine months ended		For the three months ended	
		30/9/2022	30/9/2021	30/9/2022	30/9/2021
		<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
	<b>No.</b>		<b>Reclassified</b>		<b>Reclassified</b>
		<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Operating revenues	(3)	32 273 932	26 378 540	11 872 525	9 005 559
Operating costs	(4)	(18 578 375)	(15 381 218)	(6 491 567)	(5 272 339)
<b>Gross Profit</b>		<b>13 695 557</b>	<b>10 997 322</b>	<b>5 380 958</b>	<b>3 733 220</b>
Other operating income		421 980	539 722	111 674	125 019
Selling and distribution expenses	(5)	(2 706 330)	(2 375 029)	( 862 882)	( 789 206)
General and administrative expenses	(6)	(2 997 887)	(2 592 718)	(1 089 546)	( 879 635)
(Provision)/ Reversal of expected credit loss provision		( 66 741)	( 109 771)	( 111 142)	3 918
Other operating expenses		( 73 482)	( 74 445)	( 4 686)	( 19 363)
<b>Operating profit</b>		<b>8 273 097</b>	<b>6 385 081</b>	<b>3 424 375</b>	<b>2 173 953</b>
Finance income		127 582	473 530	31 634	92 589
Finance cost		(2 089 230)	( 969 827)	(1 189 774)	(257 754)
<b>Net finance cost</b>	(7)	<b>(1 961 648)</b>	<b>( 496 297)</b>	<b>(1 158 140)</b>	<b>( 165 165)</b>
Share of profit of equity accounted investees	(8)	2 048 219	2 318 641	1 003 970	753 102
<b>Net profit for the period before income tax</b>		<b>8 359 668</b>	<b>8 207 425</b>	<b>3 270 205</b>	<b>2 761 890</b>
Income tax expense		(1 986 492)	(1 810 622)	( 577 467)	( 368 483)
Deferred tax expense	(25-1)	( 200 081)	( 295 808)	( 302 642)	( 165 361)
<b>Total income tax</b>		<b>(2 186 573)</b>	<b>(2 106 430)</b>	<b>( 880 109)</b>	<b>( 533 844)</b>
<b>Net profit for the period after income tax</b>		<b>6 173 095</b>	<b>6 100 995</b>	<b>2 390 096</b>	<b>2 228 046</b>
<b>Profit attributable to :</b>					
Shareholders of the company		6 170 486	6 098 358	2 388 793	2 226 699
Non-controlling interest		2 609	2 637	1 303	1 347
<b>Net profit for the period</b>		<b>6 173 095</b>	<b>6 100 995</b>	<b>2 390 096</b>	<b>2 228 046</b>
Basic and diluted earning per share for the period (L.E. / Share)	(10)	<b>3.61</b>	<b>3.57</b>	<b>1.40</b>	<b>1.30</b>

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

	<u>For the nine months ended :</u>		<u>For the three months ended :</u>	
	<u>30/9/2022</u>	<u>30/9/2021</u>	<u>30/9/2022</u>	<u>30/9/2021</u>
	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Net profit for the period after income tax	6 173 095	6 100 995	2 390 096	2 228 046
<b><u>Other Comprehensive Income items :</u></b>				
Translation differences of foreign entities	165 220	( 13 763)	16 060	( 2 213)
Translation differences of foreign currency balances	(1 823 436)	-	41 325	-
Income tax on translation differences of foreign currency balances	( 249)	-	( 249)	-
Deferred tax on translation differences of foreign currency balances	410 521	-	( 9 050)	-
Transferred to retained earnings during the period	(1 413 164)	-	32 026	-
	<u>1 413 164</u>	<u>-</u>	<u>( 32 026)</u>	<u>-</u>
<b>Total Comprehensive Income</b>	<b><u>6 338 315</u></b>	<b><u>6 087 232</u></b>	<b><u>2 406 156</u></b>	<b><u>2 225 833</u></b>
<b>Attributable to :</b>				
Shareholders of the company	6 335 706	6 084 595	2 404 853	2 224 486
Non-controlling interest	2 609	2 637	1 303	1 347
<b>Total Comprehensive Income</b>	<b><u>6 338 315</u></b>	<b><u>6 087 232</u></b>	<b><u>2 406 156</u></b>	<b><u>2 225 833</u></b>

The accompanying notes on pages (6) to (25) 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 nine Months Ended September 30, 2022

Note	Capital	Legal reserve	Other reserves	Retained earnings	Foreign entities translation reserve	Total of equity attributable to shareholders of the company	Non-controlling interest	Total
No	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)
Balance as of January 1,2021 (Before restatement)	17 070 716	2 241 767	2 787 550	16 670 695	(25 489)	38 745 239	16 028	38 761 267
Reclassification	-	-	-	(4 075)	4 075	-	-	-
Impact of applying the new Egyptian Accounting Standard	-	-	-	(427 612)	-	(427 612)	-	(427 612)
Balance as of January 1,2021 (After restatement)	17 070 716	2 241 767	2 787 550	16 239 008	(21 414)	38 317 627	16 028	38 333 655
<b>Comprehensive Income</b>								
Net profit for the period	-	-	-	6 098 358	-	6 098 358	2 637	6 100 995
Translation differences of foreign entities	-	-	-	-	(13 763)	(13 763)	-	(13 763)
<b>Total Comprehensive Income</b>	-	-	-	<b>6 098 358</b>	<b>(13 763)</b>	<b>6 084 595</b>	<b>2 637</b>	<b>6 087 232</b>
Transferred to legal reserve	-	109 478	-	(109 478)	-	-	-	-
<b>Transactions with shareholders</b>								
Dividends for year 2020 (shareholders)	-	-	-	(1 280 304)	-	(1 280 304)	(5 374)	(1 285 678)
Dividends for year 2020 (Employees & Board of Directors)	-	-	-	(900 032)	-	(900 032)	(945)	(900 977)
Announced dividends for employees in associates	-	-	-	(218 889)	-	(218 889)	-	(218 889)
<b>Total transactions with shareholders</b>	-	-	-	<b>(2 399 225)</b>	-	<b>(2 399 225)</b>	<b>(6 319)</b>	<b>(2 405 544)</b>
Balance as of September 30,2021	17 070 716	2 351 245	2 787 550	19 828 663	(35 177)	42 002 997	12 346	42 015 343
Balance as of January 1,2022	17 070 716	2 351 347	2 787 550	22 147 270	(40 563)	44 316 320	13 240	44 329 560
<b>Comprehensive Income</b>								
Net profit for the period	-	-	-	6 170 486	-	6 170 486	2 609	6 173 095
Translation differences of foreign entities	-	-	-	-	165 220	165 220	-	165 220
<b>Total Comprehensive Income</b>	-	-	-	<b>6 170 486</b>	<b>165 220</b>	<b>6 335 706</b>	<b>2 609</b>	<b>6 338 315</b>
<b>Impact of translation differences of foreign currencies balances</b>								
Transferred to legal reserve	-	351 478	-	(351 478)	-	-	-	-
<b>Transactions with shareholders</b>								
Announced dividends for employees in associates	-	-	-	(144 460)	-	(144 460)	-	(144 460)
Dividends for year 2021 (shareholders)	-	-	-	(1 707 072)	-	(1 707 072)	(2 797)	(1 709 869)
Dividends for year 2021 (Employees & Board of Directors)	-	-	-	(1 008 848)	-	(1 008 848)	(556)	(1 009 404)
Impact of investment disposal in subsidiaries	-	-	-	(198)	-	(198)	-	(198)
<b>Total transactions with shareholders</b>	-	-	-	<b>(2 860 578)</b>	-	<b>(2 860 578)</b>	<b>(3 353)</b>	<b>(2 863 931)</b>
Balance as of September 30, 2022	17 070 716	2 702 825	2 787 550	23 692 536	124 657	46 378 284	12 496	46 390 780

The accompanying notes on page from (6) to (25) 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	<b>For the nine months ended:</b>	
		<b>30/9/2022</b>	<b>30/9/2021</b>
	<b>No.</b>	<b>L.E. (000)</b>	<b>Reclassified L.E. (000)</b>
<b>Cash flows from operating activities:-</b>			
Cash receipts from customers and notes receivables		32 899 615	29 623 175
Stamp tax and fees collected (from third party)		70 387	57 153
Deposits collected from customers		39 045	28 008
Cash paid to suppliers		(8 687 456)	(7 306 210)
Payments for NTRA license fees		(1 404 597)	(1 185 641)
Cash paid to Board of Directors		( 29 537)	( 18 413)
Cash paid to employees		(5 633 671)	(4 508 978)
Cash paid on behalf of employees to third party		(1 000 226)	( 834 791)
<b>Cash provided by operating activities</b>		<b>16 253 560</b>	<b>15 854 303</b>
Interest paid		( 710 434)	( 813 046)
Payments to Tax Authority - income tax		( 993 322)	( 601 624)
Payments to Tax Authority - value added tax		(2 006 750)	(1 142 019)
Payments to Tax Authority - other taxes		(2 073 096)	(1 415 650)
Other ( payments ) / proceeds		( 700 143)	352 807
<b>Net cash provided by operating activities</b>		<b>9 769 815</b>	<b>12 234 771</b>
<b>Cash flows from investing activities:-</b>			
Payments for purchase of fixed assets, projects in progress		(9 264 104)	(8 469 450)
Payments for purchase of other assets		(1 933 568)	(2 422 300)
Proceeds from sales of fixed assets and other assets		96	175
payments for purchase of financial assets at amortized cost - treasury bills		( 596 933)	-
Interest received		18 726	8 133
Dividends collected from investments		1 173 620	4 053 686
proceeds from financial assets at amortized cost - treasury bills income		15 660	1 696
Proceeds from sale of financial assets at amortized cost - treasury bills		607 917	-
<b>Net cash used in investing activities</b>		<b>(9 978 586)</b>	<b>(6 828 060)</b>
<b>Cash flows from financing activities:-</b>			
Payments for loans		(1 523 140)	(1 086 500)
Proceeds/(payments) from credit facilities		2 991 184	(3 091 978)
Payments for lease liabilities contracts		( 203 289)	( 192 526)
Dividends paid to Shareholders		(1 709 301)	(1 280 304)
<b>Net cash used in financing activities</b>		<b>(444 546)</b>	<b>(5 651 308)</b>
<b>Net change in cash and cash equivalents during the period</b>		<b>( 653 317)</b>	<b>( 244 597)</b>
Translation differences of foreign entities		17 699	( 8 263)
Cash and cash equivalents at the beginning of the period	(18)	2 922 993	1 936 943
<b>Cash and cash equivalents at the end of the period</b>	<b>(18)</b>	<b>2 287 375</b>	<b>1 684 083</b>

The accompanying notes on pages from (6) to (25) are an integral part of these Condensed Consolidated Interim Financial statements.

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

**Notes to the Condensed Consolidated Interim Financial Statements**  
**For The Nine Months Ended September 30, 2022**

**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 November 13, 2022.

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

### **2-1 Statement of compliance**

- These Condensed Consolidated Interim Financial Statements as of September 30, 2022 have been prepared in accordance with Egyptian Accounting Standard No.30 "Interim Financial Reporting" accordingly it is condensed comparative view to the annual consolidated financial statements for the company, and in the light of applicable Egyptian laws and regulations related to.
- These Condensed Consolidated Interim Financial Statements don't include all the required information needed for preparing the full annual financial statements and must be read with the Consolidated annual financial statements as of December 31, 2021.
- The company's management also applied the special accounting treatment to deal with the effects of the liberalization of exchange rates contained in Appendix (B) of the Egyptian Accounting Standard No. (13) amended in 2015 "Effects of Changes in Foreign Currency Exchange Rates", where it was recognized within the cost of some items of assets Fixed on the date of liberating the exchange rate with the currency differences resulting from translating the balance of the existing obligations on the date of the liberation of the exchange rate related to the acquisition of those assets. Also, it has been recognized within the items of other comprehensive income for the debit and credit currency differences resulting from the retranslation of the balances of monetary items that exist on March 31, 2022 using the closing price on the same date, less any currency translation differences recognized in the cost of fixed assets. This is because these differences were mainly caused by the decision to move the exchange rate, according to what is detailed in Explanation No. (33).

### **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 and judgments**

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

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

### 3. OPERATING REVENUES

	<u>For the nine months ended :</u>		<u>For the three months ended :</u>	
	<u>30/9/2022</u>	<u>30/9/2021</u>	<u>30/9/2022</u>	<u>30/9/2021</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Home and personal communications	15 870 730	13 347 096	5 531 865	4 717 984
Enterprise	3 946 928	3 446 307	1 327 727	1 124 956
Domestic wholesale	4 658 015	4 231 883	1 567 942	1 535 990
International carrier	3 462 787	3 133 933	1 128 753	984 723
International cables and networks	4 335 472	2 219 321	2 316 238	641 906
	<u>32 273 932</u>	<u>26 378 540</u>	<u>11 872 525</u>	<u>9 005 559</u>

Total operating revenues have increased by an amount of L.E. 5 895 392 K mainly due to the increase in home and personal communications revenues by an amount of L.E. 2 523 634 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 international cables and networks revenues by an amount of L.E. 2 116 151 K, Enterprise revenues by an amount of L.E. 500 621 K due to the increase in revenues resulting from internet service and fixed line, Domestic wholesale revenue by an amount of L.E. 426 132 K due to the increase in access service revenues, and international carrier by an amount of L.E. 328 854 K.

### 4. OPERATING COSTS

	<u>For the nine months ended :</u>		<u>For the three months ended :</u>	
	<u>30/9/2022</u>	<u>30/9/2021</u>	<u>30/9/2022</u>	<u>30/9/2021</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Interconnection cost	4 827 734	4 436 947	1 640 418	1 469 637
Depreciation and amortization	5 199 453	4 171 508	1 797 000	1 479 116
Salaries and wages*	2 377 056	2 003 963	842 799	641 822
Company's share in social insurance *	262 653	229 751	86 265	77 127
Frequencies and licenses charges ( National Telecom Regulatory Authority )	1 705 490	998 868	657 005	355 374
Other operating cost*	4 205 989	3 540 181	1 468 080	1 249 263
	<u>18 578 375</u>	<u>15 381 218</u>	<u>6 491 567</u>	<u>5 272 339</u>

Operating costs have increased by an amount of L.E. 3 197 157 K mainly due to the following: -

- The increase of interconnection cost by an amount of L.E. 390 787 K which is mainly due to the increase in cost of international connection fees of transit service by amount of L.E. 363 941 K.
- The increase of the depreciation and amortization item by an amount of L.E. 1 027 945 K during the period due to the additions of the last quarter of the previous year and the current period.
- The increase of salaries and wages by an amount of L.E. 373 093K which is mainly due to the annual increases during the period.
- The increase of frequencies and licenses charges (National Telecom Regulatory Authority) by an amount of L.E. 706 622 K due to the amendments of the license's charges according to the renewal of the licenses granted to the company in the third quarter of the previous year in addition to the increase in operating revenues which represent the basis for calculating these fees.
- The increase in other operating cost item by an amount of L.E. 665 808 which is mainly due to the increase in IRU right of use outside Egypt item by an amount of L.E. 218 134 K and organizations services costs item by an amount of L.E. 189 021 K and merchandise for sale cost by amount of L.E. 154 918 K.

\* Reclassification was made on comparative figures as shown in Note No. (32-2).

## 5. SELLING AND DISTRIBUTION EXPENSES

	<u>For the nine months ended :</u>		<u>For the three months ended :</u>	
	<u>30/9/2022</u>	<u>30/9/2021</u>	<u>30/9/2022</u>	<u>30/9/2021</u>
	<u>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>	<u>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>
Salaries and wages*	1 266 375	993 829	431 758	327 010
Company's share in social insurance *	125 869	108 162	40 779	36 075
Advertising and marketing	618 669	588 595	186 053	196 106
Agents' commissions and collection organizations*	463 286	395 775	164 925	136 126
Depreciation and amortization	50 580	35 196	21 144	12 336
Other selling and distribution expenses *	181 551	253 472	18 223	81 553
	<u>2 706 330</u>	<u>2 375 029</u>	<u>862 882</u>	<u>789 206</u>

The increase in selling and distribution expenses by an amount of L.E 331 301 K mainly due to the increase in Salaries and wages item by an amount of L.E 272 546 K which is mainly due to the annual increases during the period. However, the decrease in taxes and duties item by amount of L.E 99 370 K in other selling and distribution expense item led to the limitation of these increase.

\* Reclassification was made on comparative figures as shown in Note No. (32-2).

## 6. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>Note No</u>	<u>For the nine months ended :</u>		<u>For the three months ended :</u>	
		<u>30/9/2022</u>	<u>30/9/2021</u>	<u>30/9/2022</u>	<u>30/9/2021</u>
		<u>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>	<u>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>
Salaries and wages*		1 859 826	1 625 388	655 315	521 444
Company's share in social insurance *		156 139	136 277	51 176	45 318
The company's contribution in loyalty and belonging fund	(9)	150 000	150 000	50 000	50 000
Depreciation and amortization		97 463	75 225	32 401	26 905
Organization services cost and consultants		276 784	203 564	108 266	151 047
Tax and duties		153 673	128 266	68 159	44 610
Other general and administration expenses *		304 002	273 998	124 229	40 311
		<u>2 997 887</u>	<u>2 592 718</u>	<u>1 089 546</u>	<u>879 635</u>

The increase in general and administrative expenses by an amount of L.E. 405 169 K is mainly due to the increase in Salaries and wages item by an amount of L.E 234 438 K mainly due to the annual increases during the period and the increase in organizations services costs and consultants item by an amount of L.E. 73 220 K and depreciation and amortization item by an amount of L.E 22 238 K.

\* Reclassification was made on comparative figures as shown in Note No. (32-2).

## 7. NET FINANCE COST

The increase in net finance cost by an amount of L.E 1 465 351 K during the period is mainly due to the increase in translation loss of foreign currencies balances and transactions by an amount of L.E. 1 425 814 K, however the decrease of interest expense by an amount of L.E 52 043 K and the increase in interest income by an amount of L.E 59 343 K.

\* Reclassification was made on comparative figures as shown in Note No. (32-2).

## 8. SHARE OF PROFIT OF EQUITY ACCOUNTED INVESTEES

	<u>For the nine months ended :</u>		<u>For the three months ended :</u>	
	<u>30/9/2022</u>	<u>30/9/2021</u>	<u>30/9/2022</u>	<u>30/9/2021</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Vodafone Egypt	2 027 053	2 314 706	991 053	751 043
Egypt trust	21 166	3 935	12 917	2 059
	<u>2 048 219</u>	<u>2 318 641</u>	<u>1 003 970</u>	<u>753 102</u>

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

## 9. EMPLOYEE'S BENEFITS

### End of service benefits (Company's Contribution in Loyalty & Belonging Fund)

The employees are granted an end of service benefits through a Loyalty & belonging Fund established in January 2004. Employees' benefit is based on the employees' basic salary in January 1, 2015 increasing annually at a compound rate of 5%. The subscription for employees hired after January 1, 2015 is calculated according to a subscription schedule for new hires and increase annually at a compound rate of 5% starting from the next year of the hiring date with the same conditions of 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 150 000 K for the period ended in September 30, 2022 (against an amount of L.E. 150 000 K for the same period of 2021) stated in the general and administrative expenses.

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

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

	<u>For the nine months ended</u>		<u>For the three months ended</u>	
	<u>30/9/2022</u>	<u>30/9/2021</u>	<u>30/9/2022</u>	<u>30/9/2021</u>
<u>The holding company owners' equity :</u>				
Net profit for the period (LE in thousand)	6 170 486	6 098 358	2 388 793	2 226 699
Number of shares available during the period (share)	1 707 071 600	1 707 071 600	1 707 071 600	1 707 071 600
Basic and diluted earning per share for the period	<u>3.61</u>	<u>3.57</u>	<u>1.40</u>	<u>1.30</u>

**11. FIXED ASSETS**

Description	30/9/2022	30/9/2021	30/9/2022	30/9/2021	30/9/2022	30/9/2021	31/12/2021
	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	2 392 650	2 344 368	-	-	2 392 650	2 344 368	2 391 826
Buildings & Infrastructure	43 465 592	39 336 502	20 108 657	18 274 611	23 356 935	21 061 891	22 459 615
Centrals & information technologies equipment	39 328 591	36 905 231	20 910 784	20 415 698	18 417 807	16 489 533	17 992 542
Vehicles	308 628	276 846	125 350	122 158	183 278	154 688	153 435
Furniture	1 152 131	1 105 786	870 778	764 523	281 353	341 263	373 077
Tools & supplies	247 294	238 560	170 688	146 426	76 606	92 134	86 831
Decoration & fixtures	188 906	186 029	159 393	166 955	29 513	19 074	7 317
Fixtures on trunk radio network	315	315	315	315	-	-	-
<b>Total</b>	<b>87 084 107</b>	<b>80 393 637</b>	<b>42 345 965</b>	<b>39 890 686</b>	<b>44 738 142</b>	<b>40 502 951</b>	<b>43 464 643</b>

- The increase in net carrying value of fixed assets mainly due to the additions during the period by an amount of L.E. 5 710 062 K, however the depreciation of the period by an amount of L.E. 4 216 502 K led to limitation of this increase.
- The cost of fixed assets as of September 30, 2022 includes an amount of L.E. 15 950 million fully depreciated fixed assets and still in use.
- The fixed assets include an amount of L.E 784 858 K, which is represented in the currency differences resulting from the translation of liabilities in foreign currencies existing on the date of the exchange rate liberalization and related to the acquisition of these assets Note No. (33-2).

**12. PROJECTS IN PROGRESS**

	30/9/2022	31/12/2021
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Land	324 945	199 148
Buildings and Infrastructure	1 659 421	1 130 331
Centrals and information technologies equipment	2 225 300	2 477 439
Tools and supplies	3 715	4 590
Other Assets	1 134 093	641 274
Advance payments - Fixed assets	1 968 268	1 773 136
	<b>7 315 742</b>	<b>6 225 918</b>
:Less		
Impairment loss on projects in progress	6 145	6 856
	<b>7 309 597</b>	<b>6 219 062</b>

- The balance of projects in progress is represented in the part that have been executed from capital commitments and contracts, and advanced payment until September 30, 2022.
- The balance of projects in progress includes an amount of L.E 135 024 K, representing the currency differences resulting from the translation of liabilities in foreign currencies existing on the date of the exchange rate liberalization and related to the acquisition of these assets Note No. (33-2).

**13. INVESTMENTS IN ASSOCIATES**

	<u>30/9/2022</u>		<u>31/12/2021</u>	
	<u>Ownership</u> %	<u>amount</u> L.E. (000)	<u>Ownership</u> %	<u>amount</u> L.E. (000)
- Wataneya for Telecommunication	50.00	-	50.00	-
- Vodafone Egypt Telecommunication company *	44.95	11 513 800	44.95	10 933 102
- Egypt Trust	35.71	23 023	35.71	1 857
- New matrix for technology	25.50	1 250	25.50	1 250
		<b>11 538 073</b>		<b>10 936 209</b>

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

\* The investments in Vodafone Egypt on September 30, 2022 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 September 30, 2022 by using the consolidated financial statements of Vodafone Egypt for the financial year ended in March 31, 2022 which presents the 12 months from the 1st of April 2021 till March 31, 2022, deduct the movements of the period from April 1, 2021 till December 31, 2021 from the consolidated interim financial data of Vodafone Egypt as of December 31, 2021, in addition to the period from April 1, 2022 till September 30, 2022 from the consolidated interim financial data of Vodafone Egypt as of September 30, 2022, To determine the share of financial period from January 1 to September 30, 2022 of business results of the associate company.

\*\* The investment value for Wataneya for Telecommunication by an amount of 125 K was fully reduced against the company's share in the losses of the associate company.

**14. OTHER ASSETS**

	<u>30/9/2022</u> <u>L.E. (000)</u>	<u>31/12/2021</u> <u>L.E. (000)</u>
<b>Cost</b>		
Licenses granted for mobile services usufruct (Projects)	14 524 206	11 084 380
Assets right of use (Lease Contracts)	475 606	315 536
Submarine Cables (right of way)	1 535 453	1 380 268
International circuits (ROU)	2 233 213	2 235 184
License (internet service - programs )	895 831	886 264
Land (possession-usufruct)	23 217	127 235
Good will	440 684	440 684
	15 839	15 839
	<b>20 144 049</b>	<b>16 485 390</b>
<b>Less:</b>		
Accumulated amortization and impairment	5 066 941	4 004 304
<b>Net other assets</b>	<b>15 077 108</b>	<b>12 481 086</b>

- The increase in net carrying value of other assets mainly due to the increase in Licenses granted for mobile services item by an amount of L.E.3 439 826 K.

- Other assets cost includes at September 30, 2022 an amount of L.E 365 million, other assets fully amortized and still in use.

-The other assets include an amount of L.E 226 008 K, representing the currency differences resulting from the translation of liabilities in foreign currencies existing on the date of the exchange rate liberalization and related to the acquisition of these assets Note No. (33-2).

### 15. INVENTORIES

	<b>30/9/2022</b>	<b>31/12/2021</b>
	<b><u>L.E. (000)</u></b>	<b><u>L.E. (000)</u></b>
Spare parts	791 206	727 437
Material supplies, Merchandise for sale and Letters of credit	2 629 089	1 594 304
Others	17 410	20 235
	<b><u>3 437 705</u></b>	<b><u>2 341 976</u></b>

The value of inventories was written down by L.E. 179 340 K (against LE 115 347 K as at December 31, 2021) for obsolete and slow-moving items directly from the cost of each type of inventory related to.

### 16. TRADE AND NOTES RECEIVABLES

	<b>30/9/2022</b>	<b>31/12/2021</b>
	<b><u>L.E. (000)</u></b>	<b><u>L.E. (000)</u></b>
Trade Receivables - National	5 435 963	4 901 485
Trade Receivables - International	4 615 764	3 213 323
	<b><u>10 051 727</u></b>	<b><u>8 114 808</u></b>
<b><u>Add:</u></b>		
Notes receivable	246 608	1 116
<b><u>Less:</u></b>		
Expected credit loss provision	2 307 032	2 236 568
	<b><u>7 991 303</u></b>	<b><u>5 879 356</u></b>

Trade and notes receivable balance have increased by an amount of L.E.2 111 947 K is mainly due to the increase in trade receivables – International by an amount of L.E. 1 402 441 K, trade receivables – National by an amount of L.E 534 478 K.

**17. DEBTORS AND OTHER DEBIT BALANCES**

	<b>30/9/2022</b>	<b>31/12/2021</b>
	<b>L.E.(000)</b>	<b>Reclassified L.E.(000)</b>
Suppliers – debit balances	1 796 806	655 282
Tax Authority - value added tax	1 153 883	1 070 223
Tax Authority - withholding tax	1 047 302	1 314 290
Deposits with other	322 864	322 333
Accrued revenues	140 741	98 601
Due from ministries, organizations and companies	895 411	448 006
Temporary debts due from employees	837 111	921 411
Prepaid expenses	116 037	85 788
Other debit balances	1 338 125	1 128 701
	<b>7 648 280</b>	<b>6 044 635</b>
<b>Less:</b>		
Expected Credit loss Provision	348 256	350 949
	<b>7 300 024</b>	<b>5 693 686</b>
<b>Balances due within more than one year:</b>		
Prepaid expenses	55 245	48 203
<b>Debtors and non current debit balances</b>	<b>55 245</b>	<b>48 203</b>
<b>Debtors and current debit balances</b>	<b>7 244 779</b>	<b>5 645 483</b>
<b>Total debtors and other debit balances</b>	<b>7 300 024</b>	<b>5 693 686</b>

Debtors and other debit balances have increased by an amount of L.E. 1 606 338 K mainly due to the increase in Suppliers – debit balances by an amount of L.E. 1 141 524 K, and due from ministries, organization and companies item by an amount of L.E 447 405 K, however the decrease in Tax Authority – withholding tax item by an amount of L.E 266 988 K and temporary debts due from employees by an amount of L.E 84 300 K led to limitation of this increase.

\* Reclassification was made on comparative figures as shown in Note No. (32-1).

**18. CASH AND CASH EQUIVALENTS**

	<b>Note</b>	<b>30/9/2022</b>	<b>31/12/2021</b>	<b>30/9/2021</b>
	<b>No.</b>	<b>L.E. (000)</b>	<b>L.E. (000)</b>	<b>L.E. (000)</b>
Banks - time deposits (less than 3 months)		171 358	665 256	254 168
Banks - current accounts		2 026 277	1 217 633	1 333 404
Cash on hand		10 707	5 474	11 230
Treasury bills (less than 3 months)		40 818	965 568	51 092
Money market funds (less than 3 months)		100 629	129 406	107 686
<b>Cash and cash equivalents</b>		<b>2 349 789</b>	<b>2 983 337</b>	<b>1 757 580</b>
<b>Less:</b>				
Restricted cash and cash equivalents at banks	(27)	62 414	60 344	73 497
<b>Cash and cash equivalents as per statement of cash flows</b>		<b>2 287 375</b>	<b>2 922 993</b>	<b>1 684 083</b>

**19. LOANS AND CREDIT FACILITIES**

The increase in the balance of loans and credit facilities by an amount of L.E 3 944 309 K due to the increase in both of foreign loans balance by an amount of L.E. 953 037 K due to the exchange rate liberalization on March 21 2022 and the increase in credit facilities with local and foreign currencies amounted to L.E. 2 991 272 K, where loans and credit facilities with local and foreign currencies in September 30, 2022 amounted to L.E. 20 265 342 K (against LE 16 321 033 K at December 31, 2021) due within a year by an amount of L.E. 7 468 644 K.

**20. CREDITORS AND OTHER CREDIT BALANCES**

	<b>30/9/2022</b>	<b>31/12/2021</b>
	<b>L.E (000)</b>	<b>Reclassified L.E (000)</b>
Suppliers	2 252 984	2 624 118
Tax Authority (taxes other than income tax)	1 793 497	975 791
Deposits to others	595 955	567 692
Liability of early retirement scheme	1 971	24 385
Assets creditors	12 832 669	11 068 114
Dividends payable	3 733	4 064
Accrued expenses	1 034 794	1 521 857
Public Authority for Social Insurance	112 399	86 480
Trade receivables - credit balances	2 372 648	1 351 472
Credit balances organizations and companies	280 660	297 237
Deferred revenues	2 709 690	1 340 542
National Telecommunication Regulatory Authority (NTRA)	1 597 349	1 183 210
Other credit balances	878 196	733 665
	<b>26 466 545</b>	<b>21 778 627</b>
<b>balances due within more than one year:</b>		
Assets creditors	4 399 953	4 139 703
Deferred revenues	270 945	243 988
<b>Creditors and non current liabilities balances</b>	<b>4 670 898</b>	<b>4 383 691</b>
<b>Creditors and current liabilities balances</b>	<b>21 795 647</b>	<b>17 394 936</b>
<b>Total Creditors and other credit balances</b>	<b>26 466 545</b>	<b>21 778 627</b>

Creditors and other credit balances have increased by an amount of L.E 4 687 918 K mainly due to the increase in both of Assets creditors by an amount of L.E 1 764 555 K, Deferred revenue item by an amount of L.E. 1 369 148 K and Tax Authority (taxes other than income tax) item by an amount of L.E 817 706 K, Trade receivables- credit balances item by an amount of L.E 1 021 176 K, National Telecommunication Regulatory Authority (NTRA) item by an amount of L.E 414 139 K however the decrease in Accrued expenses item by an amount of L.E 487 063 K and Suppliers item by amount of L.E 371 134 K led to limitation of this increase.

\* Reclassification was made on comparative figures as shown in Note No. (32-1).

**21. LEASE LIABILITIES**

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

	<b>30/9/2022</b>	<b>31/12/2021</b>
	<b>L.E (000)</b>	<b>Reclassified L.E (000)</b>
Beginning balance of present value for lease liabilities	1 261 843	1 261 843
Additions	282 441	151 986
Payments	( 910 479)	( 707 190)
Translation difference from foreign currency contracts	3 532	63
Entities translation difference	( 1 008)	2 461
Interest	351 746	275 947
<b>Net present value of lease liabilities contracts</b>	<b>988 075</b>	<b>985 110</b>
<b>Current liabilities</b>	<b>234 652</b>	<b>145 727</b>
<b>Non Current liabilities</b>	<b>753 423</b>	<b>839 383</b>

\* Reclassification was made on comparative figures as shown in Note No. (32-1).

**22. PROVISIONS**

	<b>30/9/2022</b>	<b>31/12/2021</b>
	<b>L.E.(000)</b>	<b>L.E.(000)</b>
Balance at the beginning of the period / year	1 399 218	1 102 476
Reclassification	138 319	229 343
Provision no longer required	( 6 038)	-
Reversal of provision	( 143 665)	93 207
Charged to income statement for the period	142 754	-
Provision used during the period / year	( 239 151)	( 25 804)
Translation differences	4	( 4)
<b>Balance at the end of the period / year</b>	<b>1 291 441</b>	<b>1 399 218</b>

**23. CAPITAL**

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

**24. RESERVES**

	<b>30/9/2022</b>	<b>31/12/2021</b>
	<b>L.E.(000)</b>	<b>L.E.(000)</b>
Legal reserve *	2 702 825	2 351 347
Other reserves	2 787 550	2 787 550
	<b>5 490 375</b>	<b>5 138 897</b>

\* The balance of legal reserve has increased as a result of retaining an amount of L.E. 351 478 K from the profit of 2021 in accordance with the company's articles of association.

**25. DEFERRED TAX****25-1 Recognized deferred tax assets and liabilities**

	<b>30/9/2022</b>		<b>31/12/2021</b>	
	Assets	(Liabilities)	Assets	(Liabilities)
	<b>L.E.(000)</b>	<b>L.E.(000)</b>	<b>L.E.(000)</b>	<b>L.E.(000)</b>
Total deferred tax asset / liability	861 703	(3 644 922)	167 807	(3 161 466)
Net deferred tax liability	-	(2 783 219)	-	(2 993 659)
Deferred tax charged to the statement of income for the period\ year		210 440		-
Impact of deferred tax charged to the income statement	-	( 200 081)	-	-
Impact of deferred tax charged to the comprehensive income statement	-	410 521	-	-

**25-2 Unrecognized deferred tax assets**

	<b>30/9/2022</b>	<b>31/12/2021</b>
	<b>L.E.(000)</b>	<b>L.E.(000)</b>
Unrecognized deferred tax assets	<b>595 309</b>	<b>518 869</b>

Deferred tax assets have not been recognized for temporary differences resulting from temporary differences and mainly due to the value of the expected credit losses of the trade receivables item due to uncertainty of utilization of their benefits in the foreseeable future.

## 26. CAPITAL COMMITMENTS

The group's capital commitments for the unexecuted parts of contracts up to September 30, 2022 amounted to L.E 1 079 Million (against L.E. 385 Million up to December 31, 2021).

## 27. CONTINGENT LIABILITIES

In addition to the amounts included in the condensed consolidated statement of financial statements as of September 30, 2022, the company has the following contingent liabilities:

	<u>30/9/2022</u>	<u>31/12/2021</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
- Letters of guarantee issued by banks on behalf of the company*	2 859 062	2 619 125
- Letters of credit	2 254 385	876 808

\* Includes letters of guarantee which were issued by banks at September 30, 2022 against restricted cash and cash equivalents at banks (note no.18).

## **28. TAX POSITION (Telecom Egypt)**

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

- Tax inspection was performed for the years till December 31, 2018 and tax differences due this years have been paid, and fines are being settled after the application of law 153 for the year 2022 to bypass the fines due for thses years.
- No Tax inspection has been performed for the years from january 1 , 2019 to December 31 , 2021.
- Tax returns are submitted according to the income Tax Law No. 91 of 2005 , its amendments and its executive regulations , and the tax due is paid on the due dates .

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

- Tax inspection was performed for the years till December 31, 2017 and the tax differences were settled and the company didn't pay the additional tax for years 2016 and 2017.
- Tax returns were submitted according to the value added tax lawand according to the law No. 206 of 2020 by issuing the unified tax procedures law , and the tax due, if any, is paid on the due dates.

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

- Tax inspection was performed for the years till December 31, 2014 and the Company was notified with assessment basis, tax differences and all due taxes were settled.
- Tax inspection for the years 2015 and 2016 is in processing and no claims or forms have been issued to date.
- The company is regular in deducting tax and remitting it on legal dates according to the law No. 91 of 2005 its amendments and its executive regulations ,the tax settlement is also submitted according to the law No. 206 of 2020 by issuing the unified tax procedures law.

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

- Tax inspection for the period from March 27, 1998 to December 31, 2000 was performed for certain sectors and the company was notified with assessment basis, the company objected and apealed on the disputed items on the due dates.
- 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, 2018 was performed and the tax differences were settled.

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

- All taxes are paid according to the addition decisions received by the company. The company's Legal Department follows up the disputes according to the real estate tax law.
- Tax returns were submitted according to the new real estate tax law No.196 for year 2008 , the tax due is also paid on the due dates.

Provisions were formed to meet any tax liabilities that may arise from the tax inspection

**29 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 <u>LE.000</u>	Transactions volume during the period stated in the statement of income <u>LE.000</u>		Movement during the period Credit <u>LE.000</u>		Balance as of 30/9/2022 Debit (Credit) <u>LE.000</u>		Balance as of 31/12/2021 Debit (Credit) <u>LE.000</u>	
	<u>LE.000</u>	<u>LE.000</u>	<u>LE.000</u>	<u>LE.000</u>	<u>LE.000</u>	<u>LE.000</u>	<u>LE.000</u>	<u>LE.000</u>
Outgoing calls and voice services to the associate company		1 146 515	7 086 545	6 359 781	( 320 686)	( 1 047 450)		
Incoming and international calls, transmission & lease of company premises and towers to the associates company		2 459 346						
Telecommunications and services		-	16	-	-	( 16)		
			<u>7 086 561</u>	<u>6 359 781</u>	<u>( 320 686)</u>	<u>( 1 047 466)</u>		

**Credit balances due to associates**

- Vodafone Egypt Telecommunications Company

### 30. GROUP ENTITIES

- Subsidiaries companies are controlled by group companies.
- The group companies control the invested entities when affected by or entitled to variable interest, through participating and influencing the interest due to authority on invested entity.
- The condensed consolidated interim financial statement includes the subsidiary companies that it hold, from the date of acquisition till end date.
- Company's direct and indirect share in subsidiaries companies on September 30, 2022 which were included in the condensed consolidated interim financial statements is as follows:

<u>Company name:</u>	<u>Country of incorporation</u>	<u>Ownership interest</u>	
		<u>30/9/2022</u>	<u>31/12/2021</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 %	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 (Eisc)	Egypt	100.00 %	100.00 %
Middle East and North Africa Submarine Cable Company ( MENA CABLE )	Egypt	100.00 %	100.00 %
Mena Company For Submarine Cable Company ( MENA CABLE ITALY )	Italy	100.00 %	100.00 %
Egyptian Telecommunication Integrated Service Company	Egypt	100.00 %	100.00 %
Centra Distribution*	Egypt	-	99.99 %
Middle East Radio Communication (MERC)	Egypt	51.00 %	51.00 %

\* The Extraordinary General Assembly of Centra Distribution, which was held on March 27, 2022 decided by unanimous vote on the decision not to continue and liquidate the company and to put the company under liquidation for nine months until the decision is taken.

### 31 –SIGNIFICANT DISPUTES AND LITIGATION:

#### **The Existing 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 ( Etisalat misr and other subsidiary ) 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 June 25, 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 the lawsuit is before the Economic Court in Cairo, On November 29, 2022 the session is being determined to consider before another experts committee

**The TE’s legal advisor** believes that a conciliation was concluded between the parties of the lawsuit to end the dispute consensually with the lawsuit completely and finally .

### 32. **COMPARATIVE FIGUERS**

- Reclassification was made to some of the comparative figuers of the condensed consolidated statement of financial position, condensed consolidated financial statement of income and the condensed consolidated financial statement of cash flows to conform to the current presentation of the condensed consolidated interim financial statements.

- The following is the effect of reclassification on the condensed consolidated interim financial statements:

#### **32-1 Effect on condensed statement of financial position:**

	<u>For the period ended</u> 31/12/2021 <u>as previously</u> <u>reported</u> <u>Depit\ (Credit)</u> <u>LE(000)</u>	<u>Reclassification</u>  <u>Depit\ (Credit)</u> <u>LE(000)</u>	<u>For the period ended</u> 31/12/2021 <u>Reclassified</u> <u>Depit\ (Credit)</u> <u>LE(000)</u>
Deferred tax assets	167 807	( 167 807)	-
Trade and note receivables	6 036 842	( 157 486)	5 879 356
Debtors and other debit balances	5 978 524	( 284 838)	5 693 686
Creditors and other credit balances	(24 425 599)	2 646 972	(21 778 627)
Lease Liabilities	-	( 985 110)	( 985 110)
Deferred tax liabilities	(3 161 466)	167 807	(2 993 659)
Accrued income tax	-	(1 219 538)	(1 219 538)

### 32-2 Effect on the condensed consolidated statement of income:

	For the nine months ended		For the nine months ended		For the three months ended	
	30/9/2021	Reclassification	30/9/2021	30/9/2021	Reclassification	30/9/2021
	<u>as previously reported</u>		<u>Reclassified</u>	<u>as previously reported</u>		<u>Reclassified</u>
	<u>debit / (credit)</u> <u>LE(000)</u>	<u>debit / (credit)</u> <u>LE(000)</u>	<u>debit / (credit)</u> <u>LE(000)</u>	<u>debit / (credit)</u> <u>LE(000)</u>	<u>debit / (credit)</u> <u>LE(000)</u>	<u>debit / (credit)</u> <u>LE(000)</u>
Operating Costs	(15 274 452)	( 106 766)	(15 381 218)	(5 064 659)	( 207 680)	(5 272 339)
Selling and distribution expenses	(2 313 069)	( 61 960)	(2 375 029)	( 737 493)	( 51 713)	( 789 206)
General and administrative expenses	(2 761 444)	168 726	(2 592 718)	(1 139 028)	259 393	( 879 635)
(Provision)/ Reversal of expected credit loss provision	-	( 109 771)	( 109 771)	-	3 918	3 918
Net finance cost	( 606 068)	109 771	( 496 297)	( 161 247)	( 3 918)	( 165 165)

### 32-3 Effect on condensed consolidated Statement of Cash Flows:

	For the nine months ended		For the nine months ended	
	30/9/2021	Reclassification	30/9/2021	Reclassification
	<u>as previously reported</u>		<u>Reclassified</u>	
	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>
Cash flows from investing activities	(7 020 586)	192 526	(6 828 060)	
Cash flows from financing activities	(5 458 782)	( 192 526)	(5 651 308)	

## 33- SIGNIFICANT EVENTS

### 33-1 The effect of the exchange rate liberalization

The Central Bank decided in its session held on March 21, 2022, to drop the exchange rate of Egyptian pound to give flexibility to banks operating in Egypt to price the purchase and sale of foreign exchange within legitimate channels, and the indicative exchange rates announced by the Central Bank of the most important foreign currencies that the company deals with at the beginning of that day as follows:

	<u>SELL</u>	<u>BUY</u>
USD	18.27	18.17
EURO	20.17	20.06

Accordingly, the balances of assets and liabilities of monetary nature in foreign currencies have been evaluated in the financial statements for the financial period ending on March 31, 2022, and also, the company's business results affected in subsequent periods as a result.

In conjunction with the liberalization of the exchange rate, the Central Bank also raised the overnight deposit and lending rates by 100 basis points, to reach 9.25% and 10.25 percent, respectively. Which may affect the company's finance income and costs.

**33-2 The impact of applying appendix B of the Egyptian Accounting Standard No. (13) “Effects of Changes in Foreign Exchange Rates”**

On April 27, 2022, Prime Minister Decree No. 1568 of 2022 was issued to amend some provisions of the Egyptian Accounting Standards, which is the issuance of Appendix B of the Egyptian Accounting Standard No. (13) amended in 2015 “Effects of Changes in Foreign Exchange Rates”, which deals with the treatment Special accounting treatment to deal with the effects of the liberalization of foreign exchange rates (33-1). This optional special accounting treatment issued in this appendix is not considered an amendment to the amended Egyptian accounting standards currently in effect, beyond the time period for the validity of this annex, and these treatments are as follows:

1. An entity that from the beginning of January 2020 until the date of moving the exchange rate has acquired fixed assets and/or real estate investments and/or exploration and evaluation assets and/or intangible assets (other than goodwill) financed by foreign currency liabilities, to recognize within The cost of those assets in the currency differences resulting from retranslation of the outstanding liability balance relating to them at the date of the exchange rate movement using the exchange rate at the date of the exchange rate movement. An entity can apply this option to each asset separately.
2. As an exception from the requirements of Paragraph No. “28” of the amended Egyptian Accounting Standard No. (13) “Effects of Changes in Foreign Exchange Rates” for the recognition of currency differences, an entity whose business results have been affected by a net currency difference gain or loss as a result of moving the currency exchange rate can recognize within items of other comprehensive income the debit and credit currency differences resulting from the retranslation of the balances of monetary items existing on March 31, 2022 using the closing price, Appendix (B) minus any currency translation differences that were recognized within the cost of assets in accordance with the previous paragraph. . This is because these differences resulted mainly from the decision to move the exchange rate.

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

<u>Item</u>	<u>Before applying the accounting transaction</u>	<u>The impact of applying the accounting transaction</u>	<u>After applying the accounting transaction</u>
	<u>Debit / (credit)</u>	<u>Debit / (credit)</u>	<u>Debit / (credit)</u>
	<u>L.E(000)</u>	<u>L.E(000)</u>	<u>L.E(000)</u>
	<u>30/9/2022</u>		<u>30/9/2022</u>
<b><u>1-Balance sheet</u></b>			
Fixed assets	43 953 284	784 858	44 738 142
Project in progress	7 174 573	135 024	7 309 597
Other assets	14 851 100	226 008	15 077 108
Deferred tax liabilities	(3 452 372)	669 153	(2 783 219)
Retained earnings	( 25 105 699 )	1 413 164	( 23 692 535 )

Depreciation and Amortization	(5 321 583)	(25 913)	(5 347 496)
<u>3-Statement of comprehensive income</u>			
Translation differences of foreign currency balances	-	(1 823 436 )	(1 823 436 )
Deferred tax related to translation differences of foreign currency balances	-	(249)	(249)
Income tax related to translation differences of foreign currency balances	-	410 521	410 521

### **34- SUBSEQUENT EVENTS**

\*The Central Bank of Egypt decided in its session held on October 27, 2022, to announce the application of the flexible exchange rate system for pricing foreign exchange, provided that the prices of selling and buying currencies are determined in the Egyptian pound based on the conditions of supply and demand, and accordingly the exchange rate of the USD, for example, was taken to rise in against the Egyptian pound, which increased it from 19.69 L.E to about 23 L.E at the end of October 27, 2022..

\*\*The necessary accounting treatments will be prepared during the fourth quarter of the financial year of 2022 according to that decree or any new decrees in this regard, if any.

### **35- SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied in the preparation of the condensed consolidated interim financial statements as of September 30, 2022 is the same as the accounting policies applied in the preparation of the annual consolidated financial statements as of December 31, 2021, these accounting policies have been applied consistently to all periods presented in these condensed consolidated interim financial statements as of September 30, 2022.

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