

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Condensed Consolidated Interim Financial Statements
For The Three Months Ended March 31, 2022
And Limited Review Report

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Translation from Arabic

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

Introduction

We have performed a limited review on the accompanying condensed consolidated statement of financial position of Telecom Egypt Company “an Egyptian joint stock company” as at March 31, 2022 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with Egyptian Accounting Standard number (30) “Interim Financial Reporting”. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our limited review.

Scope of Limited Review

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 March, 31, 2022, based on financial information prepared by the management of the associate company there was no report issued by the company's external auditor.



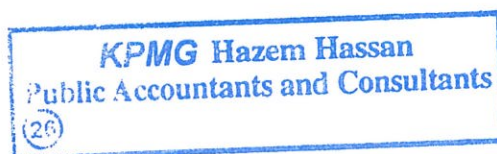
Hazem Hassan

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 of March 31, 2022 and of its consolidated financial performance and its consolidated cash flows for the three months ended at that date in accordance with Egyptian Accounting Standard number (30) "Interim Financial Reporting".

KPMG Hazem Hassan
Public Accountants & Consultants

Cairo, May 30, 2022

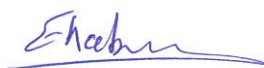


Telecom Egypt Company
(An Egyptian Joint Stock Company)
Condensed Consolidated Statement of Financial Position as of:

	Note No.	31/3/2022 L.E. (000)	31/12/2021 L.E. (000)
Assets			
<u>Non Current Assets</u>			
Fixed assets	(11)	44 234 017	43 464 643
Projects in progress	(12)	6 720 768	6 219 062
Investments in associates	(13)	11 253 424	10 936 209
Financial assets at FV OCI - Equity investment		74 856	74 856
Debtors and other debit balances	(17)	54 723	48 203
Other assets	(14)	14 789 875	12 481 086
Deferred tax assets	(24-1)	875 860	167 807
Total Non Current Assets		78 003 523	73 391 866
<u>Current Assets</u>			
Inventories	(15)	2 568 661	2 341 976
Trade and notes receivable	(16)	8 301 672	6 036 842
Debtors and other debit balances	(17)	6 649 973	5 930 321
Debit accounts to associates	(28)	851 685	-
Financial assets at amortized cost (treasury bills)		604 304	-
Cash and cash equivalents	(18)	2 559 331	2 983 337
Total Current Assets		21 535 626	17 292 476
Total Assets		99 539 149	90 684 342
<u>Equity</u>			
Capital	(22)	17 070 716	17 070 716
Reserves	(23)	5 487 968	5 138 897
Retained earnings		19 003 244	22 147 270
Foreign entities translation reserve		97 063	(40 563)
Equity attributable to shareholders of the company		41 658 991	44 316 320
Non - controlling interest		10 562	13 240
Total Equity		41 669 553	44 329 560
<u>Non Current Liabilities</u>			
Loans and credit facilities	(19)	13 391 121	10 987 784
Creditors and other credit balances	(20)	5 761 543	5 223 074
Deferred tax liabilities	(24-1)	3 256 581	3 161 466
Total Non Current Liabilities		22 409 245	19 372 324
<u>Current Liabilities</u>			
Loans and credit facilities installments due within one year	(19)	7 108 777	5 333 249
Creditors and other credit balances	(20)	26 908 560	19 202 525
Credit accounts to associates	(28)	-	1 047 466
Provisions	(21)	1 443 014	1 399 218
Total Current Liabilities		35 460 351	26 982 458
Total Liabilities		57 869 596	46 354 782
Total Equity and Liabilities		99 539 149	90 684 342

The accompanying notes on pages (6) to (23) are an integral part of these Condensed Consolidated Interim Financial Statements.

Director of Financial Affairs



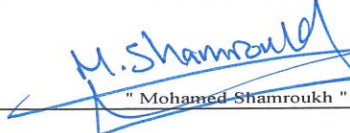
"Ehab Abdo "

Senior Director of Financial Affairs



" Wael Hanafy "

Chief Financial Officer



" Mohamed Shamroukh "

Managing Director &
Chief Executive Officer



"Adel Hamed"

Board of Directors approval

Chairman



"Maged Osman"

Limited Review Report "attached"

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

	Note <u>No.</u>	<u>For the three months ended :</u>	
		31/3/2022	31/3/2021
		<u>L.E.(000)</u>	<u>Reclassified L.E.(000)</u>
Operating revenues	(3)	9 417 153	8 399 081
Operating costs	(4)	(5 790 131)	(4 912 013)
Gross Profit		3 627 022	3 487 068
Other income		140 207	324 053
Selling and distribution expenses	(5)	(895 193)	(760 023)
General and administrative expenses	(6)	(898 128)	(794 662)
Other expenses		(109 304)	(24 996)
Operating profit		1 864 604	2 231 440
Finance income	(7)	64 074	367 081
Finance cost	(7)	(373 043)	(465 178)
Net finance cost	(7)	(308 969)	(98 097)
Share of profit of equity accounted investees	(8)	317 215	952 196
Net profit for the period before tax		1 872 850	3 085 539
Income tax expense		(699 189)	(583 580)
Deferred tax expense	(24-1)	193 367	(376 622)
Total income tax		(505 822)	(960 202)
Net profit for the period		1 367 028	2 125 337
<u>Profit attributable to :</u>			
Shareholders of the company		1 366 353	2 124 245
Non-controlling interest		675	1 092
Net profit for the period		1 367 028	2 125 337
Basic and diluted earning per share for the period (L.E. / Share)	(10)	0.80	1.24

The accompanying notes on pages (6) to (23) are an integral part of these Condensed Consolidated Interim Financial Statements.

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

	<u>For the three months ended</u>	
	<u>31/3/2022</u>	<u>31/3/2021</u>
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Net profit for the period	1 367 028	2 125 337
<u>Other Comprehensive Income items :</u>		
Translation differences of foreign entities	137 626	(9 001)
Translation differences of foreign currency balances	(1 864 761)	-
Deferred tax on translation differences of foreign currency balances	419 571	-
	(1 445 190)	-
Transferred to retained earnings during the period	1 445 190	-
Total Comprehensive Income	<u>1 504 654</u>	<u>2 116 336</u>
<u>Attributable to :</u>		
Shareholders of the company	1 503 979	2 115 244
Non-controlling interest	675	1 092
Total Comprehensive Income	<u>1 504 654</u>	<u>2 116 336</u>

The accompanying notes on pages (6) to (23) are an integral part of these Condensed Consolidated Interim Financial Statements.

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Condensed Consolidated Statement of Changes in Equity
For The Three Months Ended March 31, 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	16 643 108	(25 489)	38 717 652	16 028	38 733 680
Impact of applying the new Egyptian Accounting Standard				(47 377)		(47 377)		(47 377)
Balance as of January 1,2021 (After restatement)	17 070 716	2 241 767	2 787 550	16 595 731	(25 489)	38 670 275	16 028	38 686 303
Comprehensive Income								
Net profit for the period	-	-	-	2 124 245	-	2 124 245	1 092	2 125 337
Translation differences of foreign entities	-	-	-	-	(9 001)	(9 001)	-	(9 001)
Total Comprehensive Income	-	-	-	2 124 245	(9 001)	2 115 244	1 092	2 116 336
Transactions with shareholders								
Transferred to legal reserve	-	110 393	-	(110 393)	-	-	-	-
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	-	-	-	(64 719)	-	(64 719)	-	(64 719)
Total transactions with shareholders	-	110 393	-	(2 355 448)	-	(2 245 055)	(6 319)	(2 251 374)
Balance as of March 31,2021	17 070 716	2 352 160	2 787 550	16 364 528	(34 490)	38 540 464	10 801	38 551 265
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
Comprehensive Income								
Net profit for the period	-	-	-	1 366 353	-	1 366 353	675	1 367 028
Translation differences of foreign entities	-	-	-	-	137 626	137 626	-	137 626
Total Comprehensive Income	-	-	-	1 366 353	137 626	1 503 979	675	1 504 654
Impact of translation differences of foreign currencies balances								
Transactions with shareholders								
Transferred to legal reserve	-	349 071	-	(349 071)	-	-	-	-
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 investments evaluation disposals in subsidiaries	-	-	-	(198)	-	(198)	-	(198)
Total transactions with shareholders	-	349 071	-	(3 065 189)	-	(2 716 118)	(3 353)	(2 719 471)
Balance as of March 31, 2022	17 070 716	2 700 418	2 787 550	19 003 244	97 063	41 658 991	10 562	41 669 553

The accompanying notes on page from (6) to (23) 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	For the three months ended:	
		31/3/2022	31/3/2021
			Reclassified
	No.	L.E. (000)	L.E. (000)
<u>Cash flows from operating activities:-</u>			
Cash receipts from customers		9 274 497	9 007 141
Stamp tax and fees collected (from third party)		56 274	37 626
Deposits collected from customers		11 830	8 523
Cash paid to suppliers		(3 093 278)	(2 616 514)
Payments for NTRA license fees		(217 548)	(590 156)
Dividends paid to employees and Board of Directors		(27 089)	(17 166)
Cash paid to Board of Directors		(1 891 274)	(1 363 224)
Cash paid to employees		(319 942)	(285 598)
Cash provided by operating activities		3 793 470	4 180 632
Interest paid		(201 977)	(329 425)
Payments to Tax Authority - income tax		(33 629)	(77 663)
Payments to Tax Authority - value added tax		(309 661)	(411 841)
Payments to Tax Authority - other taxes		(559 607)	(556 998)
Other (payments) / proceeds		(66 342)	622 612
Net cash provided by operating activities		2 622 254	3 427 317
<u>Cash flows from investing activities:-</u>			
Payments for purchase of fixed assets, projects in progress and other assets		(3 088 437)	(3 263 359)
Payments for purchase of other assets		(1 719 720)	(2 422 300)
Proceeds from sales of fixed assets and other assets		22	18
Payments for lease liabilities		(66 115)	(60 530)
payments for purchase of financial assets at amortized cost - treasury bills		(597 889)	-
Interest received		4 487	13 626
Dividends collected from investments		-	809 245
proceeds from retrieval of financial assets at amortized cost - treasury bills		7 642	477
Net cash used in investing activities		(5 460 010)	(4 922 823)
<u>Cash flows from financing activities:-</u>			
Payments for loans		(382 816)	(354 114)
Proceeds from credit facilities		2 771 228	1 288 582
Dividends paid to Shareholders		-	(773)
Net cash provided by financing activities		2 388 412	933 695
Net change in cash and cash equivalents during the period		(449 344)	(561 811)
Translation differences of foreign entities		24 294	(5 492)
Cash and cash equivalents at the beginning of the period	(18)	2 922 993	1 936 943
Cash and cash equivalents at the end of the period	(18)	2 497 943	1 369 640

The accompanying notes on pages from (6) to (23) 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 Three Months Ended March 31, 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 May 30, 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 March 31, 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 first condensed consolidated interim financial statements for the three months have been prepared which Egyptian accounting standard No. 47 "Financial Instruments", Egyptian accounting standard No. 48 "Revenue from contracts with customers" and Egyptian accounting standard No. 49 "lease" were applied.
- The effect of the changes of the current accounting policies clarified in note No. (2-7).
- These Condensed Consolidated Interim Financial Statements don't include all the required information needed for preparing the full annual financial statements and must be read with the consolidated annual financial statements as of December 31, 2021.

2-2 Basis of measurement

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

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

2-3 Functional and presentation currency

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

2-4 Use of estimates

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

The estimates and underlying assumptions are reviewed ongoing basis. Accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements is included in the following notes:

- Impairment loss on financial assets and non-financial.
- Deferred tax assets
- Provisions and contingent Liabilities
- Operational useful life of fixed assets.

2-5 Fair value measurement

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

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

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

2-6 Segment reporting

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

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

3. OPERATING REVENUES

	For the three months ended :	
	31/3/2022	31/3/2021
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Home and personal communications	5 000 724	4 190 899
Enterprise	1 187 527	1 128 829
Domestic wholesale	1 397 299	1 364 133
International carrier	1 034 356	1 049 968
International cables and networks	797 247	665 252
	<u>9 417 153</u>	<u>8 399 081</u>

Total operating revenues have increased by an amount of L.E. 1 018 072 K mainly due to the increase in home and personal communications revenues by an amount of L.E. 809 825 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. 131 995 K and the increase in Enterprise revenues by an amount of L.E. 58 698 K due to the increase in revenues resulting from complementary-access and fixed line and domestic wholesale revenue by an amount of L.E. 33 166 K due to the increase in access service revenues.

4. OPERATING COSTS

	For the three months ended :	
	31/3/2022	31/3/2021
	<u>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>
Interconnection cost	1 528 171	1 434 060
Depreciation and amortization	1 701 418	1 277 403
Salaries and wages*	734 679	659 172
Company's share in social insurance *	87 912	77 637
Frequencies and licenses charges (National Telecom Regulatory Authority)	506 934	314 046
Other operating cost*	1 231 017	1 149 695
	<u>5 790 131</u>	<u>4 912 013</u>

Operating costs have increased by an amount of L.E. 878 118 K mainly due to the following: -

- The increase of interconnection cost by an amount of L.E. 94 111 K which is mainly due to the increase in national roaming fees and cost of international connection fees.
- The increase in the depreciation and amortization item by an amount of L.E. 424 015 K during the period due to the additions of the last quarter of the last year and the current period.
- The increase in other operating cost item by an amount of L.E. 81 322 K is mainly due to the increase in the organizations services costs item by an amount of L.E. 64 326 K due to the increase in outsourcing from others service during the period.

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

*Notes to the condensed Consolidated Interim Financial Statements
For The Three months ended March 31, 2022 (continued)*

Translation from Arabic

5. SELLING AND DISTRIBUTION EXPENSES

	For the three months ended :	
	31/3/2022	31/3/2021
	L.E. (000)	Reclassified L.E. (000)
Salaries and wages*	403 355	315 669
Company's share in social insurance *	42 674	36 148
Advertising and marketing	213 149	186 681
Agents' commissions and collection organizations	143 361	114 557
Depreciation and amortization	13 214	6 763
Other selling and distribution expenses *	79 440	100 205
	895 193	760 023

The increase in selling and distribution expenses by an amount of L.E 135 170 K mainly due to the increase in Salaries and wages item by an amount of L.E 87 686 K and Agents' commissions and collection organizations item by an amount of L.E 28 804 K.

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

6. GENERAL AND ADMINISTRATIVE EXPENSES

	Note No	For the three months ended :	
		31/3/2022	31/3/2021
		L.E. (000)	Reclassified L.E. (000)
Salaries and wages*		563 023	542 287
Company's share in social insurance *		52 486	45 645
The company's contribution in loyalty and belonging fund	(9)	50 000	50 000
Depreciation and amortization		29 419	18 328
Organization services cost and consultants		79 650	21 001
Tax and duties		37 156	40 034
Other general and administration expenses *		86 394	77 367
		898 128	794 662

The increase in general and administrative expenses by an amount of L.E. 103 466 K is mainly due to the increase in organizations services costs and consultants by an amount of L.E. 58 649 K and the increase in Salaries and wages item by an amount of L.E 20 736 K.

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

7. NET FINANCE COST

The increase in net finance cost by an amount of L.E 210 872 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. 383 790 K, however the decrease in both of interest expense by an amount of L.E 82 194 K and impairment of financial assets value by an amount of L.E 37 197 K led to limitation of this increase.

Notes to the condensed Consolidated Interim Financial Statements
For The Three months ended March 31, 2022 (continued)

Translation from Arabic

8. SHARE OF PROFIT OF EQUITY ACCOUNTED INVESTEEES

	<u>For the three months ended :</u>	
	<u>31/3/2022</u>	<u>31/3/2021</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Vodafone Egypt	312 373	951 951
Egypt trust	4 842	245
	<u>317 215</u>	<u>952 196</u>

Represented in the group's share of profits (losses) 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, 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, 2022 (against an amount of L.E. 50 000 K for the same period of 2021) stated in the general and administrative expenses as shown in (Note no. 6).

10. BASIC AND DILUTED EARNING PER SHARE FOR THE PERIOD

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

	<u>For the three months ended</u>	
	<u>31/3/2022</u>	<u>31/3/2021</u>
<u>The holding company owners' equity :</u>		
Net profit for the period (LE in thousand)	1 366 353	2 124 245
Number of shares available during the period (share)	1 707 071 600	1 707 071 600
Basic and diluted earning per share for the period (LE / share)	<u>0.80</u>	<u>1.24</u>

*Notes to the condensed Consolidated Interim Financial Statements
For The Three months ended March 31, 2022 (continued)*

Translation from Arabic

11. FIXED ASSETS

Description	31/3/2022 Cost <u>L.E.(000)</u>	31/3/2021 Cost <u>L.E.(000)</u>	31/3/2022 Accumulated depreciation <u>L.E.(000)</u>	31/3/2021 Accumulated depreciation <u>L.E.(000)</u>	31/3/2022 Net <u>L.E.(000)</u>	31/3/2021 Net <u>L.E.(000)</u>	31/12/2021 Net <u>L.E.(000)</u>
Land	2 392 387	2 359 194	-	-	2 392 387	2 359 194	2 391 826
Buildings & Infrastructure	41 899 949	38 196 151	19 162 772	17 651 581	22 737 177	20 544 570	22 459 615
Centrals & information technologies equipment	38 201 204	39 257 130	19 684 523	24 457 634	18 516 681	14 799 496	17 992 542
Vehicles	265 568	261 695	117 707	113 980	147 861	147 715	153 435
Furniture	1 158 262	1 024 884	805 324	720 813	352 938	304 071	373 077
Tools & supplies	239 259	219 315	157 011	123 344	82 248	95 971	86 831
Decoration & fixtures	188 409	183 502	183 684	139 303	4 725	44 199	7 317
Fixtures on trunk radio network	315	315	315	315	-	-	-
Total	84 345 353	81 502 186	40 111 336	43 206 970	44 234 017	38 295 216	43 464 643

- The increase in net carrying value of fixed assets mainly due to the additions during the period by an amount of L.E. 2 129 865 K, however the depreciation of the period by an amount of L.E. 1 385 866 K led to limitation of this increase.
- The cost of fixed assets as of March 31, 2022 includes an amount of L.E. 15 105 Million fully depreciated fixed assets and still in use.
- The fixed assets includes an amount of L.E 766 102 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. (32).

12. PROJECTS IN PROGRESS

	31/3/2022 <u>L.E. (000)</u>	31/12/2021 <u>L.E. (000)</u>
Land	199 148	199 148
Buildings and Infrastructure	1 008 132	1 130 331
Centrals and information technologies equipment	2 368 233	2 477 439
Tools and supplies	4 161	4 590
Other Assets (cables)	916 820	641 274
Advance payments - Fixed assets	2 230 419	1 773 136
	6 726 913	6 225 918
Less:		
Impairment loss on projects in progress	6 145	6 856
	6 720 768	6 219 062

The balance of projects in progress is represented in the part that have been executed from commitments and capital contracts, and advanced payment until March 31, 2022.

- The balance of projects in progress includes an amount of L.E 147 367 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. (32).

Notes to the condensed Consolidated Interim Financial Statements
For The Three months ended March 31, 2022 (continued)

Translation from Arabic

13. INVESTMENTS IN ASSOCIATES

	31/3/2022		31/12/2021	
	Ownership %	amount L.E. (000)	Ownership %	amount L.E. (000)
- Wataneya for Telecommunication	50.00	125	50.00	125
- Vodafone Egypt Telecommunication company **	44.95	11 245 475	44.95	10 933 102
- Egypt Trust	35.71	14 199	35.71	9 357
- New matrix for technology	25.50	1 250	25.50	1 250
		11 261 049		10 943 834
Less:				
Impairment loss on investment in associates ***		7 625		7 625
		11 253 424		10 936 209

* 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 March 31, 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 March 31, 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 movement of the period from April 1, 2021 to December 31, 2021 based on Vodafone Egypt's consolidated interim financial statements on December 31, 2021 to determine the share of financial period from January 1 to March 31, 2022 of business results.

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

14. OTHER ASSETS

	31/3/2022 L.E. (000)	31/12/2021 L.E. (000)
Cost		
Fourth generation network license usufruct (Project)	13 699 149	11 084 380
Assets right of use (Lease Contracts)	312 004	315 536
Submarine Cables (right of way)	1 335 333	1 380 268
Right of Use (ROU)	2 258 137	2 235 184
License (internet service - programs)	993 312	886 264
Land (possession-usufruct)	127 600	127 235
Good will	440 684	440 684
	15 839	15 839
	19 182 058	16 485 390
Less:		
Accumulated amortization and impairment	4 392 183	4 004 304
Net other assets	14 789 875	12 481 086

- The increase in net carrying value of other assets mainly due to the increase in in fourth generation network licenses item by an amount of L.E.2 614 769 K.
- Other assets cost includes at March 31, 2022 an amount of L.E 449 Million, other assets fully amortized and still in use.
- The other assets includes 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. (32).

Notes to the condensed Consolidated Interim Financial Statements
For The Three months ended March 31, 2022 (continued)

Translation from Arabic

15. INVENTORIES

	31/3/2022 L.E. (000)	31/12/2021 L.E. (000)
Spare parts	778 164	727 437
Material supplies	1081 205	810 738
Merchandise for sale	338 416	442 083
Others	16 498	20 235
	2 214 283	2 000 493
Add:		
Letters of credit	354 378	341 483
	2 568 661	2 341 976

The value of inventories was written down by L.E. 168 753 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

	31/3/2022 L.E. (000)	31/12/2021 L.E. (000)
Trade Receivables - National	6 836 017	5 058 971
Trade Receivables - International	3 527 808	3 213 323
	10 363 825	8 272 294
Less:		
Impairment loss on trade receivables	2 308 644	2 236 568
	8 055 181	6 035 726
Add:		
Notes receivable	246 491	1 116
	8 301 672	6 036 842

Trade and notes receivable balance have increased by an amount of L.E. 2 264 830 K is mainly due to the increase in trade receivables – domestic wholesale by an amount of L.E 1 388 629 K, trade receivables – home data by an amount of L.E. 286 777 K and the increase in trade receivables - enterprise by an amount of L.E. 243 242 K.

17. DEBTORS AND OTHER DEBIT BALANCES

	31/3/2022 L.E.(000)	31/12/2021 L.E.(000)
Suppliers – debit balances	1 035 129	655 282
Tax Authority - value added tax	787 371	1 070 223
Tax Authority - withholding tax	1 504 648	1 371 473
Deposits with other	318 684	322 333
Accrued revenues	162 706	98 601
Due from ministries, organizations and companies	1 535 612	448 006
Temporary debts due from employees	185 491	921 411
Tax Authority - Income tax	276 035	267 107
Prepaid expenses	89 292	85 788
Other debit balances	1 157 985	1 089 249
	7 052 953	6 329 473
Less balances due within more than one year:		
Prepaid expenses	54 723	48 203
Debitors and non current debit balances	54 723	48 203
Debitors and current debit balances	6 998 230	6 281 270
Less:		
Impairment loss on debtors and other debit balances	348 257	350 949
Total debtors and other debit balances	6 704 696	5 978 524

Debtors and other debit balances have increased by an amount of L.E. 723 480 K mainly due to the decrease in due from ministries, organization and companies item by an amount of L.E 1 087 606 K and suppliers – debit balances item by an amount of L.E 379 847 K and Tax Authority – withholding tax item by an amount of L.E 133 175 K , however the decrease in Temporary debts due from employees by an amount of L.E 735 920 K as a result of the employees dividends for 2021, and Tax Authority – value added tax item by an amount of L.E 282 852 K led to limitation of this increase.

*Notes to the condensed Consolidated Interim Financial Statements
For The Three months ended March 31, 2022 (continued)*

Translation from Arabic

18. CASH AND CASH EQUIVALENTS

	Note	31/3/2022	31/12/2021	31/3/2021
	No.	L.E. (000)	L.E. (000)	L.E. (000)
Banks - time deposits (less than 3 months)		548 384	665 256	637 347
Banks - current accounts		1 518 109	1 217 633	659 302
Cash on hand		10 467	5 474	10 557
Treasury bills (less than 3 months)		381 125	965 568	48 996
Money market funds (less than 3 months)		101 246	129 406	74 669
Cash and cash equivalents		2 559 331	2 983 337	1 430 871
Less:				
Restricted cash and cash equivalents at banks	(26)	61 388	60 344	61 231
Cash and cash equivalents as per statement of cash flows		2 497 943	2 922 993	1 369 640

19. LOANS AND CREDIT FACILITIES

- The increase in the balance of loans and credit facilities by an amount of L.E 4 178 865 K mainly resulting from proceeds within the period of loans and credit facilities with local and foreign currencies amounted to L.E. 2 760 474 K, where loans and credit facilities with local and foreign currencies in March, 31 2022 amounted to L.E. 20 499 898 K (against L.E. 16 321 033 K at December 31, 2021) due within a year by an amount of L.E. 7 108 777 K.

20. CREDITORS AND OTHER CREDIT BALANCES

	31/3/2022	31/12/2021
	L.E. (000)	L.E. (000)
Suppliers and notes payable	2 542 179	2 142 642
Tax Authority-Income Tax	2 157 716	1 506 122
Tax Authority (taxes other than income tax)	1 578 128	975 791
Deposits to others	581 436	567 692
Liability of early retirement scheme	13 574	24 385
Assets creditors	11 609 169	11 068 114
Dividends payable	1 716 030	4 064
Accrued expenses	1 212 550	1 521 857
Contract lease liabilities	1 007 789	985 110
Public Authority for Social Insurance	112 999	86 480
Trade receivables - credit balances	3 086 404	1 988 688
Credit balances organizations and companies	230 220	297 237
Deferred revenues	4 415 755	1 340 542
National Telecommunication Regulatory Authority (NTRA)	1 206 042	1 183 210
Other credit balances	1 200 112	733 665
	32 670 103	24 425 599
balances due within more than one year:		
Assets creditors	4 638 510	4 139 703
Contract lease liabilities***	850 481	839 383
Deferred revenues	272 552	243 988
Creditors and non current liabilities balances	5 761 543	5 223 074
Creditors and current liabilities balances	26 908 560	19 202 525
Total Creditors and other credit balances	32 670 103	24 425 599

Creditors and other credit balances have increased by an amount of L.E 8 244 504 K mainly due to the increase in both of deferred revenue by an amount of L.E 3 075 213 K as a result of the increase in transmission systems lease revenue from mobile and internet by an amount of L.E 2 992 001 K, dividends creditors item by an amount of L.E. 1 711 996 K, trade receivables – credit balances item by an amount of L.E. 1 097 716 K and Tax Authority – income tax item by an amount of L.E 651 594 K.

*Notes to the condensed Consolidated Interim Financial Statements
For The Three months ended March 31, 2022 (continued)*

Translation from Arabic

***** Lease liabilities**

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

	31/3/2022	31/12/2021
	<u>L.E (000)</u>	<u>L.E (000)</u>
Beginning balance of present value for lease liabilities	1 488 810	1 436 212
Payments	(791 059)	(729 510)
Adjustments on lease contracts liabilities	(467)	-
Entities translation difference	(3 191)	2 461
Interest	313 696	275 947
Lease liabilities	<u>1 007 789</u>	<u>985 110</u>
<u>Less:</u>		
Current liabilities	157 308	145 727
Non Current liabilities	<u>850 481</u>	<u>839 383</u>

21. PROVISIONS

	31/3/2022	31/12/2021
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Balance at the beginning of the period /year	1 399 218	1 102 476
Reclassification during the period/year	-	229 343
Provision no longer required	(21)	-
Reversal of provision	(99)	(43 855)
Charged to income statement for the period / year	45 000	137 062
Provision used during the period / year	(1 094)	(25 804)
Translation differences	10	(4)
Balance at the end of the period / year	<u>1 443 014</u>	<u>1 399 218</u>

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

22. CAPITAL

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

23. RESERVES

	31/3/2022	31/12/2021
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Legal reserve *	2 700 418	2 351 347
Other reserves	2 787 550	2 787 550
	<u>5 487 968</u>	<u>5 138 897</u>

The balance of legal reserve has increased as a result of retaining an amount of L.E. 349 071 K from the profit of 2021 in accordance with the company's articles of association.

Notes to the condensed Consolidated Interim Financial Statements
For The Three months ended March 31, 2022 (continued)

Translation from Arabic

24. DEFERRED TAX

24-1 Recognized deferred tax assets and liabilities

	31/3/2022		31/12/2021	
	Assets	(Liabilities)	Assets	(Liabilities)
	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Total deferred tax asset / liability	875 860	(3 256 581)	167 807	(3 161 466)
Net deferred tax liability	-	<u>(2 380 721)</u>	-	<u>(2 993 659)</u>
Impact of Deferred tax charged to the income statement	-	193 367	-	-
Deferred tax charged to the comprehensive income statement	-	<u>419 571</u>	-	-

24-2 Unrecognized deferred tax assets

	31/3/2022	31/12/2021
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Unrecognized deferred tax assets	<u>573 666</u>	<u>518 869</u>

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

25. CAPITAL COMMITMENTS

The group's capital commitments for the unexecuted parts of contracts up to March 31, 2022 amounted to L.E 397 Million (against L.E. 2 776 Million up to December 31, 2021).

26. CONTINGENT LIABILITIES

In addition to the amounts included in the condensed consolidated statement of financial statements as of March 31, 2022, the company has the following contingent liabilities:

	31/3/2022	31/12/2021
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
- Letters of guarantee issued by banks on behalf of the company*	2 876 533	2 619 125
- Letters of credit	1 942 006	876 808

*Includes letters of guarantee which were issued by banks at March 31, 2022 against restricted cash and cash equivalents at banks (note no.18).

27. TAX POSITION (Telecom Egypt Company)

27-1 Corporate tax

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

27- 2 Value Added Tax \ Sales Tax

- Tax inspection for the years 2010 until 2015 was performed and the tax differences were settled and the company didn't pay the additional tax, lawsuit was raised regarding it, and the company provide request to override it according to law No. 173 for year 2020.
- Tax inspection for the years 2016 and 2017 is in process.
- Tax returns were submitted according to the value added tax law and the accrued taxes were paid.

27- 3 Salary Tax

- Tax inspection was performed for the years till December 31 ,2014 and the Company was notified with tax differences and all due taxes were settled, the company disputed for one item and has been transferred to the Internal Committee.
- Tax inspection for the years 2015 and 2016 is in process.

27- 4 Stamp Tax

- Tax inspection for the period from March 27, 1998 to December 31, 2000 was performed for certain sectors and the company was notified with assessment basis, the company objected and 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.

28. RELATED PARTY TRANSACTIONS IS REPRESENTED IN

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

Nature of transactions during the period	Transactions volume		Movement during the period		Balance as of	
	during the period stated in the statement of income		during the period		31/3/2022	
			Debit	Credit	Debit (Credit)	31/12/2021
	LE 000	LE 000	LE 000	LE 000	LE 000	LE 000
Credit balances due to associates						
- Vodafone Egypt Telecommunications Company						
Outgoing calls and voice services to the associate company	309 190					
			5 143 102	3 243 967	851 685	(1 047 450)
Incoming and international calls, transmission & lease of company premises and towers to the associates company	1 643 622					
Telecommunications and services	-		16	-	-	(16)
			5 143 118	3 243 967	851 685	(1 047 466)

29. GROUP ENTITIES

- Subsidiaries companies are controlled by group companies.
- The group companies control the invested entities when affected by or entitled to variable interest, through participating and influencing the interest due to authority on invested entity.
- The condensed consolidated interim financial statement includes the subsidiary companies that it hold, from the date of acquisition till end date.
- Company's direct and indirect share in subsidiaries companies on March 31, 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>31/3/2022</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 (Eiscc)	Egypt	100.00 %	100.00 %
Middle East and North Africa Submarine Cable Company (MENA CABLE)	Egypt	100.00 %	100.00 %
Mena Company For Submarine Cable Company (MENA CABLE ITALY)	Italy	100.00 %	100.00 %
Egyptian Telecommunication Integrated Service Company	Egypt	100.00 %	100.00 %
Centra Distribution	Egypt	- %	99.99 %
Middle East Radio Communication (MERC)	Egypt	51.00 %	51.00 %

30 –SIGNIFICANT CLAIMS AND LITIGATION:**The Existing Remedy lawsuit between Telecom Egypt “TE”, Etisalat Misr Company & its subsidiaries: the EGY Net and Nile on Line)**

The aforementioned telecom operators “ companies” (Etisalat’s 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 subsidiry) 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, On June 1, 2022 the session is being determiend to consider before another experts committee

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, where measurements and procedures are under way for a legal response on the report as to submit it to the court and request to return the file again to the experts to reconsider the report’s result.

31. COMPARATIVE FIGUERS

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

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

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

	For the financial period ended		For the financial period ended
	31/3/2021	Reclassification	31/03/2021
	as previously reported		Reclassified
	debit / (credit)	debit / (credit)	debit / (credit)
	LE(000)		LE(000)
Operating Costs	(4 965 277)	53 264	(4 912 013)
Selling and distribution expenses	(725 545)	(34 478)	(760 023)
General and administrative expenses	(775 876)	(18 786)	(794 662)

31-2 Effect on condensed consolidated Statement of Cash Flow:

	For the period ended	Reclassification	For the period ended
	31/3/2021		31/3/2021
	as previously reported		Reclassified
	LE(000)	LE(000)	LE(000)
Cash paid to suppliers	(2 635 839)	19 325	(2 616 514)
Payments for purchase of other assets	(2 453 622)	31 322	(2 422 300)
Payments for lease liabilities	(9 883)	(50 647)	(60 530)

32- SIGNIFICANT EVENTS

32-1 Most of countries in the world included Egypt during the first quarter of 2020, have been exposed to the outbreak of Coronavirus (Covid-19) and the company had taken considerations 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 interact directly with the clients.

Secondly: Actions taken by the company to Customers

The company has been taking the customers safety in consideration during this exceptional circumstances, 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 aware 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 is studying the impairment of customer balances according to the requirements of the Egyptian Accounting Standards.
- The company has a strong and balanced financial position 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 decrease to be proven written.

3- Selling and distribution risks

Telecom Egypt Group achieved growth in the period revenue compared to the comparative 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 financial Three months ended March 31, 2022 as well as during the subsequent periods of that date.

31-2 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 egptian 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	18.2683	18.1708
EURO	20.168	20.0570

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 may be materially 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- SUBSEQUENT EVENTS

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 (Note 31-2). 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 on the same date, 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 (Separate / consolidated) financial statements for the current period as follows:

	Before applying the accounting transaction	The impact of applying the accounting transaction	After applying the accounting transaction
<u>Item</u>	Debit / (credit)	Debit / (credit)	Debit / (credit)
	<u>L.E(000)</u>	<u>L.E(000)</u>	<u>L.E(000)</u>
	<u>31/3/2022</u>		<u>31/3/2022</u>
<u>1-Balance sheet</u>			
Fixed assets	43 457 915	776 102	44 234 017

Project in progress	6 573 401	147 367	6 720 768
Other assets	14 563 867	226 008	14 789 875
Deferred tax assets	200 258	675 602	875 860
Retained earnings	(20 498 474)	1 495 230	(19 003 244)

2- Income statement

Finance cost	(3 321 230)	2 948 187	(373 043)
Depreciation and Amortization	(1 711 826)	(29 858)	(1 741 684)

Statement of comprehensive income

Translation differences of foreign currency balances	-	(1 864 761)	(1 864 761)
Deferred tax related to translation differences of foreign currency balances	-	419 571	419 571

34- SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of the condensed consolidated interim financial statements as of March 31, 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.