

**Telecom Egypt Company**  
**(An Egyptian Joint Stock Company)**  
**Consolidated Financial Statements**  
**For the Financial Year Ended December 31, 2020**  
**& Auditor's Report**

**Telecom Egypt Company**  
**(An Egyptian Joint Stock Company)**  
**Consolidated Financial Statements**  
**For the Financial Year Ended December 31, 2020**  
**& Auditor's Report**

**Index**

<b><u>Contents</u></b>	<b><u>Page Number</u></b>
- Auditor's Report	1:2
- Consolidated Statement of Financial Position	3
- Consolidated Statement of Income	4
- Consolidated Statement of Comprehensive Income	5
- Consolidated Statement of Changes in Equity	6
- Consolidated Statement of Cash Flows	7
- Notes to the Consolidated Financial Statements	8:46



## **Hazem Hassan**

**Public Accountants & Consultants**

B (105) – Avenue (2) – Smart Village  
Km 28 Cairo – Alex Desert Road  
Giza – Cairo – Egypt  
Postal Code : 12577

Telephone : (202) 35 37 5000 – 35 37 5005  
E-mail : Egypt@kpmg.com.eg  
Fax : (202) 35 37 3537  
P.O. Box : (5) Smart Village

*Translation from Arabic*

### **AUDITOR'S REPORT**

#### **TO THE SHAREHOLDERS OF TELECOM EGYPT COMPANY**

##### ***Report on the Consolidated Financial Statements***

We have audited the accompanying consolidated financial statements of Telecom Egypt Company S.A.E, which comprise the consolidated statement of financial position as at December 31, 2020 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

##### ***Management's Responsibility for the Consolidated Financial Statements***

These consolidated financial statements are the responsibility of Company's management. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Egyptian Accounting Standards and in the light of the prevailing Egyptian laws, management responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

##### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Except for the matter described in the basis for opinion section of our report, We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.



Hazem Hassan

Translation from Arabic

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

***Basis for Opinion***

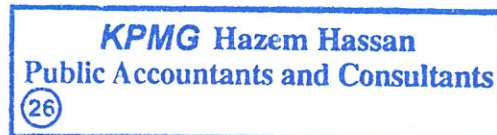
As explained note no. (15) of the notes to the consolidated financial statements, the company has investments in Vodafone Egypt (associate company) which is accounted for by the equity method in the consolidated financial statements, the company's share in the equity of the associate company was determined as of December 31, 2020, based on unaudited financial information prepared by the management of the associate company.

***Opinion***

In our opinion, except for the possible effects of the matter described in the basis for opinion section of our report, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Telecom Egypt Company as of December 31, 2020, and of its consolidated financial performance and cash flows for the financial year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these consolidated financial statements.

**KPMG Hazem Hassan**  
**Public Accountants & Consultants**

Cairo, February 23, 2021





Translation from Arabic

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

		31/12/2020	31/12/2019
	Note		Reclassified
<u>Assets</u>	<u>No.</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
<b><u>Non current Assets</u></b>			
Fixed assets	(13)	38 140 665	29 728 055
Projects in progress	(14)	6 582 100	6 828 631
Investments in associates	(15)	12 306 547	10 818 196
Available-for-sale investments	(16)	74 856	79 811
Long-term balances (prepaid expense)		53 334	60 072
Other assets	(17)	9 444 330	10 119 638
Deferred tax assets	(28-1)	131 959	213 188
<b>Total Non Current Assets</b>		<b>66 733 791</b>	<b>57 847 591</b>
<b><u>Current Assets</u></b>			
Inventories	(18)	2 092 242	2 353 882
Trade and notes receivables	(19)	6 878 712	5 275 556
Debtors and other debit balances	(20)	6 734 893	6 315 453
Held-to-maturity investments-treasury bills		-	25 829
Cash and cash equivalents	(21)	2 003 432	1 433 184
<b>Total Current Assets</b>		<b>17 709 279</b>	<b>15 403 904</b>
<b>Total Assets</b>		<b>84 443 070</b>	<b>73 251 495</b>
<b><u>Equity</u></b>			
Capital	(26)	17 070 716	17 070 716
Reserves	(27)	5 029 317	4 762 625
Retained earnings		16 643 108	13 382 616
Foreign entities translation reserve		( 25 489)	( 10 623)
<b>Equity attributable to the owners of the company</b>		<b>38 717 652</b>	<b>35 205 334</b>
<b>Non - controlling interest</b>		<b>16 028</b>	<b>15 803</b>
<b>Total Equity</b>		<b>38 733 680</b>	<b>35 221 137</b>
<b><u>Non Current Liabilities</u></b>			
Loans and credit facilities	(22)	3 278 144	4 785 550
Creditors and other credit balances	(23)	5 338 944	5 266 553
Deferred tax liabilities	(28-1)	2 392 317	1 462 286
<b>Total Non Current Liabilities</b>		<b>11 009 405</b>	<b>11 514 389</b>
<b><u>Current Liabilities</u></b>			
Loans and facilities installments due within one year	(22)	17 009 238	11 666 363
Creditors and other credit balances	(23)	15 256 351	13 027 354
Credit balances due to associates	(32)	1 331 920	1 049 642
Provisions	(24)	1 102 476	772 610
<b>Total Current Liabilities</b>		<b>34 699 985</b>	<b>26 515 969</b>
<b>Total liabilities</b>		<b>45 709 390</b>	<b>38 030 358</b>
<b>Total Equity and Liabilities</b>		<b>84 443 070</b>	<b>73 251 495</b>

The attached notes on pages from (8) to (46) are an integral part of these consolidated financial statements.

Director of Financial Affairs

Senior Director of Financial Affairs

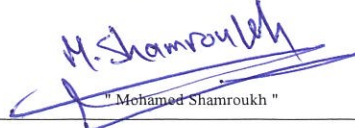
Chief Financial Officer

Managing Director  
& Chief Executive Officer


" Ehab Abdo "



" Wael Hanafy "



" Mohamed Shamroukh "



"Adel Hamed "

Board of Directors approval

Chairman



" Maged Osman "

Auditor's Report "attached"

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

	Note No.	<b>For the financial year ended:</b>	
		<b>31/12/2020</b>	<b>31/12/2019</b>
		<b><u>L.E.(000)</u></b>	<b><u>Reclassified L.E.(000)</u></b>
Operating revenues	(3)	31 912 366	25 805 090
Operating costs	(4)	(19 663 335)	(16 361 831)
<b>Gross Profit</b>		<b>12 249 031</b>	<b>9 443 259</b>
Other operating income	(5)	462 103	470 936
Selling and distribution expenses	(6)	(2 950 855)	(2 567 745)
General and administrative expenses	(7)	(3 330 083)	(4 647 250)
Other operating expenses	(8)	( 531 968)	( 150 045)
<b>Operating profit</b>		<b><u>5 898 228</u></b>	<b><u>2 549 155</u></b>
Finance income	(9)	94 217	1 679 338
Finance cost	(9)	(1 573 865)	(1 564 811)
<b>Net Finance (cost)/income</b>		<b><u>(1 479 648)</u></b>	<b><u>114 527</u></b>
<b>Share of profit of equity accounted investees</b>	(10)	<b><u>2 206 234</u></b>	<b><u>2 832 938</u></b>
<b>Net profit for the year before tax</b>		<b><u>6 624 814</u></b>	<b><u>5 496 620</u></b>
Income tax		( 756 022)	( 847 365)
Deferred tax	(28-1)	(1 011 260)	( 243 365)
<b>Total income tax</b>		<b><u>(1 767 282)</u></b>	<b><u>(1 090 730)</u></b>
<b>Net profit for the year</b>		<b><u>4 857 532</u></b>	<b><u>4 405 890</u></b>
<b><u>Profit attributable to :</u></b>			
Owners of the company		4 850 882	4 399 125
Non-controlling interest		6 650	6 765
<b>Net profit for the year</b>		<b><u>4 857 532</u></b>	<b><u>4 405 890</u></b>
<b>Basic and diluted earnings per share for the year (LE \ Share)</b>	(12)	<b><u>2.35</u></b>	<b><u>2.10</u></b>

The attached notes on pages from (8) to (46) are an integral part of these consolidated financial statements.

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

	<b>For the financial year ended:</b>	
	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b><u>L.E.(000)</u></b>	<b><u>L.E.(000)</u></b>
Net profit for the year	4 857 532	4 405 890
<b><u>Other Comprehensive Income items :</u></b>		
Translation differences of foreign entities	( 14 866)	( 183 277)
<b>Total Comprehensive Income</b>	<b><u>4 842 666</u></b>	<b><u>4 222 613</u></b>
<b>Attributable to :</b>		
Shareholders of the company	4 836 016	4 215 848
Non-controlling interest	6 650	6 765
<b>Total Comprehensive Income</b>	<b><u>4 842 666</u></b>	<b><u>4 222 613</u></b>

The attached notes on pages from (8) to (46) are an integral part of these Consolidated Financial Statements.

Transition from Arabic

**Telecom Egypt Company**  
(An Egyptian Joint Stock Company)  
**Consolidated Statement of Changes in Equity**  
**For The Financial year Ended December 31, 2020**

Note No.	Capital	Legal reserve	Other reserves	Retained earnings	Foreign entities translation reserve	Total of equity attributable to Shareholders of the company	Non-controlling interest	Total
	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)
<b>Balance as of January 1,2019 (Reclassified)</b>	<b>17 070 716</b>	<b>1 899 547</b>	<b>2 796 578</b>	<b>10 345 787</b>	<b>172 654</b>	<b>32 285 282</b>	<b>15 820</b>	<b>32 301 102</b>
<b>Comprehensive Income</b>								
Profit for the year	-	-	-	4 399 125	-	4 399 125	6 765	4 405 890
Translation differences of foreign entities	-	-	-	-	(183 277)	(183 277)	-	(183 277)
<b>Total Comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4 399 125</b>	<b>(183 277)</b>	<b>4 215 848</b>	<b>6 765</b>	<b>4 222 613</b>
<b>Transactions with shareholders :</b>								
Transferred to legal reserve	-	66 500	-	(66 500)	-	-	-	-
Dividends for year 2018 (shareholders)	-	-	-	(426 768)	-	(426 768)	(5 917)	(432 685)
Dividends for year 2018 (Employees & Board of Directors)	-	-	-	(732 844)	-	(732 844)	(865)	(733 709)
Dividends of associates (Employees & Board of Directors)	-	-	-	(61 126)	-	(61 126)	-	(61 126)
Adjustments on retained earnings at associates	-	-	-	(75 958)	-	(75 958)	-	(75 958)
<b>Total transactions with shareholders</b>	<b>-</b>	<b>66 500</b>	<b>-</b>	<b>(1 362 296)</b>	<b>-</b>	<b>(1 295 796)</b>	<b>(6 782)</b>	<b>(1 302 578)</b>
<b>Balance as of December 31,2019 (Reclassified)</b>	<b>17 070 716</b>	<b>1 966 047</b>	<b>2 796 578</b>	<b>13 382 616</b>	<b>(10 623)</b>	<b>35 205 334</b>	<b>15 803</b>	<b>35 221 137</b>
<b>Balance as of January 1,2020 (Reclassified)</b>	<b>17 070 716</b>	<b>1 966 047</b>	<b>2 796 578</b>	<b>13 382 616</b>	<b>(10 623)</b>	<b>35 205 334</b>	<b>15 803</b>	<b>35 221 137</b>
<b>Comprehensive Income</b>								
Profit for the year	-	-	-	4 850 882	-	4 850 882	6 650	4 857 532
Translation differences of foreign entities	-	-	-	-	(14 866)	(14 866)	-	(14 866)
<b>Total Comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4 850 882</b>	<b>(14 866)</b>	<b>4 836 016</b>	<b>6 650</b>	<b>4 842 666</b>
<b>Transactions with shareholders :</b>								
Transferred to legal reserve	-	275 720	-	(275 720)	-	-	-	-
Dividends for employees announced in associates	-	-	-	(64 329)	-	(64 329)	-	(64 329)
Adjustment on retained earnings at associates	-	-	-	(3 147)	-	(3 147)	-	(3 147)
Dividends for year 2019 (shareholders)	-	-	-	(426 768)	-	(426 768)	(5 515)	(432 283)
Dividends for year 2019 (Employees & Board of Directors)	-	-	-	(820 426)	-	(820 426)	(910)	(821 336)
Fixed assets evaluation disposals (Land & Building)	-	-	(9 028)	-	-	(9 028)	-	(9 028)
<b>Total transactions with shareholders</b>	<b>-</b>	<b>275 720</b>	<b>(9 028)</b>	<b>(1 596 390)</b>	<b>-</b>	<b>(1 320 698)</b>	<b>(6 425)</b>	<b>(1 330 123)</b>
<b>Balance as of December 31, 2020</b>	<b>17 070 716</b>	<b>2 241 767</b>	<b>2 787 550</b>	<b>16 643 108</b>	<b>(25 489)</b>	<b>38 717 652</b>	<b>16 028</b>	<b>38 733 680</b>

The attached notes or pages from (8) to (46) are an integral part of these Consolidated Financial Statements.



Translation from Arabic

**Telecom Egypt Company**  
**(An Egyptian Joint Stock Company)**  
**Consolidated Statement of Cash Flows**

	Note No.	For the Financial year ended:	
		31/12/2020	31/12/2019
		<u>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>
<b><u>Cash flows from operating activities</u></b>			
Cash receipts from customers		29 669 206	24 394 037
Value added tax collected from customers		519 613	493 921
Stamp tax and fees collected (from third party)		38 700	34 285
Deposits collected from customers		2 111	2 936
Cash paid to suppliers		(9 767 685)	(8 395 379)
Payments of NTRA license fees		( 888 077)	( 736 585)
Dividends paid to employees and Board of Directors		( 170 126)	( 96 288)
Cash paid to employees and Board of Directors		(5 508 892)	(7 060 502)
Cash paid on behalf of employees to third party		(1 084 120)	(1 051 627)
<b>Cash provided by operating activities</b>		<b>12 810 730</b>	<b>7 584 798</b>
Interest paid		(1 056 128)	(1 010 484)
Payments to Tax Authority - income tax		( 356 246)	( 127 983)
Payments to Tax Authority - value added tax		(1 410 957)	(1 635 336)
Payments to Tax Authority - other taxes		(1 464 812)	(1 491 021)
Provision used		-	( 11 746)
Other payments		( 225 267)	( 316 856)
<b>Net cash provided by operating activities</b>		<b>8 297 320</b>	<b>2 991 372</b>
<b><u>Cash flows from investing activities</u></b>			
Payments for purchase of fixed assets, projects in progress and other assets		(11 037 767)	(9 664 893)
Payments for purchase of other assets		( 730 953)	( 747 744)
Proceeds from sales of fixed assets and other assets		21	48
Payments for acquisition of investments		-	( 56 867)
Payments for purchase of held-to-maturity investment - (treasury bills)		( 9 566)	( 34 358)
Proceeds from sale of available for sale investment		36 972	-
Interest received		16 364	55 538
Dividends collected from investments		621 900	5 067 193
Proceeds from retrieval of held-to-maturity investment - (treasury bills)		-	108 957
Proceeds from income of securities (treasury bills - mutual fund)		11 094	10 702
<b>Net cash used in investing activities</b>		<b>(11 091 935)</b>	<b>(5 261 424)</b>
<b><u>Cash flows from financing activities</u></b>			
Payment for loans and other facilities		(1 470 544)	(4 248 748)
Proceeds from loans and other facilities		5 368 974	7 410 702
Dividends paid to shareholders		( 479 457)	( 432 683)
<b>Net cash provided by financing activities</b>		<b>3 418 973</b>	<b>2 729 271</b>
<b>Net change in cash and cash equivalents during the year</b>		<b>624 358</b>	<b>459 219</b>
Translation differences of foreign entities		1 194	( 21 383)
Cash and cash equivalents at the beginning of the year	(21)	1 311 391	873 555
<b>Cash and cash equivalents at the end of the year</b>	(21)	<b>1 936 943</b>	<b>1 311 391</b>

The attached notes on pages from (8) to (46) are an integral part of these consolidated financial statements.



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

**Notes to the Consolidated Financial Statements**  
**For the Financial Year Ended December 31, 2020**

**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 consolidated financial statements**

These consolidated financial statements were approved by the Board of Directors for issuance on February 23, 2021.

**2. BASIS OF PREPERATION OF THE CONSOLIDATED FINANCIAL STATEMENTS**

**2-1 Statement of compliance**

The consolidated financial statements as of December 31, 2020, have been prepared in accordance with Egyptian Accounting Standards and in the light of applicable Egyptian laws and regulations.

**2-2 Basis of measurement**

These consolidated 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.

*Notes to the consolidated financial statements*  
*For the financial year ended December 31, 2020 (continued)*

*Translation from Arabic*

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

**2-3 Functional and presentation currency**

These consolidated 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 consolidated 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 on going 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 if the revision affects both current 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 consolidated financial statements is included in the following notes:

- Impairment loss on non-financial and financial assets.
- Deferred tax assets.
- Provisions and contingencies.
- 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 consolidated 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 flows are estimated based on the management best estimate. The discount rate used is determined in line with the market rate at the date of the financial statements for the similar financial instruments in nature and conditions.

**2-6 Segment reporting**

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

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

Notes to the consolidated financial statements  
For the financial year ended December 31, 2020 (continued)

Translation from Arabic

### 3. OPERATING REVENUES

	<b>For the financial year ended:</b>	
	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b><u>L.E. (000)</u></b>	<b><u>L.E. (000)</u></b>
Home and personal communications	14 379 704	10 474 032
Enterprise	3 933 017	3 809 122
Domestic wholesale	4 669 581	4 154 647
International carriers	4 395 547	4 383 205
International cables and networks	4 534 517	2 984 084
	<b><u>31 912 366</u></b>	<b><u>25 805 090</u></b>

### 4. OPERATING COSTS

	<b>Note No.</b>	<b>For the financial year ended:</b>	
		<b>31/12/2020</b>	<b>31/12/2019</b>
		<b><u>L.E. (000)</u></b>	<b><u>Reclassified L.E. (000)</u></b>
Interconnection cost		5 584 788	4 831 623
Depreciation of fixed assets*	( 13 )	4 360 534	2 806 217
Amortization of other assets	( 17 )	703 552	697 068
Salaries and wages*		2 832 260	2 505 562
Company's social insurance contribution*		304 737	310 386
Employees vacations allowance		15 556	5 000
Frequencies and licences charges (NTRA)		1 363 380	931 612
Leased circuits & satellite subscriptions		286 511	272 998
Cost of merchandise available for sale		208 782	673 664
Right of use (IRU) outside Egypt		237 161	385 268
Fuel		841 678	786 503
Spare parts		204 108	170 323
Maintenance		487 318	472 264
Organizations services cost		1 219 045	753 585
Electricity and water		104 314	101 723
Materials, supplies and miscellaneous printed		93 308	47 012
Transportation cost		121 981	165 441
Company's call costs		105 048	88 913
Rents		181 734	163 352
Other operating costs		407 540	193 317
		<b><u>19 663 335</u></b>	<b><u>16 361 831</u></b>

\* Reclassification was made on the comparative figures as shown in (Note no. 37-2).



Notes to the consolidated financial statements  
For the financial year ended December 31, 2020 (continued)

Translation from Arabic

## 5. OTHER OPERATING INCOME

	<u>For the financial year ended:</u>	
	<u>31/12/2020</u>	<u>31/12/2019</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Fines and earned delay interest	82 034	94 574
Sundry revenues	380 069	376 362
	<u>462 103</u>	<u>470 936</u>

## 6. SELLING AND DISTRIBUTION EXPENSES

	<u>Note No.</u>	<u>For the financial year ended:</u>	
		<u>31/12/2020</u>	<u>31/12/2019</u>
		<u>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>
Salaries and wages*		1 095 206	952 739
Company's social insurance contribution		110 368	107 033
Employees vacations allowance		28 435	1 600
Depreciation of fixed assets*	( 13)	7 603	7 226
Amortization of other assets	( 17)	83	89
Advertising and marketing		838 605	844 495
Tax and duties		179 523	173 836
Organizations services cost		117 607	60 967
Sales and collection commissions		387 708	259 110
Rent		57 651	29 403
Other selling and distribution expenses		128 066	131 247
		<u>2 950 855</u>	<u>2 567 745</u>

\* Reclassification was made on the comparative figures as shown in (Note no. 37-2).

## 7. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>Note No.</u>	<u>For the financial year ended:</u>	
		<u>31/12/2020</u>	<u>31/12/2019</u>
		<u>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>
Salaries and wages*		2 019 905	2 159 400
Company's social insurance contributions		152 448	161 775
End of service compensation - early retirement scheme	(11-1)	101 672	1 266 549
The company's contribution in loyalty and belonging fund	(11-2)	180 000	276 182
Employees vacations allowance		20 042	10 600
Depreciation of fixed assets*	(13)	93 081	94 738
Amortization of other assets	(17)	166	178
Organizations services and consulting cost		252 012	209 701
Tax and duties		141 579	122 331
Takaful contribution expense		99 029	85 211
Bank charges		17 539	20 831
Other general and administrative expenses		252 610	239 754
		<u>3 330 083</u>	<u>4 647 250</u>

\* Reclassification was made on the comparative figures as shown in (Note no. 37-2).

Notes to the consolidated financial statements  
For the financial year ended December 31, 2020 (continued)

Translation from Arabic

## 8. OTHER OPERATING EXPENSES

	Note No.	<u>For the financial year ended:</u>	
		<u>31/12/2020</u> <u>L.E. (000)</u>	<u>31/12/2019</u> <u>L.E. (000)</u>
Provisions	(24)	362 553	43 841
Capital losses		10 474	25 444
Donations		137 293	79 781
Other expenses		21 648	979
		<u>531 968</u>	<u>150 045</u>

## 9. NET FINANCE (COST)/INCOME

		<u>For the financial year ended:</u>	
	Note	31/12/2020	31/12/2019
	<u>No.</u>	<u>LE (000)</u>	<u>LE (000)</u>
<u><b>Finance income</b></u>			
Interest income		25 100	45 805
Treasury bills income		8 381	25 275
Income from money market funds		10 749	20 383
Dividends from available for sale investment		5 900	10 939
Income from prepaid tax		6 224	-
Translation gain of foreign currencies balances and transactions		37 863	1 576 936
<b>Total finance income</b>		<b>94 217</b>	<b>1 679 338</b>
<u><b>Finance costs</b></u>			
Interest expense		(1 086 022)	(1 071 788)
Impairment loss on available-for-sale investments		( 3 705)	-
Impairment loss on financial assets	(25)	( 260 556)	( 315 788)
Finance costs of credit contracts		( 223 582)	( 177 235)
<b>Total finance cost</b>		<b>(1 573 865)</b>	<b>(1 564 811)</b>
<b>Net finance( cost) / income</b>		<b>(1 479 648)</b>	<b>114 527</b>

## 10. SHARE OF PROFIT OF EQUITY ACCOUNTED INVESTEE

	<u>For the financial year ended:</u>	
	<u>31/12/2020</u> <u>L.E. (000)</u>	<u>31/12/2019</u> <u>L.E. (000)</u>
Vodafone Egypt Telecommunication company	2 206 387	2 832 931
Egypt Trust	(153)	7
	<u>2 206 234</u>	<u>2 832 938</u>



## **11. EMPLOYEES' BENEFITS**

### **11-1 Early retirement scheme (Telecom Egypt Company)**

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

#### **First: The important conditions of the optional early retirement**

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

#### **Second: The most important benefits of an optional early retirement**

- Payment of compensation for the remaining period, which represents the total of the remaining salaries including periodic increment up to the legal age of retirement calculated at present value by a specified discount rate.
- Payment of compensation instead of the loyalty and belonging grant of 100 months on the basic salary on 1/1/2015 with an increase of 5% per annum.
- Payment of compensation for unused leaves in accordance with the regulations in force.
- Payment of an amount of 1500 per month for three years or until the age of sixty whichever is the earliest.
- Enjoying medical insurance system for employees and their families for three years or until the age of sixty whichever is the earliest.
- Enjoying the benefit of telecommunication services for employees for three years or until the age of sixty whichever is the earliest.

The company's manpower planning committee has considered the applications for early retirement submitted by employees to enroll in the system to determine the extent to which those applications meet the conditions and whether the company needs the applicant employee or not, the said committee has completed the study of most of the applications submitted by the employees of the company, and based on its recommendations and after obtaining all the necessary approvals, a number of administrative orders have been issued for the end of the service of employees whose meet the requirements of the above scheme. Currently, the said committee is completing the study of the remaining applications submitted to it by the employees of the company, issuing its recommendations and preparing the final reports of the results of its work and all the liabilities that the company had borne as a result of the application of the optional early retirement scheme by an amount of L.E 1 368 221 K charged to income statement for the year 2019 and 2020 by an amount of L.E 1 266 549 K and L.E 101 672 K (Note no. 7).

**11-2 End of service benefits (the company's contribution in loyalty and 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 contribution to be determined annually according to a Board of directors decree and the company had contributed by an amount of L.E 180 000 K for the financial year ended in December 31, 2020 (against an amount of L.E. 276 182 K for the comparative year 2019) stated in the general and administrative expenses as shown in (Note no. 7).

**12. BASIC AND DILUTED EARNINGS PER SHARE FOR THE YEAR**

	<b>For the financial year ended:</b>	
	<b><u>31/12/2020</u></b>	<b><u>31/12/2019</u></b>
		<b><u>Reclassified</u></b>
<b><u>The holding company owner's equity :-</u></b>		
Profit for the year ( L.E. in thousand ) *	4 850 882	4 399 125
<b><u>Less:</u></b>		
Employees' share in dividends ( L.E. in thousand )**	819 804	805 206
Board of Directors share ( L.E. in thousand )**	11 425	13 720
<b>Net profit for the year available for distribution ( L.E. in thousand )</b>	<b>4 019 653</b>	<b>3 580 199</b>
Number of the available shares during the year (share)	1 707 071 600	1 707 071 600
<b>Basic and diluted earnings per share for the year (LE / share)</b>	<b>2.35</b>	<b>2.10</b>

\* Reclassification was made on the comparative figures as shown in (Note no. 37-2)

\*\* According to Board of Directors proposal to be presented in the Company and its Subsidiaries General Assembly for approval.



Notes to the consolidated financial statements  
For the financial year ended December 31, 2020 (continued)

13- FIXED ASSETS

	Land	Buildings & Infrastructure	Technical equipment & information technologies	Vehicles	Furniture	Tools & supplies	Decoration & fixtures	Fixtures on trunk radio network	Total
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
<b>Cost as at 1/1/2019</b>	<b>2,350,346</b>	<b>27,710,668</b>	<b>28,765,833</b>	<b>145,865</b>	<b>697,824</b>	<b>142,649</b>	<b>134,673</b>	<b>3,5</b>	<b>59,948,173</b>
Additions during the year	4,990	6,848,029	4,360,755	37,523	138,291	12,381	25,797	-	11,427,766
Disposals during the year	-	(790,022)	(1,572,522)	(4,576)	(3,458)	(1,204)	(1,464)	-	(2,373,249)
Translation differences of foreign entities	(386)	(53,502)	(21,387)	(49)	(3,926)	-	(918)	-	(80,168)
<b>Cost as at 31/12/2019</b>	<b>2,354,950</b>	<b>33,715,173</b>	<b>31,532,679</b>	<b>178,763</b>	<b>828,731</b>	<b>153,826</b>	<b>158,088</b>	<b>3,5</b>	<b>68,922,525</b>
<b>Cost as at 01/01/2020</b>	<b>2,354,950</b>	<b>33,715,173</b>	<b>31,532,679</b>	<b>178,763</b>	<b>828,731</b>	<b>153,826</b>	<b>158,088</b>	<b>3,5</b>	<b>68,922,525</b>
Additions during the year	21	4,912,710	7,791,545	60,189	187,460	65,338	23,795	-	13,040,658
Disposals during the year	(10,475)	(893,175)	(777,501)	(15,829)	(4,713)	(2,190)	-	-	(1,701,874)
Translation differences of foreign entities	(65)	(2,140)	7,276	94	1,844	-	995	-	8,064
<b>Cost as at 31/12/2020</b>	<b>2,344,431</b>	<b>37,732,568</b>	<b>38,553,999</b>	<b>225,225</b>	<b>1,013,322</b>	<b>216,974</b>	<b>182,478</b>	<b>3,5</b>	<b>80,269,313</b>
Accumulated depreciation as at 1/1/2019	-	15,732,092	21,877,816	108,273	507,512	82,974	118,737	3,5	38,427,719
Depreciation for the year	-	1,188,323	1,606,490	7,922	84,488	14,313	6,645	-	2,908,181
Accumulated depreciation for disposals	-	(506,685)	(1,564,160)	(4,413)	(3,423)	(1,203)	(1,382)	-	(2,081,266)
Translation differences of foreign entities	-	(46,878)	(10,184)	(49)	(2,334)	-	(719)	-	(60,164)
<b>Accumulated depreciation as at 31/12/2019</b>	<b>-</b>	<b>16,366,852</b>	<b>21,909,962</b>	<b>111,733</b>	<b>586,243</b>	<b>96,084</b>	<b>123,281</b>	<b>3,5</b>	<b>39,194,470</b>
<b>Accumulated depreciation as at 01/01/2020</b>	<b>-</b>	<b>16,366,852</b>	<b>21,909,962</b>	<b>111,733</b>	<b>586,243</b>	<b>96,084</b>	<b>123,281</b>	<b>3,5</b>	<b>39,194,470</b>
Depreciation for the year	-	1,640,200	2,659,805	11,677	114,652	23,010	11,872	-	4,461,218
Accumulated depreciation for disposals	-	(736,921)	(771,793)	(13,667)	(4,705)	(2,190)	-	-	(1,529,276)
Translation differences of foreign entities	-	(2,255)	2,221	94	1,249	-	927	-	2,226
<b>Accumulated depreciation as at 31/12/2020</b>	<b>-</b>	<b>17,267,876</b>	<b>23,800,195</b>	<b>109,837</b>	<b>697,439</b>	<b>116,904</b>	<b>136,082</b>	<b>3,5</b>	<b>42,128,648</b>
<b>Net carrying amounts as at 31/12/2020</b>	<b>2,344,431</b>	<b>20,464,692</b>	<b>14,753,804</b>	<b>115,389</b>	<b>315,883</b>	<b>100,070</b>	<b>46,396</b>	<b>-</b>	<b>38,140,665</b>
<b>Net carrying amounts as at 31/12/2019</b>	<b>2,354,950</b>	<b>17,348,321</b>	<b>9,622,717</b>	<b>67,031</b>	<b>242,488</b>	<b>57,742</b>	<b>34,807</b>	<b>-</b>	<b>29,728,055</b>

- Cost of fixed assets includes an amount of L.E. 21,724 Million fully depreciated assets and still in use.

Depreciation for the year is charged to income statement as follows:

Depreciation for the year is charged to income statement as follows;			
	Note	31/12/2020	31/12/2019
			Reclassified
	No.	L.E. (000)	L.E. (000)
Operating costs	(4)	4 360 534	2 806 217
Selling and distribution expenses	(6)	7 603	7 225
General and administrative expenses	(7)	93 081	94 738
		4 461 218	2 908 181

Notes to the consolidated financial statements  
For the financial year ended December 31, 2020 (continued)

Translation from Arabic

#### 14. PROJECTS IN PROGRESS

	Note No.	31/12/2020 L.E. (000)	31/12/2019 L.E. (000)
Land		37 845	11 894
Buildings and Infrastructure		1 437 326	1 107 310
Centrals and information technologies equipment		2 955 007	4 642 160
Tools and supplies		11 139	56 940
Furniture		12 016	19 404
Other Assets (cables)		547 625	255 420
Advance payments - fixed assets		1 601 816	755 994
		<b>6 602 774</b>	<b>6 849 122</b>
<b>Less:</b>			
Impairment loss on projects in progress	(25)	20 674	20 491
		<b>6 582 100</b>	<b>6 828 631</b>

#### 15. INVESTMENTS IN ASSOCIATES

	Note No.	31/12/2020 Ownership % LE (000)	31/12/2019 Ownership % LE (000)
- Vodafone Egypt Telecommunication company *	44.95	12 305 297	44.95 10 818 042
- Wataneya for Telecommunication **	50.00	125	50.00 125
- International Telecommunication Consortium Limited (ITCL) **			50.00 54
- Egypt Trust**	35.71	7 500	35.71 7 654
- New matrix for technology	25.50	1 250	0.00 -
- Consortium Algerian de Telecommunications (CAT) **	-	-	33.00 133
		12 314 172	10 826 008
<b>Less</b>			
- Impairment loss on investments in associates	(25)	7 625	7 812
		<b>12 306 547</b>	<b>10 818 196</b>

\* The investments in Vodafone Egypt on December 31, 2020 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, the equity method was applied in recognizing the investment in Vodafone Egypt when preparing the Consolidated Financial Statements as of December 31, 2020 by using the Consolidated Financial Statements of Vodafone Egypt for the financial year ended March 31, 2020 that were authorized by the Company's management which presents the 12 months from the 1<sup>st</sup> of April 2019 till March 31, 2020, less the movements for the period from the April 1, 2019 till December 31, 2019 extracted from the consolidated Financial Statements for Vodafone Egypt as of December 31, 2019. Plus, the movements for the period from the 1<sup>st</sup> of April 2020 till December 31, 2020 extracted from the consolidated Financial Statements for Vodafone Egypt as of December 31, 2020, to determine the share of financial period from January 1 to December 31, 2020 of business results.

\*\* The impairment loss on investments for Egypt Trust, Wataneya for Telecommunication, Consortium Algerian Telecommunications (CAT) and International Telecommunication Consortium Limited (ITCL) due to the realized losses by these investee companies which exceeded this investments amount, as the Extra Ordinary General Assembly meeting of Consortium Algeria Telecommunication held on July 1, 2009 approved the dissolution and liquidation of CAT.

Notes to the consolidated financial statements  
 For the financial year ended December 31, 2020 (continued)

# 16. AVAILABLE-FOR-SALE INVESTMENTS

	Note	31/12/2020	31/12/2019
	<u>No.</u>	<u>LE (000)</u>	<u>LE (000)</u>
- Participations in foreign satellite companies and organizations*		26 676	26 676
- Investments in other companies		88 205	87 205
- Payment for purchase available for sale investments		-	2 250
		<u>114 881</u>	<u>116 131</u>
<b><u>Less:</u></b>			
Impairment loss on available-for-sale investments	(25)	40 025	36 320
		<u><b>74 856</b></u>	<u><b>79 811</b></u>

\* This item includes the company's share in Arab Sat represented in 7 968 455 shares amounting to L.E. 11 856 K including free shares distributed during 2010 by Arab Sat to all the shareholders based on their shares, accordingly telecom Egypt contribution in Arab Sat capital remains as the same at 1.5937%.



Notes to the consolidated financial statements  
For the financial year ended December 31, 2020 (continued)

Translation from Arabic

17- OTHER ASSETS

	Fourth generation Network license	Administrative Capital right of use	Submarine cables	International circuits (ROU)	Licenses Internet services	Licenses and programs	Land (Possession)	Land (Usufruct)	Good Will	Total
	<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>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Cost as at January 1, 2019	8 633 330	-	2 023 533	880 876	22 997	56 382	440 683	1	15 839	12 073 641
Additions during the year	-	-	102 728	13 908	-	104 465	-	-	-	221 101
Disposals during the year	-	-	(13 075)	-	-	-	-	-	-	(13 075)
Translation differences of foreign entities	-	-	(16 556)	(12 771)	(259)	-	-	-	-	(29 586)
Cost at December 31, 2019	8 633 330	-	2 096 630	882 013	22 738	160 847	440 683	1	15 839	12 252 081
Additions during the year	-	34 296	23 651	21 174	-	86	-	-	-	79 207
Disposals during the year	-	-	(55 020)	(2 801)	-	(56 382)	-	-	-	(114 211)
Translation differences of foreign entities	-	-	(6 068)	(1 051)	(50)	-	-	-	-	(7 169)
Cost at December 31, 2020	8 633 330	34 296	2 059 185	899 335	22 688	104 551	440 683	1	15 839	12 209 988
Accumulated amortization as at January 1, 2019	590 870	-	615 583	174 743	21 936	56 382	-	-	-	1 459 434
Amortization for the year	450 569	-	122 143	80 642	159	34 822	-	-	-	607 335
Accumulated amortization for disposals	-	-	(1 334)	-	-	-	-	-	-	(1 334)
Translation differences of foreign entities	-	-	(13 161)	(9 672)	(159)	-	-	-	-	(22 992)
Accumulated amortization as at December 31, 2019	1 041 439	-	723 151	245 713	21 936	91 204	-	-	-	2 103 443
Amortization for the year	450 569	764	122 487	85 953	149	34 879	-	-	-	703 801
Accumulated amortization for disposals	-	-	(7 437)	(700)	-	(56 382)	-	-	-	(64 519)
Translation differences of foreign entities	-	-	(5 779)	(325)	(34)	(9)	-	-	-	(6 147)
Accumulated amortization as at December 31, 2020	1 510 008	764	832 422	330 641	22 051	69 602	-	-	-	2 765 578
Net carrying amounts as at December 31, 2020	7 123 322	33 532	1 226 763	568 694	637	34 949	440 683	1	15 839	9 444 330
Net carrying amounts as at December 31, 2019	7 582 091	-	1 373 479	636 300	802	69 643	440 683	1	15 839	10 119 638

Amortization for the year is charged to statement of income as follows:

		For the financial year ended	
	Note	31/12/2020	31/12/2019
	No.	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Operating costs	(4)	705 552	697 068
Selling and Distribution expenses	(6)	83	89
General and administrative expenses	(7)	166	178
		<u>705 801</u>	<u>697 335</u>

- Accumulated amortization and impairment at December 31, 2020 include an amount of L.E. 79 825 K is represented in impairment of right of use of international circuits (ROU) and internet service license by one of subsidiary (Note no. 25)
- Other assets costs included L.E 192 Million other assets fully amortized and still in used.

**18. INVENTORIES**

	31/12/2020	31/12/2019
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Spare parts	1 171 477	1 012 846
Material supplies	977	977
Merchandise for sale-telecommunication equipment and computers	221 393	534 207
Computers and Pc's components	841	14 942
Others – cables and supplies	534 697	638 654
	<u>1 929 385</u>	<u>2 201 626</u>
<b>Add:</b>		
Letters of credit	162 857	152 256
	<u><b>2 092 242</b></u>	<u><b>2 353 882</b></u>

Inventory's value was written down by L.E. 16 351 K (against L.E. 23 375 K at December 31, 2019)  
(Note no. 25) for obsolete and slow moving items deducted directly from the cost of each type of inventory.

**19. TRADE AND NOTES RECEIVABLES**

	Note No.	31/12/2020	31/12/2019
		<u>L.E. (000)</u>	<u>Reclassified L.E. (000)</u>
Trade Receivables - National *		4 714 503	4 788 610
Trade Receivables - International		4 101 903	2 527 744
		<u>8 816 406</u>	<u>7 316 354</u>
<b>Less:</b>			
Impairment loss on trade receivables	(25)	1 937 701	2 042 013
		<u>6 878 705</u>	<u>5 274 341</u>
<b>Add:</b>			
Notes Receivables		7	1 215
		<u><b>6 878 712</b></u>	<u><b>5 275 556</b></u>

\* Reclassification was made on the comparative figures as shown in (Note no. 37-1)

Notes to the consolidated financial statements  
For the financial year ended December 31, 2020 (continued)

Translation from Arabic

## 20. DEBTORS AND OTHER DEBIT BALANCES

	Note	31/12/2020	31/12/2019
	No.	L.E. (000)	L.E. (000)
Suppliers – advance payments		984 539	788 389
Deposits with others		283 411	256 206
Customs Authority - deposits		2 204	1 630
Accrued revenues		78 572	51 997
Tax Authority – value added tax		1 608 903	2 341 449
Tax Authority – withholding tax		896 466	575 122
Due from banks		23 396	8 802
Payments on the account of income tax		175 563	111 687
Due from organizations, companies and franchisees		887 114	993 908
Temporary debts due from employees		879 754	799 816
Other debit balances		1 220 751	701 207
		<u>7 040 673</u>	<u>6 630 213</u>
<b>Less:</b>			
Impairment loss on debtors and other debit balances	( 25)	305 780	314 760
		<u><b>6 734 893</b></u>	<u><b>6 315 453</b></u>

## 21. CASH AND CASH EQUIVALENTS

	Note	31/12/2020	31/12/2019
	No.	LE (000)	LE (000)
Banks - time deposits (less than 3 months)		1 205 037	295 061
Banks - current accounts		659 812	967 140
Cash on hand		4 373	4 322
Treasury bills (less than 3 months)		55 982	66 579
Money market funds (less than 3 months)		78 228	100 082
<b>Cash and cash equivalents</b>		<u><b>2 003 432</b></u>	<u><b>1 433 184</b></u>
<b>Less:</b>			
Restricted cash and cash equivalents	( 30)	66 489	121 793
<b>Cash and cash equivalents as per statement of cash flow</b>		<u><b>1 936 943</b></u>	<u><b>1 311 391</b></u>

## 22. LOANS AND CREDIT FACILITIES

Description	Loan Currency	Long term loan	Long term loan	Balance	Balance	Annual interest rate	Repayment schedule
		installments due within one year	installments due within more than one year	as of 31/12/2020	as of 31/12/2019		
		<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>		
Foreign Loans	U.S.\$	1 416 455	2 832 909	4 249 364	270 316	5 781 153	Variable interest rate Quarter instalments ending on 8/10/2023
Foreign loans	EURO	37 926	445 235	483 161	25 012	484 983	0.75% - 5.5% Semi-annual instalments ending on 30/6/2036
Foreign suppliers' facilities	EURO	1 527	-	1 527	79	1 422	5.50%
Bank facilities	LE	6 591 014	-	6 591 014	6 591 014	4 906 875	Variable interest rate
Bank facilities	U.S.\$	7 576 907	-	7 576 907	481 992	5 277 480	Variable interest rate
Bank facilities	EURO	1 385 409	-	1 385 409	71 720	-	Variable interest rate
		<u>17 009 238</u>	<u>3 278 144</u>	<u>20 287 382</u>	<u>-</u>	<u>16 451 913</u>	



## 23. CREDITORS AND OTHER CREDIT BALANCES

	Note No.	31/12/2020 <u>L.E. (000)</u>	31/12/2019 <u>Reclassified L.E. (000)</u>
Suppliers and notes payables		2 151 216	2 000 779
Tax Authority - income Tax		718 953	577 047
Tax Authority - taxes other than income tax		391 734	630 464
Deposits from others		538 467	495 610
liabilities of early retirement scheme	(11-1)	67 140	108 262
Assets creditors		11 102 296	9 993 357
Dividends payable		3 763	3 392
Accrued expenses		937 711	854 579
Customers - credit balances*		973 138	958 211
Credit balances - organizations and companies		374 658	250 657
Deferred revenues **		1 491 973	1 112 056
National Telecommunication Regulatory Authority (NTRA)		1 001 733	701 182
Social Insurance Authority		70 129	65 000
Accrued interest		108 762	119 308
Other credit balances		663 622	424 003
		<u>20 595 295</u>	<u>18 293 907</u>
<b><u>Less balances due within more than one year:</u></b>			
Other assets creditors		5 065 367	4 958 240
Deferred revenues		273 577	308 313
<b>Non-Current creditors and other credit balances</b>		<u><b>5 338 944</b></u>	<u><b>5 266 553</b></u>
<b>Current creditors and other credit balances</b>		<u><b>15 256 351</b></u>	<u><b>13 027 354</b></u>
<b>Total creditors and other credit balances</b>		<u><b>20 595 295</b></u>	<u><b>18 293 907</b></u>

\* Reclassification was made on the comparative figures as shown in (Note no. 37-1)

\*\*The deferred revenues amounting to L.E.1 491 973 K which are represented in both rent of transmission systems for mobile companies by an amount of L.E 280 375 K (against L.E 12 945 K at December 31, 2019) and deferred revenues for mobile services by an amount of L.E 241 102 K (against L.E 209 057 K at December 31, 2019), revenues from cables operating and maintenance services by an amount of L.E 382 926 K (against L.E 427 989 K at December 31, 2019) and revenues from internet and telecommunications services by an amount of L.E 587 570 K (against L.E 462 065 K at December 31, 2019).



Notes to the consolidated financial statements  
For the financial year ended December 31, 2020 (continued)

## 24. PROVISIONS

	Balance as of 1/1/2020	Reclassification	Charged to income statement	Used during the year	Translation differences	Balance as of 31/12/2020
	<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>
Provision for liabilities and claims	772 610	-	362 553	( 32 693)	6	1 102 476
	<u>772 610</u>	<u>-</u>	<u>362 553</u>	<u>( 32 693)</u>	<u>6</u>	<u>1 102 476</u>

\* Claims provision is related to contingent tax liabilities, lawsuits, compensation and social insurance claims in respect of contracting contracts.

## 25. IMPAIRMENT LOSS ON ASSETS

	Note	Balance as of 1/1/2020	Charged to income statement	Reversal of Impairment	Used during the year	Balance as of 31/12/2020
	<u>No.</u>	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>
Impairment loss on projects in progress	(14)	20 491	183	-	-	20 674
Impairment loss on investments in associates	(15)	7 812	-	-	( 187)	7 625
Impairment loss on available-for-sale investment	(16)	36 320	3 705	-	-	40 025
Impairment loss on debit balances due from associates	(32)	453 968	-	-	( 453 968)	-
Impairment loss on other assets	(17)	79 825	-	-	-	79 825
Write-down of inventories	(18)	23 375	1	( 7 025)	-	16 351
Impairment loss on trade receivables	(19)	2 042 013	222 367	-	( 326 679)	1 937 701
Impairment loss on debtors and other debit balances	(20)	314 760	1 215	-	( 10 195)	305 780
		<u>2 978 564</u>	<u>227 471</u>	<u>( 7 025)</u>	<u>( 791 029)</u>	<u>2 407 981</u>

## 26. 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% of the company's shares after floating 20% of company's shares in public offering during December 2005.

## 27. RESERVES

	31/12/2020	31/12/2019
	<u>L.E. (000)</u>	<u>Reclassified</u> <u>L.E. (000)</u>
Legal reserve	2 241 767	1 966 047
General reserve *	2 762 626	2 771 654
Revaluation reserve available-for-sale investments	6 814	6 814
Capital reserve	18 110	18 110
	<u>5 029 317</u>	<u>4 762 625</u>

\* Reclassification was made on the comparative figures as shown in (Note no. 37-1).

- General reserve amounting to L.E. 2 762 626 K as at December 31, 2020 represents the dividends transferred to the general reserve for years 1999/2000 till 2006 after deducting L.E. 916 530 K which represents the net adjustments on the fixed assets for land item during the years from 2005 to 2014, and transfer an amount of L.E. 2 000 000 K from general reserve to retained earnings according to Ordinary General Assembly decree which was held on March 20, 2016, in addition to an amount of L.E. 9 028 K which represents fixed assets evaluation disposals (land & building).

## 28. DEFERRED TAX

### 28-1 Recognized Deferred tax assets and liabilities

	31/12/2020		31/12/2019	
	Assets	(Liabilities)	Assets	(Liabilities)
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Fixed assets	-	( 956 646)	-	( 568 539)
Other assets	-	( 347 408)	-	( 261 408)
Write down of inventories	3 052	-	4 632	-
Impairment loss on trade receivables, debtors and other debit balances	80 988	-	160 849	-
Provisions	14 661	-	14 643	-
Accrued liabilities	29 445	-	30 084	-
Net gain of translation of foreign currencies balance	-	(243)	-	( 117)
Re-evaluation of available for sale financial investments losses	3 813	-	2 980	-
Undistributed profit in subsidiaries and associated	-	(1 088 020)	-	( 632 222)
<b>Total deferred tax asset \ (liabilities)</b>	<u>131 959</u>	<u>(2 392 317)</u>	<u>213 188</u>	<u>( 1 462 286)</u>
<b>Net deferred tax liabilities</b>	<u>-</u>	<u>(2 260 358)</u>	<u>-</u>	<u>( 1 249 098)</u>
Deferred tax charged to the consolidated income statement for the year (expense)	<u>-</u>	<u>(1 011 260)</u>	<u>-</u>	<u>( 243 365)</u>

*Notes to the Consolidated Financial Statements*  
*For The financial year ended December 31, 2020 (continued)*

*Translation from Arabic*

**28-2 Unrecognized deferred tax assets**

	31/12/2020	31/12/2019
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Impairment loss on trade receivables	413 921	378 592
Impairment loss on debtors & other debit balances	68 800	171 808
Provision for liabilities and claims	30 852	17 395
Other	5 296	5 301
	<u>518 869</u>	<u>573 096</u>

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

**28-3 Reconciliation of effective tax rate**

	<u>For the financial year ended</u>	
	<u>31/12/2020</u>	<u>31/12/2019</u>
	<u>L.E. (000)</u>	<u>Reclassified</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Net profit for the year before income tax *	6 624 814	5 496 620
Income tax according to the current tax law (22.5%)	1 490 583	1 236 740
Tax on dividends from subsidiaries and associates	68 348	268 007
<b>Add / (Less):</b>		
Tax rate difference for subsidiaries outside Egypt	1 100	( 515)
Provisions and impairment	27 943	50 699
Exempted investments income	( 241 607)	(1 210 647)
foreign tax paid outside Egypt	( 946)	( 4 321)
Adjustments on other items	( 137 393)	790 389
Previous years tax difference	103 456	( 248)
Tax on undistributed profit in subsidiaries and associates	455 798	( 39 374)
<b>Income tax</b>	<u>1 767 282</u>	<u>1 090 730</u>
<b>Effective tax rate</b>	<u>26.68%</u>	<u>19.84%</u>

\* Reclassification was made on the comparative figures as shown in (Note no. 37-2).

**29. CAPITAL COMMITMENTS**

The company's capital commitments for the unexecuted parts of contracts until December 31, 2020 amounted to L.E. 274 Million (against L.E. 781 Million as at December 31, 2019)

**30. CONTINGENT LIABILITIES**

**In addition to the amounts included in the consolidated statement of financial position as the December 31, 2020 the company has the following contingent liabilities:**

	31/12/2020	31/12/2019
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
- Letters of guarantee issued by banks on behalf of the company*	2 008 421	1 100 298
- Letters of credit	1 773 804	2 796 897

\* Letters of guarantee which were issued by banks on behalf of the company and for the benefits of others as at December 31, 2020 include letters of guarantee have been issued against restricted cash and cash equivalent at banks (Note no.21).



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

#### **31-1 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.

#### **31- 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 requested overtake it according to law no. 1 /3 for the 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.

#### **31- 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 and the dispute is being followed up.
- Tax inspection for the year 2015 and 2016 is in process.

#### **31- 4 Stamp Tax**

- Tax inspection for the period from March 27, 1998 to December 31, 2000 was performed for certain sectors and the company was notified with assessment basis, the company objected and appealed on the 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, 2016 was performed and due taxes were settled.
- Tax inspection for the years 2017 and 2018 is in process.

#### **31- 5 Real Estate Tax**

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

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



Notes to the consolidated financial statements  
For the financial year ended December 31, 2020 (continued)

### 32. RELATED PARTY TRANSACTIONS

There are transactions between Telecom Egypt and its associates. Transactions during the year and balances on the financial statements date are stated as follows:

Nature of transaction	Amount of transactions during the year recorded in the income statement L.E. 000	Transaction volume during the year		Balance as of 31/12/2020		Balance as of 31/12/2019	
		Debit L.E. 000	Credit L.E. 000	Debit/(Credit) L.E. 000		Debit/(Credit) L.E. 000	
<b>Debit balances due from associates</b>							
Consortium Algerian Telecommunications (CAT)* / **		-	453 902	-	453 902		
International Telecommunication Consortium Limited (ITCL)* / **		-	66	-	66		
		-	453 968	-	453 968		
<b>Credit balances due to associates</b>							
Vodafone Egypt Telecommunications Company	1 949 958	4 532 429	4 466 405	(86 975)	1 047 999		
Outgoing calls and voice services to the associates company							
Incoming and international calls, transmission claims & lease of company premises and towers to the associates company	1 288 567						
Telecommunications Services	4 488	8 240	6 613	(1 643)			
		4 540 669	4 473 018	(67 991)	1 049 642		

\*The Balance represented in the value of the finance provided by Telecom Egypt to Consortium Algerian de Telecommunication Company (CAT) where Telecom Egypt participates directly and indirectly by 50%, accordingly, impairment has been made for the full balance, the mentioned company suffers from financial difficulties and sustains material losses. The Extra-Ordinary General Assembly of (CAT) held on July 1, 2009 approved the dissolution and liquidation of (CAT).

\*On February 2020, the board of director of the company had taken the decision to write off debit balance due from associate companies mentioned above.

\*\* The balance is fully impaired due to company's inability to recover this amount in foreseeable future.

### 33. GROUP ENTITIES

Parent company's direct and indirect share in subsidiaries companies on December 31, 2020 which were included in the consolidated financial statements are as follows:

<u>Company name</u>	<u>Country of incorporation</u>	<u>Ownership interest</u>	
		<u>31/12/2020</u>	<u>31/12/2019</u>
Telecom Egypt France	France	100.00 %	100.00 %
WE Data	Egypt	100.00 %	100.00 %
T.E Data Jordan	Jordan	100.00 %	100.00 %
TE Investment Holding	Egypt	100.00 %	100.00 %
The Egyptian Telecommunication Company for Information Systems (Xceed)	Egypt	100.00 %	100.00 %
Xceed Customer Care Maroc	Morocco	100.00 %	100.00 %
Xceed Customer Care Mauritius	Mauritius	100.00 %	-
Centra Technologies	Egypt	100.00 %	100.00 %
Centra Industries	Egypt	100.00 %	100.00 %
Telecom Egypt Globe	Singapore	100.00 %	100.00 %
Egyptian International Submarine Cables Company ( EISCC)	Egypt	100.00 %	100.00 %
Middle East and North Africa Submarine Cables Company (MENA)	Egypt	100.00 %	100.00 %
MENA Cable Italy	Italy	100.00 %	100.00 %
Centra Distribution	Egypt	99.99 %	99.99 %
Egyptian telecommunication integrated services company	Egypt	98.00 %	0.00 %
Middle East Radio Communication (MERC)	Egypt	51.00 %	51.00 %

Notes to the consolidated financial statements  
For the financial year ended December 31, 2020 (continued)

### 34. FINANCIAL INSTRUMENTS

#### 34-1 Credit risk

The carrying amount of financial assets represents the maximum credit risk exposure. The maximum exposure to credit risk at the consolidated statement of financial position date as follows:-

Description	Note No.	31/12/2020 L.E. (000)	31/12/2019 L.E. (000)
Trade and notes receivables*	(19)	6 878 712	5 275 556
Debtors and other debit balances	(20)	6 734 893	6 315 453
Held-to-maturity investment -treasury bills		-	25 829
Cash and cash equivalents	(21)	1 999 059	1 428 862
		<u>15 612 664</u>	<u>13 045 700</u>

\* Reclassification was made on the comparative figures as shown in (Note no. 37-1)

#### 34-2 Liquidity risk

The following are the expected maturities of financial liabilities at the Financial position date:

Description	Carrying Amount L.E. (000)	One year or less L.E. (000)	From 1-2 years L.E. (000)	From 3-5 years L.E. (000)	More than 5 years L.E. (000)
<b><u>December 31, 2020</u></b>					
Creditors and other credit balances *	20 595 295	15 256 351	2 456 783	2 653 498	228 663
Loans and credit facilities	20 287 382	17 009 238	2 908 761	113 778	255 605
	<u>40 882 677</u>	<u>32 265 589</u>	<u>5 365 544</u>	<u>2 767 276</u>	<u>484 268</u>
<b><u>December 31, 2019</u></b>					
Creditors and other credit balances *	18 293 907	13 027 354	2 390 532	2 649 498	226 523
Loans and credit facilities	16 451 913	11 666 363	2 961 257	1 555 056	269 237
	<u>34 745 820</u>	<u>24 693 717</u>	<u>5 351 789</u>	<u>4 204 554</u>	<u>495 760</u>

\*Reclassification was made on the comparative figures as shown in (Note no. 37-1)

**34 - FINANCIAL INSTRUMENTS (CONTINUED)**  
**34-3 Currency risk exposure:**

**Exchange rates for currencies against Egyptian pound:**

-30-



#### 34-4 Sensitivity analysis

A 10% strengthening of the foreign currencies against the EGP as of December 31, 2020 may lead to losses increase by an amount of L.E 435 615 K (L.E. 5'0 '45 K as of December 31, 2019). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis on 2019.

And a 10% weakening of the foreign currencies against L.E. at December 31, 2020 would have had the equal but opposite effect on the foreign currencies to the amounts shown above.

#### 34-5 Interest rate risk

At the consolidated financial statements date, the interest rate profile of the company's financial instruments is:

Description	Note	31/12/2020	31/12/2019
	No.	L.E. (000)	L.E. (000)
<u>Financial instruments with variable interest rate</u>			
Financial assets – deposits	(21)	1 205 037	295 061
Financial liabilities (loans-credit facilities)	(22)	20 287 382	16 451 913

#### 34-6 Fair values for financial instruments

The financial instruments are represented in the balance of cash on hand and at banks, loans and credit facilities, trade receivables, investments, debtors and creditors balances.

The fair value of these financial instruments does not materially differ from its book value.

### 35- SIGNIFICANT CLAIMS AND LITIGATION:

#### 35-1 The Existing Remedy lawsuit between Telecom Egypt "TE", Etisalat Misr Company & its subsidiaries: the EGY Net and Nile on Line)

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

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

The legal advisor of the TE's believes that it is not possible to stand up to date on the legal position in the lawsuit, As there are still several appealing procedures on the total amounts of indemnifications and to prepare the legal response to the tripartite committee desecion and submit it to the court and will ask the court to return the file back to the committee.

**35-2 The dispute between Telecom Egypt and Orange Egypt Company**

On February 20, 2019, Orange Egypt filed a lawsuit number 167 for the judicial year number 11 in the “Economic Court” against Telecom Egypt “TE” and “WE-Data” , This is 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 on the basis that Telecom Egypt is the only company in Egypt that have the license to provide fixed landline telephone services Accordingly Telecom Egypt has a legal obligation to allow the claiming company to use its infrastructure, so that the claiming company can provide Internet service to Their customers

where the claiming company (Orange Egypt) claiming that TE developed a plan to swap and replace PSTN network “land-line network” outdoor cabinet which using copper cables network with new fiber optic cable network “MSAN cabins” and began implementing them, resulting in the cessation of Internet (Fixed broadband) service for the claiming telecom operators (Orange Misr and link.net) customers In order to force (Orange Misr and link.net) customers to enter into contractual relationship and to engage with WE DATA, accordingly the claimming company requested the court to ask for the “Experts” decesion after examining the all the aspects of the above mentioned case.

On June 3, 2020, the court issued a decision delegating a panel of experts from the Egyptian Competition Protection Authority “ECA”, A request was submitted for the response of the expert committee, as it had previously ruled on the matter, and on August 6 the session set to consider the request for the dismissal of the experts committee, and none of the litigants attended, and we implemented the court’s decision in the previous session regarding the announcement of the parties to the case, On November 3,2020, the court issued a preliminary ruling replacing the delegated committee by the previous preliminary ruling with a five member committee including three employees of the Egyptian competition authority “ ECA “who were suggested by the ECA according to a letter has been issued to the court and also with two experts registered in the list of experts of the economic court. The court set a supplementary experts’ secretariat, and in case of the non-payment of such amount a session was set on December 8,2020, another session on January 3,2021 for the oath of the experts appointed by ECA and a session on February 3,2021 to submit the report.

**Moreover, the Legal Adviser of the TE’s** It has been agreed to end the dispute in full and final consent of the case.



Notes to the consolidated financial statements  
For the financial year ended December 31, 2020 (continued)

Translation from Arabic

### 36 - Segment reporting

As of the group activity level, the group of company defined the main operating activity segments and its prepared according to service provided. The information presented after the elimination of inter segment transaction. The main operating activities segments for the group represented as follows:

For the financial year ended  
31/12/2020

Description	Communications, marine cables and infrastructure	Internet	Outsourcing	All other	Total
	<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>
Operating revenues	18 833 373	11 697 963	1 121 161	259 869	31 912 366
Operating costs	(15 582 168)	(3 124 425)	(715 264)	(241 478)	(19 663 335)
<b>Gross profit</b>	<b>3 251 205</b>	<b>8 573 538</b>	<b>405 897</b>	<b>18 391</b>	<b>12 249 031</b>
Credit interest	15 584	22 871	1 972	10 027	50 454
Debit interest and Finance cost	(1 342 985)	-	-	(3 593)	(1 346 578)
Depreciation and amortization	(4 661 538)	(429 356)	(69 098)	(5 027)	(5 165 019)
The company's share of profit in associates companies	-	-	-	2 206 234	2 206 234
<b>Non cash items</b>					
Impairment loss on financial assets	(140 487)	(82 749)	-	(346)	(223 582)
Provisions	(184 197)	(164 400)	(13 895)	(61)	(362 553)
<b>Total assets</b>	<b>80 326 445</b>	<b>2 990 312</b>	<b>590 707</b>	<b>535 606</b>	<b>84 443 070</b>
<b>Total liabilities</b>	<b>41 625 612</b>	<b>3 077 065</b>	<b>425 273</b>	<b>581 440</b>	<b>45 709 390</b>

For the financial year ended  
31/12/2019

Description	Communications, marine cables and infrastructure	Internet	Outsourcing	All other	Total
	<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>
Operating revenues	16 137 214	8 553 269	776 069	338 538	25 805 090
Operating costs *	(12 867 074)	(2 589 855)	(612 490)	(292 412)	(16 361 831)
<b>Gross profit</b>	<b>3 270 140</b>	<b>5 963 414</b>	<b>163 579</b>	<b>46 126</b>	<b>9 443 259</b>
Credit interest	26 183	40 918	2 884	21 478	91 463
Debit interest and Finance cost	(1 383 655)	-	-	(3 921)	(1 387 576)
Depreciation and amortization *	(3 391 012)	(162 760)	(48 235)	(3 509)	(3 605 516)
The company's share of profit in associates companies	-	-	-	2 832 938	2 832 938
<b>Non cash items</b>					
Impairment loss on financial assets	-	(176 635)	(600)	-	(177 235)
Provisions	(31 854)	(11 403)	(110)	(474)	(43 841)
<b>Total assets *</b>	<b>69 694 049</b>	<b>2 584 125</b>	<b>510 469</b>	<b>462 852</b>	<b>73 251 495</b>
<b>Total liabilities *</b>	<b>34 657 540</b>	<b>2 541 367</b>	<b>351 236</b>	<b>480 215</b>	<b>38 030 358</b>

### 37- COMPARATIVE FIGURES

Reclassification was made to some of the comparative figures of the consolidated statement of financial position, and consolidated statement of income and consolidated statements of cash flow to conform to the current presentation of the consolidated financial statements.

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

#### 37-1 Effect on the consolidated statement of financial position

	31/12/2019 as previously reported L.E.(000)	Reclassification debit / (credit) L.E.(000)	31/12/2019 Reclassified L.E.(000)
Trade receivables	4 996 871	278 685	5 275 556
Reserves	(4 762 106)	( 519)	(4 762 625)
Retained earning	(13 379 060)	( 3 556)	(13 382 616)
foreign entities translation reserve	6 548	4 075	10 623
Creditors and other credit balances	(12 748 669)	( 278 685)	(13 027 354)

#### 37-2 Effect on the consolidated statement of income

	For the financial year ended 31/12/2019 as previously reported L.E. (000)	Reclassification (debit)/credit L.E. (000)	For the financial year ended 31/12/2019 Reclassified L.E. (000)
Operating cost	(16 837 973)	476 142	(16 361 831)
Selling and distribution expenses	(2 752 654)	184 909	(2 567 745)
General and administrative expenses	(3 986 199)	( 661 051)	(4 647 250)

#### 37-3 Effect on the consolidated statement of cash flows

	For the financial year ended 31/12/2019 as previously reported LE(000)	Reclassification LE(000)	For the financial year ended 31/12/2019 Reclassified LE(000)
Cash receipts from customers	21 793 626	2 600 411	24 394 037
Cash paid to suppliers	(5 794 968)	(2 600 411)	(8 395 379)

### 38- SIGNIFICANT EVENTS

The financial period ended on December 31, 2020, included a major global event through the outbreak of Coronavirus (Covid-19) which its effects still exists and it advocated the company to take into consideration performing the precautionary measures to protect its employees and customers from the risk of spreading the virus, The Company's executive management assigned an overall plan and precautionary measures for dealing with the pandemic.



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

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

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

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

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

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

**Hereunder the main risks that defined by crisis management team and approved by the company:**

1- The risks of collection, deposit and credit liquidity

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

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

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

3- Selling and distribution risks

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

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

It is evident from the above, that until now there is no negative impact on the Telecom Egypt's consolidated financial statements, for the financial year ended December 31, 2020 as well as during the subsequent periods of that date.

### **39. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in the Consolidated Financial Statements as of December 31, 2019.

Certain comparative figures have been restated and reclassified to conform to the current presentation of the Consolidated Financial Statements (note no.37).

#### **39-1 Basic of consolidation**

##### **39-1-1 Subsidiaries**

- Subsidiaries consolidated financial statements includes all controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases.

##### **39-1-2 Non-controlling interests**

- NCI are measured at their proportionate share of the acquirer's identifiable net assets at the acquisition date. A change in the group's interest in a subsidiary that do not result in a loss of control are accounted in as equity transactions.

##### **39-1-3 Loss of control**

When the Group losses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

##### **39-1-4 Investments in associates (equity accounted investees)**

Associates are those entities in which the Group has significant influence but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for using the equity method (equity accounted investees) and are recognized initially at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses, if any and the investment is reduced by it's share in dividends, The Consolidated Financial Statements include the Group's share of income, and expenses of equity accounted investee, after adjustments to align accounting policies with those of the Group, from the date that significant influence commences to the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

##### **39-1-5 Transactions eliminated for consolidation**

Intra-group balances and transactions, and any unrealized gains or losses and income or expenses arising from Intra-group transactions, are eliminated in preparing the Consolidated Financial Statements. Unrealized gains arising from transactions with equity accounted investees are eliminated to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

#### **39-2 Foreign currencies translation**

Transactions in foreign currencies are translated to functional currencies of the Group entities using the exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the reporting date to the functional currencies using the exchange rate at that date. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate at that date of the transaction. Foreign currency differences arising from retranslation are recognized in the consolidated statement of income.



### 39-3 Foreign operation

The financial statements of the Group entities are translated into the presentation currency as follows:

- Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at exchange rate at the reporting date.
- Income and expenses are translated at the average exchange rate for the year.
- Foreign currency differences are recognised in change in shareholders' equity statement, and presented in the foreign currency translation reserve (translation reserve). However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests;
- For consolidated cash flows preparation purposes, cash flows from foreign operations are translated at the average exchange rates for the year.

### 39-4 Fixed assets and depreciation

#### (A) Recognition and measurement

- Items of property, plant and equipment are measured at historical cost less accumulated depreciation and accumulated impairment losses note no. (39-12)
- The cost of fixed assets include expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where parts of an item of fixed assets have different useful lives, their depreciation is accounted for as separate items.

Gains and losses on disposal of an item of fixed assets are determined by comparing the proceeds from disposal with the carrying amount of the assets and they are recognized in consolidated statement of income.

#### (B) Subsequent costs

The cost of replacing part of an item of property, fixed assets is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of fixed assets are recognized in consolidated statement of income as incurred.

#### (C) Depreciation

Depreciation is recognized in profit or loss according to a straight-line method over the estimated useful life of fixed assets. The useful life for some fixed assets items have been modified during the year based on the technical department opinion and the Board of Directors decree in meeting held on July 5, 2018 effective from 1/1/2018 which led to decrease in the depreciation of the year ended December 31, 2019 by an amount of L.E 351 488 K, after applied the modified useful life from 1/1/2018.

The current year estimated useful lives for the fixed assets before and after modifying are as follows:

	<u>Estimated useful life /year</u> <u>Before modifying</u>	<u>Estimated useful life /year</u> <u>After modifying</u>
Buildings and Infrastructure	5 - 50	5 - 50
Technical equipment and information technologies	3 - 20	3 - 15
Vehicles	5 - 10	7 - 15
Furniture	5 - 10	5 - 10
Tools and supplies	8	2 - 8

### **39-5 Other assets**

Other assets are non-monetary intangible assets which the company can be controlled and capable of generate future economic benefits.

Other assets are stated at purchased cost including any expenses that are directly attributable to preparing the asset for its intended use, net of accumulated amortization and impairment losses. Amortization is recognized in profit and loss on a straight-line basis over the estimated useful lives of other assets from the date that they are available for use.

#### **39-5-1 Licenses**

Licenses are measured initially at cost. Amortization is charged to the statement of income on a straight-line basis over the period of its expected use or the term of the underlying agreement, whichever is shorter.

#### **39-5-2 Right of way and right of use**

The Group recognizes an intangible asset arising from a right of way and right of use of other assets when it has the right for usage of the assets. An intangible asset is measured initially at cost upon initial recognition. Subsequent to initial recognition the intangible asset is measured at cost, less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over the shorter of the period of its expected use which ranges from 10 to 20 years and the term of the underlying agreement, starting from the date of the acquisition of the right.

#### **39-5-3 Other intangible assets**

Other intangible assets that are acquired by the company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

### **39-6 Projects in Progress**

The amounts incurred for construction or purchases of fixed assets are recorded at cost as projects in progress till being ready for the intended use in operations. Then, they are transferred to fixed assets with its cost.

### **39-7 Available - for - sale investments**

Available-for-sale investments that have a quoted market price in an active market are measured at fair value and remeasurement is recognized directly in equity, if there is objective evidence that an impairment loss has been incurred, impairment loss is recognized in the consolidated statement of income. When an investment is derecognized, the cumulative gain or loss in equity is transferred to the consolidated statement of income.

Available-for-sale investments that do not have a quoted market price in an active market and which fair value cannot be reliably measured shall be measured at cost. In case of the existence of impairment, the carrying amounts of these investments is reduced by this impairment loss and recognized in the consolidated statement of income.

### **39-8 Financial asset at fair value through profit or loss (Held for trading investments)**

Financial investments classified as held for trading are recorded initially at fair value. At the end of each financial year, these investments are re-measured at their fair value (Market Value). Gain or loss arising from a change in the fair value shall be recognized in the consolidated statement of income for the year in which it arises.

### **39-9 Investments held -to- maturity (Treasury bills)**

Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.



### 39-10 Inventories

- Inventories are measured at the lower of cost or net realizable value at the date of financial position.
- Cost is determined using the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location condition.
- Work in progress is valued at cost at the latest production process reached.
- Finished goods are valued at the manufacturing cost.

### 39-11 Trade receivables, debtors and other debit balances

Trade receivables, debtors and other debit balances are included as current assets unless they are contractually due over more than 12 months after the financial position date in which case they are classified as non-current assets. These assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method, less any impairment losses.

### 39-12 Impairment loss on assets

#### (A) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in the consolidated statement of income. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to the consolidated statement of income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and financial assets that are debt securities, the reversal is recognized in the consolidated statement of income. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

#### (B) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognized in the consolidated statement of income.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### 39-13 Provisions

The provision is recognized as a result of a past event where the company has a legal or constructive obligation and it is probable that an outflow of economic benefits will be required to settle the obligation, and the obligation can be reasonably estimated.

Provisions are reviewed at the reporting date and amended when necessary to reflect the best current estimate.

### **39-14 Cash and cash equivalents**

Cash and cash equivalents comprise cash balances, banks current accounts, time deposits, market money fund bills and treasury bills which do not exceed three months and banks overdrafts that are repayable on demand and form an integral part of the Group's cash management preparing are included as a component of cash equivalents for the purpose of preparing the statement of cash flows. The consolidated statement of cash flows is prepared and presented according to direct method.

### **39-15 Grants**

Grants are recognized initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant and are then recognized in statement of income as other income on a systematic basis over the useful life of the asset.

### **39-16 Creditors and other credit balances**

Creditors and other credit balances are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, creditors and credit accounts are stated at amortized cost using the effective interest rate.

### **39-17 Revenue recognition**

Revenue represent in the service value & the goods sold value & investments income and interest income, revenue is recognized according to:

- Services: telecommunications services revenue is achieved when we deliver or provide service to the client when there is adequate emphasis to recover for them.
- Sale of goods: revenue from sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer and when there is adequate emphasis to recover for them.
- Investments: The Dividend income is recognized after the date of acquisition and according to dividends declaration by General Assembly of the investee, within the company's share in the investee.
- The income from deposit interest and returns of securities according to accrual basis with considering the targeted rate of return from the asset.

### **39-18 Expenses**

All operating expenses, including general and administrative expenses and selling and distribution expenses are recognized the consolidated statement of income in accordance with the accrual basis in the financial period when incurred.

#### **39-18-1 Operating lease payments**

Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

#### **39-18-2 Net financing (costs) /income**

Financing costs comprise interest payable on borrowings, impairment losses recognized on financial assets, change in the fair value of financial assets at fair value through profit and loss and foreign exchange loss.

Finance income includes, interest receivable on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit and loss and foreign exchange gain.

### **39-19 Employees benefits**

The Group contributes inside Egypt the social insurance under the Authority for the benefit of its personnel in pursuance to the Social Insurance Authority law No. 79 of 1975 and its amendments. These contributions are recorded in the "Wages and Salaries account" in addition to the early retirement scheme applied from September 1, 2001 and end of service benefits (Note no. 11).



### 39-20 Capital lease agreements

The accrued lease payments, repair and maintenance expenses of leased assets under the capital leasing agreements are recognized according to the regulations of capital lease law no. 95 of 1995 as an expense in the consolidated statement of income for the year according to the accrual basis.

At the end of the lease agreement, if the company exercises its right to purchase the leased assets, these assets are recorded as fixed assets and their costs are determined at the amount of the purchase bargain option stated in the lease agreement and depreciated over the remaining estimated useful lives.

### 39-21 Earnings per share

The company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the net profit or loss for the year attributable to ordinary shareholders of the company excluding the share of both the employees and the Board of Directors in profits by the weighted average number of ordinary shares outstanding during the year

### 39-22 Reserves

- Legal Reserve: According to the company's Article of Associations requirements, 5% of the net profit is set aside to form a legal reserve. The transfer to legal reserve ceases once the reserve reaches 50% of the company's paid up capital.
- Other reserves: the General Assembly may form other reserves based on the Board of Directors' recommendation.

### 39-23 Income tax

Income tax on the profit or loss for the year comprises of current and deferred tax. Income tax is recognized in the consolidated statement of income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is measured based on the method expected to measure the values of assets and liabilities using tax rates enacted at the consolidated statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### 39-24 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group objectives, policies and processes for measuring and managing risks, and the Group management of capital. Further quantitative disclosures are included throughout these Consolidated Financial Statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group risk management framework.

The Group risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

### 39-24-1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss.

This risk is mainly resulting from the Group's trade and other debtors.

#### Trade receivable & other debtors

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk has less of an influence on credit risk.

Most of Group's revenue is represented in sales transaction with many customers with close values for each customer, hence, there is no concentration of credit risk on specific customers.

#### Cash and cash equivalents

Credit risk relating to cash and cash equivalents - except cash on hand - and financial deposits arises from the risk that the counterparty becomes insolvent and accordingly is unable to return the deposited funds. To mitigate this risk, whenever possible, the Group conducts transactions and deposits funds with financial institutions with high investment grade.

### 39-24-2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that the sufficient cash on demand to meet expected operational expenses for a suitable period, including the service of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

### 39-24-3 Market risk

Market risk is the risk that changes in market prices, such as foreign currency exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### Currency risk

The Group is exposed to currency risk on transactions that are denominated in a currency other than the respective functional currencies of the Group, primarily the U.S. Dollars (USD) and Euro. In respect of monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level through purchase or sale of the foreign currencies with current prices when that is necessary to face un-balanced short term.

#### Interest rate risk

The Group is exposed to market risks as a result of changes in interest rates particularly in relation to borrowings. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The basic strategy of interest rate risk management is to balance the debt structure with an appropriate mix of fixed and floating interest rate borrowings based on the Group's perception of future interest rate movements.

#### Other market prices risk

This risk arises from changes in the price of available-for-sale investments held by the Group, the Group's management monitors the equity instruments in the investments' portfolio according to the market and objective valuation of the financial statements related to these shares. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors. The primary goal of the Group's investment strategy is to maximize investment returns and the management consults external advisors in this regard.



### 39-24-4 Capital management

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity, the Board also monitors the level of dividends paid to shareholders. There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

### 40- New issues and amendments issued to the Egyptian Accounting Standards:

On March 18, 2019, the Minister of Investment and International Cooperation amended some of the Egyptian Accounting Standards issued by the Minister of Investment Decree No. 110 of 2015, which include some new accounting standards and amendments to some existing standards as follows:

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
New Egyptian Accounting Standard No. (47) "Financial instruments"	<p>1. The new Egyptian Accounting Standard No. (47) "Financial Instruments" replaces the corresponding topics in Egyptian Accounting Standard (26) Financial Instruments: Recognition and Measurement. Accordingly, the Egyptian Accounting Standard No. (26) Was amended and reissued after the withdrawal of the paragraphs related to new EAS (47) and define the scope of the amended Standard (26) to work only with limited cases of hedge accounting according to the Entity's choice.</p> <p>2. In accordance with the requirements of the Standard, financial assets are classified based on subsequently measured at their amortized cost, at fair value through other comprehensive income or at fair value through profit or loss, in accordance with the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial asset.</p> <p>3. The realized loss model in the measurement of impairment of financial assets is replaced by the expected credit loss models, which requires the measurement</p>	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	<p>Standard No 47 is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted, on the condition of applying the Egyptian Accounting Standards No. (1), (25), (26) and (40) amended 2019 together at the same Date.</p> <p>On September 17, 2020, Prime Minister Decision No. 1871 of 2020 was issued to postpone the adaption of the standard, as the standard applies to financial periods beginning on or after January 1, 2021.</p> <p>These amendments shall be effective from the date of application of the standard 47.</p>

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	<p>of impairment of all financial assets measured at amortized cost and financial instruments measured at fair value through other comprehensive income from the initial recognition regardless of the existence of an index of the loss event</p> <p>4. Pursuant to the requirements of this standard, the following criteria have been amended:</p> <ul style="list-style-type: none"> <li>- Egyptian Accounting Standard No. (1) "Presentation of Financial Statements", amended 2019</li> <li>- Egyptian Accounting Standard No. (4) "Statement of Cash Flows"</li> <li>- Egyptian Accounting Standard No. (25) "Financial Instruments: Presentation"</li> <li>- Egyptian Accounting Standard No. (26) "Financial Instruments: Recognition and Measurement"</li> </ul> <p>Egyptian Accounting Standard No. (40) "Financial Instruments: Disclosures"</p>		
New Accounting Egyptian Standard No. (48) "Revenue from contracts with customers"	<p>1. The new Egyptian Accounting Standard No. 48, Revenue from Contracts with Customers, replaces and cancels the following criteria:</p> <p>(A) Egyptian Accounting Standard No. (8) "Construction Contracts", amended 2015;</p> <p>(B) Egyptian Accounting Standard No. 11, "Revenue", amended 2015;</p> <p>2. The control model was used to recognize revenue instead of the benefit and risk model.</p> <p>3. The incremental costs of obtaining a contract with a customer are recognized as an asset if the entity expects to recover those costs and the recognition of the costs of fulfilling the contract as an asset when specific conditions are met.</p>	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	<p>Standard No. 48 is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted.</p> <p>On September 17, 2020, Prime Minister Decision No. 1871 of 2020 was issued to postpone the adaption of the standard, as the standard applies to financial periods beginning on or after January 1, 2021.</p>



New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	<p>4. The standard requires that the contract has commercial substance in order for revenue to be recognized.</p> <p>5. Expanding disclosure and presentation requirements.</p>		
New Egyptian Accounting Standard (49) "Leases"	<p>1. The new Egyptian Accounting Standard No. (49) "Leases" replaces the Egyptian Accounting Standard No. (20) "Accounting Standards and Standards for Financial Leasing Operations 2015 and cancels it.</p> <p>2. The Standard introduces a single accounting model for the lessor and the lessee, the lessee recognizes the right of use of the leased asset within the assets of the company and recognizes an obligation that represents the present value of the unpaid lease payments within the company's obligations, taking into account that the lease contracts are not classified as operating lease or a finance lease.</p> <p>3. For the lessor, the lessor shall classify each contract of its lease contracts either as an operating lease or as a finance lease.</p> <p>4. For the finance lease, the lessor must recognize the assets held under a finance lease in the statement of financial position and present them as a due amounts equal to the net investment in the lease contract.</p> <p>5. For operating lease, the lessor should recognize the lease payments from operating leases as income either on a straight-line basis or on another regular basis.</p>	management is currently assessing the potential impact on the financial statements in case of applying this standard.	<p>Standard No. (49) Applies to financial periods beginning on or after 1 January 2020 and early adoption is permitted if the Egyptian Accounting standard No. (48) "Revenue from contracts with customers" 2019 in the same time. On September 17, 2020, Prime Minister Decision No. 1871 of 2020 was issued to postpone the adaption of the standard, as the standard applies to financial periods beginning on or after January 1, 2021 regarding to the operating lease contracts.</p> <p>Except as of the effective date above, Standard No. 49 (2019) applies to leases that were subject to the Financial Leasing Law No. 95 of 1995 and its amendments which were treated in accordance with Egyptian Accounting Standard No. 20, "Accounting Standards and Standards Related to Finance Lease Operations" The finance lease contracts which are arise subject to the Law of Organizing Finance Lease and Factoring Activities No. 176 of 2018, from the beginning of the annual report period, in which law No. 95 of 1995 was canceled And issuing law No. 176 of 2018</p>



Notes to the consolidated financial statements  
For the financial year ended December 31, 2020 (continued)

Translation from Arabic

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
Amended Egyptian Accounting Standard No. (38) "Employees Benefits"	A number of paragraphs were added and amended to amend the accounting rules for the modification, reduction and settlement of the employee benefits scheme	There is no effect on the current consolidated financial statement.	Standard No. (38) is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted During the year 2020, the Financial Regulatory Authority postponed the application of the standard to the quarterly financial statements for 2020, to be applied to the annual financial statements on December 31, 2020, starting from January 1, 2020.
Amended Egyptian Accounting Standard No. (42) "Consolidated financial statements"	Some of the paragraphs were added related to the exception of investment entities from the consolidation. This amendment resulted in an amendment to some standards related to the subject of investment entities. The following is the amended standards - Egyptian Accounting Standard No. (15) "Disclosure of Related Parties" - Egyptian Accounting Standard No. 17 "Separate Financial Statements" - Egyptian Accounting Standard No. (18) "Investments in Associates" - Egyptian Accounting Standard No. (24) "Income Tax" - Egyptian Accounting Standard No. (29) "Business Combinations" - Egyptian Accounting Standard No. (30) "Interim Financial Statements" - Egyptian Accounting Standard No. (44) - "Disclosure of Interests in Other Entities "	There is no effect on the current consolidated financial statement.	Standard No. 42 is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted The new or amended paragraphs are also applied to the standards that have been amended with respect to investment entities on the effective date of the Egyptian Accounting Standard No. 42 "Consolidated Financial Statements", and amended 2019  During the year 2020, the Financial Regulatory Authority postponed the application of the standard to the quarterly financial statements for 2020, to be applied to the annual financial statements on December 31, 2020, starting from January 1, 2020.