

**Telecom Egypt Company**  
**(An Egyptian Joint Stock Company)**  
**Condensed Consolidated Interim Financial Statements**  
**For The Three Months Ended March 31, 2020**  
**And Limited Review Report**

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## **Hazem Hassan**

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*Translation from Arabic*

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

#### ***Introduction***

We have performed a limited review on the accompanying condensed consolidated statement of financial position of Telecom Egypt Company “an Egyptian joint stock company” as at March 31, 2020 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with Egyptian Accounting Standard number (30) “Interim Financial Reporting”. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our limited review.

#### ***Scope of Limited Review***

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

#### ***Conclusion***

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of the company as at March 31, 2020 and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with Egyptian Accounting Standard number (30) “Interim Financial Reporting”.



Hazem Hassan

*Translation from Arabic*

*Emphasis of Matter*

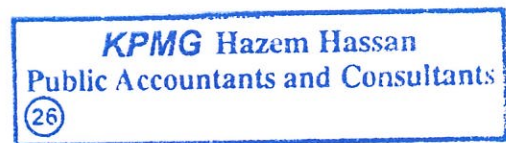
Without qualifying our conclusion, we draw attention to note no. (30) of the notes to the condensed consolidated interim financial statements, a dispute arose between the company and both Orange Egypt Company and Etisalat Misr Company and its subsidiaries (plaintiff companies) in regards to the company's change of technology used in the infrastructure necessary to provide internet service to customers which the plaintiff companies contracted to rent from the company, the plaintiff companies have filed lawsuits against the company regarding this matter and those litigations are still under deliberation before the judicial bodies and expert committees and the final ruling has not been issued, the plaintiffs companies filed complaints to the Egyptian Competition Authority (ECA) against the company on the basis that the company has carried out practices limiting competition in the Egyptian market.

According to the opinion of the company's legal consultant, these lawsuits are still in the process of submitting documents and judicial defenses from both sides of the dispute before the judicial bodies and expert committees and that it is not possible to determine the final legal position of those cases, it is difficult, in the meantime to determine the outcome of the above mentioned lawsuits till the final ruling of the judicial bodies is issued.

*KPMG Hazem Hassan*

**KPMG Hazem Hassan  
Public Accountants & Consultants**

Cairo, June 10, 2020



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

	Note No.	31/3/2020 L.E. (000)	31/12/2019 Reclassified L.E. (000)
<b>Assets</b>			
<b><u>Non Current Assets</u></b>			
Fixed assets	(11)	31 481 356	29 728 055
Projects in progress	(12)	5 077 610	6 828 631
Investments in associates	(13)	11 294 931	10 818 196
Available-for-sale investments		84 551	79 811
Long-term balances (prepaid expense)		57 422	60 072
Other assets	(14)	9 962 007	10 119 638
Deferred tax assets	(24-1)	179 081	213 188
<b>Total Non Current Assets</b>		<b>58 136 958</b>	<b>57 847 591</b>
<b><u>Current Assets</u></b>			
Inventories	(15)	2 274 050	2 353 882
Trade and notes receivable	(16)	6 092 329	4 996 871
Debtors and other debit balances	(17)	6 190 087	6 315 453
Held-to-maturity investments-treasury bills		393	25 829
Cash and cash equivalents	(18)	1 396 220	1 433 184
<b>Total Current Assets</b>		<b>15 953 079</b>	<b>15 125 219</b>
<b>Total Assets</b>		<b>74 090 037</b>	<b>72 972 810</b>
<b><u>Equity</u></b>			
Capital	(22)	17 070 716	17 070 716
Reserves	(23)	5 028 444	4 762 625
Retained earnings		13 180 758	13 382 616
Foreign entities translation reserve		( 48 026)	( 10 623)
<b>Equity attributable to shareholders of the company</b>		<b>35 231 892</b>	<b>35 205 334</b>
<b>Non - controlling interest</b>		<b>10 408</b>	<b>15 803</b>
<b>Total Equity</b>		<b>35 242 300</b>	<b>35 221 137</b>
<b><u>Non Current Liabilities</u></b>			
Loans and credit facilities	(19)	4 330 152	4 785 550
Creditors and other credit balances	(20)	5 716 135	5 266 553
Deferred tax liabilities	(24-1)	1 537 977	1 462 286
<b>Total non current Liabilities</b>		<b>11 584 264</b>	<b>11 514 389</b>
<b><u>Current Liabilities</u></b>			
Loans and credit facilities installments due within one year	(19)	12 661 625	11 666 363
Creditors and other credit balances	(20)	13 320 359	12 748 669
Credit accounts to associates	(28)	505 284	1 049 642
Provisions	(21)	776 205	772 610
<b>Total Current Liabilities</b>		<b>27 263 473</b>	<b>26 237 284</b>
<b>Total Liabilities</b>		<b>38 847 737</b>	<b>37 751 673</b>
<b>Total Equity and Liabilities</b>		<b>74 090 037</b>	<b>72 972 810</b>

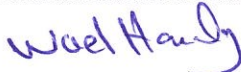
The accompanying notes on pages (8) to (30) are an integral part of these Condensed Consolidated Interim Financial Statements.

Director of Financial Affairs



"Ehab Abdo"

Senior Director of Financial Affairs



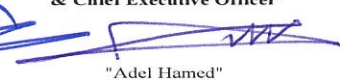
" Wael Hanafy "

Chief Financial Officer



" Mohamed Shamroukh "

Managing Director  
& Chief Executive Officer



"Adel Hamed"

Board of Directors approval

Chairman



"Maged Osman"

Limited Review Report "attached"

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

	Note No.	<b>For the three months ended</b>	
		<b>31/3/2020</b>	<b>31/3/2019</b>
		<b>L.E.(000)</b>	<b>Restated L.E.(000)</b>
Operating revenues	(3)	7 003 874	6 086 861
Operating costs	(4)	(4 277 742)	(3 621 720)
<b>Gross Profit</b>		<b>2 726 132</b>	<b>2 465 141</b>
Other income		127 217	99 771
Selling and distribution expenses	(5)	( 783 211)	( 570 744)
General and administrative expenses	(6)	( 781 356)	( 802 988)
Other expenses		( 64 964)	( 12 158)
<b>Operating profit</b>		<b>1 223 818</b>	<b>1 179 022</b>
Finance income		459 700	504 597
Finance cost		( 436 842)	( 393 345)
<b>Net finance income</b>	(7)	<b>22 858</b>	<b>111 252</b>
<b>Share of profit of equity accounted investees</b>	(8)	<b>468 647</b>	<b>647 219</b>
<b>Net profit before tax</b>		<b>1 715 323</b>	<b>1 937 493</b>
Income tax expense		( 292 366)	( 598 500)
Deferred tax	(24-1)	( 109 798)	277 661
<b>Total income tax</b>		<b>( 402 164)</b>	<b>( 320 839)</b>
<b>Net profit for the period</b>		<b>1 313 159</b>	<b>1 616 654</b>
<b>Profit attributable to :</b>			
Shareholders of the company		1 312 127	1 615 423
Non-controlling interest		1 032	1 231
<b>Net profit for the period</b>		<b>1 313 159</b>	<b>1 616 654</b>
<b>Basic and diluted earning per share for the period (L.E. / Share)</b>	(10)	<b>0.77</b>	<b>0.95</b>

The accompanying notes on pages (8) to (30) are an integral part of these Condensed Consolidated Interim Financial Statements.

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

	<b><u>For the three months ended</u></b>	
	<b><u>31/3/2020</u></b>	<b><u>31/3/2019</u></b>
	<b><u>L.E.(000)</u></b>	<b><u>Restated</u></b>
	<b><u>L.E.(000)</u></b>	<b><u>L.E.(000)</u></b>
Net profit for the period	1 313 159	1 616 654
<b><u>Other Comprehensive Income items :</u></b>		
Translation differences of foreign entities	( 37 403)	( 55 309)
<b>Total Comprehensive Income</b>	<b><u>1 275 756</u></b>	<b><u>1 561 345</u></b>
<b>Attributable to :</b>		
Shareholders of the company	1 274 724	1 560 114
Non-controlling interest	1 032	1 231
<b>Total Comprehensive Income</b>	<b><u>1 275 756</u></b>	<b><u>1 561 345</u></b>

The accompanying notes on pages (8) to (30) are an integral part of these Condensed Consolidated Interim Financial Statements.

**Telecom Egypt Company**  
(An Egyptian Joint Stock Company)  
**Condensed Consolidated Statement of Changes in Equity**  
**For The Three Months Ended March 31, 2020**

	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</b>	17 070 716	1 899 028	2 796 578	10 529 466	176 729	32 472 517	15 820	32 488 337
<b>Comprehensive Income</b>	-	-	-	1 615 423	-	1 615 423	1 231	1 616 654
Net profit for the period (Restated)	-	-	-	1 615 423	-	1 615 423	1 231	1 616 654
Translation differences of foreign entities	-	-	-	-	(55 309)	(55 309)	-	(55 309)
<b>Total Comprehensive Income (Restated)</b>	-	-	-	1 615 423	(55 309)	1 560 114	1 231	1 561 345
<b>Transactions with shareholders</b>	-	66 500	-	(66 500)	-	-	-	-
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)
<b>Total transactions with shareholders</b>	-	66 500	-	(1 226 112)	-	(1 159 612)	(6 782)	(1 166 394)
<b>Balance as of March 31, 2019 (Restated)</b>	17 070 716	1 965 528	2 796 578	10 918 777	121 420	32 873 019	10 269	32 883 288
<b>Balance as of January 1, 2020 (Reclassified)</b>	17 070 716	1 966 047	2 796 578	13 382 616	(10 623)	35 205 334	15 803	35 221 137
<b>Comprehensive Income</b>	-	-	-	1 312 127	-	1 312 127	1 032	1 313 159
Net profit for the period	-	-	-	1 312 127	-	1 312 127	1 032	1 313 159
Translation differences of foreign entities	-	-	-	-	(37 403)	(37 403)	-	(37 403)
<b>Total Comprehensive Income</b>	-	-	-	1 312 127	(37 403)	1 274 724	1 032	1 275 756
<b>Transactions with shareholders</b>	-	274 847	-	(274 847)	-	-	-	-
Transferred to legal reserve	-	274 847	-	(274 847)	-	-	-	-
Adjustment on retained earnings in associates	-	-	-	(8 092)	-	(8 092)	-	(8 092)
Dividends for employees announced in associates	-	-	-	16 148	-	16 148	-	16 148
Dividends for year 2019 (shareholders)	-	-	-	(426 768)	-	(426 768)	(5 516)	(432 284)
Dividends for year 2019 (Employees & Board of Directors)	-	-	-	(820 426)	-	(820 426)	(9 111)	(821 337)
Excluded of land & building	-	-	(9 028)	-	-	(9 028)	-	(9 028)
<b>Total transactions with shareholders</b>	-	274 847	(9 028)	(1 513 985)	-	(1 248 166)	(6 427)	(1 254 593)
<b>Balance as of March 31, 2020</b>	17 070 716	2 240 894	2 787 550	13 180 758	(48 026)	35 231 892	10 408	35 242 300

The accompanying notes on page from (8) to (30) are an integral part of these Condensed Consolidated Interim Financial Statements.



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

	<b>For the three months ended:</b>	
	<b>Note</b>	<b>31/3/2019</b>
	<b>31/3/2020</b>	<b>Reclassified</b>
	<b>No.</b>	<b>L.E. (000)</b>
	<b>L.E. (000)</b>	<b>L.E. (000)</b>
<b><u>Cash flows from operating activities:-</u></b>		
Cash receipts from customers	5 984 447	6 565 292
Value added tax collected from customers	148 969	114 194
Stamp tax and fees collected (from third party)	26 179	25 645
Deposits collected from customers	372	205
Cash paid to suppliers	(1 162 663)	(1 822 477)
Payments for NTRA license fees	( 266 796)	( 343 534)
Dividends paid to employees and Board of Directors	( 19 239)	( 15 955)
Cash paid to employees and Board of Directors	(1 400 499)	(1 518 639)
Cash paid on behalf of employees to third party	( 254 447)	( 262 220)
<b>Cash provided by operating activities</b>	<b>3 056 323</b>	<b>2 742 511</b>
Interest paid	( 305 582)	( 300 976)
Payments to Tax Authority - income tax	( 18 360)	( 17 989)
Payments to Tax Authority - value added tax	( 356 022)	( 343 247)
Payments to Tax Authority - other taxes	( 357 122)	( 347 730)
Other payments/ proceeds	( 121 750)	244 698
<b>Net cash provided by operating activities</b>	<b>1 897 487</b>	<b>1 977 267</b>
<b><u>Cash flows from investing activities:-</u></b>		
Payments for purchase of fixed assets, projects in progress and other assets	(2 573 915)	(2 084 727)
Payments for purchase of other assets	( 25 000)	( 25 703)
Proceeds from sales of fixed assets and other assets	3	18
Payments for acquisition of investments	( 4 740)	-
Payments for retrieval of held-to-maturity investment - treasury bills	( 386)	( 8 529)
Interest received	15 318	11 436
Dividends of profit collected from investments	-	4 614 084
Proceeds from income of securities (treasury bills - mutual fund)	241	227
<b>Net cash (used in) provided by investing activities</b>	<b>(2 588 479)</b>	<b>2 506 806</b>
<b><u>Cash flows from financing activities:-</u></b>		
Payments for loans	( 361 322)	-
Proceeds / (payments) from other facilities	1 024 604	(4 170 383)
<b>Net cash provided by (used in) financing activities</b>	<b>663 282</b>	<b>(4 170 383)</b>
<b>Net change in cash and cash equivalents during the period</b>	<b>( 27 710)</b>	<b>313 690</b>
Translation differences of foreign entities	( 9 286)	( 8 074)
Cash and cash equivalents at the beginning of the period	(18) 1 311 391	1 081 867
<b>Cash and cash equivalents at the end of the period</b>	<b>(18) 1 274 395</b>	<b>1 387 483</b>

The attached notes on pages from (8) to (30) are an integral part of these Condensed Consolidated Interim Financial statements.

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

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

These Condensed Consolidated Interim Financial Statements were approved by the Board of Directors for issuance on June 10, 2020.

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

**2-1 Statement of compliance**

- These Condensed Consolidated Interim Financial Statements as of March 31, 2020 have been prepared in accordance with Egyptian Accounting Standard No.30 "Interim Financial Reporting" accordingly it is condensed comparative view to the annual consolidated financial statements for the company, and in the light of applicable Egyptian laws and regulations related to.
- These Condensed Consolidated Interim Financial Statements don't include all the required information needed for preparing the full annual financial statements and must be read with the consolidated annual financial statements of the company as of December 31, 2019

## **2-2 Basis of measurement**

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

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

## **2-3 Functional and presentation currency**

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

## **2-4 Use of estimates**

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

The estimates and underlying assumptions are reviewed 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.

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

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

## **2-5 Fair value measurement**

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

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

-When the discounted cash flows is used as a valuation technique, the future cash 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.

**3. OPERATING REVENUES**

	<b><u>For the three months ended</u></b>	
	<b>31/3/2020</b>	<b>31/3/2019</b>
	<b><u>L.E. (000)</u></b>	<b><u>L.E. (000)</u></b>
Home and personal communications	3 130 888	2 401 206
Enterprise	786 254	749 938
Domestic wholesale	1 247 863	1 309 187
International carrier	1 135 804	1 128 307
International cables and networks	703 065	498 223
	<b><u>7 003 874</u></b>	<b><u>6 086 861</u></b>

Total operating revenues have increased by an amount of L.E. 917 013 K mainly due to the increase in home and personal communications revenues by an amount of L.E. 729 682 K due to the increase in revenues resulting from fixed line and rendering mobile phone services and internet services, the increase in both of International cables and networks by an amount of L.E. 204 842 K and the increase in Enterprise revenue by an amount of L.E. 36 316 K, however the decrease in domestic wholesale revenue by an amount of L.E. 61 324 K led to limitation of this increase.

**4. OPERATING COSTS**

	<b><u>For the three months ended</u></b>	
	<b>31/3/2020</b>	<b>31/3/2019</b>
	<b><u>L.E. (000)</u></b>	<b><u>L.E. (000)</u></b>
Interconnection cost	1 369 927	1 133 768
Depreciation and amortization	1 068 662	776 812
Salaries and wages	696 724	675 444
Company's social insurance contribution	76 601	78 951
Frequencies and licenses charges ( National Telecom Regulatory Authority )	237 205	230 610
Other operating cost	828 623	726 135
	<b><u>4 277 742</u></b>	<b><u>3 621 720</u></b>

Operating costs have increased by an amount of L.E. 656 022 K mainly due to the following: -

- The increase of interconnection cost by an amount of L.E. 236 159 K which is mainly due to the increase in cost of international connection fees and national roaming fees.
- The increase in the depreciation and amortization item by an amount of L.E. 291 850 K due to the additions of the last year after the first quarter and the current period.
- The increase in other operating cost item by an amount of L.E. 102 488 K is mainly due to the increase in the organizations services costs item by an amount of L.E. 114 682 K, however the decrease in merchandise for sale cost by an amount of L.E. 78 365 K led to limitation of this increase.

**5. SELLING AND DISTRIBUTION EXPENSES**

	<b><u>For the three months ended</u></b>	
	<b><u>31/3/2020</u></b>	<b><u>31/3/2019</u></b>
	<b><u>L.E. (000)</u></b>	<b><u>L.E. (000)</u></b>
Salaries and wages	279 282	214 705
Company's social insurance contribution	26 967	25 468
Advertising and marketing	198 526	199 530
Sales and collection commissions	95 962	52 110
Depreciation and amortization	29 354	1 597
Other selling and distribution expenses	153 120	77 334
	<b><u>783 211</u></b>	<b><u>570 744</u></b>

The increase in selling and distribution expenses by an amount of L.E 212 467 K mainly due to the increase in salaries and wages cost by an amount of L.E 64 577 K and also the increase in sales and collection commissions item by an amount of L.E 43 852 K.

**6. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b><u>Note</u></b>	<b><u>For the three months ended</u></b>	
		<b><u>31/3/2020</u></b>	<b><u>31/3/2019</u></b>
		<b><u>L.E. (000)</u></b>	<b><u>Restated L.E. (000)</u></b>
Salaries and wages		511 115	514 483
Company's social insurance contribution		37 584	41 467
The company's contribution in loyalty and belonging fund	(9-2)	45 000	69 045
Depreciation and amortization*		23 260	32 708
Organization services cost and consultants		46 182	46 455
Tax and duties		24 656	33 474
Other general and administration expenses		93 559	65 356
		<b><u>781 356</u></b>	<b><u>802 988</u></b>

The decrease in general and administrative expenses by an amount of L.E.21 632 K is mainly due to decrease in the company's contribution in loyalty and belonging fund item by an amount of L.E 24 045 K.

\* Restatement was made on comparative figures as shown in Note no (31-2).

**7. NET FINANCE INCOME**

	<b><u>For the three months ended</u></b>	
	<b><u>31/3/2020</u></b>	<b><u>31/3/2019</u></b>
	<b><u>L.E. (000)</u></b>	<b><u>L.E. (000)</u></b>
Total finance income	459 700	504 597
Total finance cost	( 436 842)	( 393 345)
<b>Net finance income</b>	<b><u>22 858</u></b>	<b><u>111 252</u></b>

The decrease in net finance income by an amount of L.E 88 394 K during the period is mainly due to the decrease in revenue from financial assets impairment refund by an amount of L.E 26 865 K, however the increase in impairment of financial assets value by an amount of L.E 35 968 K led to limitation of this decrease.

**8. SHARE OF PROFIT OF EQUITY ACCOUNTED INVESTEEES**

	<b>For the three months ended</b>	
	<b>31/3/2020</b>	<b>31/3/2019</b>
	<b><u>L.E. (000)</u></b>	<b><u>L.E. (000)</u></b>
Vodafone Egypt	468 784	647 219
Egypt trust	(137)	-
	<b><u>468 647</u></b>	<b><u>647 219</u></b>

**9. EMPLOYEES' BENEFITS****9-1 Early retirement scheme**

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

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

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

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

- Payment of compensation for the remaining period, which represents the total of the remaining salaries including periodic increment up to the legal age of retirement calculated at present value by a specified discount rate.
- Payment of compensation instead of the loyalty and belonging grant of 100 months on the basic salary on 1/1/2015 with an increase of 5% per annum.
- Payment of compensation for unused leaves in accordance with the regulations in force.
- Payment of an amount of 1500 per month for three years or until the age of sixty whichever is the 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, based on its recommendations and after obtaining all the necessary approvals, a number of administrative orders have been issued for the end of the service of employees whose meet the requirements of the above scheme, the said committee have completed the study of all the applications submitted to it by the employees of the company, issuing its recommendations and have prepared the final reports of the results of its work were all the liabilities that the company had borne as a result of the application of the optional early retirement scheme an amount of L.E 1 266 549 K was charged to the income statement for the year ended December 31,2019.

#### **9-2 End of service benefits (Company's Contribution in Loyalty & Belonging Fund)**

The employees are granted an end of service benefits through a Loyalty & belonging Fund established in January 2004. Employees' benefit is based on the employees' basic salary in January 1, 2015 increasing annually at a compound rate of 5%. The subscription for employees hired after January 1, 2015 is calculated according to a subscription schedule for new hires and increase annually at a compound rate of 5% starting from the next year of the hiring date with the same conditions of annual raise of employees.

The employees share in loyalty & belonging fund according to constant subscription are based on the same employees' basic salary where the end of service benefit calculated. The company's share represents annual defined contribution and the company had contributed by an amount of L.E 45 000 K for the period ended in March 31, 2020 (against an amount of L.E. 69 045 K for the same period of 2019) stated in the general and administrative expenses as shown in (Note no. 6).

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

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

	<b>For the three months ended</b>	
	<b><u>31/3/2020</u></b>	<b><u>31/3/2019</u></b> <b><u>Restated</u></b>
<b><u>The holding company owners' equity :</u></b>		
Net profit for the period (LE in thousand)*	1 312 127	1 615 428
Number of shares available during the period (share)	1 707 071 600	1 707 071 600
<b>Basic and diluted earning per share for the period (LE / share)</b>	<b><u>0.77</u></b>	<b><u>0.95</u></b>

\* Restatement was made on comparative figures as shown in Note no (31-2).

**11. FIXED ASSETS**

Description	31/3/2020	31/3/2019	31/3/2020	31/3/2019	31/3/2020	31/3/2019	31/12/2019
	Cost	Cost	Accumulated depreciation	Accumulated depreciation	Net	Net	Net
	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Land	2 344 412	2 350 238	-	-	2 344 412	2 350 238	2 354 950
Buildings & Infrastructure	34 180 648	29 161 073	16 518 774	15 897 240	17 661 874	13 263 833	17 348 321
Centrals & information technologies equipment	32 925 540	29 232 942	21 915 425	22 206 832	11 010 115	7 026 110	9 622 717
Vehicles	186 561	146 258	114 067	109 097	72 494	37 161	67 031
Furniture	845 028	723 795	610 053	533 561	234 975	190 234	242 488
Tools & supplies	203 346	143 578	101 805	86 409	101 541	57 169	57 742
Decoration & fixtures	182 212	136 073	126 267	120 142	55 945	15 931	34 806
Fixtures on trunk radio network	315	315	315	315	-	-	-
<b>Total</b>	<b>70 868 062</b>	<b>61 894 272</b>	<b>39 386 706</b>	<b>38 953 596</b>	<b>31 481 356</b>	<b>22 940 676</b>	<b>29 728 055</b>

- The increase in net carrying value of fixed assets mainly due to the additions during the period by an amount of L.E. 2 716 265 K, however the depreciation of the period by an amount of L.E. 944 397 K led to limitation of this increase.
- The cost of fixed assets as of March 31, 2020 includes an amount of L.E. 21 998 Million fully depreciated fixed assets and still in use.

**12. PROJECTS IN PROGRESS**

	<b>31/3/2020</b>	<b>31/12/2019</b>
	<b><u>L.E. (000)</u></b>	<b><u>L.E. (000)</u></b>
Land	11 894	11 894
Buildings and Infrastructure	766 284	1 107 310
Centrals and information technologies equipment	3 187 043	4 642 160
Tools and supplies	6 132	56 940
Furniture	19 356	19 404
Other Assets (cables)	221 355	255 420
Advance payments - Fixed assets	886 037	755 994
	<b>5 098 101</b>	<b>6 849 122</b>
<b>Less:</b>		
Impairment loss on projects in progress	20 491	20 491
	<b>5 077 610</b>	<b>6 828 631</b>

The balance of projects in progress is represented in the part that have been executed from commitments and capital contracts, and advanced payment until March 31,2020.



**13. INVESTMENTS IN ASSOCIATES**

	<b>31/3/2020</b>		<b>31/12/2019</b>	
	<b>Ownership</b>	<b>amount</b>	<b>Ownership</b>	<b>amount</b>
	<b>%</b>	<b>L.E. (000)</b>	<b>%</b>	<b>L.E. (000)</b>
- Vodafone Egypt Telecommunication company*	44.95	11 294 916	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	7 514	35.71	7 654
- Consortium Algerien de Telecommunications (CAT)**	-	-	33.00	133
		<b>11 302 555</b>		<b>10 826 008</b>
<b>Less:</b>				
Impairment loss on investment in associates		7 624		7 812
		<b>11 294 931</b>		<b>10 818 196</b>

\* The investments in Vodafone Egypt on March 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 of each year and the equity method was applied in recognizing the investment in Vodafone Egypt during preparing the Condensed Consolidated Interim Financial Statements as of March 31, 2020 by using the consolidated financial statements of Vodafone Egypt for the financial year ended in March 31, 2020 which presents the 12 months from the 1st of April 2019 till March 31, 2020, deduct the movements of the period from April 1, 2019 till December 31, 2019 from the interim financial data of Vodafone Egypt as of December 31, 2019 to determine the share of financial period from January 1 to March 31, 2020 of business results.

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

**14. OTHER ASSETS**

	<b>31/3/2020</b>	<b>31/12/2019</b>
	<b>L.E. (000)</b>	<b>L.E. (000)</b>
<b>Cost</b>		
Fourth generation network license	8 633 330	8 633 330
Submarine Cables (right of way)	2 112 755	2 096 630
Right of Use (ROU)	880 965	882 013
License (internet service - programs )	127 158	183 585
Land (possession-usufruct)	440 684	440 684
Good well	15 839	15 839
	<b>12 210 731</b>	<b>12 252 081</b>
<b>Less:</b>		
Accumulated amortization and impairment	2 248 724	2 132 443
<b>Net other assets</b>	<b>9 962 007</b>	<b>10 119 638</b>

- The decrease in net carrying value of other assets mainly due to the amortization of the period by an amount of L.E 175 602 K.
- Other assets cost includes at March 31, 2020 an amount of L.E 175 Million, other assets fully amortized and still in use.

**15. INVENTORIES**

	<b>31/3/2020</b>	<b>31/12/2019</b>
	<b><u>L.E. (000)</u></b>	<b><u>L.E. (000)</u></b>
Spare parts	1 052 217	1 012 846
Computers	13 366	14 942
Project cables and supplies	526 360	638 654
Material supplies , Merchandise for sale and Letters of credit	682 107	687 440
	<b><u>2 274 050</u></b>	<b><u>2 353 882</u></b>

The value of inventories was written down by L.E. 23 381 K (against LE 23 375 K as at December 31, 2019) for obsolete and slow-moving items directly from the cost of each type of inventory related to.

**16. TRADE AND NOTES RECEIVABLE**

	<b>31/3/2020</b>	<b>31/12/2019</b>
	<b><u>L.E. (000)</u></b>	<b><u>L.E. (000)</u></b>
Trade Receivables - National	5 080 564	4 509 925
Trade Receivables - International	<u>2 895 385</u>	<u>2 527 744</u>
	<b>7 975 949</b>	<b>7 037 669</b>
<b>Less:</b>		
Impairment loss on trade receivables	<u>1 883 802</u>	<u>2 042 013</u>
	6 092 147	4 995 656
<b>Add:</b>		
Notes receivable	<u>182</u>	<u>1 215</u>
	<b><u>6 092 329</u></b>	<b><u>4 996 871</u></b>

Trade and notes receivable balance have increased by an amount of L.E. 1 095 458 K is mainly due to the increase in revenue for home and personal communications trade receivables Trade Receivables –international cables and networks.

## 17. DEBTORS AND OTHER DEBIT BALANCES

	31/3/2020	31/12/2019
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Suppliers – debit balances	1 623 241	788 389
Tax Authority - value added tax	1 693 168	2 341 449
Tax Authority - withholding tax	743 102	575 122
Due from ministries, organizations and companies	907 001	993 908
Deposits with other	254 680	256 206
Accrued revenues	41 251	51 997
Temporary debts due from employees	165 649	799 816
Tax Authority - income tax	34 597	111 687
Other debit balances	1 042 092	711 639
	<u>6 504 781</u>	<u>6 630 213</u>
<b>Less:</b>		
Impairment loss on debtors and other debit balances	314 694	314 760
	<u>6 190 087</u>	<u>6 315 453</u>

Debtors and other debit net balances have decreased by an amount of L.E. 125 366 K mainly due to the decrease in Tax Authority- value added tax item by an amount of L.E 648 281 K and Temporary debts due from employees by an amount of L.E 634 167 K as a result for the employees profits dividends for 2019, and Tax Authority – income tax by an amount of L.E 77 090 K , however the increase in suppliers – debit balances item by an amount of L.E 834 852 K and Tax Authority – withholding tax by an amount of L.E 167 980 K led to limitation of this decrease.

## 18. CASH AND CASH EQUIVALENTS

	Note	31/3/2020	31/12/2019	31/3/2019
	<u>No.</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Banks - time deposits (less than 3 months)		394 231	295 061	226 723
Banks - current accounts		851 383	967 140	788 723
Cash on hand		14 347	4 322	233 543
Treasury bills (less than 3 months)		53 209	66 579	51 805
Money market funds (less than 3 months)		83 050	100 082	115 689
<b>Cash and cash equivalents</b>		<u>1 396 220</u>	<u>1 433 184</u>	<u>1 416 483</u>
<b>Less:</b>				
Restricted cash and cash equivalents at banks	(26)	121 825	121 793	29 000
<b>Cash and cash equivalents as per statement of cash flows</b>		<u>1 274 395</u>	<u>1 311 391</u>	<u>1 387 483</u>

## 19. LOANS AND CREDIT FACILITIES

- The increase in the balance of loans and credit facilities by an amount of L.E 539 864 K mainly resulting from proceeds of loans and credit facilities with local and foreign currencies amounted to L.E. 1 024 604 K, where loans and credit facilities with local and foreign currencies in March, 31 2020 amounted to L.E. 16 991 777 K (against L.E. 16 451 913 K at 31 December, 2019) due within a year by an amount of L.E. 12 661 625 K, including credit facilities by an amount of L.E. 11 208 959 K.

## 20. CREDITORS AND OTHER CREDIT BALANCES

	<u>Note</u> <u>No</u>	<u>31/3/2020</u> <u>L.E. (000)</u>	<u>31/12/2019</u> <u>L.E. (000)</u>
Suppliers and notes payable		1 851 564	2 000 779
Tax Authority-Income Tax		861 440	577 047
Tax Authority (taxes other than income tax)		545 374	630 464
Deposits from others		495 938	495 610
Liabilities of early retirement scheme	(9-1)	98 574	108 262
Assets creditors		8 720 184	9 993 357
Dividends payable		435 231	3 392
Accrued expenses		984 044	854 579
Public Authority for Social Insurance		79 313	65 000
Trade receivables - credit balances		739 932	679 526
Credit balances organizations and companies		283 083	250 657
Deferred revenues		2 395 636	1 112 056
National Telecommunication Regulatory Authority (NTRA)		856 292	701 182
Other credit balances		689 889	543 311
		<b>19 036 494</b>	<b>18 015 222</b>
<b><u>Less balances due within more than one year:</u></b>			
Assets creditors		5 419 807	4 958 240
Deferred revenues		296 328	308 313
<b>Creditors and non current liabilities balances</b>		<b>5 716 135</b>	<b>5 266 553</b>
<b>Creditors and current liabilities balances</b>		<b>13 320 359</b>	<b>12 748 669</b>
<b>Total Creditors and other balances</b>		<b>19 036 494</b>	<b>18 015 222</b>

Creditors and other credit balances have increased by an amount of L.E. 1 021 272 K mainly due to the increase in both of the dividends payable item by an amount of L.E 431 839 K due to 2019 dividends and deferred revenue by an amount of L.E 1 283 580 K and Tax Authority – income tax by an amount of L.E 284 393 K and Accrued expenses item by an amount of L.E 129 465 K and trade receivables – credit balances item by an amount of L.E 60 406 K, however the decrease in assets creditors item by an amount of L.E 1 273 173 K and Suppliers and notes payable item by an amount of L.E 149 215 K led to the limitation of this increase.

## 21. PROVISIONS

	<u>31/3/2020</u> <u>L.E.(000)</u>	<u>31/12/2019</u> <u>L.E.(000)</u>	<u>31/3/2019</u> <u>L.E.(000)</u>
Balance at the beginning of the period / year	772 610	740 529	740 529
Charged to income statement for the period / year	3 600	43 841	5 195
Provision used during the period / year	-	( 11 746)	-
Translation differences	( 5)	( 14)	(5)
<b>Balance at the end of the period / year</b>	<b>776 205</b>	<b>772 610</b>	<b>745 719</b>

\* The provisions charged to income statement during the period included in other expenses to meet contingent taxes liabilities.

## 22. CAPITAL

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

**23. RESERVES**

	<b>31/3/2020</b>	<b>31/12/2019</b>
	<b><u>L.E.(000)</u></b>	<b><u>L.E.(000)</u></b>
Legal reserve*	2 240 894	1 966 047
Other reserves	2 787 550	2 796 578
	<b><u>5 028 444</u></b>	<b><u>4 762 625</u></b>

The increase in the legal reserve balance as a result of retaining an amount of L.E. 274 847 K from the profit of 2019 in accordance with the company's article of association.

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

**24. DEFERRED TAX****24-1 Recognized deferred tax assets and liabilities**

	<b>31/3/2020</b>		<b>31/12/2019</b>	
	Assets	(Liabilities)	Assets	(Liabilities)
	<b><u>L.E.(000)</u></b>	<b><u>L.E.(000)</u></b>	<b><u>L.E.(000)</u></b>	<b><u>L.E.(000)</u></b>
Total deferred tax asset / (liability)	179 081	(1 537 977)	213 188	(1 462 286)
Net deferred tax liability	-	<b><u>(1 358 896)</u></b>	-	<b><u>(1 249 098)</u></b>
Deferred tax charged to income statement for the period / year		<b><u>(109 798)</u></b>		<b><u>(243 365)</u></b>

**24-2 Unrecognized deferred tax assets**

	<b>31/3/2020</b>	<b>31/12/2019</b>
	<b><u>L.E.(000)</u></b>	<b><u>L.E.(000)</u></b>
Unrecognized deferred tax assets	<b><u>620 945</u></b>	<b><u>573 096</u></b>

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

**25. CAPITAL COMMITMENTS**

The group's capital commitments for the unexecuted parts of contracts up to March 31, 2020 amounted to L.E 802 Million (against L.E. 781 Million up to December 31, 2019).

**26. CONTINGENT LIABILITIES**

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

	<b>31/3/2020</b>	<b>31/12/2019</b>
	<b><u>L.E. (000)</u></b>	<b><u>L.E. (000)</u></b>
- Letters of guarantee issued by banks on behalf of the company*	1 093 349	1 100 298
- Letters of credit	960 280	2 796 897

\*Includes letters of guarantee which were issued by banks at March 31, 2020 against restricted cash and cash equivalents at banks (note no.18).

## **27. TAX POSITION (Telecom Egypt Company)**

### **27-1 Corporate tax**

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

### **27- 2 Value added Tax /Sales**

- Tax inspection for the years 2010 untill 2015 was performed and the tax differences were settled and the company didn't pay the additional tax, lawsuit was raised regarding it.
- Tax inspection for the year 2016 , 2017 is in process.
- Tax returns were submitted according to the value added tax law and the accrued taxes were paid.

### **27- 3 Salary Tax**

- Tax inspection was performed for the years till December 31 ,2014, and the Company was notified with tax differences and all due taxes were settled and the company objected on disputed item and follow up the matter.
- Tax inspection for the year 2015 is in process.

### **27- 4 Stamp Tax**

- Tax inspection for the period from March 27, 1998 to December 31, 2000 was performed for certain sectors and the company was notified with assessment basis, the company objected and appealed on the disputed items on the due dates and provisions were formed to meet any liabilities.
- 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.

### **27- 5 Real Estate Tax**

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

**28. RELATED PARTY TRANSACTIONS**

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

	Transactions volume		Nature of transactions during the period	Movement during the period		Balance as of	
	during the period stated in the statement of income			during the period		31/3/2020	
	LE 000	LE 000		Debit LE 000	Credit LE 000	Debit (Credit) LE 000	Debit (Credit) LE 000
<b>Debit balances due from associates</b>							
- Consortium Algerien de Telecommunications (CAT)**	-	-	Paid on behalf of associate to finance operating expenses	-	-	-	453 902
- International Telecommunication Consortium Limited (ITCL)**	-	-	-	-	-	-	66
<b>Credit balances due to associates</b>							
- Vodafone Egypt Telecommunications Company	478 738		Outgoing calls and voice services to the associate company			( 503 753)	( 1 047 999)
		331 001	Incoming and international calls, transmission & lease of company premises and towers to the associates company	2 918 423	2 374 177		
		3 101	Telecommunications services	8 429	8 317	( 1 531)	( 1 643)
				<b>2 926 852</b>	<b>2 382 494</b>	<b>( 505 284)</b>	<b>( 1 049 642)</b>

\*The Balance represented in the value of the finance provided by Telecom Egypt to Consortium Algerien 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). In the light of these circumstances, there is high probability that will not be able to collect the finance given to Consortium Algerien de Telecommunication Company. In the light of these circumstances, there is high probability that will not be able to collect the finance given to Consortium Algerien de Telecommunication Company

\*\* The balances are fully impaired due to company's inability to recover this amount and the debt was settled against the formed impairment according to the Company's Board Of Director in this regard.

**29. GROUP ENTITIES**

Company's direct and indirect share in subsidiaries companies on March 31, 2020 which were included in the condensed consolidated interim financial statements is as follows:

<u>Company name:</u>	<u>Country of incorporation</u>	<u>Ownership interest</u>	
		<u>31/3/2020</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 %
Centra Technologies	Egypt	100.00 %	100.00 %
Centra Industries	Egypt	100.00 %	100.00 %
Telecom Egypt Globe	Singapore	100.00 %	100.00 %
Egyptian international submarine cables company (Eiscc)	Egypt	100.00 %	100.00 %
Middle East and North Africa Submarine Cable Company ( MENA CABLE )	Egypt	100.00 %	100.00 %
Mena Company For Submarine Cable Company ( MENA CABLE ITALY )	Italy	100.00 %	100.00 %
Centra Distribution	Egypt	99.99 %	99.99 %
Middle East Radio Communication (MERC)	Egypt	51.00 %	51.00 %

**30 -CLAIMS AND LITIGATION:****30-1 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 the 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. The lawsuit is under investigation and analysis by the Committee of technical and financial experts and the committee has not completed its mission up to date.



**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 the claiming telecom operators (Etisalat Misr & its subsidiaries) and TE are still in the stage of submitting documents before the experts' committee.

### **30-2 The dispute between Telecom Egypt and Orange Egypt Company**

On February 20, 2019, Orange Egypt filed a lawsuit 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.

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.

On June 3, 2020, the court issued a decision delegating a panel of experts from the Egyptian Competition Protection Authority "ECA", and the case is postponed to its session of July 5, 2020.

**Moreover, the Legal Adviser of the TE's** believes that it is not possible to stand up to date on the legal position in the case due to the lack of documents submitted by the claiming company and refer the invitation to The Committee of Experts.

**31. COMPARATIVE FIGUERS**

- Restatement and Reclassification were made to some of the comparative figuers of the condensed consolidated statement of financial position, the condensed consolidated statement of income and condensed consolidated statement of cash flows to conform to the current presentation of the condensed consolidated interim financial statements.
- The following is the effect of restatement and reclassification on the condensed consolidated interim financial statements:

**31-1 Effect on the condensed consolidated statement of financial position:**

	<u>31/12/2019</u> <u>as previously reported</u> <u>debit / (credit)</u> <u>L.E.(000)</u>	<u>Reclassification</u> <u>debit / (credit)</u> <u>L.E.(000)</u>	<u>31/12/2019</u> <u>Reclassified</u> <u>debit / (credit)</u> <u>L.E.(000)</u>
Legal Reseves	(4 762 106)	( 519)	(4 762 625)
Retained earning	(13 379 060)	( 3 556)	(13 382 616)
foreign intitities translation reserve	6 548	4 075	10 623

**31-2 Effect on the condensed consolidated statement of income:**

	<u>31/3/2019</u> <u>as previously</u> <u>reported</u> <u>LE(000)</u>	<u>Restatement</u> <u>(debit) / credit</u> <u>LE(000)</u>	<u>31/3/2019</u> <u>Restated</u> <u>LE(000)</u>
General and administrative expenses	( 802 983)	( 5)	( 802 988)

**31-3 Effect on the condensed consolidated statement of cash flows:**

	<u>For the three months ended</u> <u>31/3/2019</u> <u>as previously</u> <u>reported</u> <u>LE(000)</u>	<u>Reclassification</u> <u>LE(000)</u>	<u>For the three months ended</u> <u>31/3/2019</u> <u>Reclassified</u> <u>LE(000)</u>
Cash receipts from customers	6 420 356	144 936	6 565 292
Payments for NTRA license fees	( 198 598)	( 144 936)	( 343 534)
Payments for purchase of fixed assets , other assets and projects in progress	(2 109 727)	25 000	(2 084 727)
Payments for purchase of other assets	( 703)	( 25 000)	( 25 703)

### **32- SIGNIFICANT EVENTS**

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

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

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

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

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.

#### **The main risks that defined by crisis management team and approved by the compan as following :**

##### **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 until the middle of June 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 first-quarter revenue compared to the comparable period in all business units to reflect the absence of the negative impact of Coronavirus on the company's revenue, and the company's sales plans have been reviewed and updated to be suitable for the current events.

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

It is evident from the above, that until now there is no negative impact on the Telecom Egypt's financial statements, during the financial period ended March 31, 2020 as well as during the subsequent periods to the financial statements.

**33- SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied in the preparation of the condensed consolidated interim financial statements as of March 31, 2020 is the same as the accounting policies applied in the preparation of the annual Consolidated financial statements as of December 31, 2019, these accounting policies have been applied consistently to all periods presented in these condensed Consolidated interim financial.

Restatement and reclassification were made to some of comparative figures of the condensed consolidated interim financial statements (note no.31).

**34- New issues and amendments issued to the Egyptian Accounting Standards:**

On 18 March 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</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>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.</p>

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	<p>models, which requires the measurement 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> <li>Egyptian Accounting Standard No. (40) "Financial Instruments: Disclosures"</li> </ul>		<p>These amendments shall be effective from the date of application of the standard 47.</p>
<p>New Accounting Egyptian Standard No. (48) "Revenue from contracts with customers"</p>	<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</p>	<p>Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.</p>	<p>Standard No. 48 is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted.</p> <p>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.</p>

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	<p>recover those costs and the recognition of the costs of fulfilling the contract as an asset when specific conditions are met.</p> <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</p>	Management is currently assessing the potential impact on the financial statements when applying the amendment to the 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.</p> <p>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.</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.</p>

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	as income either on a straight-line basis or on another regular basis.		95 of 1995 was canceled And issuing law No. 176 of 2018
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 "	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	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.
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	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	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

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
			31, 2020, starting from January 1, 2020.
Egyptian Accounting Standard No. (22) "Earnings per share"	The scope of adoption of the Standard has been amended to be binding on the separate, consolidated or individual financial statements issued to all entities.	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Amendment applies to financial periods beginning on or after 1 January 2019.
Amended Egyptian Accounting Standard No. (4) "Statement of Cash flows"	An entity is required to provide disclosures that enable users of the financial statements to assess changes in liabilities arising from financing activities, including both changes resulting from cash flows or non-cash changes.	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	Amendment applies to financial periods beginning on or after 1 January 2019