

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

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(An Egyptian Joint Stock Company)
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For The Three Months Ended March 31, 2020
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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

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

Introduction

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

Scope of Limited Review

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

Conclusion

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



Hazem Hassan

Translation from Arabic

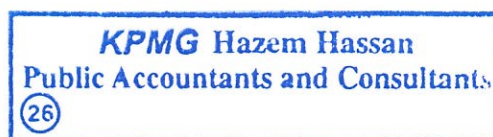
Emphasis of Matter

Without qualifying our conclusion, we draw attention to note no. (29) of the notes to the condensed separate 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 Separate Statement of Financial Position As of:

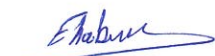
	Note No.	31/3/2020 L.E. (000)	31/12/2019 L.E. (000)
Assets			
<u>Non Current Assets</u>			
Fixed assets	(11)	31 333 329	29 829 655
Projects in progress	(12)	4 995 768	6 763 708
Investments in subsidiaries and associates	(13)	6 644 879	6 644 879
Available-for-sale investments		78 561	78 561
Other assets	(14)	9 654 186	9 801 690
Deferred tax assets	(24-1)	178 715	212 816
Total Non Current Assets		52 885 438	53 331 309
<u>Current Assets</u>			
Inventories	(15)	1 804 979	1 839 458
Trade receivables	(16)	5 050 825	4 095 375
Debtors and other debit balances	(17)	5 401 853	5 194 549
Debit balances with subsidiaries and associates	(28)	220 653	41 539
Cash and cash equivalents	(18)	876 321	791 558
Total Current Assets		13 354 631	11 962 479
Total Assets		66 240 069	65 293 788
<u>Equity</u>			
Capital	(22)	17 070 716	17 070 716
Reserves	(23)	4 903 361	4 640 565
Retained earnings		6 465 578	7 265 622
Total Equity		28 439 655	28 976 903
<u>Non Current Liabilities</u>			
Loans and credit facilities	(19)	4 330 152	4 785 550
Creditors and other credit balances	(20)	5 438 232	4 975 712
Deferred tax liabilities	(24-1)	852 660	822 478
Total Non Current Liabilities		10 621 044	10 583 740
<u>Current Liabilities</u>			
Loans and credit facilities installments due within one year	(19)	12 644 652	11 651 026
Creditors and other credit balances	(20)	10 102 295	9 782 411
Accrued credit accounts to subsidiaries and associates	(28)	3 764 419	3 631 704
Provisions	(21)	668 004	668 004
Total Current Liabilities		27 179 370	25 733 145
Total Liabilities		37 800 414	36 316 885
Total Equity and Liabilities		66 240 069	65 293 788

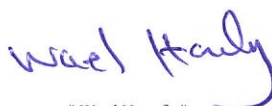
The attached notes on pages (8) to (28) are an integral part of these condensed separate interim financial statements.

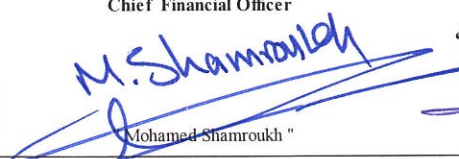
Director of Financial Affairs

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

Limited Review Report "attached"


 "Maged Osman"

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

	Note	<u>For the three months ended</u>	
		<u>31/3/2020</u>	<u>31/3/2019</u>
		<u>L.E.(000)</u>	<u>L.E.(000)</u>
Operating revenues	(3)	5 457 916	4 930 987
Operating costs	(4)	(3 703 453)	(3 161 860)
Gross Profit		1 754 463	1 769 127
Other operating income		138 828	107 120
Selling and distribution expenses	(5)	(562 769)	(364 207)
General and administrative expenses	(6)	(687 267)	(680 641)
Other operating expenses		(62 049)	(6 971)
Operating profit		581 206	824 428
Finance income		422 014	455 532
Finance cost		(412 421)	(392 354)
Net finance income	(7)	9 593	63 178
Income from investments in subsidiaries and associates	(8)	182 703	4 872 353
Profit before tax		773 502	5 759 959
Income tax expense		(142 305)	(493 401)
Deferred tax	(24-1)	(64 283)	41 671
Total income tax		(206 588)	(451 730)
Net profit for the period		566 914	5 308 229
Basic and diluted earning per share for the period (L.E. / Share)	(10)	0.33	3.11

The attached notes on pages (8) to (28) are an integral part of these condensed separate interim financial statements.

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

	<u>For the three months ended</u>	
	31/3/2020	31/3/2019
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Net profit for the period	566 914	5 308 229
Other Comprehensive Income items	<u>-</u>	<u>-</u>
Total Comprehensive Income	<u>566 914</u>	<u>5 308 229</u>

The attached notes on pages (8) to (28) are an integral part of these condensed separate interim financial statements.

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Condensed Separate Statement of Changes In Equity
For the three Months Ended March 31, 2020

	Capital L.E. (000)	Legal reserve L.E. (000)	Other reserves L.E. (000)	Retained earnings L.E. (000)	Total L.E. (000)
Balance as of January 1, 2019	17 070 716	1 781 454	2 796 578	2 953 141	24 601 889
<u>Comprehensive income</u>					
Net profit for the period	-	-	-	5 308 229	5 308 229
Other comprehensive income items	-	-	-	-	-
Total comprehensive income	-	-	-	5 308 229	5 308 229
<u>Transactions with shareholders</u>					
Transferred to legal reserve	-	62 533	-	(62 533)	-
Dividends for year 2018 (Shareholders)	-	-	-	(426 768)	(426 768)
Dividends for year 2018 (Employees & Board of Directors)	-	-	-	(634 701)	(634 701)
Total transactions with shareholders	-	62 533	-	(1 124 002)	(1 061 469)
Balance as of March 31, 2019	17 070 716	1 843 987	2 796 578	7 137 368	28 848 649
Balance as of January 1, 2020	17 070 716	1 843 987	2 796 578	7 265 622	28 976 903
<u>Comprehensive income</u>					
Net profit for the period	-	-	-	566 914	566 914
Other comprehensive income items	-	-	-	-	-
Total comprehensive income	-	-	-	566 914	566 914
<u>Transactions with shareholders</u>					
Transferred to legal reserve	-	271 824	-	(271 824)	-
Dividends for year 2019 (Shareholders)	-	-	-	(426 768)	(426 768)
Dividends for year 2019 (Employees & Board of Directors)	-	-	-	(668 366)	(668 366)
Disposals land & building	-	-	(9 028)	-	(9 028)
Total transactions with shareholders	-	271 824	(9 028)	(1 366 958)	(1 104 162)
Balance as of March 31, 2020	17 070 716	2 115 811	2 787 550	6 465 578	28 439 655

The attached notes on pages (8) to (28) are an integral part of these condensed separate interim financial statements.

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

	Note No.	For the three months ended:	
		31/3/2020	31/3/2019
		L.E.(000)	Reclassified L.E.(000)
<u>Cash flows from operating activities</u>			
Cash receipts from customers		3 975 158	4 281 222
Cash receipts from related party		1 279 746	1 155 521
Value added tax collected from customers		110 719	103 720
Stamp tax and fees collected from third party		26 179	25 645
Deposits collected from customers		372	205
Cash paid to suppliers		(1 299 619)	(1 353 065)
Payments for NTRA license fees		(168 802)	(146 890)
Dividends paid to employees and Board of Directors		(8 594)	(5 619)
Cash paid to employees and Board of Directors		(1 109 202)	(1 202 825)
Cash paid on behalf of employees to third party		(205 665)	(217 827)
Cash provided by operating activities		2 600 292	2 640 087
Interest paid		(304 967)	(300 269)
Payments to Tax Authority - value added tax		(201 629)	(233 199)
Payments to Tax Authority - other taxes		(303 346)	(290 843)
Other (payments) proceeds		(98 210)	264 739
Net cash provided by operating activities		1 692 140	2 080 515
<u>Cash flows from investing activities</u>			
Payments for purchase of fixed assets , other assets and projects in progress		(2 247 230)	(2 033 074)
Payments for purchase of other assets		(25 000)	(25 000)
Interest received		3 207	2 984
Dividends collected from investments		-	4 625 766
Net cash (used in) provided by investing activities		(2 269 023)	2 570 676
<u>Cash flows from financing activities</u>			
Payments for loans and other facilities		(361 322)	-
Proceeds (Payments) from credit facilities		1 022 968	(4 172 495)
Net cash provided by (used in) financing activities		661 646	(4 172 495)
Net change in cash and cash equivalents during the period		84 763	478 696
Cash and cash equivalents at the beginning of the period	(18)	685 719	187 604
Cash and cash equivalents at the end of the period	(18)	770 482	666 300

The attached notes on pages (8) to (28) are an integral part of these condensed separate interim financial statements.

Telecom Egypt Company
(An Egyptian Joint Stock Company)

Notes to the Condensed Separate 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 the condensed separate interim financial statements

- These Condensed Separate Interim Financial Statements were approved by the company's Board of Directors for issuance on June 10, 2020.

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

2-1 Statement of compliance

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

2-2 Basis of measurement

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

2-3 Functional and presentation currency

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

2-4 Use of estimates

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

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

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

2-5 Fair value measurement

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

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

When the discounted cash flows 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

	For the three months ended :	
	31/3/2020	31/3/2019
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Home and personal communications	1 034 760	779 626
Enterprise	401 364	485 735
Domestic wholesale	2 404 603	2 234 542
International carriers	1 135 804	1 128 307
International cables and networks	481 385	302 777
	<u>5 457 916</u>	<u>4 930 987</u>

Total operating revenues have increased by an amount of L.E. 526 929 K mainly due to the increase in home and personal communications revenues by an amount of L.E. 255 134 K due to the increase in revenues resulting from subscription fees of fixed line and rendering mobile phone services, in addition to increase in international cables and networks revenues by an amount of L.E. 178 608 K and the increase in domestic wholesale revenues by an amount of L.E. 170 061 K due to the increase in access service revenue, however the decrease in enterprise revenues by an amount of L.E. 84 371 K led to the limitation of this increase.

4. OPERATING COSTS

	For the three months ended :	
	31/3/2020	31/3/2019
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Interconnection cost	1 369 927	1 133 768
Depreciation and amortization	1 043 193	741 883
Salaries and wages	523 149	552 838
Company's social insurance contribution	58 052	68 617
Frequencies and licenses charges (NTRA)	190 742	166 671
Other operating cost	518 390	498 083
	<u>3 703 453</u>	<u>3 161 860</u>

Operating costs have increased by an amount of L.E. 541 593 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 and national roaming fees.
- The increase in the depreciation and amortization item by an amount of L.E. 301 310 K due to the additions of the last year after the first quarter and the current period.

5. SELLING AND DISTRIBUTION EXPENSES

	For the three months ended :	
	31/3/2020	31/3/2019
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Salaries and wages	198 000	149 918
Company's social insurance contribution	21 252	20 899
Advertising and marketing	96 961	91 928
Organizations services costs	130 673	34 875
Commissions	76 426	34 766
Depreciation	1 784	1 484
Other selling and distribution expenses	37 673	30 337
	<u>562 769</u>	<u>364 207</u>

The increase in selling and distribution expenses by an amount of L.E 198 562 K mainly due to the increase in organizations services costs by an amount of L.E 95 798 K, the increase in salaries and wages item by an amount of L.E 48 082 K and the increase in commissions item by an amount of L.E 41 660 K.

6. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>Note</u> <u>No.</u>	For the three months ended :	
		31/3/2020	31/3/2019
		<u>L.E. (000)</u>	<u>L.E. (000)</u>
Salaries and wages		427 396	432 723
Company's social insurance contribution		33 203	37 504
The company's contribution in loyalty and belonging fund	(9-2)	45 000	69 045
Depreciation		8 775	9 228
Tax and duties		22 854	29 459
Organizations services costs and consultants		107 078	62 896
Other general and administrative expenses		42 961	39 786
		<u>687 267</u>	<u>680 641</u>

The increase in general and administrative expenses by an amount of L.E 6 626 K mainly due to the increase in organizations services costs and consultants item by an amount of L.E 44 182 K, however the decrease in both of the company's contribution in loyalty and belonging fund item by an amount of L.E 24 045 K and tax and duties item by an amount of L.E 6 605 K led to the limitation of this increase.

7. NET FINANCE INCOME

	<u>For the three months ended :</u>	
	<u>31/3/2020</u>	<u>31/3/2019</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Total finance income	422 014	455 532
Total finance cost	(412 421)	(392 354)
Net finance income	9 593	63 178

The decrease in net finance income by an amount of L.E 53 585 K during the period is mainly due to the decrease in reversal of impairment loss on financial assets by an amount of L.E 22 683 K in addition to the increase in debit interests by an amount of L.E 10 026 K, however the increase in translation profits of foreign currencies balances and transactions by an amount of L.E 13 175 K led to the limitation of this decrease.

8. INCOME FROM INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

	<u>For the three months ended :</u>	
	<u>31/3/2020</u>	<u>31/3/2019</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Vodafone Egypt Telecommunications Company	-	4 854 141
WE-Data	100 000	10 000
Middle East Radio Communication (MERC)	5 513	5 915
The Egyptian Telecommunication Company for information system (Xceed)	62 500	1 562
Centra for Technology (centra)	14 690	735
	182 703	4 872 353

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

9. EMPLOYEE'S BENEFITS

9-1 Early retirement scheme

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

First: The important conditions of the optional early retirement

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

Second: The most important benefits of an optional early retirement

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

	<u>For the three months ended :</u>	
	<u>31/3/2020</u>	<u>31/3/2019</u>
Net profit for the period (LE in thousand)	566 914	5 308 229
Number of shares available during the period	1707 071 600	1707 071 600
Basic and diluted earnings per share for the period (LE / share)	<u>0.33</u>	<u>3.11</u>

11. FIXED ASSETS

Description	31/3/2020 Cost <u>L.E.(000)</u>	31/3/2019 Cost <u>L.E.(000)</u>	31/3/2020 Accumulated depreciation <u>L.E.(000)</u>	31/3/2019 Accumulated depreciation <u>L.E.(000)</u>	31/3/2020 Net <u>L.E.(000)</u>	31/3/2019 Net <u>L.E.(000)</u>	31/12/2019 Net <u>L.E.(000)</u>
Land	2 338 952	2 344 437	-	-	2 338 952	2 344 437	2 349 427
Buildings & Infrastructure	34 653 631	29 627 075	16 169 645	15 453 992	18 483 986	14 173 083	18 180 122
Centrals & information technologies equipment	30 723 409	27 709 026	20 476 301	20 895 569	10 247 108	6 813 457	9 079 808
Vehicles	171 229	138 991	108 264	104 535	62 965	34 456	61 407
Furniture	387 802	351 591	289 925	264 778	97 877	86 813	101 606
Tools & supplies	203 684	142 852	101 243	86 005	102 441	56 847	57 285
Total	68 478 707	60 313 972	37 145 378	36 804 879	31 333 329	23 509 093	29 829 655

- The increase in net carrying value of fixed assets mainly due to the additions during the period by an amount of L.E.2 406 451 K, however the depreciation of the period by an amount of L.E. 886 857 K led to limitation of this increase.
- The cost of fixed assets as of March 31, 2020 includes an amount of L.E. 21 249 Million fully depreciated fixed assets and still in use.

12. PROJECTS IN PROGRESS

	31/3/2020 <u>LE (000)</u>	31/12/2019 <u>LE (000)</u>
Land	11 894	11 894
Buildings and Infrastructure	766 284	1 107 310
Furniture	19 356	19 404
Tools and supplies	6 132	56 940
Centrals and information technology equipment	3 084 710	4 556 746
Other Assets (cables)	221 355	255 420
Advanced payments - fixed assets	886 037	755 994
	<u>4 995 768</u>	<u>6 763 708</u>

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

13. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

	31/3/2020		31/12/2019	
	Ownership %	Amount L.E. (000)	Ownership %	Amount L.E. (000)
Telecom Egypt France (TE France)	100.00	69 220	100.00	69 220
WE Data	99.99	252 461	99.99	252 461
TE Investment Holding	99.99	39 998	99.99	39 998
Egyptian international submarine cables company (Eiscc)	99.00	267 578	99.00	267 578
Egyptian Telecommunication for Information System (Xceed)	97.66	31 250	97.66	31 250
Centra Technology (centra)	58.76	14 737	58.76	14 737
Wataneya for Telecommunications	50.00	125	50.00	125
International Telecommunications Consortium limited (ITCL)	-	-	50.00	54
Middle East Radio Communication (Merc)	49.00	7 350	49.00	7 350
Vodafone Egypt Telecommunications Company	44.95	5 960 054	44.95	5 960 054
Egypt Trust	35.71	10 000	35.71	10 000
Consortium Algerien de Telecommunications	-	-	33.00	133
		6 652 773		6 652 960
Less:				
Impairment loss on investments of subsidiaries and associates*		7 894		8 081
		6 644 879		6 644 879

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

14. OTHER ASSETS

	31/3/2020 L.E. (000)	31/12/2019 L.E. (000)
Cost		
Fourth generation network license	8 633 330	8 633 330
Submarine cables (right of way)	1 935 892	1 916 501
Right of way (National)	522 722	522 722
Land (possession-usufruct)	440 684	440 684
Licenses and programs	104 465	160 847
	11 637 093	11 674 084
Less:		
Accumulated amortization	1 982 907	1 872 394
Net carrying amount	9 654 186	9 801 690

- The decrease in net carrying value of other assets mainly due to the amortization of the period by an amount of L.E 166 895 K.
- Other assets amortization is charged to operating costs.
- Other assets cost includes at March 31, 2020 an amount of L.E 167 Million, other assets fully amortized and still in use in operating.

15. INVENTORIES

Notes to the Condensed Separate Interim Financial Statements
For The Three Months Ended March 31, 2020 (continued)

Translation from Arabic

	31/3/2020	31/12/2019
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Spare parts	1 051 269	1 011 876
Material supplies ,Merchandise for sale and Letters of credit	227 350	188 928
Others – cables and supplies	526 360	638 654
	<u>1 804 979</u>	<u>1 839 458</u>

The value of inventories was written down by an amount of L.E. 20 586 K (against L.E. 20 586 K as at December 31, 2019) for obsolete and slow-moving items directly from the cost of each type of related inventory.

16. TRADE RECEIVABLES

	31/3/2020	31/12/2019
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Trade Receivables - National	4 092 714	3 676 764
Trade Receivables - International	2 702 980	2 345 236
	<u>6 795 694</u>	<u>6 022 000</u>
Less:		
Impairment loss on trade receivables	1 744 869	1 926 625
	<u>5 050 825</u>	<u>4 095 375</u>

- Trade receivables balance has increased by an amount of L.E 955 450 K mainly due to the increase in both of trade receivables – domestic whole sale by an amount of L.E 578 851 K and trade receivables - international cables and networks by an amount of L.E 306 314 K and trade receivables - international carriers by an amount of L.E 51 430 K, however the decrease in trade receivables-enterprise by an amount of L.E 190 070 K led to the limitation of this increase.

17. DEBTORS AND OTHER DEBIT BALANCES

	31/3/2020	31/12/2019
	<u>LE (000)</u>	<u>LE (000)</u>
Suppliers – debit balances	1 223 443	595 086
Tax Authority - value added tax	1 424 303	1 826 670
Tax Authority - withholding tax	563 031	527 885
Due from ministries, organizations and companies	891 302	717 083
Deposites with others	241 423	242 622
Accrued revenues	192 491	16 452
Temporary debts due from employees	165 639	659 841
Tax authority - income tax	29 553	29 481
Other debit balances	734 939	643 766
	<u>5 466 124</u>	<u>5 258 886</u>
Less:		
Impairment loss on debtors and other debit balances	64 271	64 337
	<u>5 401 853</u>	<u>5 194 549</u>

Debtors and other debit net balances have increased by an amount of L.E. 207 304 K mainly due to the increase in suppliers - debit balances by an amount of L.E. 628 357 K and due from ministers, organizations and companies by an amount of L.E 174 219 K and accrued revenue by an amount of L.E. 176 039 K, however the decrease in tax authority – value added tax by an amount of L.E 402 367 K and temporary debts due from employees by an amount of L.E 494 202 K as a result for the employees profits dividends for 2019 led to the limitation of this increase.

18. CASH AND CASH EQUIVALENTS

18. CASH AND CASH EQUIVALENTS

	Note No.	31/3/2020 L.E. (000)	31/12/2019 L.E. (000)	31/3/2019 L.E. (000)
Banks - time deposits (less than 3 months)		265 878	174 042	124 197
Banks - current accounts		602 574	616 040	547 228
Cash on hand		7 869	1 476	8 661
Cash and cash equivalents		876 321	791 558	680 086
Less:				
Restricted cash and cash equivalents at banks	(26)	105 839	105 839	13 786
Cash and cash equivalents as per cash flows statement		770 482	685 719	666 300

19. LOANS AND CREDIT FACILITIES

- The increase in the balance of loans and credit facilities by an amount of L.E 538 228 K mainly resulting from proceeds of loans and credit facilities with local and foreign currencies amounted to L.E. 1 022 968 K, where loans and credit facilities with local and foreign currencies in March, 31 2020 amounted to L.E. 16 974 804 K (against L.E. 16 436 576 K at 31 December, 2019) due within a year by an amount of L.E. 12 644 652 K, including credit facilities by an amount of L.E. 11 191 986 K.

20. CREDITORS AND OTHER CREDIT BALANCES

	Note No.	31/3/2020 L.E (000)	31/12/2019 L.E (000)
Suppliers		744 265	906 333
Tax Authority-Income Tax		263 765	130 618
Tax Authority (taxes other than income tax)		486 567	534 813
Deposits from others		489 367	490 793
Liabilities of early retirement scheme	(9-1)	98 574	108 262
Assets creditors		8 702 661	9 965 501
Dividends payable		427 538	770
Accrued expenses		704 159	644 086
Public Authority for Social Insurance		55 870	52 965
Trade receivables - credit balances		378 467	368 128
Credit balances- organizations and companies		283 083	233 350
Deferred revenue		1 639 555	345 817
National Telecommunication Regulatory Authority (NTRA)		599 751	452 925
Other credit balances		666 905	523 762
		15 540 527	14 758 123
Less balances due within more than one year:			
Assets creditors		5 407 237	4 944 717
Deferred revenue		30 995	30 995
Non current creditors and other credit balances		5 438 232	4 975 712
Current creditors and other credit balances		10 102 295	9 782 411
Total creditors and other credit balances		15 540 527	14 758 123

Creditors and other credit balances have increased by an amount of L.E.782 404 K mainly due to the increase in deferred revenue by an amount of L.E 1 293 738 K, dividends payable item by an amount of L.E 426 768 K due to 2019 dividends, national telecommunication regulatory authority (NTRA) by an amount of L.E 146 826 K and tax authority – income tax item by an amount of L.E 133 147 K and other credit balances item by an amount of L.E 143 143 K, however the decrease in both of assets creditors item by an amount of L.E 1 262 840 K and suppliers item by an amount of L.E 162 068 K led to the limitation of this increase.

21. PROVISIONS

	31/3/2020	31/12/2019	31/3/2019
	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Balance at the beginning of the period / year	668 004	638 004	638 004
Reclassification during the period/year	-	-	-
Charged to income statement for the period / year	-	31 418	-
Used during the period / year	-	(1 418)	-
Balance at the end of the period / year	<u>668 004</u>	<u>668 004</u>	<u>638 004</u>

22. CAPITAL

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

23. RESERVES

	31/3/2020	31/12/2019
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Legal reserve	2 115 811	1 843 987
Other reserves	2 787 550	2 796 578
	<u>4 903 361</u>	<u>4 640 565</u>

The balance of legal reserve have increased as a result of retaining an amount of L.E. 271 824 K from the profit of 2019 in accordance with the company's articles of association.

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

	31/3/2020		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>
Total deferred tax asset / (liability)	178 715	(852 660)	212 816	(822 478)
Net deferred tax liability	-	<u>(673 945)</u>	-	<u>(609 662)</u>
Deferred tax charged to the income statement for the period / year		<u>(64 283)</u>		<u>(264 550)</u>

24-2 Unrecognized deferred tax assets

	31/3/2020	31/12/2019
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Unrecognized deferred tax assets	<u>510 436</u>	<u>510 436</u>

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

25. CAPITAL COMMITMENTS

The company's capital commitments for the unexecuted parts of contracts until March 31, 2020 amounted to L.E. 735 Million (against L.E.738 Million at the year ended December 31, 2019).

26. CONTINGENT LIABILITIES

In addition to the amounts included in the condensed separate statement of financial position, the company has the following contingent liabilities as at March 31, 2020:

	31/3/2020	31/12/2019
	<u>LE (000)</u>	<u>LE (000)</u>
- Letters of guarantee issued by banks on behalf of the company*	986 700	982 252
- Letters of credit	960 280	2 796 897

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

27. TAX POSITION

27-1 Corporate tax

- Tax inspection was performed for the years till December 31, 2015 and all due taxes were settled.
- Tax inspection for the year 2016 , 2017 is in process.
- Tax return was submitted according to 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.
- 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.

Notes To The Condensed Separate Interim Financial Statements
For The Three Months Ended March 31, 2020 (continued)

28. RELATED PARTY TRANSACTIONS

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

Transactions with subsidiaries & associates

Debit balances due from subsidiaries and associates

- Consortium Algerien de Telecommunications (CAT)*
- International Telecommunication Consortium Limited (ITCL)*
- Egyptian Telecommunication Company for Information Systems
- Egyptian Telecommunication Company for Information Systems

Credit balances due to subsidiaries and associates

- WE Data
- WE Data
- Egyptian Telecommunication Company for Information Systems
- Egyptian Telecommunication Company for Information Systems
- Centra for Technologies
- Centra for Electronic Industries
- Middle East Radio Communication (MERC)
- TE investment Holding
- TE investment Holding
- Jordanian Egyptian Company for data transfer
- TE France
- Egyptian International Submarine Cables Company (EISCC)
- Egyptian International Submarine Cables Company (EISCC)
- Egyptian International Submarine Cables Company (EISCC)
- Mena Cable
- Mena Cable
- Mena Cable
- Mena Cable
- Vodafone Egypt Telecommunications Company
- Vodafone Egypt Telecommunications Company

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

*Long-term debit balances amounted to L.E. 453 902 K are 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 and the debt was settled against the formed provision according to the Company's Board Of Director in this regard.



Translation from Arabic

Nature of transaction during the year	Amount of transactions during the year stated in the income statement L.E. 000	Movement during the year		Balance as of 31/12/2019 Debit/(Credit) L.E. 000
		Debit L.E. 000	Credit L.E. 000	
Paid on behalf of associate to finance operating expenses	-	-	-	453 902
Services rendered from subsidiary company	107 325	12 924	124 486	66
Lease of subsidiary company premises, electricity claims, maintenance and Leased circuits and selling fixed assets	10 360	295 308	4 632	80 572
		308 232	129 118	41 539
Participation contract and Purchasing of fixed assets and services rendered from subsidiaries company	-	1 889 664	851 306	(169 538)
Leased circuits and information transfer network rendered	756 995	1 061 712	2 693 056	(975 669)
		2 951 376	3 544 362	(1 145 207)
Services rendered from subsidiary company/ Lease of subsidiary company premises, electricity claims, maintenance and Leased circuits and selling fixed assets	326 880	-	-	(37 227)
		-	-	37 227
Maintenance & supplying devices	96 014	21 801	109 458	(643 304)
Maintenance & supplying devices	515	171	587	(2 196)
Leased of information circuits	1 287	1 467	1 467	-
Rendered services from subsidiary company	30 111	38 380	35 017	(14 416)
Leased sites for subsidiary company	5	5	-	-
		38 385	35 017	(14 416)
Participation contract	12 693	2 890	3 272	(1 898)
		2 890	3 272	(1 898)
Participation contract	6 872	12 962	8 386	(71 770)
Leased sites for subsidiary company	5	5	-	-
Purchasing of intangible assets from subsidiaries company	-	-	-	(638 615)
Financing	-	4 407	3 850	557
		4 412	3 850	(638 615)
Maintenance - Rendered services from subsidiary company	1 573	212	1 573	(12 320)
Paid of expenses on behalf of parent company	-	12 541	51 055	(64 422)
Rendered services from subsidiary company	101	-	101	(101)
IRU Equipment upgrade - Rendered services from subsidiary company	-	35 278	-	(35 278)
Maintenance - Rendered services to subsidiary company	787	787	115	6 518
		48 818	52 844	(70 325)
Outgoing calls and voice services for associate company	478 738			
Incoming international calls, claims, transmissions, lease of locations and towers for the associate company	331 001	2 918 423	2 374 177	(503 753)
		6 000 705	6 133 420	(3 631 704)

29 –CLAIMS AND LITIGATION:**29-1 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.

29-2 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 (Orang 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

30. COMPARTIVE FIGURES

- Reclassification was made to some of the comparative figures of condensed separate statement of cash flows to conform to the current presentation of the condensed separate interim financial statements.

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

Effect on condensed Separate Statement of Cash Flows

	31/3/2019 as previously reported LE(000)	Reclassification LE(000)	31/3/2019 Reclassified LE(000)
Cash receipts from customers	4 136 286	144 936	4 281 222
Payments of NTRA license fees	(1 954)	(144 936)	(146 890)
Payments for purchase of fixed assets , project in progress and other assets	(2 058 074)	25 000	(2 033 074)
Payments for purchase of other assets	-	(25 000)	(25 000)

31- SIGNIFICANT EVENTS

The financial period ended on March 31, 2020, included a major global event through the outbreak of Coronavirus (Covid-19) which 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 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

32- SIGNIFICANT ACCOUNTING POLICIES

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

- Restatement and reclassification were made to some of comparative figures of the condensed separate statement of cash flows (note no.30).

33- 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"	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. 2. In accordance with the requirements of the Standard, financial assets are classified based on subsequently measured at their amortized	Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.	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. During the year 2020, the Financial Regulatory Authority postponed the application of the standard to the quarterly financial statements for 2020, to

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	<p>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 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"> - Egyptian Accounting Standard No. (1) "Presentation of Financial Statements", amended 2019 - Egyptian Accounting Standard No. (4) "Statement of Cash Flows" - Egyptian Accounting Standard No. (25) "Financial Instruments: Presentation" - Egyptian Accounting Standard No. (26) "Financial Instruments: Recognition and Measurement" Egyptian Accounting Standard No. (40) "Financial Instruments: Disclosures" 		<p>be applied to the annual financial statements on December 31, 2020, starting from January 1, 2020.</p> <p>These amendments shall be effective from the date of application of the standard 47.</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>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</p>

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	<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> <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>		on December 31, 2020, starting from January 1, 2020.
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>	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</p>

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
	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.		the beginning of the annual report period, in which law No. 95 of 1995 was canceled And issuing law No. 176 of 2018
Amended Egyptian Accounting Standard No. (42) "Consolidated financial statements"	<p>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</p> <ul style="list-style-type: none"> - 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.	<p>Standard No. 42 is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted</p> <p>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.</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>
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.	<p>Standard No. (38) 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>
Egyptian Accounting Standard No. (22)	The scope of adoption of the Standard has been amended to be binding on the separate,	No effect	Amendment applies to financial periods beginning on or after 1 January 2019.

New or Amended Standards	Summary of the Most Significant Amendments	Potential impact on the Financial Statements	Adoption date
"Earnings per share"	consolidated or individual financial statements issued to all entities.		
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.	Has been applied on the current financial statement	Amendment applies to financial periods beginning on or after 1 January 2019.