

telecomegypt



**Telecom Egypt Company
Condensed Consolidated Interim Financial Statements
Prepared in Accordance with IFRSs
For The Nine Months Ended September 30, 2020
And Independent Auditor's Review Report**

Telecom Egypt Company
Condensed consolidated Interim Financial Statements
Prepared in Accordance with IFRSs
For The Nine Months Ended September 30, 2020
And Independent Auditor's Review Report

Index

<u>Explanation</u>	<u>Page Number</u>
- Independent Auditor's Review Report	1:2
- Condensed Consolidated Statement of Financial Position	3
- Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income	4
- Condensed Consolidated Statement of Changes in Equity	5
- Condensed Consolidated Statement of Cash Flows	6
- Notes to the Condensed Consolidated Interim Financial Statements	7:24



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 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 September 30, 2020 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with Egyptian Accounting Standard number (30) “Interim Financial Reporting”. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our limited review.

Scope of Limited Review

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 September 30, 2020 and of its consolidated financial performance and its consolidated cash flows for the nine months then ended in accordance with Egyptian Accounting Standard number (30) “Interim Financial Reporting”.



Hazem Hassan

Translation from Arabic

Emphasis of Matter

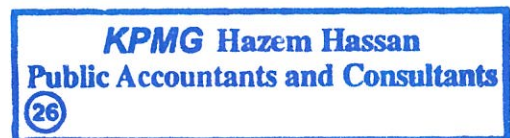
Without qualifying our conclusion, we draw attention to note no. (28) of the notes to the condensed consolidated interim financial statements, a dispute arose between the company and both Orange Egypt Company and Etisalat Misr Company and its subsidiaries (plaintiff companies) in regards to the company's 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**

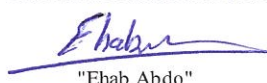
Cairo, December 17, 2020



Telecom Egypt Company
Condensed consolidated statement of financial position

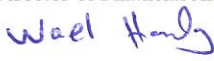
In thousands of Egyptian Pound	Note	30 September 2020	31 December 2019 <u>Reclassified</u>
Assets			
Property, plant and equipment	11	39 829 450	36 301 170
Intangible assets	12	10 270 986	10 823 421
Equity-accounted investees	13	11 631 334	10 763 157
Available-for-sale investments		98 023	79 811
Other financial assets		54 699	60 072
Deferred tax assets	22	291 518	341 223
Non-current assets		62 176 010	58 368 854
Inventories	14	2 159 154	2 353 882
Held-to-maturity investment (treasury bills)		-	25 829
Trade and other receivables	15	13 246 882	10 793 887
Cash and cash equivalents	16	1 305 123	1 433 184
Current assets		16 711 159	14 606 782
Total assets		78 887 169	72 975 636
Equity			
Share capital	17	17 070 716	17 070 716
Reserves	17	4 996 776	4 752 002
Retained earnings		14 469 418	12 441 313
Equity attributable to owners of the company		36 536 910	34 264 031
Non-controlling interests		12 406	14 904
Total equity		36 549 316	34 278 935
Liabilities			
Loans and credit facilities	19	3 636 882	4 785 550
Trade and other payables	20	5 993 148	5 376 579
Deferred revenue		283 498	308 313
Deferred tax liabilities	22	1 874 174	1 558 975
Non-current liabilities		11 787 702	12 029 417
Loans and credit facilities	19	14 518 467	11 666 363
Trade and other payables	20	12 506 645	12 374 926
Deferred revenue		1 564 187	803 743
Credit accounts due to associates		981 991	1 049 642
Provisions	21	978 861	772 610
Current liabilities		30 550 151	26 667 284
Total liabilities		42 337 853	38 696 701
Total equity and liabilities		78 887 169	72 975 636

Director of Financial Affairs



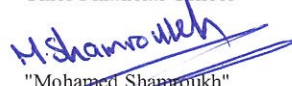
"Ehab Abdo"

Senior Director of Financial Affairs

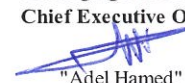


"Wael Hanafy"

Chief Financial Officer



"Mohamed Shamroukh"

Managing Director &
Chief Executive Officer


"Adel Hamed"

Board of Directors approval

Chairman



"Magd Osman"

Independent auditor's review report " attached "

The notes on pages 7 to 24 are an integral part of these condensed consolidated interim financial statements.

Telecom Egypt Company
Condensed consolidated statement of profit or loss and other comprehensive income

In thousands of Egyptian Pound	Note	For the nine months ended 30 September		For the three months ended 30 September	
		2020	2019 <u>Restated</u>	2020	2019 <u>Restated</u>
Continuing operations					
Revenue	5	22 219 324	19 041 849	7 387 513	6 347 003
Operating costs	6	(14 142 481)	(12 290 558)	(4 804 633)	(4 448 622)
Gross profit		8 076 843	6 751 291	2 582 880	1 898 381
Other income		338 022	316 755	109 553	144 638
Selling and distribution expenses	7	(2 204 705)	(2 106 699)	(707 168)	(580 389)
Administrative expenses	8	(2 523 350)	(3 824 510)	(774 779)	(1 201 244)
Impairment loss on trade and other receivables		(245 238)	25 572	(57 840)	4 917
Other expenses		(281 055)	(122 157)	(41 348)	(12 169)
Operating profit		3 160 517	1 040 252	1 111 298	254 134
Finance income		217 905	1 389 435	184 552	432 652
Finance costs		(1 107 025)	(1 082 517)	(197 032)	(367 540)
Net finance (cost) income	10	(889 120)	306 918	(12 480)	65 112
Share of profit of equity-accounted investees, net of tax		1 511 746	2 133 579	554 201	1 049 039
Profit for the period before tax		3 783 143	3 480 749	1 653 019	1 368 285
Income tax		(1 058 493)	(670 146)	(417 062)	(272 731)
Profit for the period		2 724 650	2 810 603	1 235 957	1 095 554
Other comprehensive income					
Foreign operations - foreign currency translation differences		(21 047)	(159 880)	(26 948)	(47 998)
Other comprehensive income , net of tax		(21 047)	(159 880)	(26 948)	(47 998)
Total comprehensive income		2 703 603	2 650 723	1 209 009	1 047 556
Profit attributable to:					
Owners of the company		2 721 633	2 806 679	1 235 428	1 093 903
Non - controlling interests		3 017	3 924	529	1 651
		2 724 650	2 810 603	1 235 957	1 095 554
Total comprehensive income attributable to:					
Owners of the company		2 700 586	2 646 799	1 208 480	1 045 905
Non - controlling interests		3 017	3 924	529	1 651
		2 703 603	2 650 723	1 209 009	1 047 556
Earning per share					
Basic earnings per share (LE)	18	1.59	1.64	0.72	0.64
Diluted earnings per share (LE)	18	1.59	1.64	0.72	0.64

The notes on pages 7 to 24 are an integral part of these condensed consolidated interim financial statements.

Telecom Egypt Company
Condensed consolidated statement of changes in equity
For the nine months ended 30 September 2020

Attributable to owners of the company

In thousands of Egyptian Pound	Share capital	Legal reserve	Translation reserve	Other reserve	Retained Earnings	Total equity attributable to equity holders of the company	Non-controlling interest	Total equity
Balance at 1 January 2020 (Reclassified)	17 070 716	1 966 047	(10 623)	2 796 578	12 441 313	34 264 031	14 904	34 278 935
Total comprehensive income for the period								
Profit for the period	-	-	-	-	2 721 633	2 721 633	3 017	2 724 650
Other comprehensive income	-	-	(21 047)	-	-	(21 047)	-	(21 047)
Total comprehensive income	-	-	(21 047)	-	2 721 633	2 700 586	3 017	2 703 603
Transactions with shareholders of the company								
Transferred to legal reserves	-	274 849	-	-	(274 849)	-	-	-
Dividends	-	-	-	-	(426 768)	(426 768)	(5 515)	(432 283)
Restatements on retained earnings in associates	-	-	-	-	8 089	8 089	-	8 089
Excluded of landing & building	-	-	-	(9 028)	-	(9 028)	-	(9 028)
Total transactions with shareholders of the company	-	274 849	-	(9 028)	(693 528)	(427 707)	(5 515)	(433 222)
Balance as at 30 September 2020	17 070 716	2 240 896	(31 670)	2 787 550	14 469 418	36 536 910	12 406	36 549 316
Balance as at 1 January 2019	17 070 716	1 899 028	176 729	2 796 578	9 531 918	31 474 969	14 967	31 489 936
Total comprehensive income								
Profit for the period (Restated)	-	-	-	-	2 806 679	2 806 679	3 924	2 810 603
Other comprehensive income	-	-	(159 880)	-	-	(159 880)	-	(159 880)
Total comprehensive income (Restated)	-	-	(159 880)	-	2 806 679	2 646 799	3 924	2 650 723
Transactions with shareholders of the company								
Transferred to legal reserves	-	66 500	-	-	(66 500)	-	-	-
Dividends	-	-	-	-	(426 768)	(426 768)	(5 917)	(432 685)
Total transactions with shareholders of the company	-	66 500	-	-	(493 268)	(426 768)	(5 917)	(432 685)
Balance as at 30 September 2019 (Restated)	17 070 716	1 965 528	16 849	2 796 578	11 845 329	33 695 000	12 974	35 707 974

The notes on pages 7 to 24 are an integral part of these condensed consolidated interim financial statements.

Telecom Egypt Company
Condensed consolidated statement of cash flows

In thousands of Egyptian Pound	<u>Note</u>	For the nine months ended 30 September	
		2020	2019 <u>Reclassified</u>
Cash flows from operating activities			
Cash receipts from customers		21 317 935	18 142 367
Value added tax collected from customers		392 103	368 926
Stamp tax and fees collected (from third party)		35 812	31 973
Deposits collected from customers		1 335	2 413
Cash paid to suppliers		(6 641 310)	(6 982 391)
Payments of NTRA license fees		(788 818)	(667 433)
Dividends paid to employees and board of directors		(97 518)	(18 302)
Cash paid to employees and board of directors		(4 127 761)	(5 078 178)
Cash paid on behalf of employees to third party		(802 130)	(797 449)
Interest paid		(667 149)	(690 627)
Payments to Tax Authority - income tax		(334 540)	(109 591)
Payments to Tax Authority - value added tax		(1 096 442)	(1 327 638)
Payments to Tax Authority - other taxes		(1 176 591)	(1 158 094)
Provision Used		-	(3 637)
Other payments		(287 512)	(351 776)
Net cash provided by operating activities		5 727 414	1 360 563
Cash flows from investing activities			
Payments for purchase of property, plant and equipment and intangible assets		(7 066 539)	(6 513 955)
Payments for purchase of intangible assets		(730 953)	(747 779)
Proceeds from sale of property, plant and equipment and intangible assets		13	42
Payments for acquisition of investments		(18 212)	-
Payments for purchase of held -to- maturity investments - treasury bills		(9 566)	(34 358)
Proceeds from sale available for sale investment		36 974	-
Interest received		28 035	45 155
Dividends of profit collected from investments		621 343	5 067 193
Proceeds from retrieval of held-to-maturity investment - treasury bills		-	108 957
Proceeds from securities (treasury bills - mutual fund)		14 265	10 377
Net cash used in investing activities		(7 124 640)	(2 064 368)
Cash flows from financing activities			
Payments for loans and other facilities		(1 096 758)	(5 907 824)
Proceeds from loans and other facilities		2 877 236	7 408 680
Dividends paid to shareholders		(481 216)	(432 683)
Net cash provided by financing activities		1 299 262	1 068 173
Net change in cash and cash equivalents		(97 964)	364 368
Cash and cash equivalents at 1 January		1 311 391	873 555
Effect of movements in exchange rate on cash held		(7 575)	(15 321)
Cash and cash equivalents at 30 September	16	1 205 852	1 222 602

The notes on pages 7 to 24 are an integral part of these condensed consolidated interim financial statements.

1. Reporting entity

- 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 consolidated interim financial statements of the Company for the period ended September 30, 2020 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates and jointly controlled entities.
- 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.
 - Real estate investment for serving its purposes and executing its projects.
- 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 London Stock Exchange.

2. Basis of preparation

a. Basis of accounting

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2019 ('last annual financial statements'). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

These condensed consolidated interim financial statements were authorized for issuance by the Company's Board of Directors on December 17, 2020.

b. Use of judgements and estimates

In preparing these condensed consolidated interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

C. Measurement of fair values

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the group audit committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

D. Functional and presentation currency

These condensed consolidated financial statements are presented in Egyptian Pound (LE), which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

E. Significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2019. A number of new standards are effective from 1 January 2020 but they do not have a material effect on the Group's financial statements.

- Restatement and reclassification were made to some of comparative figures of the condensed consolidated interim financial statements as shown in note no (29)

F. Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier is permitted: however, the group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim financial statements.

3. 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.

For the nine months ended September 30,2020

Description	Communications, marine cables and infrastructure	Internet	Outsourcing	All other	Total
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Revenue	14 764 740	6 643 577	644 361	166 646	22 219 324
Operating costs	(12 326 587)	(1 046 543)	(523 272)	(246 079)	(14 142 481)
Gross profit	2 438 153	5 597 034	121 089	(79 433)	8 076 843
Credit interest	14 221	15 980	1 414	7 105	38 720
Debit interest and Finance cost	(1 105 143)	-	-	(1 882)	(1 107 025)
Depreciation and amortization	(3 305 771)	(178 347)	(24 673)	(15 861)	(3 524 652)
share of profit of equity-accounted investees, net of tax	-	-	-	1 511 746	1 511 746
Non cash items					
Impairment loss on financial assets	(190 403)	(54 835)	-	-	(245 238)
Provisions	(83 213)	(96 585)	(9 498)	-	(189 296)
Total assets	74 690 372	3 123 932	560 099	512 766	78 887 169
Total liabilities	39 226 021	2 011 048	287 897	812 887	42 337 853

For the nine months ended September 30,2019 (Restated)

Description	Communications, marine cables and infrastructure	Internet	Outsourcing	All other	Total
	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Revenue	11 925 763	6 292 702	554 808	268 576	19 041 849
Operating costs*	(10 589 532)	(916 875)	(521 483)	(262 668)	(12 290 558)
Gross profit	1 336 231	5 375 827	33 325	5 908	6 751 291
Credit interest	22 185	31 163	3 188	16 090	72 626
Debit interest and Finance cost*	(1 075 992)	-	(3 185)	(3 340)	(1 082 517)
Depreciation and amortization*	(2 440 860)	(116 469)	(26 066)	(1 798)	(2 585 193)
share of profit of equity-accounted investees, net of tax	-	-	-	2 133 579	2 133 579
Non cash items					
Reversal of Impairment on financial assets	24 550	-	-	1 022	25 572
Provisions	(23 522)	(15 509)	-	-	(39 031)
Total assets	61 671 874	3 680 223	694 713	876 977	66 923 787
Total liabilities	30 478 830	1 789 098	236 908	733 681	33 238 517

*Restatement and Reclassification were made on comparative figures as shown in Note no. (29-2)

4. Impact of covid - 19

The financial period ended on September 30, 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

Extending the internet package by 20% with alimit of 30 Gigabyte as 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 electronic 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 untill the middle of June 2020 regarding the fixed voice, whereas the fixed voice revenue represents the ineffective ratio of the total revenue. The company is studying the impairment of customer balances according to the requirements of the Egyptian Accounting Standards.
- The company has a financial position heavy and balanced supported by the company's cash sales and collections from the market, and the company has a distinct credit rating with Egyptian and international banks.

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

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

3- Selling and distribution risks

Telecom Egypt Group achieved growth in this period 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 condensed consolidated interim financial statements, for the financial period ended September 30, 2020 as well as during the subsequent periods to that date.

5. Revenues

In thousands of Egyptian Pound	For the nine months ended 30 September		For the three months ended 30 September	
	2020	2019	2020	2019
Home and personal communications	10 387 255	7 686 562	3 741 273	2 747 650
Enterprise	2 916 684	2 560 064	998 480	959 128
Domestic wholesale	3 608 428	3 260 248	1 046 381	1 010 314
International carrier	3 338 464	3 380 753	1 070 430	1 111 017
International cables and networks	1 968 493	2 154 222	530 949	518 894
	22 219 324	19 041 849	7 387 513	6 347 003

Revenues have increased by an amount of L.E. 3 177 475 K mainly due to the increase in home and personal communications revenues by an amount of L.E. 2 700 693 K due to the increase in revenues resulting from internet services, fixed line services and mobile phone services, in addition to the increase in Enterprise revenue by an amount of L.E. 356 620 K and the increase in Domestic Wholesale revenue by an amount of L.E. 348 180 K due to the increase in access service revenue and infrastructure revenue, however the decrease in International cables and networks by an amount of L.E. 185 729 K, led to the limitation of this increase.

6. Operating costs

In thousands of Egyptian Pound	For the nine months ended 30 September		For the three months ended 30 September	
	2020	2019	2020	2019
		Restated		Restated
Interconnection cost	4 263 934	3 663 967	1 465 314	1 306 439
Property, plant and equipment depreciation*	2 848 999	1 894 201	953 746	759 346
Amortization of intangible assets*	592 726	603 457	200 509	231 957
Salaries and wages*	2 116 236	1 913 392	725 392	614 854
Company's social insurance contribution*	231 595	234 187	77 594	77 386
Employee's compensated absence	8 190	5 000	2 650	1 133
Employees' share in profit	292 277	328 066	110 487	132 341
Frequencies and licenses	831 693	675 944	350 287	208 045
Other operating costs*	2 956 831	2 972 344	918 654	1 117 121
	14 142 481	12 290 558	4 804 633	4 448 622

Operating costs have increased by an amount of L.E. 1 851 923 K mainly due to the following: -

- The increase of interconnection cost by an amount of L.E. 599 967 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. 944 067 K due to the additions of the last year after the first nine months and the current period.
- The increase in salaries and wages and equivalent items by an amount of L.E. 167 653 K due to the annual increase by 10 % from the basic salary starting from January 2020
- The decrease in other operating costs item is mainly due to the decrease in cost of merchandise available for sale item by an amount of L.E. 463 783 K, however the increase in organizations service cost item by an amount of L.E. 365 852 K, led to the limitation of this decrease.

* Restatement and reclassification were made on comparative figures as shown in Note no (29-2).

7. Selling and distribution expenses

In thousands of Egyptian Pound	For the nine months ended 30 September		For the three months ended 30 September	
	2020	2019 Reclassified	2020	2019 Reclassified
Salaries & wages*	802 180	737 648	234 939	174 787
Company's social insurance contribution	82 573	80 304	27 726	26 482
Employees' compensated absence	20 214	1 600	7 577	53
Employees' share in profit	110 790	125 739	36 649	40 825
Property, plant & equipment depreciation*	5 593	5 292	1 881	1 944
Amortization of intangible assets*	2 155	9 153	713	4 564
sales and collection commissions	268 580	185 286	84 281	70 143
Advertising and marketing	604 781	668 605	200 181	181 032
Other selling and distribution expenses	307 839	293 072	113 221	81 059
	2 204 705	2 106 699	707 168	580 389

The increase in selling and distribution expenses by an amount of L.E 98 006 K mainly due to the increase in salaries and wages and equivalent items by an amount of L.E. 70 466 K and the increase in other selling and distribution expenses by an amount of L.E. 98 061 K mainly due to the increase in sales and collection commissions item by an amount of L.E 83 294 K, however the decrease in advertising and marketing item by an amount of L.E 63 824 K led to the limitation of this increase.

* Reclassification was made on comparative figures as shown in Note no (29-2).

8. Administrative expenses

In thousands of Egyptian Pound	Note.	For the nine months ended 30 September		For the three months ended 30 September	
		2020	2019 Restated	2020	2019 Restated
Salaries & wages*		1 479 627	1 491 056	419 213	586 968
Company's social insurance contribution		113 800	124 133	38 371	40 845
Employees' compensated absence		13 366	6 300	6 128	3 114
Early retirement compensations *	(9-1)	-	1 266 549	-	262 297
End of service benefits	(9-2)	135 000	207 136	45 000	69 046
Employees' & BOD share in profit		216 199	167 854	69 699	26 097
Property, plant & equipment depreciation		73 096	71 303	20 526	21 024
Amortization of intangible assets		2 083	1 787	690	871
Other administration expenses		490 179	488 392	175 152	190 982
		2 523 350	3 824 510	774 779	1 201 244

The decrease in administrative expenses by an amount of L.E. 1 301 160 K is mainly due to decrease in early retirement compensations item by an amount of L.E. 1 266 549 K and end of services benefits (the company's contribution in loyalty and belonging fund) item by an amount of L.E 72 136 K.

* Restatement and reclassification were made on comparative figures as shown in Note no (29-2).

9. EMPLOYEES' BENEFITS

9-1 Early retirement scheme (Telecom Egypt)

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 2019 (share of nine months ended 30/9/2019 an amount of L.E. 1 266 549 K was charged to income statement in the administrative expenses Note no. 8).

9-2 End of service benefits (the company's contribution in loyalty and belonging fund)

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

The employees share in loyalty & belonging fund according to constant subscription are based on the same employees' basic salary where the end of service benefit calculated. The company's share represents annual defined contribution determined annually according to BOD decree and the company had contributed by an amount of L.E 135 000 K for the period ended in September 30, 2020 (against an amount of L.E. 207 136 K for the same period of 2019) stated in the administrative expenses as shown in (Note no. 8).

10. Net finance (cost) income

In thousands of Egyptian Pound	For the nine months ended 30 September		For the three months ended 30 September	
	2020	2019 Restated	2020	2019 Restated
Finance income	217 905	1 389 435	184 552	432 652
Finance costs*	(1 107 025)	(1 082 517)	(197 032)	(367 540)
Net finance (cost) income	(889 120)	306 918	(12 480)	65 112

The increase in net finance (cost) income by an amount of L.E 1 196 038 K during the period is mainly due to the decrease in translation gain of foreign currencies balances and transactions by an amount of L.E 1 133 033 K and the increase in interest expense by an amount of L.E 58 124 K.

* Restatement was made on comparative figures as shown in Note no (29-2).

11. Property, plant and equipment

Description	30/9/2020	30/9/2019	30/9/2020	30/9/2019	30/9/2020	30/9/2019	31/12/2019
	Cost	Cost	Accumulated depreciation	Accumulated depreciation	Net	Net	Net
	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	Restated L.E.(000)	L.E.(000)
Land, Buildings & Infrastructure	37 446 610	32 713 721	16 650 014	16 028 364	20 796 596	16 685 357	19 703 170
Technical equipments & information technologies	34 844 848	30 206 083	22 398 100	21 953 659	12 446 748	8 252 424	9 622 722
Vehicles	228 923	217 322	158 935	154 133	69 988	63 189	67 032
Office furniture & fixtures	1 292 470	1 083 241	961 309	850 593	331 161	232 648	277 293
Tools & supplies	209 363	144 703	113 357	92 900	96 006	51 803	57 742
Under construction	6 088 951	5 784 795	-	-	6 088 951	5 784 795	6 573 211
Total	80 111 165	70 149 865	40 281 715	39 079 649	39 829 450	31 070 216	36 301 170

- The increase in net carrying value of Property, plant and equipment by an amount of L.E. 8 759 234 K due to the increase in land, buildings & infrastructure item and technical equipments & information technologies & fixtures on trunk radio network item by an amount of L.E. 4 111 239 K and L.E. 4 194 324 K respectively.
- The cost of Property, plant and equipment as of September 30, 2020 includes an amount of L.E. 21 997 million fully depreciated Property, plant and equipment and still in use.

12. Intangible assets

	30/9/2020	31/12/2019	30/9/2019
	L.E. (000)	L.E. (000)	Restated L.E. (000)
Cost			
Fourth generation network license	8 633 330	8 633 330	8 633 330
Submarine Cables (right of way)	2 078 717	2 096 630	2 465 948
Right of Use (ROU)	902 223	882 013	709 879
License (internet service - programs)	127 156	183 585	184 263
Land (possession-usufruct)	440 684	440 684	440 684
Under construction	289 052	255 420	17 534
Lease ROU	676 788	676 788	635 796
Goodwill	15 839	15 839	-
	13 163 789	13 184 289	13 087 434
Less:			
Accumulated amortization and impairment	2 892 803	2 360 868	2 177 926
Net intangible assets	10 270 986	10 823 421	10 909 508

- The decrease in net carrying value of intangible assets mainly due to the decrease in submarine cables (right of way) item by an amount of L.E. 387 231 K, and the amortization during the period by an amount of L.E. 596 964 K, and the disposal by an amount of L.E. 59 479 K, however the increase in the under construction item by an amount of L.E. 271 518 K, led to the limitation of this decrease.
- Intangible assets cost includes at September 30, 2020 an amount of L.E. 192 million, fully amortized intangible assets and still in use.

13. Equity-accounted investees

In thousands of Egyptian Pound	Ownership		Carrying amount	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019
Wataneya for Telecommunication	50.00%	50.00%	-	-
International Telecommunication Consortium Limited. (ITCL)	50.00%	50.00%	-	-
Vodafone Egypt. (SAE)*	44.95%	44.95%	11 631 411	10 763 003
Egypt Trust**	35.71%	35.71%	(77)	154
Consortium Algérien de Télé – communications (CAT)	33.00%	33.00%	-	-
Total			11 631 334	10 763 157

- Investment in Wataneya for Telecommunication amounted to LE 125 K is fully impaired.
- Investment in International Telecommunication Consortium Limited (ITCL) amounted to LE 54 K is fully impaired.
- Investment in Egypt Trust amounted to LE 7 500 k is fully impaired.
- Investment in Consortium Algerien de Telecommunications (CAT) amounted to LE 133 K is shown a nil balance as the Company sustained losses that exceed the investment's carrying amount.

* Investment in Vodafone – Egypt

The investments in Vodafone Egypt on September 30, 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 September 30, 2020 by using the consolidated financial data 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, and add the movement from April 1, 2020 till September 30, 2020 from the interim financial data of Vodafone Egypt as of September 30, 2020 to determine the share of financial period from January 1 to September 30, 2020 of business results.

** Egypt Trust

The balance is represented in Subscription of the remaining 25% of the company's share in Egypt Trust capital after deduction the company's share in the associates accumulated losses, the commercial registration related to in process.

14. Inventories

In thousands of Egyptian Pound	30 September 2020	31 December 2019
Spare parts	1 134 408	1 012 846
Merchandise for sale telecommunication equipment and computers	269 958	534 207
Project cables and supplies	420 488	638 654
Others	334 300	168 175
	2 159 154	2 353 882

The value of inventories was written down by L.E. 23 380 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.

15. Trade and other receivables

In thousands of Egyptian Pound	30 September 2020	31 December 2019
		<u>Reclassified</u>
Trade receivables - National*	3 556 463	3 027 999
Trade receivables - International	2 446 039	2 326 926
Notes Receivable	146	1 215
Other trade and notes receivable	6 002 648	5 356 140
suppliers- debit balances	1 781 178	788 389
Deposits with others	257 348	256 206
Due from ministries & organizations and companies and franchises	1 108 355	993 908
Payments on the account of corporate tax	130 587	111 687
Tax authority - withholding tax	676 724	575 122
Tax authority - value added tax	2 455 556	2 341 449
Other receivables	834 486	370 986
Other receivables and pre-payments	7 244 234	5 437 747
	13 246 882	10 793 887

Trade and other receivables have increased by an amount of L.E. 2 452 995 K mainly due to the increase in suppliers- debit balances item by an amount of L.E. 992 789 K and Trade receivables – National item by an amount of L.E. 528 464 K and Trade receivables – International item by an amount of L.E. 119 113 K and Other receivables by an amount of L.E. 463 500 K and the increase in Tax authority – value added tax by an amount of L.E. 114 107 K.

* Reclassification was made on comparative figures as shown in Note no (29-1).

16. Cash and cash equivalents

In thousands of Egyptian Pound	Note	30 September 2020	31 December 2019	30 September 2019
Bank balances		821 549	967 140	913 164
Time deposits (less than 3 months)		322 034	295 061	169 851
Cash on hand		12 260	4 322	21 943
Treasury bills (less than 3 months)		34 718	66 579	133 751
Money market funds (less than 3 months)		114 562	100 082	107 847
Cash and cash equivalents		1 305 123	1 433 184	1 346 556
Restricted Cash and cash equivalents	24	(99 271)	(121 793)	(123 954)
Cash and cash equivalents in the statement of cash flows		1 205 852	1 311 391	1 222 602

17. Capital and reserves

Share capital

The Company's issued and fully paid up capital amounted to LE 17 070 716 K represented in 1 707 071 600 shares of par value LE 10.

In December 2005, the share capital ownership became as follows; 80% the Egyptian Government and 20% private investors.

The holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Company, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

18. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at September 30, 2020 based on the profit attributable to owners of the company of L.E. 1 486 205 K (September 30, 2019: L.E. 1 712 776 K) and a number of ordinary shares outstanding during the period ended September 30, 2020 of 1 707 071 600 (September 30, 2019: 1 707 071 600), calculated as follows:

In thousands of Egyptian Pound	For the nine months ended 30 September		For the three months ended 30 September	
	2020	2019 Restated	2020	2019 Restated
Profit for the period *	2 724 650	2 810 603	1 235 957	1 095 554
Profit attributable to owners of the company	2 721 633	2 806 679	1 235 428	1 093 903
Number of ordinary shares				
In thousands				
Issued ordinary shares at 1 January	1 707 072	1 707 072	1 707 072	1 707 072
Number of ordinary shares at 30 September	1 707 072	1 707 072	1 707 072	1 707 072
Basic earnings per share (L.E./share)*	1.59	1.64	0.72	0.64
Diluted earnings per share (L.E./share)*	1.59	1.64	0.72	0.64

* Restatement was made on comparative figures as shown in Note no (29-2).

19. Loans and credit facilities

- The increase in the balance of loans and credit facilities by an amount of L.E. 1 703 436 K is mainly resulting from proceeds of loans and credit facilities from banks with local and foreign currencies amounted to L.E. 2 877 237 K where loans and credit facilities with local and foreign currencies in September, 30 2020 amounted to L.E. 18 155 349 K (against LE 16 451 913 K at 31 December, 2019) due within a year by an amount of L.E. 14 518 467 K (against L.E. 11 666 363 K) including credit facilities by an amount of L.E. 13 063 052 K.

20. Trade and other payables

In thousands of Egyptian Pound	30 September 2020	31 December 2019 <u>Reclassified</u>
Local suppliers	2 016 459	1 983 339
Notes payable	79 077	17 440
Accrued expenses	989 992	874 600
Assets creditors	9 233 270	9 993 357
Due to organizations and companies	314 834	315 657
Trade payables	12 633 632	13 184 393
Tax Authority - income tax	633 932	565 080
Tax Authority (taxes other than income tax)	1 363 357	623 018
Deposits from others	510 946	495 610
Customers advances*	1 293 527	958 211
Dividends payable	3 869	3 392
Due to National Telecommuincation Regulatory Authority (NTRA)	685 396	701 182
Lease liabilities	504 460	569 046
Other credit balances	870 674	651 573
Other payables	5 866 161	4 567 112
	18 499 793	17 751 505
Non current	5 993 148	5 376 579
Current	12 506 645	12 374 926
	18 499 793	17 751 505

Trade and other payables have increased by an amount of L.E. 748 288 K mainly due to increase in both of Tax Authority – taxes other than income tax item by an amount of L.E. 740 339 K and customers advances item by an amount of L.E. 335 316 K and other credit balance item by an amount of L.E. 219 101 K and accrued expenses item by an amount of L.E. 115 392 K, however the decrease in assets creditors item by an amount of L.E. 760 087 K, led to the limitation of this increase.

* Reclassification was made on comparative figures as shown in Note no (29-1).

21. Provisions

In thousands of Egyptian Pound	30 September 2020	31 December 2019	30 September 2019
	Provision for liabilities, Claims	Provision for liabilities, Claims	Provision for liabilities, Claims
Balance at 1 January	772 610	740 529	740 529
Reclassification	24 462	-	-
Provisions formed	189 296	43 841	39 031
Provisions used	(7 419)	(11 746)	(3 637)
Translation differences	(88)	(14)	(11)
Balance at end of the period	978 861	772 610	775 912

- As at September 30, 2020 provisions are mainly related to taxes, liabilities, lawsuits, and compensation in respect of agreements concluded with others

22. Deferred tax**Recognized deferred tax assets and liabilities**

	<u>30/9/2020</u>		<u>31/12/2019</u>	
	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)	291 518	(1 874 174)	341 223	(1 558 975)
Net deferred tax liability	-	<u>(1 582 656)</u>	-	<u>(1 217 752)</u>
Deferred tax charged to income statement for the period / year		<u>(364 904)</u>		<u>(162 073)</u>

Unrecognized deferred tax assets

	<u>30/9/2020</u>	<u>31/12/2019</u>
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Unrecognized deferred tax assets	<u>496 883</u>	<u>(573 096)</u>

Deferred tax assets have not been recognized in respect of the above items because there is no reasonable certainty concerning the company's ability to use the benefits in the future from these assets.

23. Capital commitments

The group's capital commitments for the unexecuted parts of contracts up to September 30, 2020 amounted to L.E 948 Million (against L.E. 781 Million up to December 31, 2019).

24. Contingencies

In addition to the amounts included in the condensed consolidated statement of financial position as of September 30, 2020, the company has the following contingent liabilities:

In thousands of Egyptian Pounds	30 September 2020	31 December 2019
Letters of guarantee issued by banks on behalf of the Group	1 851 339	1 100 298
Letters of credit	1 139 590	2 796 897

- letters of guarantee which were issued by banks at September 30, 2020 include letters of guarantee have been issued against restricted cash and cash equivalents at banks.

25. Tax position (Telecom Egypt Company)

25-1 Corporate tax

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

25- 2 Value added Tax /Sales

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

25- 3 Salary Tax

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

25- 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 legal 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.

25- 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.

26. Related parties

Identity of related parties

The Group has a relationship with its associate Vodafone Egypt and Consortium Algerian de Telecommunications (CAT).

Transaction with Associates

During the financial period ended September 30, 2020, fixed to mobile interconnection, audio text fees and sale of products and services in favor of Vodafone Egypt LE 1 492 644 K. Lease of company's premises and towers in favor of the group, transmission and international calls and telecommunication services amounted to L.E. 965 040 K and the balance due to Vodafone Egypt at September 30, 2020 amounted to LE 981 991 K.

27. Group entities

TE direct and indirect share in subsidiaries companies on September 30, 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>30/9/2020</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 %

28 –SIGNIFICANT CLAIMS AND LITIGATION:

28-1 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 in front of the experts’ committee.

28-2 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”, A request was submitted for the response of the expert committee, as it had previously ruled on the matter, and at the August 6 session set to consider the request for the dismissal of the experts committee, and none of the litigants attended, and we implemented the court’s decision in the previous session regarding the announcement of the parties to the case, On November 3,2020, the court issued a preliminary ruling replacing the delegated committee by the previous preliminary ruling with a five member committee including three employees of the Egyptian competition authority “ ECA “who were suggested by the ECA according to a letter has been issued to the court and also with two experts registered in the list of experts of the economic court. The court set a supplementary experts ’secretariat estimated at ten Thousands of pounds “10,000 EGP”, and in case of the non-payment of such amount a session was set on December 8,2020, another session on January 3,2021 for the oath of the experts appointed by ECA and on February 3,2021 a session to submit the report.

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.

29. Comparative figures

- Restatement was made to some of the comparative figures of the condensed consolidated statement of profit or loss and other comprehensive income as a result of recognized the fair value of the acquisition net assets from (MENA CABLE) which the acquisition had done through (ESICC)- Subsidiary company by differences between the PPA (Purchase Price Allocation) and the provisional values used in preparing the consolidated interim financial statements as at September 30,2019 .
- Restatement was made to some of the comparative figures of the condensed consolidated statement of profit or loss and other comprehensive income as a result of restating administrative expenses due to restate the value of the early retirement expense to be the actual value.
- Reclassification was made to some of the comparative figures of the condensed consolidated statement of financial position, the condensed consolidated statement profit or loss and other comprehensive 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 impact of restatement and reclassification on the condensed consolidated interim financial statements:

29.1 Impact 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>
Trade and other receivables	10 515 202	278 685	10 793 887
Reserves	(4 755 558)	3 556	(4 752 002)
Retained earnings	(12 437 757)	(3 556)	(12 441 313)
Trade and other payables	(17 472 820)	(278 685)	(17 751 505)

29.2 Impact on the condensed consolidated statement of profit or loss and other comprehensive income:

	<u>For the nine months ended</u> <u>30/9/2019</u>		<u>For the nine months ended</u> <u>30/9/2019</u>		<u>For the three months ended</u> <u>30/9/2019</u>		<u>For the three months ended</u> <u>30/9/2019</u>	
	<u>as previously reported</u> <u>LE(000)</u>	<u>Restatement /</u> <u>Reclassification</u> <u>(debit) / credit</u> <u>LE(000)</u>	<u>Restated</u> <u>LE(000)</u>	<u>as previously reported</u> <u>LE(000)</u>	<u>Restatement /</u> <u>Reclassification</u> <u>(debit) / credit</u> <u>LE(000)</u>	<u>Restated</u> <u>LE(000)</u>	<u>Restated</u> <u>LE(000)</u>	<u>Restated</u> <u>LE(000)</u>
Operating costs	(12 580 354)	289 796	(12 290 558)	(4 744 985)	296 363	(4 448 622)	(4 448 622)	(4 448 622)
Selling and distribution expenses	(2 220 281)	113 582	(2 106 699)	(693 971)	113 582	(580 389)	(580 389)	(580 389)
Administrative expenses	(3 620 942)	(203 568)	(3 824 510)	(997 676)	(203 568)	(1 201 244)	(1 201 244)	(1 201 244)
Finance Costs	(1 082 326)	(191)	(1 082 517)	(367 476)	(64)	(367 540)	(367 540)	(367 540)
Basic earning per share for the period (LE / share)	1.53	0.11	1.64	0.52	0.12	0.64	0.64	0.64
Diluted earning per share for the period (LE / share)	1.53	0.11	1.64	0.52	0.12	0.64	0.64	0.64

29.3 Impact on the condensed consolidated statement of cash flows:

	<u>For the nine months ended</u> <u>30/9/2019</u>		<u>Reclassification</u>		<u>For the nine months ended</u> <u>30/9/2019</u>	
	<u>as previously reported</u> <u>LE(000)</u>	<u>Restatement /</u> <u>Reclassification</u> <u>LE(000)</u>	<u>LE(000)</u>	<u>LE(000)</u>	<u>Reclassified</u> <u>LE(000)</u>	<u>Reclassified</u> <u>LE(000)</u>
Cash receipts from customers	15 810 607	2 331 760	18 142 367	18 142 367	18 142 367	18 142 367
Cash paid to suppliers	(4 795 568)	(2 186 823)	(6 982 391)	(6 982 391)	(6 982 391)	(6 982 391)
Payments for NTRA license fees	(522 496)	(144 937)	(667 433)	(667 433)	(667 433)	(667 433)
Payments for purchase of property, plant and equipment and intangible assets	(6 538 955)	25 000	(6 513 955)	25 000	(6 513 955)	(6 513 955)
Payments for purchase of intangible assets	(722 779)	(25 000)	(747 779)	(25 000)	(747 779)	(747 779)