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Translation from Arabic

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Condensed Consolidated Interim Financial Statements
For The Three Months Ended March 31, 2023
And Limited Review Report

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(An Egyptian Joint Stock Company)
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For The Three Months Ended March 31, 2023
And Limited Review Report

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Translation from Arabic

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

Introduction

We have performed a limited review on the accompanying condensed consolidated statement of financial position of Telecom Egypt Company “an Egyptian joint stock company” as at March 31, 2023, and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with Egyptian Accounting Standard number (30) “Interim Financial Reporting”. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our limited review.

Scope of Limited Review

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

Basis for Qualified Conclusion

As explained in note no. (13) of the notes in the condensed interim consolidated financial statements, the company has Investments in Vodafone Egypt (associate company) which is accounted for by using the equity method in the condensed consolidated interim financial statement, and the company's share in the equity of the associate company was determined as of March 31, 2023, based on financial information prepared by the management of the associate company there was no report issued by the associate company's external auditor.



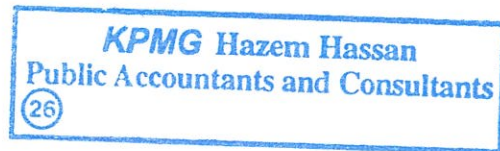
Hazem Hassan

Qualified Conclusion

Based on our limited review, except for the possible effect of the matter described in the basis for the qualified conclusion section of our limited review report, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of the company as at March 31, 2023 and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with Egyptian Accounting Standard number (30) "Interim Financial Reporting".

**KPMG Hazem Hassan
Public Accountants & Consultants**

Cairo, May 30, 2023



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

	Note No.	31/3/2023 L.E. (000)	31/12/2022 L.E. (000)
Assets			
Non Current Assets			
Fixed assets	(11)	51 708 218	49 784 679
Contract assets		1 486 861	1 348 006
Projects under construction	(12)	10 948 821	14 009 576
Investments in associates	(13)	13 078 969	12 184 892
Financial assets at fair value through other comprehensive income		74 856	74 856
Debtors and other debit balances	(17)	82 277	67 921
Other assets	(14)	19 374 897	15 549 087
Total Non Current Assets		96 754 899	93 019 017
Current Assets			
Inventories	(15)	4 763 982	4 280 512
Trade and notes receivables	(16)	10 261 200	8 154 841
Debtors and other debit balances	(17)	6 053 528	7 628 275
Debit balances to associates	(29)	2 596 741	-
Cash and cash equivalents	(18)	12 371 703	6 811 305
Total Current Assets		36 047 154	26 874 933
Total Assets		132 802 053	119 893 950
Equity			
Capital	(23)	17 070 716	17 070 716
Reserves	(24)	5 858 021	5 490 375
Retained earnings		19 743 022	23 289 323
Foreign entities translation reserve		700 699	402 277
Equity attributable to shareholders of the company		43 372 458	46 252 691
Non - controlling interest		10 887	15 159
Total Equity		43 383 345	46 267 850
Liabilities			
Non Current Liabilities			
Loans - long term	(19)	22 961 157	20 411 441
Creditors and other credit balances	(20)	7 438 323	6 562 291
Lease liabilities	(21)	780 675	820 864
Deferred tax liabilities	(25-1)	44 490	1 482 210
Total Non Current Liabilities		31 224 645	29 276 806
Current Liabilities			
Loans and credit facilities - short term	(19)	18 435 043	10 414 611
Creditors and other credit balances	(20)	37 158 196	31 055 503
Lease liabilities	(21)	328 826	291 510
Credit balances to associates	(29)	-	677 662
Accured income tax		1 041 674	663 205
Provisions	(22)	1 230 324	1 246 803
Total Current Liabilities		58 194 063	44 349 294
Total Liabilities		89 418 708	73 626 100
Total Equity and Liabilities		132 802 053	119 893 950

The attaches notes on pages (6) to (27) are an integral part of these Condensed Consolidated Interim Financial Statements.

Director of Financial Affairs



"Ehab Abdo "

Senior Director of Financial Affairs



" Wael Hanafy "

Chief Financial Officer



" Mohamed Shamroukh "

Managing Director &
Chief Executive Officer



"Mohamed Nasr"

Board of Directors approval

Chairman



"Maged Osman"

Limited Review Report "attached"

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

	Note No.	<u>For the three months ended :</u>	
		31/3/2023	31/3/2022
		<u>L.E.(000)</u>	<u>Reclassified L.E.(000)</u>
Operating revenues	(3)	13 958 661	9 417 153
Operating costs	(4)	(7 784 781)	(5 689 903)
Gross Profit		6 173 880	3 727 250
Other operating income		80 261	140 207
Selling and distribution expenses	(5)	(1 004 238)	(895 193)
General and administrative expenses	(6)	(1 181 786)	(898 128)
Other operating expenses		(109 942)	(109 304)
Expected credit loss provision		(24 759)	(69 549)
Operating profit		3 933 416	1 895 283
Finance income		224 622	64 074
Finance cost		(1 253 193)	(403 722)
Net finance cost	(7)	(1 028 571)	(339 648)
Share of profit of equity accounted investees	(8)	894 077	317 215
Net profit for the period before income tax		3 798 922	1 872 850
Income tax expense		(465 769)	(699 189)
Deferred tax expense	(25-1)	480 580	193 367
Total income tax		14 811	(505 822)
Net profit for the period after income tax		3 813 733	1 367 028
<u>Profit attributable to :</u>			
Shareholders of the company		3 813 370	1 366 353
Non-controlling interest		363	675
Net profit for the period		3 813 733	1 367 028
Basic and diluted earning per share for the period (L.E. / Share)	(10)	2.23	0.80

The attaches notes on pages (6) to (27) are an integral part of these Condensed Consolidated Interim Financial Statements.

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

	<u>For the three months ended</u>	
	31/3/2023	31/3/2022
	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Net profit for the period	3 813 733	1 367 028
<u>Other Comprehensive Income items :</u>		
Translation differences of foreign entities	298 422	137 626
Translation differences of foreign currency balances	(4 581 891)	(1 864 761)
Income tax on translation differences of foreign currency balances	73 786	-
Deferred tax on translation differences of foreign currency balances	957 140	419 571
	<hr/> (3 550 965)	<hr/> (1 445 190)
Transferred to retained earnings during the period	<hr/> 3 550 965	<hr/> 1 445 190
Total other Comprehensive Income	<hr/> 4 112 155	<hr/> 1 504 654
Attributable to :		
Shareholders of the company	4 111 792	1 503 979
Non-controlling interest	363	675
Total other Comprehensive Income	<hr/> 4 112 155	<hr/> 1 504 654

The attaches notes on pages (6) to (27) are an integral part of these Condensed Consolidated Interim Financial Statements.

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Condensed Consolidated Statement of Changes in Equity
For The Three Months Ended March 31, 2023

Note	Capital	Legal reserve	Other reserves	Retained earnings	Foreign entities translation reserve	Total of equity attributable to shareholders of the company	Non-controlling interest	Total
	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)
	17 070 716	2 351 347	2 787 550	22 147 270	(40 563)	44 316 320	13 240	44 329 560
Balance as of January 1,2022								
Comprehensive Income								
Net profit for the period	-	-	-	1 366 353	-	1 366 353	675	1 367 028
Translation differences of foreign entities	-	-	-	-	137 626	137 626	-	137 626
Total Comprehensive Income	-	-	-	1 366 353	137 626	1 503 979	675	1 504 654
Impact of Translation differences of foreign currency balances								
Transferred to legal reserve	-	349 071	-	(349 071)	-	-	-	-
Transactions with shareholders								
Dividends for year 2021 (shareholders)	-	-	-	(1 707 072)	-	(1 707 072)	(2 797)	(1 709 869)
Dividends for year 2021 (Employees & Board of Directors)	-	-	-	(1 008 848)	-	(1 008 848)	(556)	(1 009 404)
Impact of investments disposals in subsidiaries	-	-	-	(198)	-	(198)	-	(198)
Total transactions with shareholders	-	-	-	(2 716 118)	-	(2 716 118)	(3 353)	(2 719 471)
Balance as of March 31,2022	17 070 716	2 700 418	2 787 550	19 003 244	97 063	41 658 991	10 562	41 669 553
Balance as of January 1,2023	17 070 716	2 702 825	2 787 550	23 289 323	402 277	46 252 691	15 159	46 267 850
Comprehensive Income								
Net profit for the period	-	-	-	3 813 370	-	3 813 370	363	3 813 733
Translation differences of foreign entities	-	-	-	-	298 422	298 422	-	298 422
Total Comprehensive Income	-	-	-	3 813 370	298 422	4 111 792	363	4 112 155
Impact of translation differences of foreign currencies balances								
Transferred to legal reserve	-	-	-	(3 550 965)	-	(3 550 965)	-	(3 550 965)
Transactions with shareholders								
Dividends for year 2022 (shareholders)	-	-	-	(2 133 840)	-	(2 133 840)	(3 792)	(2 137 632)
Dividends for year 2022 (Employees & Board of Directors)	-	-	-	(1 306 367)	-	(1 306 367)	(843)	(1 307 210)
Impact of investments disposals in subsidiaries	-	-	-	(853)	-	(853)	-	(853)
Total transactions with shareholders	-	-	-	(3 441 060)	-	(3 441 060)	(4 635)	(3 445 695)
Balance as of March 31, 2023	17 070 716	3 070 471	2 787 550	19 743 022	700 699	43 372 458	10 887	43 383 345

The attaches notes on page from (6) to (27) are an integral part of these Condensed Consolidated Interim Financial Statements.

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

	Note No.	For the three months ended:	
		31/3/2023	31/3/2022
		L.E. (000)	L.E. (000)
<u>Cash flows from operating activities:-</u>			
Cash receipts from customers and notes receivables		14 620 475	9 274 497
Stamp tax and fees collected (from third party)		45 057	56 274
Deposits collected from customers		21 900	11 830
Cash paid to suppliers		(3 007 548)	(3 093 278)
Payments for NTRA license fees		(845 814)	(217 548)
Dividends paid to Board of Directors		(29 919)	(27 089)
Cash paid to Employees		(2 376 404)	(1 891 274)
Cash paid on behalf of employees to third party		(388 870)	(319 942)
Cash provided by operating activities		8 038 877	3 793 470
Interest paid		(834 362)	(201 977)
Payments to Tax Authority - income tax		(56 939)	(33 629)
Payments to Tax Authority - value added tax		(181 274)	(309 661)
Payments to Tax Authority - other taxes		(756 841)	(559 607)
Other payments		(422 561)	(66 342)
Net cash provided by operating activities		5 786 900	2 622 254
<u>Cash flows from investing activities:-</u>			
Payments for purchase of fixed assets, projects in progress and other assets		(3 973 638)	(3 088 437)
Payments for purchase of other assets		(2 082 377)	(1 719 720)
Proceeds from sales of fixed assets and other assets		45	22
payments for purchase of financial assets at amortized cost - treasury bills		-	(597 889)
Interest received		80 718	4 487
Proceeds from financial assets at amortized cost - treasury bills		78 540	7 642
Net cash used for investing activities		(5 896 712)	(5 393 895)
<u>Cash flows from financing activities:-</u>			
Payments for loans		(945 746)	(382 816)
Proceeds from credit facilities		6 635 969	2 771 228
Payments for lease liabilities		(82 918)	(66 115)
Net cash provided by financing activities		5 607 305	2 322 297
Net change in cash and cash equivalents during the period		5 497 493	(449 344)
Translation differences of foreign entities		23 313	24 294
Cash and cash equivalents at the beginning of the period	(18)	6 751 791	2 922 993
Cash and cash equivalents at the end of the period	(18)	12 272 597	2 497 943

The attaches notes on pages from (6) to (27) are an integral part of these Condensed Consolidated Interim Financial statements.

Telecom Egypt Company
(An Egyptian Joint Stock Company)

Notes to the Condensed Consolidated Interim Financial Statements
For The Three Months Ended March 31, 2023

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.
- 20% of the nominal shares for the company are traded in both of the Egyptian Stock Exchange for securities and the London Stock Exchange for securities through global depository receipts (each consists of five ordinary shares).

1-2 Purpose of the company

The main purpose of the company represents in the following:

- Owning, setting up, operating, maintenance and development of telecommunication networks and infrastructure necessary for communication services for using and / or managing and / or leasing to others and / or dealing on them.
- Providing voice, video and data transmission telecommunication services to subscribers and / or managing and / or leasing to others and / or dealing on them.
- Participating or contributing to global communication systems, such as: - submarine cables and satellites and obtaining capacities or circuits for using and / or managing and / or leasing to others and / or dealing on them.
- Dealing or contracting or Participating with authorities, agencies, companies, organizations or any entity exercising an activity similar to or identical to the company's activities or relates or assists the company to achieve its purposes either in Arab Republic of Egypt or abroad.
- Managing, selling, leasing, purchasing, possessing, renting and dealing on any property and rights or benefit or right in any property. Including the movable and immovable property which could be acquired or owned by the company.
- Selling, purchasing and distributing of fixed line sets , mobile phones and computers, its peripherals, accessories and supplies, complementary devices and necessary spare parts and related maintenance works.
- Setting up voice, video and written data transmission networks and providing value-added services, content services, marketing, electronic signature and online money transfer.
- Investment properties for serving its purposes and executing its projects.

1-3 Issuance of Condensed Consolidated Interim Financial Statements

These Condensed Consolidated Interim Financial Statements were approved by the Board of Directors for issuance on May 29, 2023.

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

2-1 Statement of compliance

- These Condensed Consolidated Interim Financial Statements as of March 31, 2023 have been prepared in accordance with Egyptian Accounting Standard No.30 "Interim Financial Reporting" accordingly it is condensed comparative view to the annual consolidated financial statements for the company, and in the light of applicable Egyptian laws and regulations related to.
- These Condensed Consolidated Interim Financial Statements don't include all the required information needed for preparing the full annual financial statements and must be read with the consolidated annual financial statements as of December 31, 2022.
- The company's management also applied the special accounting treatment to deal with the effects of the liberalization of exchange rates contained in Appendix (C) of the Egyptian Accounting Standard No. (13) amended in 2015 "Effects of Changes in Foreign Currency Exchange Rates", according to what is detailed in Explanation No. (33).

2-2 Basis of measurement

- These Condensed Consolidated Interim Financial Statements have been prepared under the historical cost basis, except for :
 - Financial assets and liabilities that are recorded at fair value through profit or loss.
 - Financial assets and liabilities that are recorded at fair value through other comprehensive income.
- For presentation purposes, the current and non-current classification has been used for the condensed consolidated balance sheet, while expenses are analyzed in the condensed consolidated interim income statement using a classification based on their function. The direct method has been used in preparing the condensed consolidated interim statement of cash flows.

2-3 Functional and presentation currency

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

2-4 Use of estimates and assumptions

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

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

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

- Measuring Expected credit losses.
- Deferred tax assets and liabilities.
- Impairment of non-financial assets.
- Provisions and contingencies.
- Operational useful life of fixed and other assets.
- Estimate the net realizable value of the inventory.

2-5 Fair value measurement

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

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

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

2-6 Segment reporting

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

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

3. OPERATING REVENUES

	For the three months ended :	
	31/3/2023	31/3/2022
	L.E. (000)	L.E. (000)
Home and personal communications	5 864 475	5 005 715
Enterprise	1 689 349	1 182 536
Domestic wholesale	2 554 825	1 397 299
International carrier	1 828 104	1 034 356
International cables and networks	2 021 908	797 247
	13 958 661	9 417 153

Total operating revenues have increased by an amount of L.E. 4 541 508 K due to the increase in international cables and networks revenues by an amount of L.E 1 224 661 K and domestic wholesale revenues by an amount of L.E 1 157 526 K due to the increase in infrastructure in addition to the increase in home and personal communications by an amount of L.E. 858 760 K resulting from fixed line and rendering mobile phone service and international carriers revenues by an amount of L.E. 793 748 K and enterprise revenues by an amount of L.E. 506 813 K resulting from increase in internet services and complementary availability services revenues and fixed line.

4. OPERATING COSTS

	For the three months ended :	
	31/3/2023	31/3/2022
	L.E. (000)	Reclassified L.E. (000)
Interconnection call cost	1 939 623	1 528 171
Depreciation and amortization*	2 106 817	1 601 190
Salaries and wages	1 002 643	734 679
Company's social insurance contribution	99 346	87 912
Frequencies and licenses charges (National Telecom Regulatory Authority)	665 399	506 934
Other operating cost	1 970 953	1 231 017
	7 784 781	5 689 903

Operating costs have increased by an amount of L.E. 2 094 878 K mainly due to the following: -

- The increase of interconnection call cost by an amount of L.E. 411 452 K which is mainly due to the increase in cost of international connection fees. however, the decrease in national roaming fees by an amount of L.E. 246 854 K led to the limitation of this increase.
- The increase in the depreciation and amortization item by an amount of L.E 505 627 K during the period due to the additions of the last year except the first quarter and the current period.
- The increase in salaries and wages item by an amount of L.E 267 964 K as a result of an annual increase during the period.
- The increase in frequencies and licenses charges (NTRA) item by an amount of L.E 158 465 K as a result of the increase in operating revenues, which represent the basis for calculating these fees.
- The increase in other operating cost item by an amount of L.E. 739 936 K is mainly due to the increase in the organizations services costs item by an amount of L.E 206 366 K, goods for sale cost by an amount of L.E 231 852 K, Leased circuits item by an amount of L.E 67 339 K and right of use circuits with IRU system by an amount of L.E 61 806 K.

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

5. SELLING AND DISTRIBUTION EXPENSES

	For the three months ended :	
	31/3/2023	31/3/2022
	L.E. (000)	Reclassified L.E. (000)
Salaries and wages	484 034	403 355
Company's social insurance contribution	46 270	42 674
Advertising and marketing	221 231	213 149
Agents' commissions and collection organizations	180 879	143 361
Depreciation and amortization	17 240	13 214
Other selling and distribution expenses	54 584	79 440
	1 004 238	895 193

The increase in selling and distribution expenses by an amount of L.E 109 045 K mainly due to the increase in Salaries and wages item by an amount of L.E 80 679 K as a result of an annual increase during the period and Agents' commissions and collection organizations item by an amount of L.E 37 518 K. however, the decrease in tax and duties item by an amount of L.E 16 682 K within other selling and distribution expenses led to the limitation of this increase.

6. GENERAL AND ADMINISTRATIVE EXPENSES

	Note No	For the three months ended :	
		31/3/2023	31/3/2022
		L.E. (000)	L.E. (000)
Salaries and wages		761 251	563 023
Company's social insurance contribution		58 388	52 486
The company's contribution in loyalty and belonging fund	(9)	50 000	50 000
Depreciation and amortization		29 724	29 419
Organization services cost and consultants		91 422	79 650
Tax and duties		51 773	37 156
Other general and administration expenses		139 228	86 394
		1 181 786	898 128

The increase in general and administrative expenses by an amount of L.E. 283 658 K is mainly due the increase in Salaries and wages item by an amount of L.E 198 228 K as a result of an annual increase during the period in addition to the increase in other general and administrative expenses by an amount of L.E 52 834 K, tax and duties by an amount of L.E. 14 617 K and organizations services costs and consultants by an amount of L.E. 11 722 K.

7. NET FINANCE COST

The increase in net finance cost by an amount of L.E 688 923 K during the period is mainly due to the increase in debit interest by an amount of L.E 656 090 K and finance costs for credit contracts by an amount of L.E 82 247 K and translation loss of foreign currencies balances and transactions by an amount of L.E. 106 168 K,, however the increase in the credit interest by an amount of L.E 93 900 K and the treasury bills income by an amount of L.E 64 699 K led to the limitation of this increase.

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

8. SHARE OF PROFIT OF EQUITY ACCOUNTED INVESTEES

	<u>For the three months ended :</u>	
	<u>31/3/2023</u>	<u>31/3/2022</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
Vodafone Egypt telecommunications company	886 780	312 373
Egypt trust	7 297	4 842
	<u>894 077</u>	<u>317 215</u>

Represented in the group's share of profits of the investee companies according to the equity method.

9. EMPLOYEE'S BENEFITS

End of service benefits (Company's Contribution in Loyalty & Belonging Fund)

The employees are granted an end of service benefits through a Loyalty & belonging Fund established in January 2004. Employees' benefit is based on the employees' basic salary in January 1, 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 periodical raise of employees.

Noting that the General Assembly of the Loyalty and belonging Fund, which was held in December 2022, approved the amendment of the subscription fee for disbursing benefits and collecting contributions to be the basic wage on 1/1/2017, provided that this amendment takes effect from 1/1/2022 after the issuance of the General Assembly's decision financial control of the proposed amendments to the Fund's Articles of Association, according to the approval of the Extraordinary General Assembly, which has not been issued to date.

The employees share in loyalty & belonging fund according to constant subscription are based on the same employees' basic salary where the end of service benefit calculated. The company's share represents annual defined contribution and the company had contributed by an amount of L.E 50 M for the period ended in March 31, 2023 (against an amount of L.E. 50 M for the same period of 2022).

10. BASIC AND DILUTED EARNING PER SHARE FOR THE PERIOD

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

	<u>For the three months ended</u>	
	<u>31/3/2023</u>	<u>31/3/2022</u>
<u>The holding company owners' equity :</u>		
Net profit for the period (LE in thousand)	3 813 370	1 366 353
Number of shares available during the period (share)	1 707 071 600	1 707 071 600
Basic and diluted earning per share for the period (LE / share)	<u>2.23</u>	<u>0.80</u>

11. FIXED ASSETS

Description	31/3/2023	31/3/2022	31/3/2023	31/3/2022	31/3/2023	31/3/2022	31/12/2022
	Cost	Cost	Accumulated depreciation	Accumulated depreciation	Net	Net	Net
	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>	<u>L.E.(000)</u>
Land	2 395 085	2 392 387	-	-	2 395 085	2 392 387	2 393 766
Buildings & Infrastructure	47 296 825	41 899 949	21 452 887	19 162 772	25 843 938	22 737 177	25 574 853
Centrals & information technologies equipment	43 138 882	38 201 204	20 308 871	19 684 523	22 830 011	18 516 681	20 990 570
Vehicles	304 780	265 568	135 425	117 707	169 355	147 861	176 031
Furniture	1 290 320	1 158 262	921 763	805 324	368 557	352 938	532 031
Tools & supplies	268 423	239 259	179 946	157 011	88 477	82 248	87 525
Decoration & fixtures	214 261	188 409	201 466	183 684	12 795	4 725	29 903
Fixtures on trunk radio network	-	315	-	315	-	-	-
Total	94 908 576	84 345 353	43 200 358	40 111 336	51 708 218	44 234 017	49 784 679

- The increase in net carrying value of fixed assets mainly due to the additions during the period by an amount of L.E. 2 026 991 K, however the depreciation of the period by an amount of L.E. 1 644 313 K led to limitation of this increase.
- The cost of fixed assets as of March 31, 2023 includes an amount of L.E. 14 514 Million fully depreciated fixed assets and still in use. (Against an amount of L.E. 15 105 K for the same period of 2022).
- The fixed assets additions include an amount of L.E. 1 756 239 K, (against an amount of L.E. 766 102 K for the same period of 2022). Which is represented in the currency differences resulting from the translation of liabilities in foreign currencies existing on the date of the exchange rate liberalization and related to the acquisition of these assets Note No. (33-1).

12. PROJECTS UNDER CONSTRUCTION

	31/3/2023 <u>L.E. (000)</u>	31/12/2022 <u>L.E. (000)</u>
Land	324 945	324 945
Buildings and Infrastructure	2 521 583	2 309 034
Centrals and information technologies equipment	3 347 700	4 026 672
Tools and supplies	2 514	7 449
Other Assets	1 627 571	4 452 075
Advance payments - Fixed assets	3 144 098	2 908 991
	10 968 411	14 029 166
Less:		
Impairment loss on projects under construction	19 590	19 590
	10 948 821	14 009 576

*Notes to the condensed consolidated Interim Financial Statements
For The Three Months ended March 31, 2023(continued)*

Translation from Arabic

- The balance of projects in progress is represented in the part that have been executed from commitments and capital contracts, and advanced payment until March 31, 2023.
- The balance of projects under construction includes an amount of L.E 532 108 K, (against an amount of L.E. 147 367 K for the same period of 2022) representing the currency differences for the three months resulting from the translation of liabilities in foreign currencies existing on the date of the exchange rate liberalization and related to the acquisition of these assets Note No. (33-1).

13. INVESTMENTS IN ASSOCIATES

	<u>31/3/2023</u>		<u>31/12/2022</u>	
	<u>Ownership</u>	<u>amount</u>	<u>Ownership</u>	<u>amount</u>
	<u>%</u>	<u>L.E. (000)</u>	<u>%</u>	<u>L.E. (000)</u>
- Vodafone Egypt Telecommunication company *	44.95	13 055 889	44.95	12 169 109
- Egypt Trust	35.71	21 830	35.71	14 533
- New matrix for technology	25.50	1 250	25.50	1 250
- Wataneya for Telecommunication**	50.00	-	50.00	-
		<u>13 078 969</u>		<u>12 184 892</u>

- The shares of investments in the associate companies are accounted for using the equity method, so that the initial recognition is made at cost, including the costs associated with the acquisition process, and the subsequent measurement in the consolidated financial statements is made by increasing or decreasing the book value of the investment by the group's share in the profits or losses and other comprehensive income items in the investee company.

* The investments in Vodafone Egypt on March 31, 2023 represents the ownership of 107 869 799 shares with a percentage of 44.95% from the total shares of Vodafone Egypt.

The financial year of Vodafone Egypt ends on March 31 of each year and the equity method was applied in recognizing the investment in Vodafone Egypt during preparing the Condensed Consolidated Interim Financial Statements as of March 31, 2023 by using the consolidated financial statements of Vodafone Egypt for the financial year ended in March 31, 2023 which presents the 12 months from the 1st of April 2022 till March 31, 2023, deduct the movements of the period from April 1, 2022 till December 31, 2022 from the consolidated interim financial data of Vodafone Egypt as of December 31, 2022 to determine the share of financial period from January 1 to March 31, 2023 of business results of the associate company.

** Investment in Wataneya for Telecommunication amounting to L.E 125 K was fully reduced due to the realized loss which exceeded this investment amount.

Notes to the condensed consolidated Interim Financial Statements
For The Three Months ended March 31, 2023(continued)

Translation from Arabic

14. OTHER ASSETS

	31/3/2023	31/12/2022
	L.E. (000)	L.E. (000)
Cost		
Licenses granted for mobile services	18 830 447	14 995 652
Usufruct (Project)	917 026	480 175
Assets right of use (Lease Contracts)	1 846 286	1 757 191
Submarine Cables (right of way)	2 526 171	2 467 889
Right of Use (ROU)	778 082	762 498
License (internet service - programs)	24 798	23 942
Land (possession-usufruct)	440 684	440 684
Goodwill	15 839	15 839
	25 379 333	20 943 870
Less:		
Accumulated amortization and impairment	6 004 436	5 394 783
Net other assets	19 374 897	15 549 087

- The increase in net carrying value of other assets mainly due to the increase in licenses granted for mobile services item by an amount of L.E. 3 834 795 K.
- Other assets cost includes at March 31, 2023 an amount of L.E 223 Million (against an amount of L.E. 449 Million for the same period of 2022), other assets fully amortized and still in use.
- The other assets additions include an amount of L.E 773 693 K (against an amount of L.E. 226 008 K for the same period of 2022), representing the currency differences resulting from the translation of liabilities in foreign currencies existing on the date of the exchange rate liberalization and related to the acquisition of these assets Note No. (33-1).

15. INVENTORIES

	31/3/2023	31/12/2022
	L.E. (000)	L.E. (000)
Spare parts	886 181	760 576
Material supplies, Merchandise for sale	3 837 760	3 479 465
Others	40 041	40 471
	4 763 982	4 280 512

The decrease in inventories value by L.E. 203 515 K (against LE 204 144 K as at December 31, 2022) for obsolete and slow-moving items directly from the cost of each type of inventory related to.

16. TRADE AND NOTES RECEIVABLES

	31/3/2023	31/12/2022
	L.E. (000)	L.E. (000)
Trade Receivables - National	6 308 552	5 650 436
Trade Receivables - International	6 398 752	4 913 163
	12 707 304	10 563 599
Add:		
Notes receivable	228 388	246 286
Less:		
Expected credit loss provisions	2 674 492	2 655 044
	10 261 200	8 154 841

Trade and notes receivable balance have increased by an amount of L.E.2 106 359 K is mainly due to the increase in trade receivables- international cables and networks by an amount of L.E 1 317 327 K ,trade receivables – domestic wholesale by an amount of L.E 318 237 K and trade receivables - international carriers by an amount of L.E 172 885 K,trade receivables –Enterprise by an amount of L.E 158 622K and trade receivables –Home and personal communications by an amount of LE. 24 391 K.

17. DEBTORS AND OTHER DEBIT BALANCES

	31/3/2023	31/12/2022
	L.E.(000)	L.E.(000)
Suppliers – advanced payments	1 072 405	688 358
Tax Authority - value added tax	805 334	2 176 439
Tax Authority - withholding tax	1 190 150	1 188 724
Deposits with other	326 536	322 516
Accrued revenues	178 334	166 533
Due from ministries, organizations and companies	1 271 297	1 113 386
Temporary debts due from employees	340 753	1 203 763
Prepaid expenses	138 750	123 514
Other debit balances	1 229 079	1 124 486
	6 552 638	8 107 719
Less:		
Provision of expected credit loss	416 833	411 523
	6 135 805	7 696 196
Less balances due within more than one year:		
Prepaid expenses	82 277	67 921
Current debtors and other debit balances	82 277	67 921
Non current debtors and other debit balances	6 053 528	7 628 275
Total debtors and other debit balances	6 135 805	7 696 196

Debtors and other debit balances have decreased by an amount of L.E. 1 560 391 K mainly due to the decrease in Tax Authority – value added tax item by an amount of L.E 1 371 105 K, Temporary debts due from employees by an amount of L.E 863 010 K as a result of employees dividends for the year 2022, however the increase in suppliers – advanced payment by an amount of L.E 384 047 K, and due from ministries, organization and companies item by an amount of L.E 157 911 K led to limitation of this decrease.

18. CASH AND CASH EQUIVALENTS

	31/3/2023	31/12/2022	31/3/2022
	L.E. (000)	L.E. (000)	L.E. (000)
Banks - time deposits (less than 3 months)	4 406 198	3 544 872	548 384
Banks - current accounts	5 250 943	2 818 478	1 518 109
Cash on hand	11 557	6 767	10 467
Treasury bills (less than 3 months)	2 639 337	348 078	381 125
Money market funds (less than 3 months)	63 668	93 110	101 246
Cash and cash equivalents	12 371 703	6 811 305	2 559 331
Less:			
Time deposits and current accounts at banks	99 106	59 514	61 388
Cash and cash equivalents as per statement of cash flows	12 272 597	6 751 791	2 497 943

19. LOANS AND CREDIT FACILITIES

- The increase in the balance of loans and credit facilities by an amount of L.E 10 570 148 K mainly resulting from proceeds within the period of loans and credit facilities with local and foreign currencies amounted to L.E. 6 635 969 K, in addition to translations difference of foreign currency by an amount of L.E 3 957 049 K, where loans and credit facilities with local and foreign currencies in March, 31 2023 amounted to L.E. 41 396 200 K (against L.E. 30 826 052 K at December 31, 2022) due within a year by an amount of L.E. 18 435 043 K.

20. CREDITORS AND OTHER CREDIT BALANCES

	31/3/2022	31/12/2021
	L.E. (000)	L.E. (000)
Suppliers and notes payable	7 449 969	6 048 326
Tax Authority (taxes other than income tax)	2 654 955	2 703 204
Deposits to others	612 325	621 624
Accrued interest	367 263	282 565
Assets creditors	17 125 900	18 525 210
Accrued expenses	1 404 469	1 719 261
Public Authority for Social Insurance	131 132	106 567
Trade receivables - credit balances	3 765 729	2 588 686
Credit balances organizations and companies	344 066	402 373
Contract liabilities	5 460 299	1 712 178
National Telecommunication Regulatory Authority (NTRA)	2 301 381	2 154 536
Other credit balances	2 979 031	753 264
	44 596 519	37 617 794
balances due within more than one year:		
Assets creditors	7 052 373	6 237 165
Contract liabilities	385 950	325 126
Non current creditors and other credit balances	7 438 323	6 562 291
Current creditors and other credit balances	37 158 196	31 055 503
Total Creditors and other credit balances	44 596 519	37 617 794

Creditors and other credit balances have increased by an amount of L.E 6 978 725 K mainly due to the increase in both of contract liabilities by an amount of L.E 3 748 121 K and other credit balances by an amount of L.E 2 225 767 K, trade receivables – credit balances item by an amount of L.E. 1 177 043 K, Suppliers and notes payable by an amount of L.E 1 401 643 K, National telecommunications regulatory authority (NTRA) by an amount of L.E 146 845 K, However the decrease in assets creditors item by an amount of L.E 1 399 310 K and accrued expenses item by an amount of L.E 314 792 K led to limitation of this increase.

21. LEASE LIABILITIES

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

	31/3/2023	31/12/2022
	L.E (000)	L.E (000)
Beginning balance of present value for lease liabilities	1 112 374	985 110
Additions	20 540	287 381
Payments	(82 918)	(304 746)
Translation difference from foreign currency contracts	-	28 128
Disposal	-	(11 661)
Entities translation difference	30 832	19 522
Interest	28 673	108 640
Lease liabilities	1 109 501	1 112 374
less:		
Current liabilities	328 826	291 510
Non Current liabilities	780 675	820 864

22. PROVISIONS

	31/3/2021	31/12/2022
	L.E.(000)	L.E.(000)
Balance at the beginning of the period / year	1 246 803	1 399 218
Reclassification during the period/year	-	138 319
Charged to income statement for the period / year	52 371	9 261
Provision used during the period / year	(68 885)	(300 029)
Translation differences	35	34
Balance at the end of the period / year	1 230 324	1 246 803

23. CAPITAL

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

24. RESERVES

	31/3/2023	31/12/2022
	L.E.(000)	L.E.(000)
Legal reserve *	3 070 471	2 702 825
Other reserves	2 787 550	2 787 550
	5 858 021	5 490 375

*The balance of legal reserve has increased as a result of retaining by an amount of L.E. 367 646 K from the profit of 2022 in accordance with the company's articles of association.

25. DEFERRED TAX

25-1 Recognized deferred tax assets and liabilities

	31/3/2023		31/12/2022	
	Assets	(Liabilities)	Assets	(Liabilities)
	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)
Total deferred tax asset / liability	4 013 817	(4 058 307)	2 482 269	(3 964 479)
Net deferred tax liability	-	(44 490)	-	(1 482 210)
Deferred tax in the consolidated income statement for the period\ year	-	1 437 720	-	1 511 449
Impact of Deferred tax charged to statement of income	-	480 580	-	135 588
Deferred tax charged to other comprehensive income statement	-	957 140	-	1 375 861

25-2 Unrecognized deferred tax assets

	31/3/2023	31/12/2022
	L.E.(000)	L.E.(000)
Unrecognized deferred tax assets	730 618	712 407

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

26. CAPITAL COMMITMENTS

The group's capital commitments for the unexecuted parts of contracts up to March 31, 2023 amounted to L.E 1 985 Million (against L.E. 2 161 Million for the financial year ended December 31, 2022).

27. CONTINGENT LIABILITIES

In addition to the amounts included in the condensed consolidated statement of financial statements as of March 31, 2023, the company has the following contingent liabilities:

	<u>31/3/2023</u>	<u>31/12/2022</u>
	<u>L.E. (000)</u>	<u>L.E. (000)</u>
- Letters of guarantee issued by banks on behalf of the company*	2 440 499	3 140 560
- Letters of credit	2 813 808	2 882 470

* Letters of guarantee which were issued by banks at March 31, 2023 against restricted cash and cash equivalents at banks (note no.18).

28. TAX POSITION (Telecom Egypt company)

28-1 corporate tax

- Tax inspection was performed for the years till December 31, 2018 and all due taxes were settled.
- Tax inspection for the years from Jan 1, 2019 until Dec 31, 2021 have not been done to date.
- Tax return are submitted according to the income tax law No.91 of 2005, its amendments and its executive regulations, and the due tax is paid on legal dates.

28- 2 Value Added Tax \ Sales Tax

- Tax inspection for the years till till December 31, 2017 was performed and the tax differences were settled.
- Tax returns are submitted according to the value added tax law and according to the law No.206 of 2020 issuing the Unified Tax Procedures Law, and the due tax, if any, is paid on the legal dates.

28- 3 Salary & wages 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.
- Tax inspection for the year 2015 and 2016 is in process.No forms or claims have been issued to date.
- The company is regular in deducting and remitting tax on legal dates according to the law No. 91 of 2005, its amendments and its executive regulations, and the tax settlement is submitted according to the provisions of law No. 206 of 2020 issuing the Unified Tax Procedures Law.

28- 4 Stamp Tax

- Tax inspection for the period from March 27, 1998 to December 31, 2000 was performed for certain sectors of the company, and the company was notified of the tax assessment elements, and the company filed a grievance and challenged the legal deadlines.
- 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, 2018 was performed and due taxes were settled.

28- 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

29. **RELATED PARTY TRANSACTIONS IS REPRESENTED IN**

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

Nature of transactions during the period	Transactions volume		Movement during the period	Balance as of		
	during the period			31/3/2023		
	stated in the statement	of income		Debit (Credit)	Debit (Credit)	
	LE 000	LE 000	LE 000	LE 000	LE 000	
Outgoing calls and voice services to the associate company	815 648		6 702 002	3 427 599	2 596 741	(677 662)
Incoming and international calls, transmission & lease of company premises and towers to the associates company	1 626 194					
			<u>6 702 002</u>	<u>3 427 599</u>	<u>2 596 741</u>	<u>(677 662)</u>

Debit \ (Credit) balances due to associates

- Vodafone Egypt Telecommunications Company

30. GROUP ENTITIES

- Subsidiaries companies are controlled by group companies.
- The group companies control the invested entities when affected by or entitled to variable interest, through participating and influencing the interest due to authority on invested entity.
- The condensed consolidated interim financial statement includes the subsidiary companies that it hold, from the date of acquisition till end date.
- Company's direct and indirect share in subsidiaries companies on March 31, 2023 which were included in the condensed consolidated interim financial statements is as follows:

<u>Company name:</u>	<u>Country of incorporation</u>	<u>Ownership interest</u>	
		<u>31/3/2023</u>	<u>31/12/2022</u>
Telecom Egypt France	France	100.00 %	100.00 %
WE Data	Egypt	100.00 %	100.00 %
T.E Data Jordan	Jordan	100.00 %	100.00 %
TE Investment Holding	Egypt	100.00 %	100.00 %
The Egyptian Telecommunication Company for Information Systems (Xceed)	Egypt	100.00 %	100.00 %
Xceed Customer Care Maroc	Morocco	100.00 %	100.00 %
Xceed Customer Care Mauritius	Mauritius	100.00 %	100.00 %
Centra Technologies	Egypt	100.00 %	100.00 %
Centra for electronic Industries	Egypt	100.00 %	100.00 %
Telecom Egypt Globe	Singapore	100.00 %	100.00 %
Egyptian international submarine cables company (Eisc)	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 %
TE for sport investment*	Egypt	100.00 %	100.00 %
Middle East Radio Communication (MERC)	Egypt	51.00 %	51.00 %

* The Extraordinary General Assembly of the company, which was held on February 20, 2023 decided to change the purpose of the company and it is reflected in the commercial register.

31. COMPARATIVE FIGUERS

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

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

Impact on the condensed consolidated statement of income:

	For the three months ended at:		For the three months ended at:
	31/3/2022 <u>as previously reported</u> <u>debit / (credit)</u> <u>LE(000)</u>	Reclassification <u>debit / (credit)</u>	31/3/2022 <u>Reclassified</u> <u>debit / (credit)</u> <u>LE(000)</u>
Operating Costs	(5 790 131)	100 228	(5 689 903)
Expected credit loss provision	-	(69 549)	(69 549)
Net finance cost	(308 969)	(30 679)	(339 648)

32- SIGNIFICANT EVENTS

1- The effect of the liberalization of the exchange rate

A- The Monetary Policy Committee of the Central Bank decided, in its session held on October 27, 2022, to announce the implementation of the flexible exchange rate system for pricing foreign exchange, provided that the buying and selling prices of currencies are determined in Egyptian pounds based on the conditions of supply and demand, and accordingly the foreign exchange rate increased. Against the Egyptian pound, for example, the US dollar increased from 24.7 Egyptian pounds on December 31, 2022, to 30.8 Egyptian pounds on March 31, 2023.

B- The monetary policy committee of the Central Bank also decided in its previous meetings to raise the overnight deposit and lending rates to reach 18.25%, 19.25% and 18.75%, respectively. The credit and discount rate were raised to 18.75%. Which has a material impact on the company's revenues and financing costs.

2- New versions and amendments to the Egyptian Accounting Standards

On March 6, 2023, Prime Minister Decision No. (883) of 2023 was issued to amend some provisions of accounting standards, and the following is a summary of the most important of these amendments:

New or reissued standards	Summary of the most important modifications	Potential impact on the financial statements	Application date
<p>Egyptian Accounting Standard No. (10) amended 2023 "Fixed Assets " and Egyptian Accounting Standard No. (23) amended 2023 "Intangible ."Assets</p>	<p>1- These standards were reissued in 2023, allowing the use of revaluation model when subsequent measurement of fixed assets and intangible assets.</p> <p>-This resulted in amendment of the paragraphs related to the use of the revaluation model option in some of the applicable Egyptian Accounting Standards, which are as follows:</p> <ul style="list-style-type: none"> - Egyptian Accounting Standard No. (5) "Accounting Policies, Changes in Accounting Estimates and Errors." - Egyptian Accounting Standard No. (24) "Income Taxes" - Egyptian Accounting Standard No. (30) "Interim Financial Reporting" - Egyptian Accounting Standard No. (31) "Impairment of Assets" - Egyptian Accounting Standard No. (49) "Leasing Contracts" <p>2- In accordance with the amendments made to the Egyptian Accounting Standard No. (35) amended 2023 "Agriculture", paragraphs (3), (6) and (37) of Egyptian Accounting Standard No. (10) "Fixed assets " have been amended, and paragraphs 22(a), 80(c) and 80(d) have been added to the same standard, in relation to agricultural produce harvested.</p> <ul style="list-style-type: none"> - The Company is not required to disclose the quantitative information required under paragraph 28(f) of Egyptian Accounting Standard No. (5) for the current period, which is the period of the financial statements in which the Egyptian Accounting Standard No. (35) amended 2023 and Egyptian Accounting Standard No. (10) amended 2023 are applied for the first time in relation to agricultural produce harvested. However, the quantitative information required under paragraph 28(f) of Egyptian Accounting Standard No. (5) should be disclosed for each comparative period presented. - The company may elect to measure an agricultural produce harvested item at its fair value at the beginning of the earliest period presented in the financial statements for the period in which the company have been applied the above-mentioned amendments for the first time and to use that fair value as its deemed cost on that date. Any difference between the previous carrying amount and the fair value in the opening balance should be recognized by adding it to the revaluation surplus account in equity at the beginning of the earliest period presented. 	<p>Management is currently studying the possibility of changing the accounting policy followed and using the re-valuation model option included in those standards, and evaluating the potential impact on the financial statements if that option is used.</p> <p>Management is currently assessing the potential impact on the financial statements of applying the amendments to the standard.</p>	<p>The amendments of adding the option to use the revaluation model are effective for financial periods starting <u>on or after January 1, 2023,</u> <u>retrospectively,</u> cumulative impact of the preliminary applying of the revaluation model shall be added to the revaluation surplus account in equity, at the beginning of the financial period in which the company applies this model for the first time.</p> <p>These amendments are effective for annual financial periods <u>on or starting after January 1, 2023,</u> <u>retrospectively,</u> cumulative impact of the preliminary applying of the accounting treatment for agricultural produce harvested shall be added to the balance of retained earnings or losses at the beginning of the financial period in which the company applies this treatment for the first time.</p>

New or reissued standards	Summary of the most important modifications	Potential impact on the financial statements	Application date
<p>Egyptian Accounting Standard No. (34) amended 2023 "Investment property." "</p>	<ul style="list-style-type: none"> - This standard was reissued in 2023, allowing the use fair value model when subsequent measurement of investment property. - This resulted in amendment of some paragraphs related to the use of the fair value model option in some of the applicable Egyptian Accounting Standards, which are as follows: - Egyptian Accounting Standard No. (1) "Presentation of Financial Statements" - Egyptian Accounting Standard No. (5) "Accounting Policies, Changes in Accounting Estimates and Errors." - Egyptian Accounting Standard No. (13) "The Effects of Changes in Foreign Exchange Rates " - Egyptian Accounting Standard No. (24) "Income Taxes" - Egyptian Accounting Standard No. (30) "Interim Financial Reporting " - Egyptian Accounting Standard No. (31) "Impairment of Assets" - Egyptian Accounting Standard No. (32) "Non-Current Assets Held for Sale and Discontinued Operations" - Egyptian Accounting Standard No. (49) "Leasing Contracts " 	<p>Management is currently studying the possibility of changing the accounting policy followed and using the option of the fair value model mentioned in the standard, and evaluating the potential impact on the financial statements if that option is use.</p>	<p>The amendments of adding the option to use the fair value model are effective for financial periods starting <u>on or after January 1, 2023</u> retrospectively, cumulative impact of the preliminary applying of the fair value model shall be added to the balance of retained earnings or losses at the beginning of the financial period in which the company applies this model for the first time.</p>
<p>Egyptian Accounting Standard No. (36) amended 2023" Exploration and evaluation of mineral resources .</p>	<p>1-This standard was reissued in 2023, allowing the use of revaluation model when subsequent measurement of exploration and valuation assets. 2-The company applies either the cost model or the revaluation model for exploration and valuation assets, the evaluation should carried out by experts specialized in valuation and registered in a register maintained for this purpose at the Ministry of Petroleum, and in the case of applying the revaluation model (whether the model stated in the Egyptian Accounting Standard (10) "Fixed Assets " or the model stated in Egyptian Accounting Standard (23) "Intangible Assets") should consistent with the classification of assets in accordance with paragraph No. (15) of Egyptian Accounting Standard No. (36) amended 2023.</p>	<p>Management is currently assessing the potential impact on the financial statements from the application of amendments to the standard</p>	<p>The amendments of adding the option to use the revaluation model are effective for financial periods starting <u>on or after January 1, 2023, retrospectively</u>, cumulative impact of the preliminary applying of the revaluation model shall be added to the revaluation surplus account in equity, at the beginning of the financial period in which the company applies this model for the first time.</p>

New or reissued standards	Summary of the most important modifications	Potential impact on the financial statements	Application date
<p>Egyptian Accounting Standard No. (35) amended 2023 "Agriculture."</p>	<p>This standard was reissued in 2023, where paragraphs (1-5), (8), (24), and (44) were amended and paragraphs (5a) - (5c) and (63) were added, with respect to the accounting treatment of agricultural produce harvested, (Egyptian Accounting Standard (10) "Fixed assets " was amended accordingly).</p>	<p>Management is currently assessing the potential impact on the financial statements from the application of amendments to the standard.</p>	<p>These amendments are effective for annual financial periods starting <u>on or after January 1, 2023 retrospectively</u>, cumulative impact of the preliminary applying of the accounting treatment for agricultural produce harvested shall be added to the balance of retained earnings or losses at the beginning of the financial period in which the company applies this treatment for the first time.</p>
<p>Egyptian Accounting Standard No. (50) "Insurance Contracts".</p>	<ol style="list-style-type: none"> 1- This standard determines the principles of recognition of insurance contracts falling within the scope of this standard, and determines their measurement, presentation, and disclosure. The objective of the standard is to ensure that the company provides appropriate information that truthfully reflects those contracts. This information provides users of the financial statements with the basis for assessing the impact of insurance contracts on the company's financial position, financial performance, and cash flows. 2- Egyptian Accounting Standard No. (50) replaces and cancels Egyptian Accounting Standard No. 37 "Insurance Contracts". 3- Any reference to Egyptian Accounting Standard No. (37) in other Egyptian Accounting Standards to be replaced by Egyptian Accounting Standard No. (50). 4- The following Egyptian Accounting Standards have been amended to comply with the requirements of the application of Egyptian Accounting Standard No. (50) "Insurance Contracts", as follows: <ul style="list-style-type: none"> - Egyptian Accounting Standard No. (10) "Fixed Assets ". - Egyptian Accounting Standard No. (23) "Intangible Assets". - Egyptian Accounting Standard No. (34) " Investment property 	<p>Management is currently evaluating the potential impact on the financial statements from the application of the standard.</p>	<p>Egyptian Accounting Standard No. (50) is effective for annual financial periods starting <u>on or after July 1, 2024</u>, and if the Egyptian Accounting Standard No. (50) shall be applied for an earlier period, the company should disclose that fact.</p>

33- SUBSEQUENT EVENTS

33-1 The issuance of Annex (C) the amendment accompanying the Egyptian Accounting Standard No. (13) “The Effects of Changes in Foreign Exchange Rates”:

- On May 17, 2023, Prime Minister’s Decision No. 1847 of 2023 was issued to replace some of the provisions of the paragraphs with Appendix C accompanying Egyptian Accounting Standard No. (13) amended in 2015 “The Effects of Changes in Foreign Currency Exchange Rates” added by Prime Minister’s Decision No. 4706 of the year 2022, which deals with the special accounting treatment for dealing with the effects of the liberalization of foreign exchange rates , This Appendix and its amendments, and these treatments are as follows:

1. An establishment that, prior to the date of moving the exchange rate, may acquire fixed assets and/or real estate investments and/or exploration and evaluation assets and/or intangible assets (other than goodwill) and/or usufruct assets for lease contracts, funded by existing obligations in that. date in foreign currencies, to recognize within the cost of those assets the debit currency differences resulting from the settled part of these obligations during the financial period to apply this special accounting treatment, in addition to the currency difference resulting from translating the remaining balance of these obligations at the end of December 31, 2023 or on The end of the closing date of the financial statements for the fiscal period to apply this accounting treatment using the exchange rate used on that date. The facility can apply this option for each asset separately.

2. as an exception to the requirements of Paragraph No. 28 of the amended Egyptian Accounting Standard No. (13) “The Effects of Changes in Foreign Currency Exchange Rates” regarding the recognition of currency differences, an enterprise whose business results were affected by net profits or losses of currency differences as a result of moving the currency exchange rate A foreign currency, whether the currency of its entry is the Egyptian pound or any other foreign currency, to recognize within the items of other comprehensive income the net debit and credit currency differences realized during the period in addition to the differences resulting from the retranslation of the balances of items of monetary nature existing at the end of December 31 2023 or at the end of the closing date of the financial statements for the fiscal period to apply this special accounting treatment using the exchange rate used on that date , less any currency translation differences that have been recognized as cost of assets in accordance with paragraph 7 of this Appendix. Considering that these differences were mainly caused by the unusual movements of the exchange rate.

The application of these treatments has affected the condensed consolidated interim financial statements for the current period as follows:

<u>Item</u>	Before applying the accounting transaction	The impact of applying the accounting transaction	after applying the accounting transaction
	Debit / (Credit) <u>L.E (000)</u> <u>31/3/2023</u>	Debit / (Credit) <u>L.E (000)</u>	Debit / (Credit) <u>L.E (000)</u> <u>31/3/2023</u>
<u>1- Statement of financial position</u>			
Fixed assets	49 951 979	1 756 239	51 708 218
Project in progress	10 416 713	532 108	10 948 821
Other assets	18 601 204	773 693	19 374 897
Deferred tax liabilities	(3 419 426)	3 374 936	(44 490)
Retained earnings	(23 293 987)	3 550 965	(19 743 022)
<u>2- Statement of income</u>			
Finance cost	8 897 124	(7 643 931)	1 253 193
Depreciation and amortization	1 775 954	377 827	2 153 781
<u>3- Statement of comprehensive income</u>			
Translation differences of foreign currency balances	-	(4 581 891)	(4 581 891)
Deferred tax on translation differences of foreign currency balances	-	73 738	73 738
Income tax on translation differences of foreign currency balances	-	957 140	957 140

33-2 The company's main shareholder offered 10% of the company's capital in the secondary market on the Egyptian Stock Exchange

The Board of Directors of Telecom Egypt, decided in its session held on May 11, 2023, to approve the company's signing of the information memorandum regarding the offering of the main shareholder (the Egyptian government) in the company for 10% of the company's capital in the secondary market on the Egyptian Stock Exchange on May 11, 2023 with the authorization of the CEO to sign the information memorandum and all the documents and pledges which are necessary to complete the offering process.

34- SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of the condensed consolidated interim financial statements as of March 31, 2023 is the same as the accounting policies applied in the preparation of the annual consolidated financial statements as of December 31, 2022, these accounting policies have been applied consistently to all periods presented in these condensed consolidated interim financial statements in march 31,2023.
