

telecom**egypt**



Egypt's Digital Backbone

INTEGRATED
**ANNUAL
REPORT**
2020

FORWARD LOOKING STATEMENTS



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THE YEAR AT A GLANCE

KEY HIGHLIGHTS 2020

EGP **26bn**
Revenues

40%
Data revenue CAGR
2015-2019

EGP **5.8bn**
EBITDA

45k
TE group
headcount

EGP **4.4bn**
Net Profit

2.1x
Net debt to EBITDA
(excl. ERP)

EGP **12.7bn**
In-service CapEx

CHAIRMAN'S MESSAGE



During 2020, the repercussions of the pandemic have severely affected individuals and businesses alike; however, I am very proud to say that Telecom Egypt has navigated through these challenges and come out very strong with substantial operational and financial gains.

Egypt has proven to be an ideal environment for major infrastructure developments over the years, in light of its drive towards digitization and its predominantly youthful population that leads the growth in data demand. In that regard, Telecom Egypt has successfully completed 90% of the copper-to-fiber replacement program that was initiated back in 2014, upgraded its backbone network, and expanded its international footprint. This has enabled the company to offer best value, data centric propositions, provide high quality services to international customers, and grow its data center business.

Telecom Egypt is also a key player in the Egyptian government's national digitization plans. We completed our contribution to phase-1 of the digital transformation initiative in 2020, which involves connecting governmental buildings with fiber, and made major strides in our endeavor to provide the New Administrative Capital with a complete set of innovative smart city services.

In addition to our strong performance, we played an influential role in serving the community during the Covid-19 outbreak. We supported the health, educational, and governmental sectors by providing connectivity services and innovative solutions to keep all members of society connected.

Finally, I'm very proud to say that we were able to follow through with our strategic objectives for the year by providing unmatched products and services to the market, expanding the scope of our ICT service offerings, and strongly contributing to Egypt's digitization plans.

On behalf of Telecom Egypt's Board of Directors, I would like to commend the performance of the company's management and all its employees during 2020 and look forward to more achievements and successes in the upcoming years.


Magued Osman
CHAIRMAN

CEO'S MESSAGE



This is a special time in Telecom Egypt's history as our performance for the year generated exceptional levels of financial profitability and supported Egypt's digital shift during the pandemic.

Our top line for the year reached EGP 32bn, growing 24% YoY. Our EBITDA margin stood at 35%, exceeding our guidance, supported by the growth of our diversified business lines, mainly on strong data performance and higher cable revenues. This filtered through to an all-time high net profit and operating cash flow, amounting to EGP 4.9bn and EGP 8.3bn, respectively. Our strong performance is primarily attributable to our investments in our network infrastructure and various system upgrades that enabled us to accommodate the rapid increase in data demand throughout the year.

In terms of retail growth, we quickly enacted a digital outreach strategy in 2020 to facilitate digital living by promoting our applications, "My WE" and "WE Pay," allowing users to complete multiple transactions from the comfort of their homes. In result, we have seen a significant growth in digital transactions on both applications. We also expanded a number of our products, including the "WE SPACE" offering by adding an all new "MAX" package, and launched our loyalty program, "WE Bonus."

Moreover, we have demonstrated our commitment to serving our wholesale customers by signing long-term agreements with MNOs, allowing them to provide excellent quality services to their customers. On the international front, we added new submarine cables and routes to our existing network, signed agreements with international carriers, and established landing station facilities to provide our customers with highly resilient solutions and abundant network capacities.

Going forward, we strive to address the needs of every home and office by continuously growing our portfolio of converged services. We also plan to grow our mobile business further by providing best value data products to customers, capitalizing on the additional spectrum that we were recently awarded. Additionally, we will continue to provide a wide range of cutting-edge IT solutions to our local and international customers through our data centers to ascend to the application layer of our digital pyramid, and expand our international cable footprint across continents.

To conclude, 2020 is evidence that Telecom Egypt is a forward-focused vehicle committed to maximizing shareholders' returns, bettering society, and enabling Egypt's sustainable development strategy.


ADEL HAMED
CEO

CHAPTER ONE

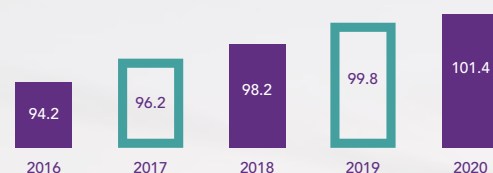
PLANNING AHEAD

Best plans come from the highest vantage points

MACROECONOMIC INDICATORS

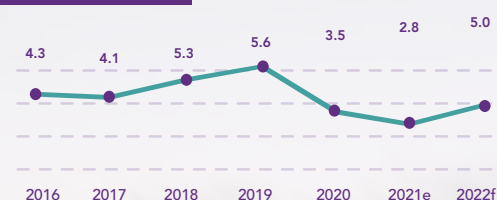
HEALTHY MARKET LANDSCAPE

Population (mn)



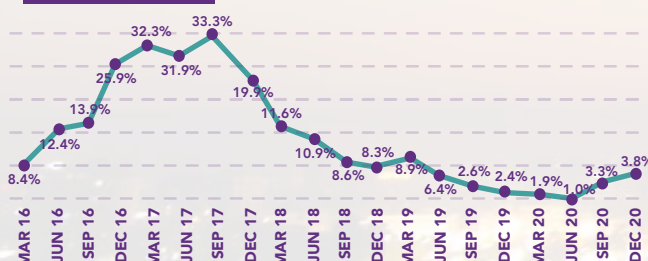
Source: CAPMAS 2020 census

Real GDP Growth (%)



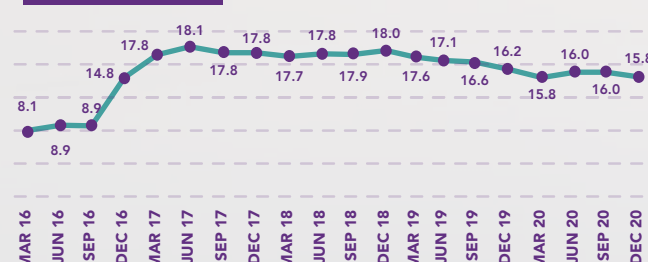
*2020 & 2021 forecasts were 5.9% and 6%, respectively, preceding the covid-19 pandemic
Source: IMF

Core inflation (YoY)



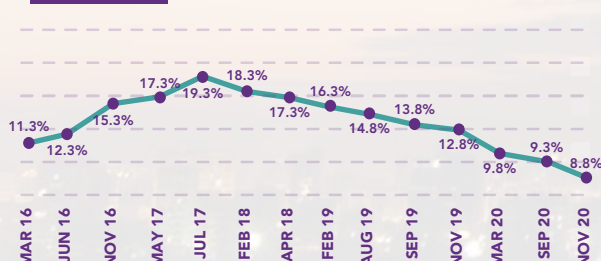
Source: Central Bank of Egypt

Average USD to EGP



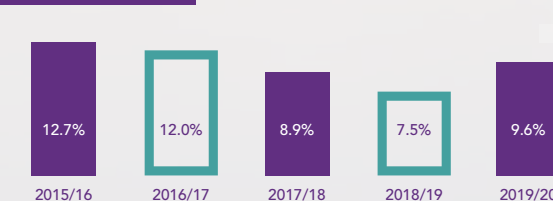
Source: Central Bank of Egypt

Discount Rate



Source: Central Bank of Egypt

Unemployment Rate

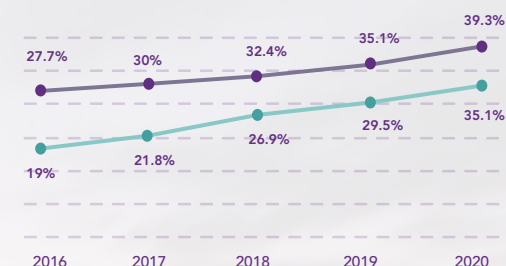


Source: Ministry of finance

TELECOM MARKET INDICATORS

GROWING DATA MARKET

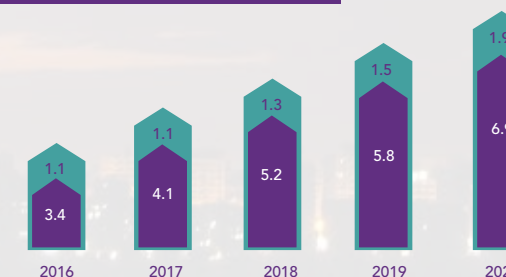
Household Penetration %



Fixed Line Broadband

Source: MCIT & CAPMAS 2017 census

Fixed Broadband Market Subscribers (mn)



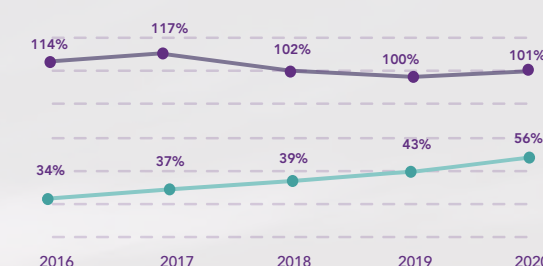
TE Others

Source: MCIT and TE disclosures

Fiber Access Network Capacity (in 000' homes)



Mobile Penetrations %



Voice Data

Source: MCIT & Operators' disclosures

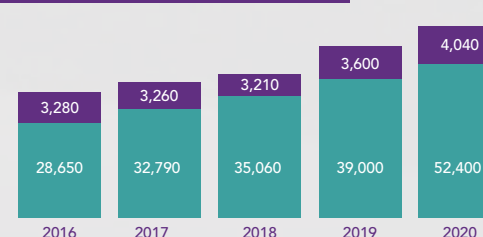
Mobile Market Subscribers (mn)



TE Others

Source: Operators' disclosures

Mobile data market subscribers (in 000's)



USB Mobile Data

Source: MCIT

WHO WE ARE

A STORY OF TRANSFORMATION

Telecom Egypt has a long-standing history as the incumbent telecom operator in the Egyptian market, having served many generations over the span of more than a century. Incorporated in 1998 and listed in Egypt and London stock exchanges in 2005, Telecom Egypt takes pride in its ability to accommodate rapidly changing market dynamics and meet the evolving needs of all its customers. Telecom Egypt's ownership structure is comprised of the Egyptian government, owning 80% of the company, and the remaining 20% is distributed amongst a highly diversified, international institutional shareholder base.

Telecom Egypt began a transformation journey with the launch of mobile services in 2017. Its core focus was to deliver all customer needs under a single monolithic brand, "WE," and introduce best value for money packages to customers. Such a move dramatically shifted customer perceptions, increased traction on the company's newly launched products and services, and was a precursor to becoming Egypt's first integrated provider. In 2018, Telecom Egypt launched "Indigo Plus," the first product in the market to bundle fixed voice, broadband, and mobile services in one bill as a step forward towards its goal to provide a full suite of telecom services to all customers. Achieving such an ambitious target required high-speed broadband connectivity to support the provision of next-generation converged services, including content streaming and gaming, among other services. To that end, the company heavily invested in accelerating its copper-to-fiber replacement program in 2019 and 2020 to significantly boost its network capabilities, enhance the quality of fixed broadband services by providing higher internet speeds, and consequently digitize Egypt.

GEARING UP FOR TOMORROW TODAY

Global telecom players are currently living through an era of unprecedented change, with the growing digital economy causing seismic shifts in the ICT landscape. To cope with such changes, Telecom Egypt has taken its strategy a step further to establish itself as a key enabler of digitization, rather than a traditional provider of communication services, by working towards becoming a total ICT provider and establishing Egypt as a regional data hub.

TOTAL TELECOM PROVIDER
AND PREFERRED GLOBAL ROUTE

➤ HEADING
TOWARDS ➤

TOTAL ICT PROVIDER
AND DIGITAL HUB

WHAT WE OFFER

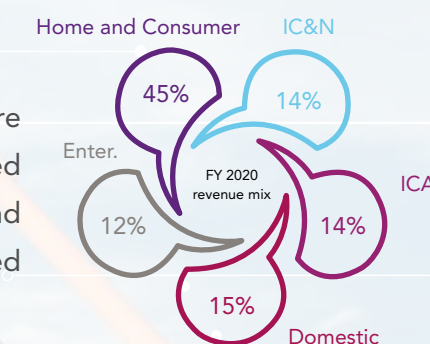
Telecom Egypt serves its customers through five business units: Home & Consumer, Enterprise, Domestic Wholesale, International Carrier Affairs, and International Customers & Networks.

HOME AND CONSUMER

WE, the retail brand for Telecom Egypt, provides a wide range of services to consumers, including fixed voice and broadband services and mobile voice and data services, in addition to other value added services. WE's portfolio includes dual and triple play services, with quad-play soon to be added with the nationwide launch of IPTV services. WE also launched its digital wallet "WE Pay" in November 2019.

ENTERPRISE

Our enterprise portfolio includes high-speed and secure networks, hosting services, VPN, IP transit, cloud, managed security services, a range of custom solutions for small and large businesses, and traditional mobile and fixed connectivity services.



DOMESTIC

TE offers a wide range of services to local MNOs and ISPs, from infrastructure services including transmission, co-location, and power, to access services for consumers (SLLU and bitstream) and enterprises (SHDSL and FLLU) in addition to international outgoing calls.

INTL' CARRIER AFFAIRS

Through direct relations with more than 70 international carriers, Telecom Egypt utilizes its International Gateway (IGW) license to capture international traffic for its own customers and those of the domestic mobile operators, earning its revenue in foreign currency.

INTL' CUSTOMERS AND NETWORKS

The company's wide international network of submarine cables and Egypt's geographical location make it the preferred corridor for international traffic from the East to the West. Under this business unit, the company offers IRUs and sells capacities on its cables as well as ancillary services (O&M). It also provides International customer support services through its Xceed call center.

OUR STRATEGY

REVOLVES AROUND
TURNING TE INTO...

A TOTAL ICT PROVIDER

Offering customers best value, data-centric value propositions

A PREMIUM DIGITAL HUB

Expanding from an established international route to an eminent regional digital hub

DIGITAL WE

Embracing digital transformation internally and externally to empower customers & employees

A FINANCIALLY & OPERATIONALLY EXCELLENT COMPANY

Expanding efficiency & optimization measures to enhance profitability

Telecom Egypt's digital ecosystem

The reality of the global digital ecosystem today is that customer demands drive digital change. Customers not only expect to receive high-speed internet connectivity, but also innovative ICT products and services. This prompted Telecom Egypt to heavily invest in accelerating its copper-to-fiber replacement program in 2019 to improve Egypt's internet infrastructure, paving the way towards new waves of technological evolution. It also migrated all fixed broadband and mobile subscribers to a new Business Support System (BSS) to support various end-to-end telecommunication services. Such investments came to fruition in 2020 when rapid digitization was forced upon global communities due to the Covid-19 pandemic and was rendered necessary to keep economies afloat. During such trying times, Telecom Egypt continued to introduce unmatched value propositions to the market and concurrently upgrade its internal and external infrastructures to meet customer needs.

A total ICT provider

Innovative information and communication technologies are being developed every day, and they are altering the global ICT market in extraordinary ways. Telecom Egypt is committed to remaining at the forefront of such changes by developing solutions that improve customer lives. During the past two years, the company has monetized its steep network investments by launching "WE SPACE," a retail offering that shifted the local broadband market, in addition to "WE Pay," an application that facilitates cashless transactions. It also launched IPTV services in gated communities, with the aim to reach a wider audience in the near future. Additionally, Telecom

Egypt provides a plethora of ICT services to the educational, healthcare, financial, and governmental sectors, which not only ensure business growth, but also facilitate national digital transformation.

Egypt: A premium digital hub

As one of the region's most lucrative markets, Egypt's digital economy has incredible growth potential. In that regard, Telecom Egypt aims to capitalize on Egypt's network capabilities and distinct geographic location to position it as a premium digital hub. Reaching such an important target entails revamping the company's international infrastructure, growing its submarine cable footprint, building world-class data centers, hosting content, and ascending to the application layer. Thanks to its ongoing efforts, Telecom Egypt has been recognized as a global partner of choice as it provides abundant international capacities with the lowest cost, lowest latency, and the highest quality. Telecom Egypt's redundant and resilient fiber optic mesh network infrastructure carries over 10 terabits of transit traffic and delivers a complete range of telecom services across continents.

Enabling Egypt's Vision 2030

Egypt's Vision 2030 goes hand in hand with Telecom Egypt's strategic goals that aim to achieve national digital transformation and transform Egypt into the region's eminent digital hub. Telecom Egypt's internal and external efforts to develop and expand its domestic and international infrastructure enable the "Digital Egypt" vision, which focuses on developing human capital, fostering technological innovation, and facilitating the transition into a digital economy.



Our companies

A successful conglomerate

WE Data is Egypt's leading internet service provider with around 80% market share. Telecom Egypt established WE Data in 2001. WE Data's portfolio includes narrowband and broadband internet access services, managed internet access services, IP VPN connectivity services, and global connectivity services. WE Data's portfolio of services covers the needs of all segments, including consumers, small and medium enterprises, and large corporations.

Book value: 3,377.1mn Direct share: 99.99% Direct & indirect share: 100.00%

TE Data Jordan is a Jordanian registered company established in 2004 and fully owned by WE Data. TE Data Jordan has introduced new services to the market, benefiting from WE Data's extensive experience and following its model. TE Data Jordan's long-term strategy is to expand beyond the provision of data services to interconnection services. It acts as Telecom Egypt's wholesale arm in the region.

Xceed is one of the leading BPO players in the EMEA region, managing various international and local programs and providing a wide array of contact center services, BPO consultations, as well as Shared Services (HRO, FAO) in different languages, including Arabic, English, French, German, Italian, Spanish, Greek, Russian, and Turkish. Xceed currently has +10,000 omnichannel workstations in Egypt distributed among seven sites in addition to a site in Morocco with a capacity of 1,000 omnichannel workstations and a site in Mauritius. Xceed prides itself on its ability to adopt disruptive technologies, such as RPA, AI, and predictive analytics.

Book value: 657.8mn Direct share: 97.66% Direct & indirect share: 100.00%

Xceed Morocco is a Moroccan registered company that is fully owned by Xceed Egypt. The company provides services to French speaking countries in Europe such as France, Belgium, Switzerland, and Canada. Its talent pool helps the company compete in global outsourcing tenders.

Xceed Mauritius was established to comply with Xceed's strategy to complement its presence in Africa. Xceed has expanded to Mauritius to meet the expectations of multinational companies requiring bilingual services (English and French), through a single, low-cost location while ensuring optimal levels of professionalism, reliability, and experience.

Centra Technologies was established in 2002. Its core business is to provide complete IT solutions, including end-to-end data centers and cloud computing solutions, networking solutions, enterprise computing infrastructure, and cybersecurity solutions. The company also markets and sells personal computers, servers, laptops and other hardware.

Book value: 71.4mn Direct share: 58.76% Direct & indirect share: 100.00%



Other investments

Vodafone Egypt is the leading mobile operator in Egypt with a mobile market share of c. 40% as of FY 2020. The company offers its customers mobile voice and data services in addition to fixed broadband services.

Book value: 16,879mn Direct share: 44.95% Direct & indirect share: 44.95%

Middle East Radio Communication (MERC) was established in 2001 and is a leading company in the field of building, operating, and managing wireless communication stations. MERC produces, designs, and operates various types of programs and computer systems in addition to developing softwares, operating systems, and integrated systems.

Book value: 32.7mn Direct share: 49.00% Direct & indirect share: 51.00%

SPVs

TE Investment Holding was established in 2009 to identify and promote suitable investment opportunities both locally and overseas. By selecting companies that are involved in associated industries, TE Holding aims to be operationally active where value can be added.

Book value: 63.4mn Direct share: 99.99% Direct & indirect share: 100.00%

TE Globe is a registered company established in 2016 in Singapore and is fully owned by TE Investment Holding. TE Globe's vision is to be the bridge of global telecom services between South East Asia, the Middle East, Africa, and Europe through its robust and unique network that connects Singapore to Europe.

EISCC was established in 2018 under the name Egyptian International Submarine Cables Company with the aim of growing Telecom Egypt's submarine cable footprint. The company bought MENA Cable Co. in September 2018.

Book value: 60.9mn Direct share: 98.99% Direct & indirect share: 100.00%

TE France was established mainly to serve as a landing station in France for Telecom Egypt's TE North Cable.

Book value: 159.1mn Direct share: 100.00% Direct & indirect share: 100.00%



CHAPTER TWO

DRIVING CHANGE

Fast and forward-thinking for an ever-changing
and evolving future.

Our network, Egypt's backbone

Telecom Egypt is a key facilitator of Egypt's national digital transformation strategy, which predominantly depends on the company's robust network infrastructure and reliable connectivity services. In 2014, Telecom Egypt initiated a strategic network development plan to enable the provision of a wide range of digital applications, relying on high-speed internet connectivity.

Internet of Egypt

A new age of digital applications and services is approaching, requiring a robust network infrastructure capable of accommodating the surge in data traffic. Telecom Egypt launched the "Internet of Egypt" project by the end of 2018 to accelerate its network revamps by replacing copper cables across the country with fiber optics to boost its network capabilities and provide next generation digital services to customers. The project was completed

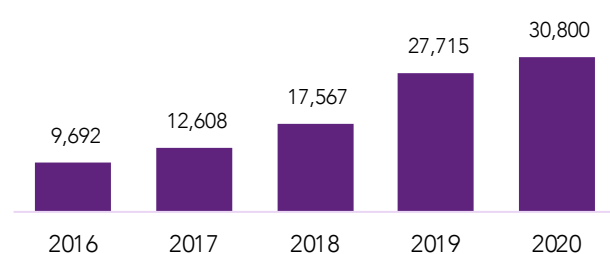
without disrupting functionalities through IP core automation.

Fixed broadband market

Telecom Egypt revamped its fixed broadband service over two phases, the first being in 2018 with the launch of "WE Internet" and the second in 2019 with the transformational launch of "WE SPACE". Prior to the first phase, fixed broadband bundles varied in speeds, starting from a speed of up to 512Kbps to a speed of up to 16Mbps for limited quotas and 2Mbps for unlimited quotas. The latter led to a widespread line-sharing phenomenon that reduced internet speeds and affected customer satisfaction. "WE Internet" eliminated all unlimited quotas and simplified a structure of over 40 offerings to just five main offerings, raising the minimum speed to up to 5Mbps and the maximum speed to up to 100Mbps. The company's ongoing network investments and system developments later led to the introduction of "WE SPACE," which further increased internet speeds from up to 5Mbps to up to 30Mbps for the entry-level bundle, with the highest bundle providing a speed of up to 100Mbps. This was followed by the launch of the highest speed bundle to date in 2020, offering a speed of up to 200Mbps. The new bundles became quota and speed-based, with the minimum speed offered satisfying the needs of the majority of customers. This significantly improved service quality, eliminated the widespread line-sharing phenomenon, and facilitated a societal shift towards digital technologies. Telecom Egypt has also amended its bitstream agreements with ISPs and MNOs to ensure that broadband customer experiences are unified across the country.

Fiber access network capacity

(in 000' homes) and excluding the last mile.



by reaching 90% of households with fiber to the curb with the deployment of around 13k MSAN units during the last couple of years, to reach 31k by the end of 2020, in spite of the challenges faced during the pandemic. The company has also expanded its backbone network, comprised of the international, IP core, and transmission networks, and continued to deliver superior and real-time services while adding, changing, and removing services across the network

Mobile network capabilities



Telecom Egypt intends to grow its mobile business, support the increase in traffic, and gradually reduce national roaming costs through its ongoing mobile network investments. The company strategically expands the reach of its network infrastructure in key areas based on traffic heat maps, and by the end of 2020, it successfully built 1,800 sites, carrying over 30% of mobile traffic, with more to come. It has also acquired 20MHz of spectrum in the 2600MHz band from the regulator, which will secure future mobile growth in terms of subscribers and usage, allowing the company to continue providing unrivaled value propositions.

Enhanced network performance

During the past two years, the company enhanced its operational facilities by establishing new rooms for mobile core switches, which are the primary service nodes responsible for carrying out multiple network functions, and undergoing power and cooling expansions inside existing switches located across the country. Additionally, Telecom Egypt underwent numerous network-wide software upgrades, deployed the latest end-user perception enhancement features, and performed a track of sub-zone and zone level actions to enhance its mobile network coverage and best-serve its customers. On the same front, the company implemented new mobility enhancement techniques between its own network and the national roaming network to ensure seamless end-user experiences. It also applied the latest trends in machine learning to model performance behavior and provide a proactive approach to problem detection and resolution. The aforementioned efforts positively reflected on Telecom Egypt's network performance, which was recognized by the NTRA in its 2020 annual report. The company's voice call block rate and call drop rate were reportedly enhanced by 21% and 25%, respectively, and mobile data download speed also grew by 19%, reaching 28 Mbps, while the upload speed grew by 12%, reaching 14 Mbps.

5G ready

While the 5G market is still quite premature both locally and internationally, it is worth noting that Telecom Egypt is prepared to provide this ultra-low latency and highly reliable connectivity service once 5G use cases start accelerating consumer demand. Telecom Egypt has demonstrated its competitive edge as the forth entrant in the market on several occasions, having acquired the latest technological solutions from various international tech-giants,

making it 5G ready. During the World Radio Communication conference (WRC) 2019 event, the



company presented an end-to-end standalone 5G network demo by exhibiting its 5G-enabled 360 camera that provided an excellent quality and low latency live feed from hundreds of kilometers away in addition to revealing its virtual reality applications. Such solutions rely on Telecom Egypt's robust fiber optic infrastructure and high-quality mobile network coverage with modernized access technology.

Smart cities of the future

Smart cities are the future of urban life as we know it. With the help of IoT solutions, Telecom Egypt aims to connect all objects and machines within a city over its network infrastructure, thus addressing a wide range of urbanization challenges such as energy efficiency, safety, security, and traffic congestion, among others. The company is currently building a state-of-the-art infrastructure in the New Administrative Capital in New Cairo to enable ultra-connectivity in one of Egypt's largest economic development projects. By employing Passive Optical Network (PON) technologies, Telecom Egypt will automate its network infrastructure in the New Administrative Capital to offer unique bandwidth quality and innovative smart city services to end users. MNOs will be able to lease its transmission and access network to benefit from high-quality wholesale services.

Keeping pace with technological evolution

Telecom Egypt attends and facilitates the execution of global events to keep up with rapid technological advances and cooperate with the most influential players in the market. This supports its endeavor to enhance its quality of service, enrich customer experience, and expand its portfolio of services as an integrated operator. During 2019, one of the most prominent events the company has participated in and provided connectivity services to was the WRC event, which was held in Egypt for the first time, bringing professionals from across the globe together to discuss the latest technologies and regulations in the telecom industry.



IT evolution, enabling transformation

IT milestones

Digital Ecosystem

- Digital Egypt portal (digital.gov.eg)
- Cloud, hosting, security and configuration services for ministries and other governmental entities
- FVNO services for MNOs

Connectivity

- Public Wi-Fi
- WE AIR (Fixed LTE)

Data analytics

- CX surveys platform
- Information center
- Customer segmentation
- FBB customer's lifecycle

Operational excellence

- IP unification
- Fixed voice franchisers
- Implementing work force management solution (WFM)

Digital WE

- FBB E-care & mobile app.
- IPTV
- WE Pay
- Advanced IVR
- Digital channels ChatBots

System migration

- BSS migration
- OSS implementation
- CPE inventory replacement

Customer experience

- WE Bonus (unified loyalty solution)
- Case management enhancement
- Automatic outage announcements

System upgrades and integration

Retail developments

The successful migration of all mobile and broadband customers to the new Business Support System (BSS), with fixed voice customers yet to come, played a pivotal role in modernizing Telecom Egypt's internal processes. The company's operating systems were integrated into a single solution, allowing for a wide range of converged functions, including end-user sales, self-service portals, customer agent operations, and billing functions.

Telecom Egypt also worked towards strengthening its digital presence by:

- Launching a unified mobile application and E-care website with an abundance of features available to users, enabling them to carry out multiple transactions conveniently
- Introducing a number of solutions to ease communications, such as the "chatbot" solution on all digital channels, an automated troubleshooting engine, a new advanced self-service tool, Interactive Voice Response (IVR), which includes automatic outage announcements, borrowing (salefny) services, usage call automation, and quota throttling
- Launching a new loyalty program, "WE Bonus," to attract and retain customers

Wholesale developments

In addition, Telecom Egypt underwent multiple system upgrades to serve international and wholesale customers such as modifying its existing ADSL portals to allow for the provision of FTTH access services

by automating the ordering, installation, and billing process. It also provided access to customized customer survey portals to enhance service quality and customer experience. The trouble ticketing process for leased lines, IRU services for ISPs, and the billing cycles for some services have been automated as well.

Internal system upgrades

Enhancing the internal operations of different departments while maintaining the highest levels of accessibility and control was fundamental to Telecom Egypt's digitization plans. The company replaced its legacy Order Management System (OMS) with a new one to enhance the efficiency of its order fulfillment cycle and upgraded its Case Management System (CMS) by introducing additional features to develop the process of handling technical complaints. It also unified the network inside its premises by applying IP modifications, as part of its network unification plan, to enhance user control and security.

A key architect of success

IT enhancements played an integral role in accelerating the copper-to-fiber replacement program and launching high-speed internet bundles. This supported the rolling out of MSAN units and FTTH by improving system capabilities and developing a migration plan to revamped products, applying a router swap strategy, and enhancing marketing, selling, and distribution features to allow for the provision of higher average broadband speeds.

Mobile wallet launch

The "WE Pay" application allows all customers to carry out the following functions anywhere and anytime:



The service allows customers to perform these transactions in all WE retail stores:



Governmental ICT projects

Cloud & IVR services

- Digital portal, cloud, and hosting services for a number of governmental entities nationwide
- National health insurance systems
- Takafol IVR system

Security services

- Built Arbor solution (D-DOS) for key enterprise banking accounts
- Designed, provided, and operated all security and IT network solutions (LD, SW, etc.) for the MCIT and other key governmental accounts for national projects
- Delivered IT network and security solution for the African Cup of Nations held in Egypt during 2019

Customer centricity, the key to success

Staying agile

As the telecom industry grows more competitive, Telecom Egypt continues to invest in customer care excellence to ensure business continuity. Telecom Egypt is a resilient and adaptable company committed to meeting the rapidly evolving demands of its customers by developing its self-care channels, optimizing processes through smart and personalized solutions, and training customer support agents to deliver fast and seamless responses to customers, in line with its core values:

Efficiency

Providing smart and innovative solutions to reduce the need for customers to contact WE customer care agents and provide superior products and services through self-care channels.

Satisfaction

Delivering excellent customer experience through outstanding performance across all touch points and communication channels.



5 lines of business

Fixed voice, fixed data, mobile, 140 directory, and WE Pay



+750k digital chats/month



+8.5mn social media followers

Facebook, Twitter, Instagram



+4K PCs provided for remote working

Precautionary Measures during Covid-19

Customer care in a nutshell 2020



+6.5k Employees

Average age 28, well-trained university graduates with solid technical backgrounds



+6.3mn live calls/month

Fixed voice, fixed data, mobile, and directory



9 call centers in 4 cities

Cairo, Alexandria, Assiut and Qena



Multi-channels support

Live, emails, IVRs, USSD, website, webchat, mobile app, and social media

Beyond care

To attract and retain customers, Telecom Egypt works diligently to shorten resolution times, deliver premium quality services, and ensure customer satisfaction. The company creates a customer journey map to track interactions across a variety of touchpoints, allowing its care agents to walk through the customer journey themselves to pinpoint loopholes and alleviate any issues. Additionally, it identifies customer experience limitations using a number of metrics to evaluate its operating system, customer care agents' performance, quality of service, and customer satisfaction, among other KPIs. Telecom Egypt measures customer sentiment by evaluating multiple channels, including social media, to collect and analyze Net Promoter Scores (NPS) in addition to periodically running mystery visits and analyzing

customer ratings through focus groups and personal calls. The company showed progress across customer satisfaction, first call resolution, and NPS compared to 2019, aiming to maintain and further develop its performance.

Enhanced accessibility

Telecom Egypt engages its customers every step of the way to understand their needs and provide them with especially tailored products and services. Customers are empowered throughout the customer care journey thanks to Telecom Egypt's self-service tools, including the unified mobile application, virtual hold automation, and Interactive Voice Responses (IVRs) that, together, enrich customer experience and enable the company to follow through with its cost

optimization strategy. In 2020, customer reliance on self-care channels reached 32%, more than doubling over the last two years. The company's care teams were able to accomodate the migration of all fixed broadband and mobile customers to the new BSS and the launch of new high-speed internet bundles, which both caused a strong spike in the volume of calls and requests.

to activate and manage equipment in user homes remotely. It also embraced a data-driven, proactive approach to enhance first call resolution (FCR) to cope with changing market dynamics and attain customer satisfaction.

+120k
Average daily IVRs



A smooth execution of the "Internet of Egypt" project

Telecom Egypt has fashioned a well thought out action plan in 2019 and 2020 that guarantees technical, commercial, and operational excellence throughout the implementation of the "Internet of Egypt" project and the BSS migration. All customers were notified via SMS and outbound campaigns before their fixed broadband service lines were migrated from local exchanges to MSAN units. The company also carried out frequent data health checks to identify faulty lines and potential shortcomings, performed user acceptance tests (UATs), updated its knowledge base, developed training materials, hired qualified employees, and delegated highly skilled front liners to handle inquiries during the transition to new high-speed internet bundles. Additionally, the company employed "home device management systems"

Our people, TE's most valuable assets

Telecom Egypt takes pride in being an employer that values its employees and provides them with the opportunity to thrive in their roles. Over the years, the company has heavily invested in creating a diverse and inclusive work environment that stimulates creativity and innovation, attracts and retains the best candidates, and encourages career progression. Telecom Egypt strives to create a well-rounded business environment to ensure the continuity of its exceptional business performance over the long term.

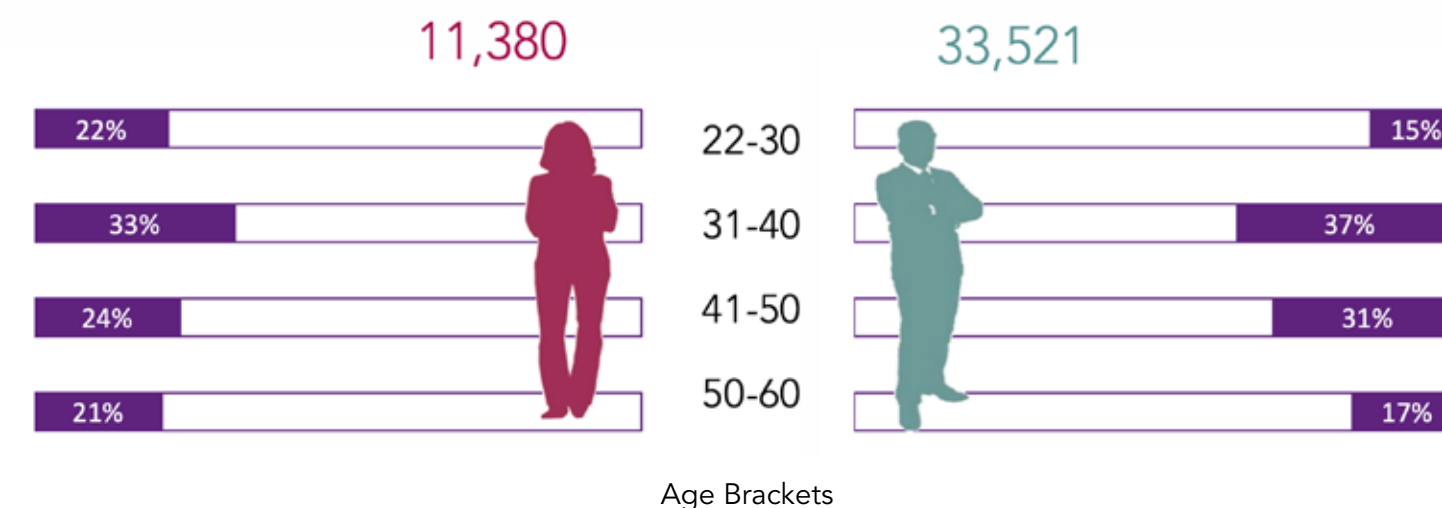
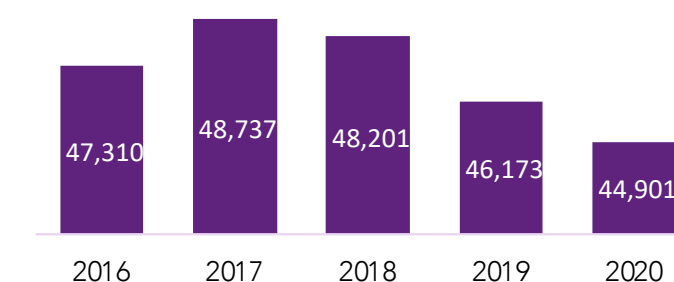
A culture of diversity and inclusivity

Telecom Egypt advocates for diversity and inclusivity and provides equal opportunities in recruitment,

Women in the workforce

Telecom Egypt is actively addressing gender parity and empowerment by ensuring that career development and growth opportunities are equal among males and females. Females make up 17% of

Headcount development



career development, training, and promotion. It employs candidates of all ages, races, genders, religions, social/marital statuses, disabilities, and any other characteristic protected by the Egyptian law.

Telecom Egypt's current executive management, with goals set in place to expand female representation in the management in the near future. Telecom Egypt is proudly an organization that embraces equal pay and determines employee compensation plans based on professional merit.

Performance management

During the year, Telecom Egypt enhanced its performance management system to evaluate employees in a more efficient manner, in addition to unifying performance standards across its group companies. This system pinpoints employee strengths and weaknesses, which aids managers in choosing the right training programs for their teams, and ensures that all employees and systems are aligned to meet the company's strategic objectives.

Encouraging professional development

Telecom Egypt views workforce training as a prime opportunity to expand the knowledge base of all employees and enhance their productivity. Throughout its various training programs, including "WE Stars," a program that was launched to improve the skillsets of 1k sales employees, the company has witnessed a significant boost in employee satisfaction and performance, making workforce training a worthwhile investment over the long term.

Pulling leaders up the rank

Supervisory level learning paths within the company are comprised of 42 courses that cover a variety of topics, including leadership & soft skills, HR & management, marketing & sales, and accounting & finance, with

over 10k graduates over the past four years. Telecom Egypt also provides management courses through its Leadership Development Program (LDP) and enrolls employees in the International Business Driving License (IBDL), which is an international foundation that serves as an outreach department for the College of Business Administration of Missouri State University.

Top management competency-based programs

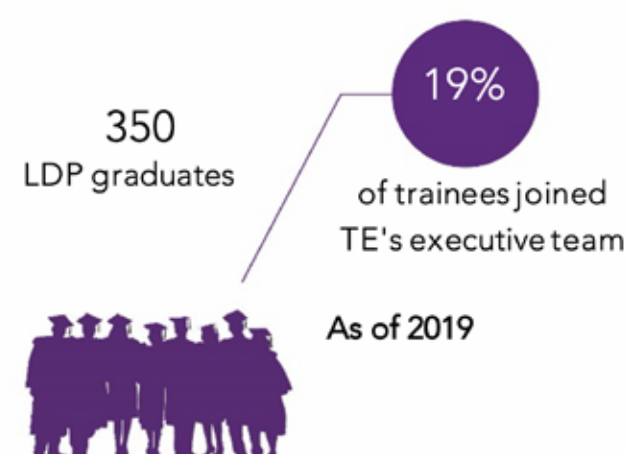
To ensure that Telecom Egypt's top management is able to lead the company into a new era of global digitization, the company offers eight specially tailored competency-based programs for executives, including decision-making, problem solving, conceptual thinking, and conflict management programs.

E-learning platforms

In the period from November 1, 2020 until January 31, 2021, Telecom Egypt collaborated with TM Forum, a global alliance of companies that advocates for digital transformation, to allow employees to access its e-learning platform. It is also in the process of collaborating with Franklin Covey Co. to provide online learning opportunities to employees, and is currently working to establish its own e-learning platform.

Fostering employee innovation

Telecom Egypt is keen on launching several employee engagement initiatives, including "WE Future," to encourage all employees to pitch transformative and innovative business development ideas to the top management. Such ideas are later assessed and filtered based on a thorough selection process and the top five candidates with the most impressive ideas are chosen to attend monthly executive meetings to contribute to the company's decision-making process.



Employee well-being

To best serve employees, the company provides unified medical coverage that includes a variety of medical centers and hospitals across the country. It also recently created a new application, "Staff Care," allowing employees to search through the company's medical directory and access information about employee and family healthcare coverage.

Code of conduct

Telecom Egypt's code of conduct spells out its legal and ethical obligations towards all its stakeholders in terms of anti-corruption, human rights, anti-discrimination, and labor policies, among others. It maintains the company's basic values and principles that employees are obliged to abide by and ensures that all company activities are measured against the highest standards of business ethics.



CHAPTER THREE



DELIVERING VALUE

Our win-win strategy services

Retail in the digital age

A digital partner in the making

Telecom services and innovative ICT solutions have become indispensable in the daily life and the business. Customer demands for exemplary services continue to grow more ambitious, compelling us to enrich our service portfolio and spearhead digital transformation to cater for their needs. Our advanced network capabilities, leading products and services, and strong commercial campaigns have solidified our retail presence, allowing us to move forward with our strategy to target homes as single units, provide customized services to businesses, and penetrate new markets, including the financial and content markets. Our network developments have also significantly enhanced our data performance during 2020 when customer reliance on digital channels rose to unprecedented levels during the Covid-19 pandemic. In result, the retail segment's contribution to the top line continued to outperform our actively growing wholesale business, leading to enhanced profitability margins and operating cash flow growth.

"WE SPACE" shifts the local broadband market

Frequent network upgrades and pioneering product launches have enabled us to accommodate the unprecedented increase in broadband demand during 2020 and provide premium quality services to our customers. We announced a shift in our broadband offering in 2019 with the launch of "WE SPACE," a group of bundles that provide higher quotas and internet speeds of up to 100 Mbps. The new entry-level bundle offers a quota of 140 GB and a speed of up to 30 Mbps, compared to a quota of 100 GB and a speed of up to 5 Mbps in the previous bundle, with a nominal increase in price.

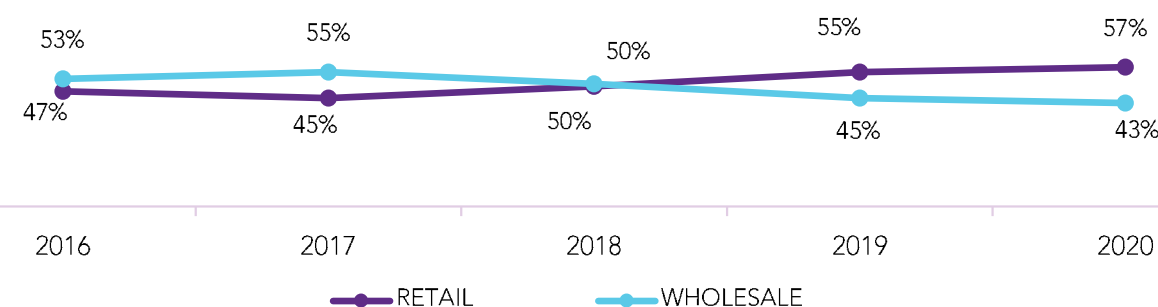
Parallel to the new launch, we rolled out VDSL routers to the market, with a plan to swap out older models with the new one, and introduced a rent option of EGP 5 per month. We also launched multiple Customer Value Management (CVM) campaigns to increase customer awareness of the new bundles and highlight the importance of the new routers, as they

allow users to benefit from the full potential of the new "WE SPACE" bundles by obtaining the maximum internet speed allowed by their fixed lines. Customer satisfaction has significantly improved following "WE SPACE," increasing data usage and encouraging the launch of an all new "MAX" package in 2020 that offers internet speeds of up to 200 Mbps, with an unmatched 1TB quota. Such efforts came into effect in 2020 as data performance outshined all other businesses on an improved acquisition and customer base mix in addition to data traffic growth.

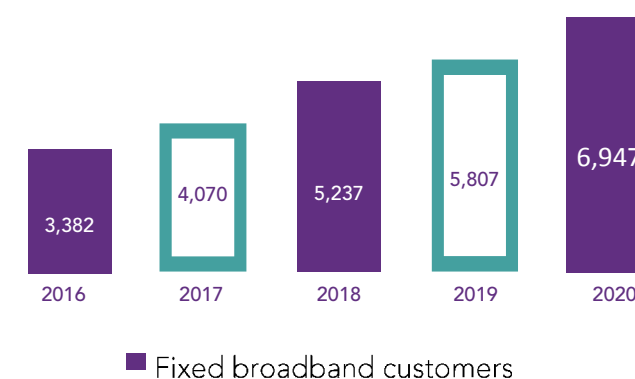
c.4mn

Distributed VDSL routers from Aug.19 until end of 2020

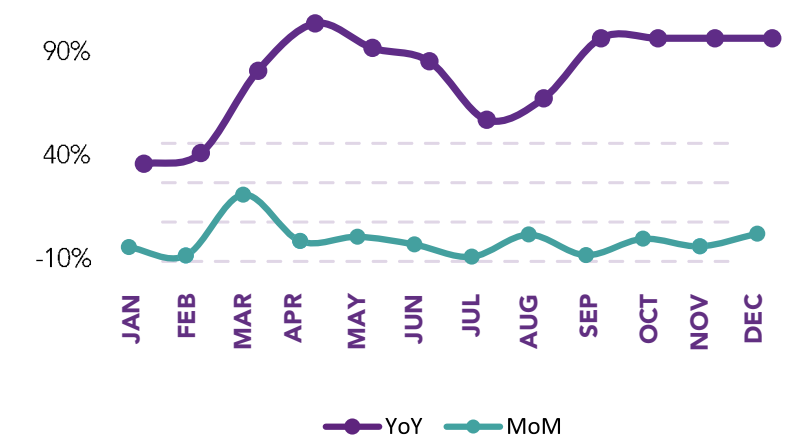
Topline split



FBB customers



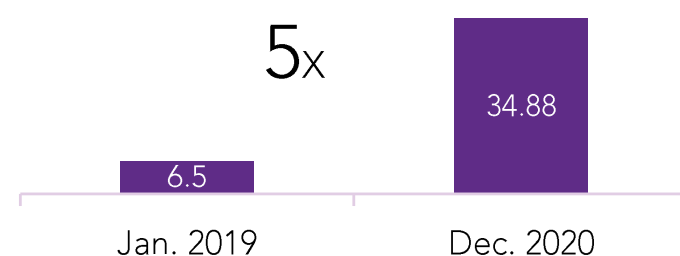
FBB data traffic



Leaps in fixed broadband speeds



Av. download speed (Mbps)



Telecom Egypt's network investments, fiber to the home (FTTH) network expansions, and VDSL routers rollout in 2019 and 2020 led to the fastest increase in internet speeds worldwide, improving Egypt's rank by 74 places in just two years according to Ookla®, a global leader in measuring and evaluating internet speeds. By the end of 2020, Egypt was ranked the fourth among African countries in terms of average internet speeds and our fixed network was named the fastest fixed network in North Africa by the same organization for the third and fourth quarters of 2020 for reaching average internet speeds of 32.66 Mbps, as per user tests run through Speedtest®. This award testifies that our efforts to support the national digital

transformation initiative by developing and upgrading our network infrastructure have been successful.

Enriched portfolio delivers value

The dramatic improvement in the quality of internet services in Egypt has given customers a new proximity to information and expanded the scope of their online activities to encompass content streaming services, gaming, and video applications, among others. Telecom Egypt, in its progress towards adding entertainment platforms to its products portfolio, introduced triple play services to gated communities during 2020 with the launch of Internet Protocol Television Services (IPTV) bundled with fixed voice and broadband offerings. This launch is expected to decrease customer dependence on traditional media for information as on-demand services continue to grow in popularity. Once it proves successful in terms of quality, sales, and after sales support, the service will be offered nationwide. On the same front, we introduced WATCH iT! bundles, which is a subscription-based streaming service, as a monthly add-on during the holy month of Ramadan, followed by a quarterly add-on for fixed broadband subscribers. We also introduced dedicated content and gaming packages in 2019 with the launch of "Level Up," in collaboration with Sony, to cater for PlayStation users, and complemented our offering with the new "Level Up Game On" dedicated quotas that provide high-speed internet connectivity to Xbox, computer, tablet, and mobile gamers.

Data-centric mobile business

Since inception, WE intended to become the mobile operator of choice, especially for the data-hungry youth in Egypt, given its high-value-for-money data packages. To maintain and further solidify our presence in the mobile market, we persistently enhance our portfolio of mobile services to cater for

all customer needs by offering a wide array of uniquely customized packages, ensuring that all customers remain connected at all times.

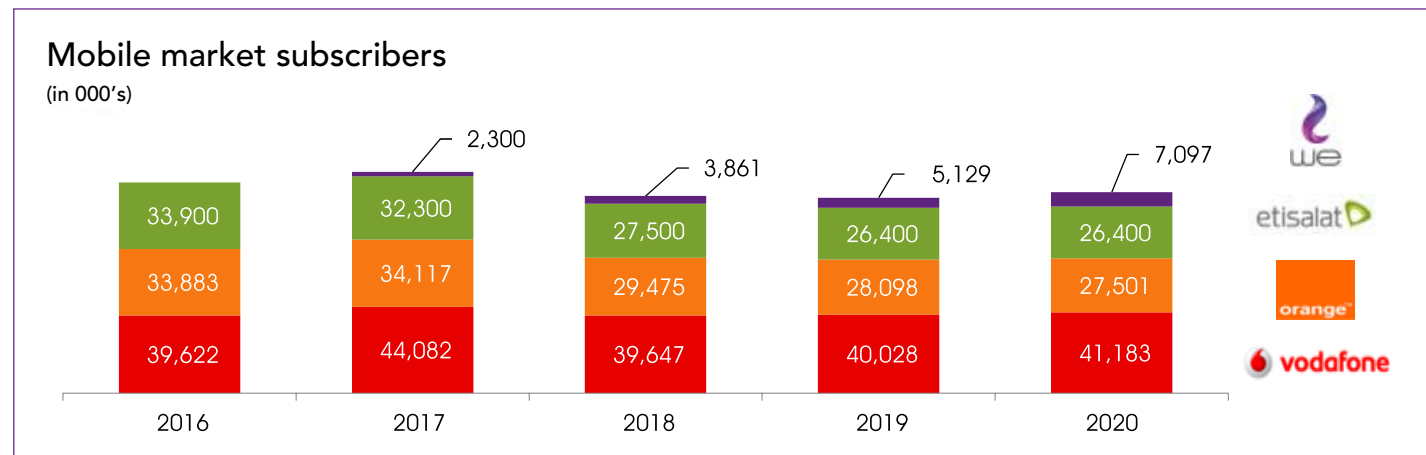
We demonstrated our ability to keep pace with market needs during 2020 by introducing additional packages to our generous mobile internet bundle, "NITRO," which provides the fastest 4G experience in addition to more megabytes on social media, music, and gaming applications. We have also leveraged on the increased customer appetite for content streaming services by signing strategic agreements with content platforms such as WATCHi! and JawwyTV, with more platforms in the pipeline. Additionally, we introduced the all-new "WE AIR" offer during 2020, a new service that provides wireless broadband connectivity packages with a price advantage compared to mobile data packages, targeting a new segment of customers. As a result, we have seen an increase in both mobile traffic and number of subscribers, a trend that we expect to last as customers continue to harness digital technologies.

Growth on all fronts

Telecom Egypt's mobile contribution to the top line is on the rise, making up a low double-digit of retail revenue, especially driven by strong data performance as data penetration in our customer base continues to

surpass the market average. Operationally, the number of mobile subscribers almost doubled throughout the last couple of years, coming from 3.8mn customers by the end of FY 2018 to around 7.3mn customers in FY 2020. During this period, the growth in mobile subscribers was supported by our agreement with the Ministry of Education to distribute around 1.5mn data SIMs to secondary school students, offering them dedicated data bundles to use on the tablets provided to them by the Ministry.

Our market share has significantly grown, reaching 7% of the total mobile market, despite various regulatory changes in the last three years, such as banning the distribution of SIM cards through indirect channels and imposing a new fee on them, which slowed down customer base growth. The most recent change was in June 2020 concerning the Mobile Network Portability (MNP) service's guidelines, which now allows customers to easily switch between mobile operators while retaining their mobile numbers. This change is both a challenge and an opportunity for Telecom Egypt to grow its customer base.



NTRA recognizes service excellence

Our mobile service quality stood out in NTRA's first consumer survey, which covered the period from October to December 2020. The survey considered the full user experience, starting from the service delivery in stores, to product portfolio, quality of service, customer service, and billing. WE ranked first in four and second in two of the eight metrics, leading it to stand out amongst all other mobile network operators in Egypt.

- Quality of internet services: 1st
- Waiting time in WE stores: 1st
- Billing accuracy (recharge/ monthly bills): 1st
- Product and promotions diversity: 1st
- Overall satisfaction of store experience: 2nd
- Solving complaints: 2nd

"WE Bonus" boosts customer retention and loyalty

Telecom Egypt focuses on building customer loyalty by providing proactive care through a personalized loyalty program, "WE Bonus." The program enables customers to collect points by paying their bills or recharging their bundles to receive discounts and gift vouchers that can be redeemed from a number of retail partners. The program aims to support the acquisition and retention of high-value customers, which will consequently enhance profitability.

Penetrating new markets

Customers today prioritize convenience; they expect to exert the least amount of time, effort, and money to carry out their daily activities, from resorting to cashless monetary transactions, to accessing entertainment services from the comfort of their own homes. In an effort to satisfy customer demands and promote financial inclusion, we used the mobile market's significant size to our advantage by launching

"WE Pay" in November 2019, an electronic payments application that facilitates cross-net, peer-to-peer transfers and person-to-merchant transactions, among other services. The Covid-19 pandemic has supported the growth of this application, translating to an increased number of subscribers and transactions.

Customized enterprise solutions

Telecom Egypt is a core enabler of the fast growing digital ecosystem in Egypt. Thanks to our advanced network and technological capabilities, we provide a full suite of enterprise services to fulfill the needs of every business by leveraging our existing relationships with key technology players.

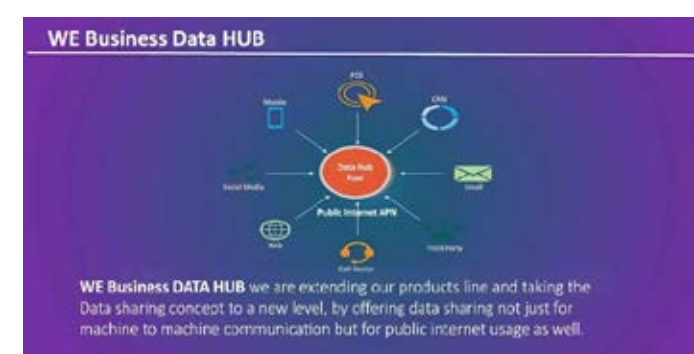
To keep pace with the future of digitization, we invested in cloud and security solutions to provide computing and storage services over the internet and ensure the safety of user information. Such efforts have streamlined operations, lowered costs, and protected user data. We have also penetrated the IoT landscape, widening our scope of services from just connecting people, to connecting people and objects.



Fixed and mobile enterprise services gather momentum

Telecom Egypt grows its fixed and mobile enterprise businesses by capitalizing on its relationships with existing key accounts and providing Small and Medium Enterprises (SMEs) and Small and Home Offices with the best value for money fixed and mobile data offerings. We focus on providing especially tailored, integrated solutions to satisfy customer needs, which secures their business growth and scales up our

enterprise customer base. In terms of our mobile enterprise business, we introduced new services in 2020 such as bulk SMS and enterprise mobile data packages, "data hub," adding them to our current portfolio of voice and data services that includes Machine-to-Machine (M2M) & Access Point Name (APN) solutions with single and shared bundles. We also plan to complement our portfolio by providing fleet management services and Location Based Advertising (LBA) in the near future.



Security and cloud services

In June 2019, we debuted the "Tazkarti" service during the African Cup of Nations that was held in Egypt. We provided the needed back-end cloud-based infrastructure and security layers related to the fan ID registration service, which was a gateway for security access control, and connected stadiums with fiber in record time. Following the successful launch of this service, Egypt now has a gateway ready to hold future sports and entertainment events.

We also launched WE Access in collaboration with Cisco Meraki during 2020. This service supports SMEs in developing their businesses and enables them to link their offices and branches together effortlessly while maintaining the highest degree of control and security. It also provides data analytics, which strongly supports and develops operational and marketing activities.

IoT solutions

We were selected to tender smart lighting solutions to Talaat Moustafa Group, building on our success in providing "Madinaty" with IoT/smart city solutions in 2018. We were also chosen to supply and install 75k smart meters inside the New Administrative Capital and build a state-of-the-art command and control center, in consortium with other players. Furthermore, we recently signed an agreement with Orascom Development to implement an ICT infrastructure and provide integrated and cutting-edge telecom services to the coastal city, Makadi Heights

Digitizing Egypt

Telecom Egypt continues to participate in projects to support Egypt's digitization efforts by connecting private and public entities with fiber optic cables upon request. We serve multiple beneficiaries including governmental entities, schools, gated communities, new cities, business districts, and industrial zones. In early 2019, we began implementing the government's digital transformation initiative. The project involves connecting +32k access points across the country with an estimated value of EGP 5bn to be recognized over the lifetime of the project. As of December 2020, we completed the first phase of the initiative, valued at EGP 1.1bn, which entailed connecting governmental buildings with fiber in six governorates: Port Said, Luxor, Aswan, South Sinai, Ismailia, and Suez, in addition to other governmental access points across the country, to enable the digital provision of public services.

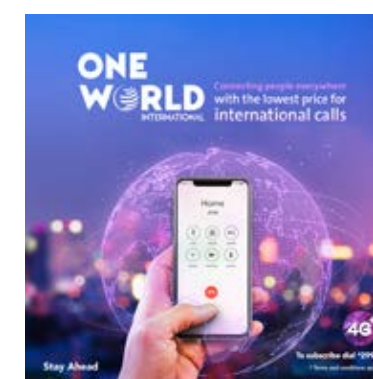


OTHER NOTABLE PROJECTS

Cloud Project	MOHE Protocol	Deaf & Mute Project
We aim to host all government portals in a secured environment with high reachability & redundancy to enable the digital provision of governmental services to Egyptian citizens. We currently host more than 640 virtual machines.	To implement an effective hybrid educational system, we signed a protocol with the Ministry of Higher Education (MOHE) to connect all Egyptian Universities with high-speed internet and provide VPN connections over fiber cables.	As we aim to serve all factions of society equally, Telecom Egypt is working to provide visual call center communication services to people with hearing and speech impairments by employing advanced technological solutions.

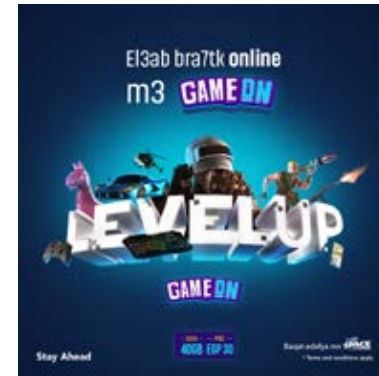
RETAIL COMMERCIAL PHOTOS

MOBILE OFFERINGS



RETAIL COMMERCIAL PHOTOS

DATA/ OTHER OFFERINGS



Local and global partner of choice

Telecom Egypt is the country's incumbent telecom operator and infrastructure provider. Its advanced network infrastructure spans Egypt and reaches far beyond the African continent to Europe and Asia. To expand the breadth of its network capabilities and augment business growth, Telecom Egypt regularly upgrades and develops its network infrastructures to support the exponential growth in local and international demand for ICT services. Its high quality services and geographic reach have positioned it as a local and global partner of choice and will enable it to reach its vision of becoming a regional digital hub.

Domestic infrastructure provider

High-speed internet provision across Egypt

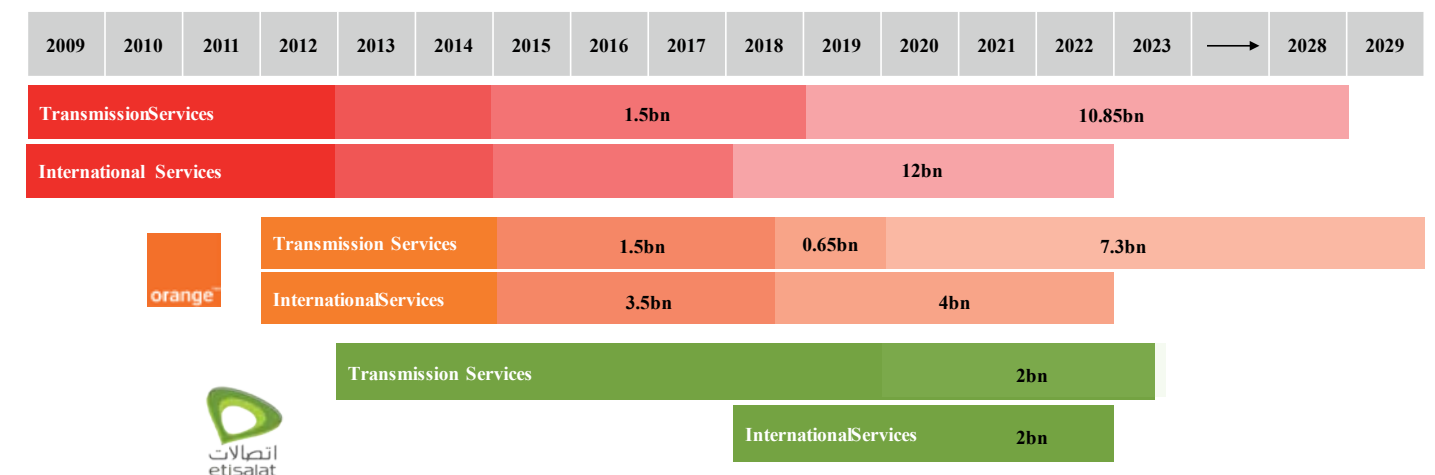
The domestic wholesale business unit indirectly plays on the Egyptian data market as the growth in data usage encourages operators to rely more on Telecom Egypt's wholesale offerings. In that regard, the company capitalizes on its exceptional network capabilities and reach to strategically secure this business unit's growth by offering various infrastructure

services under attractive commercial terms, including transmission and bitstream, to MNOs, motivating them to sign mutually beneficial medium and long-term agreements with the company rather than build their own infrastructures. This not only ensures the growth of our domestic wholesale business, but also guarantees that all users in Egypt have equal access to premium connectivity services.

In addition to revamping our bitstream offerings during 2020, we provided Fixed Virtual Network Operator (FVNO) services to MNOs. We also repriced and bundled some of our service lines, including the combined Fiber to the Site (FTTS) and transmission packages, and sold new Internet Protocol Transit (IPT) capacities through IRUs and annual leased agreements to MNOs over the past two years. Additionally, we have signed site-sharing agreements with MNOs to optimize costs related to rolling out mobile sites and secure the company's mobile business growth. We also worked on developing mechanisms to avoid commercial disputes with market players in the future.

AGREEMENTS WITH DOMESTIC MNOs

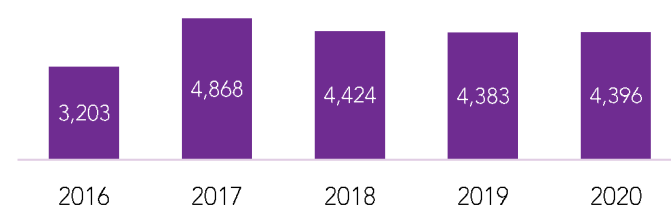
SECURING LONG-TERM REVENUE STREAMS



Egypt's main international gateway

Telecom Egypt owns one of two licensed international gateways in Egypt. It carries its own traffic and that of Vodafone Egypt and Orange Egypt through mutually beneficially agreements that encourage them to continue to lease Telecom Egypt's IGW rather than acquire their own licenses. Etisalat, on the other hand, acquired the second IGW license in Egypt in 2007, allowing it to receive and send traffic for its own customers only. However, Telecom Egypt receives 40% of Etisalat's incoming international traffic as a result of its scale and diverse historical relationships with international operators.

ICA revenue (in EGP mn)



We have signed many bilateral agreements with international carriers to sustain the international calls business against the declining trend in the market due to the shift in traffic towards OTTs. We have also encouraged operators in high-potential markets to aggregate more traffic on our gateway through mutually beneficial agreements, which benefit the operators in their local markets and leads to a growth in our revenue in foreign currency, with more deals and markets to follow.

Connecting continents

An unmatched submarine cables network

Telecom Egypt is one of the largest submarine cable operators in the region with a current portfolio of 13 cables connecting the East to the West. The cables

are served by 10 landing stations in Egypt,

which are connected over 10 terrestrial crossing routes distributed across the Red and Mediterranean Sea. During 2020, we established three new geo-diversified landing stations in Ras Gharib, Port Said, and Sidi Krir, which are connected to new fully diverse terrestrial crossing routes. The Suez and Port Said landing stations are connected over two new and diverse crossing routes adjacent to the Suez Canal. Capitalizing on our unmatched submarine cable network and Egypt's unique geographic location with coastlines in the Red and Mediterranean Sea, we offer global telecom operators access to abundant international capacities with the lowest latency over the shortest and most efficient protected path between Africa, Asia, and Europe.

Fortifying our international presence

We are currently working on multiple layers of our infrastructure diversity, such as investing in new submarine systems and solutions, establishing new landing stations and crossing routes, and carrying out extensive network revamps, while upgrading capacities. These efforts have enabled us to accommodate the hike in international traffic, in light of the global Covid-19 outbreak, and supported our endeavors to position Egypt as an eminent digital hub.

Upgraded network capabilities

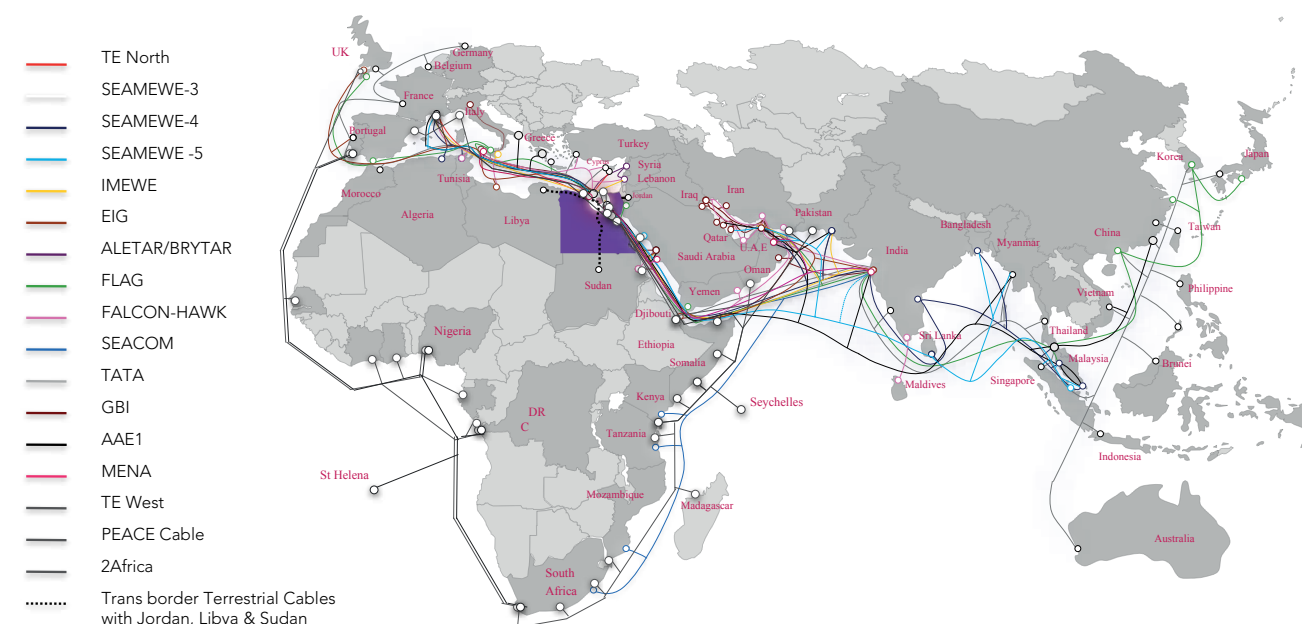
In May 2019, Telecom Egypt, Hengtong, and PCCW Global announced the signing of a landing party agreement over PEACE, a 12,000km long cable system with landings in Pakistan, Djibouti, Egypt, Kenya, and France that provides open, flexible, and carrier-neutral services for its customers. The cable will cross Egypt through new diversified terrestrial routes between the Zafarana and Abou Talat landing stations, where Telecom Egypt will provide PEACE

with brand new, state-of-the-art landing facilities. The development of the cable began in 2017, and it is expected to go live during 2021.

In May 2020, Telecom Egypt collaborated with a number of global players to build 2Africa, a 37,000km long submarine cable project intended to cross Egypt to connect Europe, the Middle East, and Africa. It is expected to go live in 2023/4. By late 2020, Telecom Egypt successfully completed the end-to-end testing and delivery of 2Africa's Egyptian terrestrial crossing that links the Red and Mediterranean Seas ahead of schedule, making it the first operating segment of the project.

Telecom Egypt established a fully meshed layer three solution with a network availability of up to 99.99%. It crosses Egypt over terrestrial fibers, offering an elevated level of robustness as the network can reroute traffic, as needed, in less than 50 milliseconds. This allows customers to secure their capacities as they cross Egypt, which enhances their global network resilience. This solution was recently acquired by Google, whereas Telecom Egypt recently finalized a deal to offer the tech-giant a first-of-its-kind, layer three meshed solution on multiple redundant Egypt crossing routes.

OUR CABLE NETWORK OFFERS REACH AND RELIABILITY



World-class data centers

Given the increasing demand for data storage and cutting-edge ICT solutions, we expand and build high-tech data centers to shorten the distance between key international content and technology players and the growing African market. We earmarked about USD 150mn to grow this business over four phases throughout a time period of five years, with 2020 being the first year of that investment program. Each phase will commence once the previous one reaches a high occupancy rate. The success of our data center business that is highly reliant on our resilient infrastructure capabilities, international reach, and wide client base, among other factors will drive our vision to form a comprehensive digital ecosystem in Egypt.

Building Egypt's largest international data center

We offer cutting-edge IT solutions to our local and international customers through our six data



center facilities and are currently on the verge of completing our seventh and largest data center facility located in the Smart Village, Giza. Expected to be commissioned in 2021 with access to all the global submarine cable systems that land in Egypt, the new data center will be the first in the country with the Uptime Institute's certifications in the Design, Constructed Facility, and Operational Sustainability categories. The data center will be distinguished by its enhanced colocation services and higher levels of redundancy with the ability to expand in order to

accommodate growing colocation needs. The new data center's electrical power will be fed from dual sources supported by five generators. Additionally, the facility is highly secured by fire and smoke detection systems in addition to multiple physical identification checks, including a 90-day motion detector cameras, X-ray scanners, and metal detectors. In addition, round-the-clock security personnel patrols and Network Operations Center (NOC) engineers monitor all the infrastructure aspects to secure the location and ensure that it is operating smoothly at all times.

In November 2020, we announced our collaboration with AMS-IX to build an internet exchange inside the new Tier-III data center facility to serve as an open access platform for large content delivery network providers, application providers, cloud providers, and telecom carriers who are looking to enhance the digital experience of internet users in Egypt, Africa, and the Middle East.

B7 data center extension

We have recently designed the extension to our B7 data center, which is a Tier III facility with prime data center and architectural systems that ensure operational sustainability. Based in the Smart Village in Giza, Telecom Egypt's B7 data center enjoys a redundant telecommunications infrastructure, and is supported by international standard management and technical support systems. The facility was designed to serve local and international customers in an open access internet ecosystem, and houses:

- Microsoft - to serve Microsoft's cloud users and eyeballs
- Nokia - to build a cloud infrastructure for the rollout of IoT services in Egypt
- Huawei - to provide public cloud services.

Connected during Covid-19

A global threat

The emergence of the novel coronavirus, known as Covid-19, has shifted businesses and communities towards digital means to manage their daily and work-related affairs. This outbreak demonstrated the critical importance of telecommunication services and network connectivity in keeping businesses and societies connected and running. Adjusting to the new norm of social distancing and remote working conditions has been challenging, but our business continuity plans, coupled with our resilient network infrastructure, have supported the community throughout the pandemic.

Rising up to the challenge

Exceptional network capabilities

Our extensive international, core and transmission network upgrades facilitated a national digital shift, which cushioned the economic repercussions of the virus by enabling remote working conditions and keeping all members of society connected. 2020 witnessed a huge upsurge in data demand as the economy heavily depended on digital interactions to survive, a rapid and unforeseen change that solidified Telecom Egypt's stance as a key enabler of digitization during the outbreak.

Operational effectiveness

Facing the pandemic required Telecom Egypt to

exert huge operational efforts to maintain service availability and quality, including enacting a digital outreach strategy and enhancing internal systems and processes. We promoted our digital applications throughout the year, including the "WE Pay" and "My WE" applications, by providing free transactions and launching recharge promotions, which encouraged users to complete their transactions remotely. In result, reliance on digital payments significantly grew and the number of "My WE" users increased to represent 25% of our total customer base. Additionally, our supporting function teams collaborated to introduce new Interactive Voice Responses (IVRs) to offload the pressure from front-line customer care agents. They also carried out the needed routing and configuration for the agents, raised security measures on our intranet, and deployed a VPN server with a capacity of +3000 concurrent sessions in less than a week.

Precautionary measures in the workplace

Telecom Egypt implemented precautionary measures to streamline its operations and ensure the safety of its employees. Applying work-from-home and social distancing policies, reallocating its head count, doubling fixed broadband and mobile quotas for employees, and continuously sterilizing buildings, stores, and transportation vehicles were among the measures taken to curb the spread of the virus. We also provided a dedicated hotline number, 16133, and email address, wehealth@te.eg, for employees



10x

Q1-Q2020 4 growth
in digital payments



25%

of our total fixed and
mobile customer base
installed "WE app" as of
Dec. 2020

to report suspected cases. All hiring interviews, competency based interviews (CBI), and training courses were also held remotely.

Community support throughout the pandemic

As a socially responsible company, we served the sectors that were most pressured by the pandemic and supported various vulnerable groups.

Healthcare

We provided technical support to the Ministry of Health and healthcare practitioners to aid them during Covid-19. Our efforts included supplying mobile phones and SIM cards to ease communications between doctors, patients, and families. We also provided free fixed broadband connectivity and hosting services to all quarantine hospitals and laboratories, collaborated with Altibbi digital healthcare platform to facilitate online medical consultations, and provided a free hotline number, 16445, to allow patients who do not have internet access to communicate with healthcare practitioners remotely. Additionally, we supported the “Securing the white army is our responsibility” initiative, in cooperation with Ahl Misr foundation, the “Breath is Life” initiative, in collaboration with the Egyptian Cure Bank, and the “Hemaya” initiative, in collaboration with Sonaa Elkheir foundation and under the patronage of the Ministry of Social Solidarity. In doing so, we provided medical supplies such as ventilators, monitors, syringes, and personal protective equipment to government and university hospitals and social welfare institutions such as orphanages and elderly nursing homes.

Education

We offered free access to all e-learning websites, temporarily offered a free 5GB quota to all “WESPACE”

customers to access such websites, and provided full technical support for online examinations.

Government

We linked Egyptian Cabinet headquarters to ministries and launched the hotline number, 142, in less than 48 hours to respond to inquiries about the support provided by the Egyptian government in terms of irregular employment, represented by the Ministry of Manpower.

Customers

At the head start of the pandemic, we increased fixed broadband quotas by 20% for 1 month through a government subsidy in March 2020 to support the heightened demand for data services. Additionally, we proactively supported SMEs and impacted companies by extending billing cycles and prolonging the grace period for paying landline invoices.

Vulnerable groups

During the pandemic, 62,500 food packages were distributed to needy families who were most affected by the global crisis. Additionally, we collaborated with Sonaa Elkheir foundation to provide sanitizers and personal protective equipment to orphanages and nursing homes, under the patronage of the Ministry of Social Solidarity.



Giving back Our social responsibility

Contributions to national healthcare development

Cochlear implants for children

Telecom Egypt eliminated waiting lists for children who need cochlear implants and as a result, over 500 children under the age of five years have received implants to reverse profound hearing losses.

Developing and operating dental clinics in Menofia and Kafr El-Shaikh governorates

As part of the “Egypt free of virus C” initiative, this project aims to develop and operate 18 dental clinics in Monofiya and Kafr El-Sheikh to ensure their cleanliness and safety and eliminate the contraction and transmission of the virus.

Blood donation campaigns

Telecom Egypt contributes to bridging the deficits in Egyptian blood banks by launching blood donation movements and awareness campaigns on the importance of donating blood. The company has collected about 4k blood bags from Cairo, Ismailia, Beni Suef, Dakahlia, Gharbia, Kenna, Luxor, Asyut.

Completing the blood bank management system

This system enables the Ministry of Health to instantly identify any deficits in the blood reserves across national blood banks and act accordingly. 202 of the ministry’s banks have been integrated into the system, the most prominent of which being the banks in Nasser Institute Hospital, Minya University Hospital, and Al-Hussein University Hospital.

Integrating our core business into societal causes

Telemedicine in cooperation with the Ministry of Communications and Information Technology

The company connected 109 healthcare centers in areas that lack medical services to public hospitals and centers within various governorates.

Providing technical support for cancer and pediatric hospitals

Raising the efficiency of healthcare centers that provide free services to citizens by connecting them with fiber and providing them with high-speed internet and call center solutions. Such centers include Al Nas Children’s Hospital, Baheya Hospital, and 57357 Cancer Hospital.

Training, education, and youth empowerment

Supporting students of Zewail City of Science and Technology

Telecom Egypt awarded scholarships to a number of students in Zewail City of Science and Technology in the fields of Communications and Information Technology Engineering, Nanotechnology, Electronics Engineering, Astronomy, and Communications.

Launching the first platform for student activities in Egypt

Telecom Egypt, among other companies, sponsored the Youth Leaders Foundation's launch of the largest platform for student activities in Egypt and Africa at the American University in Cairo – Tahrir branch in 2019.

Training and qualifying technical labor

This program aims to train 1k graduates of schools and technical and industrial institutes, according to a specific selection criteria, on the technical services provided by the company and the needs of the Egyptian telecommunications market.



WE School for Applied Technology

Telecom Egypt established Egypt's first smart school for communications and information technology, WE School for Applied Technology, to qualify students for job opportunities in the ICT industry by raising the efficiency and quality of technical education and vocational training, in line with international quality standards and the labor market's needs.

Youth Leadership Foundation second batch

Telecom Egypt selected a new batch of young candidates and developed their practical and theoretical skills using the latest internationally approved evaluation and development mechanisms.

Supporting the School of Science for Girls – Al Azhar University

The school was provided with the needed laboratory equipment and technological means to develop the premises and enhance its efficiency, in line with the national digital transformation initiative.



Restoring Sultan Hussein's palace

Telecom Egypt is currently in the process of restoring Sultan Hussein's palace and transforming it into a youth center for creativity and entrepreneurship.

People with special abilities

Supporting and sponsoring the Egyptian Paralympics, the Egyptian Paralympic Committee, and the global Paralympic champion, Amr El Sohagy

Telecom Egypt provides physical, moral, technological, athletic, and vocational support to enable people with special abilities to achieve leading positions in the different competitions and championships in which they participate.

Community development

Supporting the people of North Sinai

In light of the exceptional circumstances that the governorate is going through due to various security threats and the harsh weather conditions, aid was distributed to support 1.3k families in a number of villages in North Sinai.

Supporting and enabling productive families

Telecom Egypt sponsored the Ministry of Social Solidarity's exhibition, Diarna, in which copper works, textiles, ceramics, carpets, pottery, bamboo, glass, furnishings, and other products crafted by women are put on display.

Main events during 2020

May 14

China Mobile International, Facebook, MTN Global Connect, Orange, STC, Telecom Egypt, Vodafone, and WIOCC announced that they will partner to build 2Africa, which will be the most comprehensive submarine cable to serve the African continent and Middle East region.

Jun 01

Telecom Egypt and Etisalat Misr signed two first of their kind agreements relating to transmission and mobile-to-fixed interconnection. The first agreement extends for three and a half years with a total value of EGP 2bn, where Etisalat Misr, for the first time, signed a long-term agreement, including an annual commitment. Additionally, the two companies have signed a mobile-to-fixed termination agreement.

Sep 19

Telecom Egypt announced that it has submitted a financial and technical offer to the National Telecom Regulatory Authority (NTRA) to apply for additional spectrum. The spectrum will be in the 2600MHz band, utilizing TDD technology, with a right of use of 10 years.

Oct 25

Telecom Egypt announced that it is building Egypt's largest international data center facility. Expected to be commissioned in 2021 with access to all the global submarine cable systems that land in Egypt, the new data center is going to be the first in the country with the Uptime Institute's certifications in the Design, Constructed Facility, and Operational Sustainability categories.

Nov 5

Telecom Egypt announced that the National Telecommunications Regulatory Authority (NTRA) has accepted and approved its financial and technical offer for additional spectrum that was submitted on the 17th of September, 2020. The company is expected to receive 20MHz of spectrum in the 2600MHz band for USD 305mn.

Dec 20

Telecom Egypt and Orange Egypt signed an amendment to their mobile-to-fixed termination agreement and an annex to the current agreements extending to 2022 governing international voice services, with the aim of improving their commercial and service quality terms. Additionally, the companies signed another agreement to resolve some pending commercial disputes and develop mechanisms to avoid similar obstacles in the future.

Subsequent events to 2020

Jan 04

Telecom Egypt, Egypt's first integrated telecom operator and one of the largest submarine cables operators in the region, signed an agreement with Google to provide it with a first of its kind layer three meshed solution on multiple redundant Egypt crossing routes owned by Telecom Egypt. As part of the agreement, Google will also be provided capacity on Telecom Egypt's Mediterranean submarine cable, TE North. The project is expected to go live in H1 2021.

Jan 13

Telecom Egypt and the Ministry of Social Solidarity signed an agreement to provide telecommunications services to the Ministry and the beneficiaries of social protection programs, namely the "Takaful and Karama" program. According to the agreement, Telecom Egypt will provide 3.5mn mobile SIMs to the beneficiaries of the Takaful and Karama program, including a bundle of minutes, text messages, and megabytes per month at a nominal cost.

Jan 28

Telecom Egypt's (WE) fixed network was deservedly named the fastest fixed network in North Africa for the third and fourth quarters of 2020 for reaching average internet speeds of 32.66 Mbps, according to Ookla®, a world leader in measuring and evaluating internet speeds. Evaluations are based on a careful analysis of tests that are run by users through Speedtest®.

Mar 03

Telecom Egypt, Egypt's first integrated telecom operator and one of the largest submarine cable operators in the region, announces its plans to launch Hybrid African Ring Path (HARP) by 2023, a new submarine system that will outline the African continent, forming the shape of a harp. It will connect coastal and landlocked African countries to Europe through the company's widespread terrestrial and submarine infrastructure.

Vodafone updates

29 Jan
2020

Vodafone Group announced that it has signed a Memorandum of Understanding with the Saudi Telecom Company (STC) in relation to a potential sale of its 55% share in Vodafone Egypt to STC for a cash consideration of USD 2.4bn.

05 Feb 2020

The FRA asserted that the potential acquisition is subject to the provisions of Chapter Twelve of the Executive Regulations of the Egyptian Capital Market Law No. 95/1992 regarding tender offers.

13 Feb 2020

Vodafone Egypt contacted the Egyptian Competition Authority (ECA) to determine whether Telecom Egypt's right of first refusal granted to the company in Vodafone Egypt's articles of association, if exercised, would be compatible with the Competition Protection Law.

19 Feb 2020

Telecom Egypt's BoD approved to engage with EFG Hermes and Citi as investment advisors and Al Tamimi & Co. as its legal advisor.

12 Jul 2020

STC and VFG agreed to extend the MoU for 60 days.

13 Sep 2020

The MoU between VFG and STC expired without reaching an agreement to conclude the transaction. The discussions between both parties are ongoing, however, TE has not received a proposal from either party involved nor does it have any insight on their discussions.

21 Dec 2020

Vodafone Group announced that its discussions with STC regarding the sale of its 55% stake in Vodafone Egypt have been terminated.

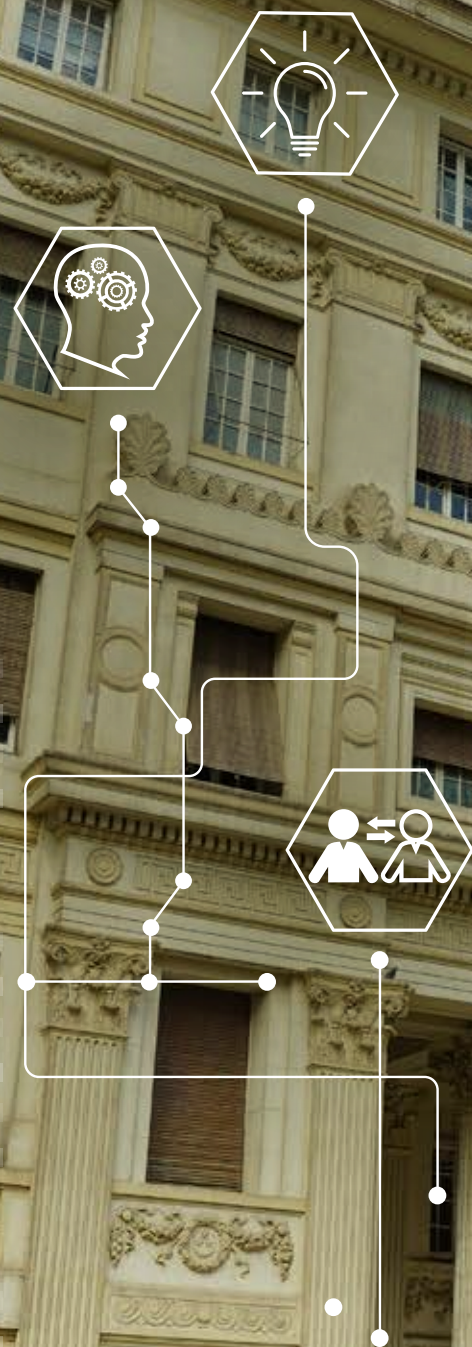
07 Jun
2021

Telecom Egypt and Vodafone Group signed a modified Shareholders' Agreement. The agreement includes changes to Vodafone Egypt's ('VFE') dividend policy, whereby VFE will pay a one-time dividend of EGP10 bn to its shareholders during the 2021 calendar year, EGP 2bn of which was paid in March. Telecom Egypt has obtained enhanced rights in the amended shareholders agreement, the most important of which are:

- 1- The right to buy Vodafone Group's shares in Vodafone Egypt, should the major shareholder change directly or indirectly, through the RoFR process
- 2- A committed minimum dividend policy for Vodafone Egypt of 60% of FF starting 2022
- 3- Assistance by Vodafone Egypt management in a due diligence process in case of a full or partial sale by Telecom Egypt
- 4- A modified RoFR process allowing Telecom Egypt a longer RoFR duration and including an independent expert to perform a valuation report SiC and VEG
- 5- A tag along option for a portion of TE's shares in Vodafone Egypt, notwithstanding any other rights under the Egyptian law including the right to accept an MTO
- 6- Information rights with regular disclosure to ensure visibility for Telecom Egypt on its investment in Vodafone Egypt

In case of a transfer to Vodacom and receiving a deed of adherence confirming its commitment to the shareholder's agreement, Telecom Egypt shall not exercise rights 1 and 5

CHAPTER FOUR



EMPHASIZING SUSTAINABLE GOVERNANCE

Influencing long-term results

The board of directors

Magued Osman, Chairperson of the BoD

Appointed as Chairperson of the BoD in March 2016, representing the government. Previously, he served as the Minister of Communications and Information Technology (MCIT) in the interim government in 2011. Osman is the Executive Manager of the Egyptian Center for Public Opinion Research "Baseera" and a professor of statistics at the Faculty of Economics and Political Science, Cairo University. He also served as Executive Director of the Information and Decision Support Centre from 2005 to 2011.



Adel Hamed, MD & CEO

Appointed as MD & CEO in January 2019, representing the government. Hamed was Chief International and Wholesale Officer since August 2017, having held various roles in Telecom Egypt over the span of 20 years. Hamed concluded several domestic and international agreements to secure and grow TE's revenue streams and enable the profitable operation of the mobile venture. He also played a major role in settling disputes with domestic operators alongside his major role in the purchase and monetization of MENA Cable.



Bakr Elbaoumy, Non-executive member

Appointed as a member of Telecom Egypt's Board of Directors in June 2020, representing the government. Army General Elbaoumy is the Chief of Staff of the Egyptian Signal Corps in the Egyptian Armed Forces.



Mohamed Shamroukh, SVP & CFO

Became Chief Financial Officer in July 2013 and a Board member representing the government in March 2016. He has a well-rounded experience, having worked in various departments spanning operations, technical planning, corporate strategy, and finance in Telecom Egypt since 2002. As a Director of Corporate Strategy from 2009 to 2013, Shamroukh built Telecom Egypt's long-term strategy and business plan to assess the acquisition of a mobile license.



Hussein Amin, Non-executive member

Appointed in March 2016, representing the government. He is the Director of the Kamal Adham Centre for Television and Digital Journalism at the School of Global Affairs and Public Policy, AUC. He works for many national and international Boards, including the Information Technology Institute & the World Congress for Middle East Studies. Amin is a well-known international scholar in the field of media and informatics and serves as a member of the Board of Advisors of prestigious international academic journals.



Mohamed Barakat, Non-executive member

Appointed in March 2017, representing the government. Barakat is the Deputy Chairperson and Managing Director of the Arab International Bank since October 2014. He was a Board member of the Central Bank of Egypt from December 2003 to November 2011, during which, he was a member of the Banking Reform Committee and the Audit Committee. Barakat served on the Boards of various financial institutions and committees, adding more than 40 years of banking experience to Telecom Egypt.



Mohamed Nasr Eldin, Non-executive member

Appointed in July 2020, representing the government. He is the assistant ICT Minister for Global Information Infrastructure since May 2020. With an experience of over 19 years in the telecommunications sector, Nasr specializes in the planning, development, and operations of submarine cables and international networks. He previously held the position of Head of Subsea Cable Infrastructure at PCCW Global and was the Vice President of Cable Innovation, Planning, and Management as well as the Assistant Vice President of Cable Development for the Europe, Middle East, and Africa (EMEA) region.



Ahmed Abou Ali, Non-executive member

Appointed as an independent Board member in August 2012. Abou Ali combines Egyptian and US legal education and practice, with experience in banking, commercial, and corporate law in both markets. In the US, he was involved in several corporate financing, leveraged buy-outs, and corporate restructuring endeavors as an attorney with the Chicago law firm of Sidley & Austin. Abou Ali served as attorney of the Supreme Court of Egypt. He is also a partner in Hassouna & Abou Ali for legal consulting.



Lobna Helal, Non-executive member

Appointed as an independent Board member in March 2019. Helal is the Chairman and Managing Director of the Egyptian Mortgage Refinance Company (EMRC). She served as the Deputy Governor of the Central Bank of Egypt (CBE) responsible for monetary stability from 2015 to 2020. She also assumed roles in the Arab African International Bank, the Egyptian American Bank, and EFG Hermes.



Mohamed Sultan, Non-executive member

Appointed as an independent Board member in March 2019, Sultan has been serving as the Chief Operating Officer of the Commercial International Bank (CIB) since February 2015, and has led some of the bank's most strategic transformational programs. Prior to joining CIB, Sultan held the positions of Vice President of Branches Operations and Control Management at Mashreq Bank, and Country Operations Head at National Bank of Oman.



Ibrahim Heikal, Non-executive member

Appointed in July 2018, representing the company's labor union. Previously, Heikal was a member of the Egyptian Trade Union Federation, the Assistant Treasurer of the General Union, and the Youth Secretary of the Workers' Union of the Egyptian Trade Union Federation. He was also a member of the Workers University, and a member of the Board of Directors of the Employment Training Fund led by the Ministry of Manpower and Immigration.



The executive management team

Adel Hamed, MD & CEO

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Mohamed Abo-Taleb, VP & CCO

Joined Telecom Egypt as Chief Commercial Officer in September 2017, bringing over 17 years experience in the telecom sector. Previously, Abo-Taleb successfully led the transformation of The Post Distribution Company (PDC) as the Chairman & Chief Executive Officer since 2013. In February 2011, Abo-Taleb joined Orascom Telecom to lead the Regional Sales Office overlooking the company's African and Asian markets and its operations in Canada. He also held several positions in Vodafone and Etisalat in Egypt.



Antar Kandil, VP & CIO

Appointed as Chief Information Officer in April 2014 and joined the executive team in 2017. Kandil has over 19 years of diversified experience in the field of Information Technology in Egypt and the USA across multiple sectors including FMCG, IT consultancy, shipping, oil & gas, and telecoms. Kandil assumed many roles during his career path in Telecom Egypt that started in 2009. Kandil was the Head of Information Technology in Shell Gas & Power Company and the Group IT director of 'Enjoy.'



Seif Allah Mounib, VP for Int'l Wholesale

Appointed as Chief International and Wholesale Officer in May 2019, having spent 17 years assuming multiple key positions within Telecom Egypt. He was most recently Telecom Egypt's Senior Director of International Wholesale as of March 2016. Mounib sealed several major deals in the submarine cable business, which served to secure a growing and strategic revenue stream for the company. He also led the turnaround of TE Data Jordan into a success story by positioning the company as a regional data hub.



Essam Abdeldayem, VP for HR

Joined Telecom Egypt as Chief Human Resources Officer in May 2019, having served 17 years in the Administrative Control Authority, assuming several high profile roles, last of which being Head of the Central Unit for Digital Transformation. During this time, he worked with several institutions including the Egyptian Cabinet, the Ministry of Communication and Information Technology, the Ministry of Investment, the Ministry of Trade and Industry, the Ministry of Transportation, as well as commercial banks.



Mohamed El Fowey, VP & CTO

Appointed as Chief Technology Officer in July 2019. Prior to that, Al Fowey was the Senior Director of Core Networks Engineering & Execution since March 2018. He was responsible for planning and implementing some of the company's major investment projects such as the acceleration of the fiber rollout in 2019, and the national digital transformation initiative. He played an instrumental role in automating, integrating, and developing different network operations. He was also among the main facilitators of the mobile launch in 2017 and enabled the provision of an unprecedented, fully converged telecom infrastructure.

**Abdelsatar Elsheikh, VP for RA**

Joined Telecom Egypt as Chief Regional Affairs Officer in July 2019. Prior to this role, Elsheikh was the Senior Director of Regional Affairs responsible for several regions, including Suez Canal Cities, Upper Egypt, Greater Cairo, Alexandria, and the Delta. As a Telecom Egypt veteran with more than 30 years experience in the company, he played an integral role in executing the accelerated fiber rollout program and the digital transformation projects.



TE's governance system

The governance structure

The General Assembly

The General Assembly (GA) is composed of all the company's shareholders, according to the rules and regulations stated in the company's Articles of Association. The GA elects the members of the Board of Directors (BoD), discusses the company's financial performance, appoints an external auditor, and approves the external auditor's assigned fees, among other rights and obligations.

Ordinary and extraordinary general meetings

An ordinary general meeting (OGM) is held at least once during the three months following the end of the financial year to discuss the company's overall performance. Decisions made in an OGM can only be ratified by a majority vote. An extraordinary general meeting (EGM), on the other hand, is assembled occasionally in response to specific events, such as making changes to the company's Articles of Association or changing its capital structure. Decisions in an EGM are ratified by a two-third majority vote or a supermajority vote of 75% of shareholders, depending on the nature of the decisions.

Role and composition of the BoD

Telecom Egypt's BoD is comprised of eleven members, seven members representing the government including the chairperson and managing director, three independent members, and one member elected by the labor union. Serving the company for a term of three years, the BoD devises Telecom Egypt's overall direction and strategy, ensures the preservation of the company's assets, and maximizes the wealth of its shareholders. It also monitors the performance of the executive management, ensures the effectiveness of the company's internal control

systems, sets the administrative and financial goals to ensure efficiency, and determines the company's risk appetite. The BoD has formed several committees to maintain effective governance. It submits a detailed report of the company's annual performance to the shareholders during the OGM.

BoD meetings

The BoD holds its periodic meetings in the company's premises or in one of its branches distributed across the country whenever required, depending on the request of the chairman or at least one-third of the board members. BoD annual meetings should be held at least four times every financial year. If a BoD meeting is held in a different place, all members should attend physically, virtually, or through written delegations to another board member, with a rule that the delegate member should represent no more than one absent member. For a BoD meeting to go into session, the majority of the members must attend, and at least one independent member must be present. BoD decisions are issued based on a majority vote of attending members. In case of a tie, the Chairperson's vote breaks the draw.

The chairperson of the BoD

The chairperson of the BoD is the company's leading representative responsible for conveying the company's strategy to the shareholders and all other stakeholders. The chairperson serves for a maximum of two consecutive terms, three years each, and presides over all BoD meetings and ordinary/extraordinary GAs. His duties include the following:

- Ensuring that timely and adequate information is available to BoD members and shareholders

- Guaranteeing a robust decision making process that is based on thorough knowledge of the BoD's discussion topics and implementing the proper mechanisms to oversee the company's performance
- Ensuring that the BoD is committed to fulfilling its duties in the best interest of the company while avoiding any conflicts of interests
- Ensuring the effectiveness of the company's governance system and the committees of the BoD

The managing director and CEO

The BoD appoints one of its members as the managing director and CEO of the company. As a member of the BoD, the managing director and CEO develops and executes the company's strategic objectives and is responsible for the following:

- Implementing the company's strategy, as approved by the BoD, to enhance shareholder returns
- Presenting the company's yearly budget to the BoD, and all financial and operational periodic reports presented to the BoD
- Making administrative and financial decisions based on the approved annual budget
- Signing contracts, agreements, and MoUs on behalf of the company
- Ensuring that all departments implement and abide by laws, regulations, the company's bylaws and policies, and the BoD's decisions

Independent board members

They guarantee that the interest of minority shareholders are presented and protected. Their presence fosters independent decision-making and the mitigation of conflict of interests that may arise. Non-state shareholders that own 1% or more of the company's shares nominate independent board candidates. Qualifications of an independent board member are as follows:

- The candidate should not have worked for the

company, its subsidiaries, or any sister company in which Telecom Egypt is a shareholder within the five years preceding nomination.

- The candidate should not have had any material transactions with the company, its subsidiaries, or any sister company with shareholding in Telecom Egypt in a personal capacity or as a shareholder during the three years prior to appointment.
- The candidate must not be owed any fees or any additional amounts from the company, except for the remuneration provided to the directors, or be eligible for any share incentive, bonus, or retirement scheme.
- The candidate must not have any kin relationships, up to the fourth degree, with any of the directors or the managing director and his deputies.
- The candidate must not represent a material shareholding in the company.

In the event that the non-state shareholders do not nominate three independent directors, nominate fewer than three independent directors, or nominate individuals who do not meet the aforementioned requirements, the BoD may nominate independent directors to complete the requisite number, provided they also meet the requirements set forth above.

BoD committees

To keep up with shareholder demands and corporate governance best practices, Telecom Egypt's BoD forms dedicated committees to oversee the company's performance.

The audit committee

The audit committee oversees Telecom Egypt's financial reporting process and internal control system and ensures that they comply with all laws and regulations. The committee's responsibilities include the following:

- Auditing internal control procedures and ensuring their implementation
- Studying the adopted accounting policies and any updates that arise
- Reviewing and making recommendations on the financial statements to submit them to the BoD
- Nominating an external auditor to the BoD, reviewing its report on the financial statements, ensuring that it is independent and objective, and confirming that any comments and notes are considered by the management
- Ensuring the submission of related parties' transaction reports to the BoD by an independent advisor and ensuring that such transactions are in the best interest of the company

The remuneration and incentives committee

The committee reviews and concurs the company's remuneration and compensation plans related to the CEO, vice presidents, and the senior management. Additionally, the committee evaluates performance based on these predetermined plans to issue recommendations to the company's BoD regarding financial compensations.

The investment committee

This committee mainly focuses on fulfilling the company's strategy and maximizing its shareholders' wealth through establishing the company's investment policy, governing investment opportunities proposed by the management, overseeing the implementation of investment strategies, tracking the company's investment performance, and raising its recommendations to the BoD.

The policy review committee

The committee reviews and amends Telecom Egypt's internal policies and Articles of Association, if necessary, to enhance internal controls.

The legal and corporate governance committee

Evaluates the company's governance system, drafts policies to implement governance principles, follows up on regulatory guidance, and reviews legal proceedings, if any.

The regulatory environment

The external audit

Telecom Egypt is audited by KPMG, one of the big four accounting organizations, and the Accountability State Authority, appointed by the government. Both institutions are responsible for assessing the company's financial statements and providing assurances that they are presented fairly.

Internal audit

The internal audit department evaluates the company's internal control systems, and ensures that risk management, compliance, and governance processes are operating effectively. This department's responsibilities include the following:

- Developing and implementing an annual risk-based audit plan that is reviewed and approved by the audit committee

- Providing the audit committee with a list of objectives and achievements
- Conducting the necessary investigations in cases of fraud and preparing reports that detail the violations
- Ensuring that the company's assets are safe from theft and misuse
- Submitting periodic reports to the executive management and the audit committee that summarize the results of internal audit activities

Risk management

The role of this department is to detect potential issues that may hinder achieving company goals and sets the proper course of action needed to override obstacles, consequently limiting the losses that may be incurred by the company.

Compliance

An independent function that identifies, evaluates, advises, and monitors the extent of the company's compliance to laws and regulations, and prepares reports on the risks of non-compliance, aiming to avoid sanctions and any damage to the company's reputation. The department regularly prepares reports that evaluate the company's compliance and submits them to the CEO, senior management, and compliance committee.

Crisis management

The department contributes to achieving corporate objectives by formulating Telecom Egypt's crisis & disaster management and risk reduction framework. It predicts, manages, and responds to crises and disasters by developing various plans and execution mechanisms with concerned internal and external entities. It also raises crisis management, business continuity, and risk-management awareness across the company.

Quality management

The quality management team regularly performs quality reviews to ensure that all departments comply with the company's quality and ethical standards. The team is concerned with fulfilling Telecom Egypt's strategic plan and objectives by ensuring that all company departments comply with general operational efficiency guidelines, and utilize available resources efficiently.

Business process management

This department improves corporate performance by managing and optimizing the company's business processes. The business process management team and the quality management team work together closely to review, standardize, and develop regulations, policies, processes, procedures, work instructions, and forms for Telecom Egypt, setting the foundations for continuous improvement, including planning and obtaining quality certifications, quality models, and frameworks.

BoD 2020 activities

Q1 from 1/1/2020 to 31/3/2020

Period highlights

- Engaging with EFG Hermes and Citi as investment advisors, and Al Tamimi & Co. as a legal advisor to assess TE's options in light of the VFG – STC potential deal
- Proposing changes to the Articles of Association

Annual tasks

- Approving the fees of the Accountability State Authority
- Discussing the management report for the financial year ending 31/12/2019
- Approving the annual BoD report for the financial year ending 31/12/2019
- Reviewing the corporate governance report for FY 2019
- Approving the full year financials
- Approving the dividend distribution proposal
- Approving to engage with KPMG – Hazem Hassan as an external auditor
- Calling for the AGM and EGM
- Approving the FY financials according to IFRS
- Proposing FY 2019 donations and the CSR budget
- Restructuring the remuneration & incentives, investment, and policy review committees
- Integrating the conflicts of interest committee with the legal and corporate governance committee

Other meetings

- Investment committee
- Audit committee
- Remuneration and incentives committee

Q2 from 1/4/2020 to 30/6/2020

Period highlights

- Approving CSR activities to support the community during the Covid-19 pandemic
- Discussing EFG Hermes, Citi, and Al Tamimi & Co's insights on TE's options regarding the VFG
- STC potential deal & considering financing options in case TE decides to buy out VFG's stake in VFE

Annual tasks

- Approving donations and CSR activities
- Approving Q1 2020 financials
- Discussing the management's report for Q1 2020
- Acknowledging the appointment of Army General Bakr Elbaoumy as a member of the BoD, replacing Army General Tarek Al Zaher
- Restructuring the audit and investment committees

Other meetings

- Investment committee
- Remuneration and incentives committee
- Legal and corporate governance committee
- Audit committee

Q3 from 1/7/2020 to 30/9/2020

Period highlights

- Supporting digital transformation in Egypt
- Submitting a request to acquire additional mobile spectrum
- Approving the expansion of TE's budget for the digital transformation and new administrative capital projects
- Approving the acquisition of new mobile spectrum in light of the new 5-year business plan
- Following up on TE's options in light of the VFG – STC potential deal

Annual tasks

- Appointing Mohamed Nasr Eldin as a member of the BoD, replacing Hossam Elgamal
- Approving changes in the personnel affairs policy
- Approving the amended commercial policy
- Restructuring the remuneration and investment committees
- Approving Q2 2020 financials
- Approving Q1 2020 financials according to IFRS
- Discussing the management's report on H1 2020 performance
- Approving donations and CSR activities

Other meetings

- Investment committee
- Audit committee
- Remuneration and incentives committee
- Legal, and corporate governance committee

Q4 from 1/10/2020 to 31/12/2020

Period highlights

- Approving the settlement of legal disputes
- Reviewing customer satisfaction indicators report
- Discussing the CEO's presentation on the submarine cables business

Annual tasks

- Approving Q3 2020 financials
- Approving Q2 & Q3 2020 financials according to IFRS
- Discussing the management's report on 9M 2020 performance
- Approving donations and CSR initiatives
- Approving the 2021 budget

Other meetings

- Audit committee
- Legal and corporate governance committee
- Investment committee
- Remuneration and incentives committee

2020 attendance

Member name	BoD meetings	Audit committee	Investment committee	Remuneration committee	Policy review committee	Legal & corporate governance committee
Magued Osman	19/19		7/7 13/13*		3/3	4/4
Adel Hamed	18/19	11/13	19/20	5/10	2/3	4/4
Bakr Elbaoumy	9/10	6/8	6/9			
Lobna Helal	17/19		20/20			
Ahmed Abou Ali	19/19		8/20	10/10	3/3	4/4
Mohamed Shamroukh	19/19	13/13	20/20	10/10	3/3	4/4
Hussein Amin	19/19		19/20	9/10		
Mohamed Barakat	19/19	13/13	5/20			
Mohamed Nasr Eldin	9/9		8/8	4/4		
Mohamed Sultan	18/19	12/13	4/20	9/10		
Ibrahim Heikal	19/19		1/20		3/3	4/4
Tarek Al Zaher (Replaced by Bakr El-baoumy)	9/9	5/5	5/5			
Hossam Elgamal (Replaced by Mohamed Nasr Eldin)	3/3		3/4	1/1	0/1	

* Dr. Magued Osman joined the investment committee on June 21, 2020

• Shaded boxes are for BoD members who were asked to join special committee meetings for consulting purposes

BoD changes in 2020

- Mr. Hossam Elgamal resigned from the BoD on March 4, 2020
- Army General Bakr Elbaoumy replaced Army General Tarek Al Zaher as a member of the BoD on June 21, 2020
- Mr. Mohamed Nasr Eldin replaced Mr. Hossam Elgamal as a member of the BoD on July 15, 2020

Investor relations review

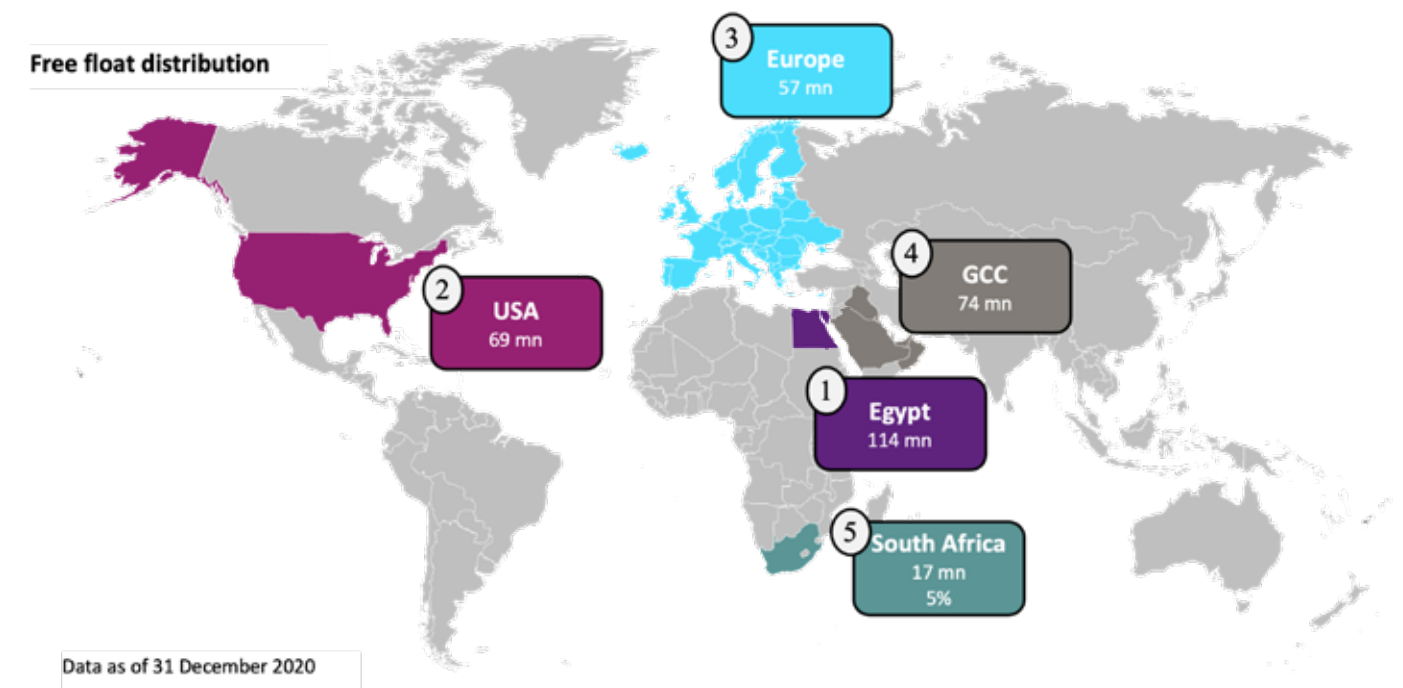
Delivering a consistent message to all stakeholders

The main goal of the investor relations team is to effectively maintain a communication channel between the company and its shareholders, listing - related regulatory bodies, and the investment community to convey Telecom Egypt's equity story to all stakeholders.

In line with the company's overall focus on customer centricity, the investor relation's function has been transformed to meet stakeholders' requirements and improve transparency and disclosure. Telecom Egypt's publications include the following:

- The quarterly corporate presentation for a complete overview of the business and its strategy

- A quarterly results presentation explaining all trends and developments
- A fact book including all historical operational and financial information to help analysts and investors create their financial models
- An earnings release with in-depth analyses of the period's trends
- An integrated annual report providing a comprehensive view of the company's strategy, management, business updates, and financial performance
- Press releases covering the company's latest material news and developments



Enhancing our reach through multiple channels

In our efforts to be reachable across multiple channels and cater to the growing demand from the investment community, we enhanced our digital media platforms by launching the investor relations portal, which provides all the financial information and company updates through a user friendly and regularly updated interface in both English and Arabic languages. We have also started utilizing social media through our Facebook page to enhance

our reach to retail investors. Additionally, the investor relations team is accessible over the phone, email, and face-to-face meetings with the management.

Active investor relations function

The investor relations team plays an active role in building a communication channel between the company and the investment community through organizing analyst days and roadshows, attending various conferences in different locations, and targeting potential investors.

Our cross-functional investor facing team

To improve our reach, we have put together an investor facing team to cater to the busy investor relations annual calendar, and provide investors and analysts with a full picture of TE's fundamentals.

Tarek Abdelhamid

Senior Director Consumer Sales & Marketing

Abdelhamid has a record of accomplishment in launching green field operations and group management. He joined TE in August 2017, coming with experience in different maturity phases of the industry, having served in the senior management teams of Orange Egypt, Orascom Telecom Holding, Etisalat Group, and Ooredoo Group. Abdelhamid is a London Business School Sloan Fellow and holds a MBA from Maastricht School of Management.

Wael Hanafy

Senior Director of Finance

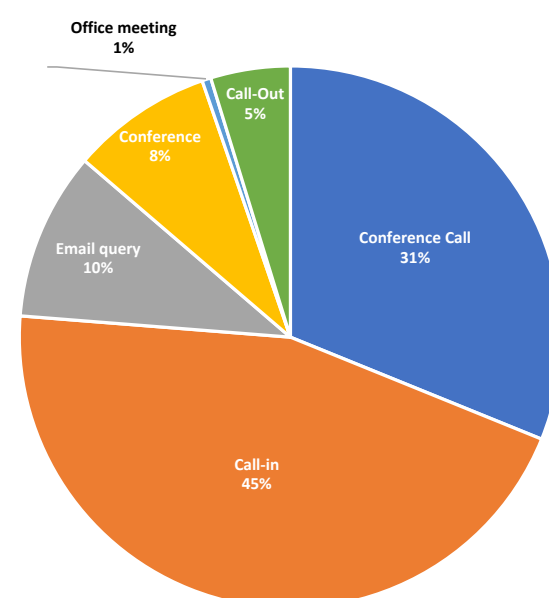
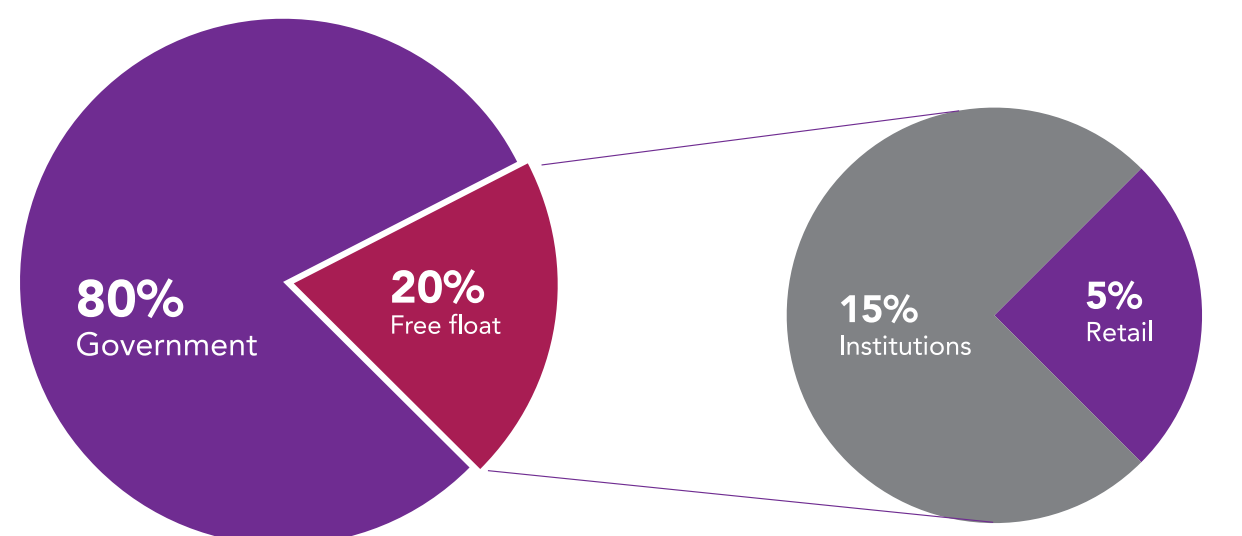
Hanafy joined TE in 2002, growing in the company to coordinate several finance functions, including budgeting, cost reduction, deals with other operators, and vendor and banks relationship management. He also manages the financial operations of TE's international arms in France, Singapore, and Jordan. Hanafy is a Certified Management Accountant (CMA) and holds a Bachelor of Commerce from Helwan University.



Sarah Shabayek

Senior Director of Investment and Decision Support, and Head of Investor Relations

Shabayek joined TE in November 2017, coming with over 10 years experience in sell-side research in several local and regional investment banks, having covered 17 telecom operators in 35 countries in the Middle East & Africa. She was ranked by Extel Surveys as the top telecom research analyst for three consecutive years from 2015-2017. Shabayek holds a Bachelor of Business Administration from the American University in Cairo.



FY 2020

379 interactions

98 different investors & analysts

A well-rounded investor relations team catering to all stakeholders

Telecom Egypt undertakes all its investor relation functions in house, with a dedicated and experienced team catering to the needs of all stakeholders.

Nancy Wahba

Planning & Coordination General Manager



Heba Abd Elmoneim

Listing & Disclosure Manager



Mohamed Khairy

Publications Manager



Ahmed Zayed

Analyst & Investor Support Manager



Our media arm

Our media department plays a fundamental role in how Telecom Egypt communicates with the general public and the media community as it relays the company's strategic role in transforming the local ICT industry, in line with Egypt's digital vision. The department insources all its functions, including developing content and circulating news, responding to inquiries, participating in planning company events, supporting members of the executive management in preparing for media interviews, cooperating with news agencies, and continuously finding new ways to communicate with stakeholders. During 2020, the media department also played an integral role in conveying the company's strategy to cope with the new norm brought about by Covid-19.

We communicate responsibly

The team adopts the highest standards of integrity, objectivity, and transparency in all its communications. It also collaborates with other departments responsible for disseminating information to ensure the consistency of all the messages delivered through the company's communication channels.

Behind the numbers

Expanding Telecom Egypt's presence in the local and international media and highlighting its operational and financial excellence is at the top of the media team's priorities.



Media highlights during 2020:

7674	news pieces published in newspapers and magazines
30	press releases
25	audiovisual documentations of TE's projects
20	events internally and externally
12	newsletters



CHAPTER FIVE

CONNECTING THE NUMBERS

Connecting a matrix of intricate details

Financial performance

Income statement (in EGP mn)	2016	2017	2018	2019	Adj. 2019*	2020	CAGR**
Revenue	13,950	18,567	22,771	25,805	25,805	31,912	23%
COGS	(4,816)	(7,290)	(9,666)	(10,038)	(10,038)	(11,447)	24%
Gross profit	9,134	11,277	13,105	15,767	15,767	20,466	22%
Gross profit margin	65.5%	60.7%	57.6%	61.1%	61.1%	64.1%	
G&A expenses	(403)	(499)	(615)	(678)	(678)	(763)	17%
% of revenue	2.9%	2.7%	2.7%	2.6%	2.6%	2.4%	
S&D expenses	(300)	(533)	(1,398)	(1,499)	(1,499)	(1,709)	54%
% of revenue	2.2%	2.9%	6.1%	5.8%	5.8%	5.4%	
Employee costs	(4,629)	(5,061)	(5,216)	(7,757)	(6,490)	(6,861)	10%
EBITDA	3,801	5,184	5,876	5,834	7,100	11,133	31%
EBITDA margin	27.2%	27.9%	25.8%	22.6%	27.5%	34.9%	
Depreciation & amortization	(1,535)	(2,105)	(2,650)	(3,606)	(3,606)	(5,165)	35%
Other income (expense)	(275)	(1,056)	147	321	321	(70)	
Operating profit	1,991	2,023	3,373	2,549	3,816	5,898	31%
Income from direct investments	668	2,337	2,201	2,833	2,833	2,206	35%
Net finance (costs) income	693	(646)	(1,312)	115	115	(1,480)	
NPBT & minority interest	3,353	3,715	4,262	5,497	6,763	6,625	19%
Tax	(680)	(659)	(958)	(1,091)	(1,376)	(1,767)	
NPAT before minority interest	2,673	3,056	3,304	4,406	5,387	4,858	16%
Minority interest	(2)	(4)	(7)	(7)	(7)	(7)	
NPAT	2,670	3,052	3,297	4,399	5,381	4,851	16%
EPS (EGP)	1.2	1.4	1.5	2.1	2.7	2.4	

*Normalized for the ERP cost of EGP 1.4bn

** CAGR calculated using normalized 2019 figures

Operational highlights	2016	2017	2018	Adj. 2019*	2020
Revenue growth	14.5%	33.1%	22.6%	13.3%	23.7%
EBITDA growth	10.6%	36.4%	13.3%	20.8%	56.8%
CapEx/sales	33.9%**	39.5%**	37.3%	49.3%	37.3%
Net debt/EBITDA	0.6	1.3	2.2	2.1	1.6
Operating cash flow	4,338	4,649	3,496	2,991	8,297

*2019's EBITDA is normalized for the ERP cost of EGP 1.4bn

** Excluding license fees paid in 2016 and 2017

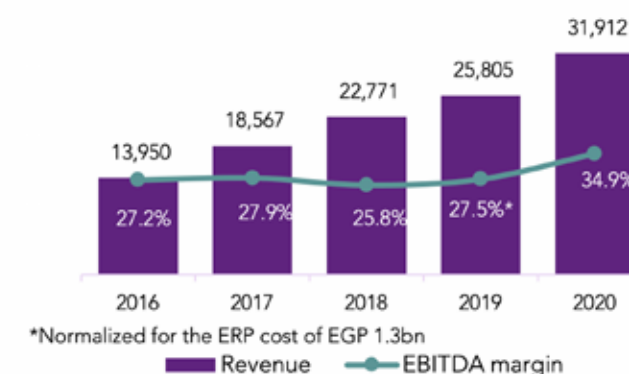
Customer base (in 000s)	2016	2017	2018	2019	2020
Fixed voice	6,465	7,145	7,865	8,676	9,850
YoY	-1%	11%	10%	10%	14%
Fixed data	3,382	4,070	5,237	5,807	6,947
YoY	20%	20%	29%	11%	20%
Mobile	-	2,300	3,861	5,129	7,342
YoY	-	-	68%	33%	43%

Financial review

2020, another year of growth

This year, Telecom Egypt reported a total revenue of almost EGP 32bn, translating to a 24% YoY growth, mainly driven by the hike in data revenue and doubled cable projects revenue. EBITDA stood at EGP 11.1bn with a margin of 35%, exceeding FY guidance, supported by a higher margin revenue mix and cost rationalization efforts. The strong operational performance trickled down to an all-time high net profit and net operating cash flow of EGP 4.9bn and EGP 8.3bn, respectively. Retail revenue outperformed wholesale in terms of its contribution to top line (57%), which is a clear manifestation of the company's direction to position itself as a strong retail competitor following the launch of mobile services in 2017.

Top line (in EGP mn)

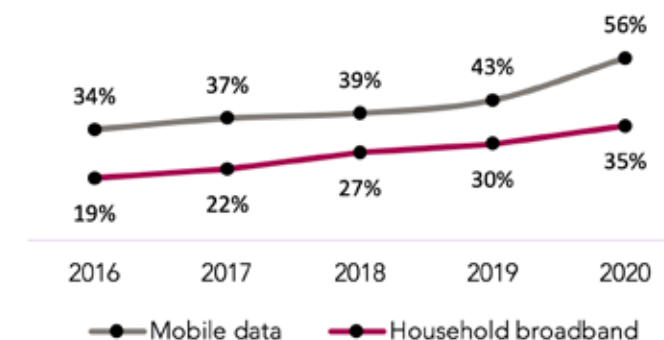


Data fuels the growth


Data revenue continued to impress with a 39% YoY increase compared to FY 2019, constituting +50% of top line growth. This strong data performance was highly attributable to Telecom Egypt's ability to accommodate the heightened demand for data services during the pandemic by providing high value offerings to its growing customer base, capitalizing on its robust infrastructure.

The company expects the growth in customers and traffic witnessed during FY 2020 to continue given the great potential in the underpenetrated mobile and fixed broadband markets.

Penetration %



On the same front, infrastructure revenue grew 18% YoY, which is an indirect play on the data market's growth as the anticipated increase in data demand increases the reliance of MNOs and ISPs on Telecom Egypt's commercially attractive infrastructure services, including bitstream and transmission. The data-related revenue streams are expected to continue their growth momentum going forward.

c.31mn 

are connected with fiber to the curb (FITC), as of Dec. 31, 2020, representing 90% of households in Egypt.

Cost containment efforts

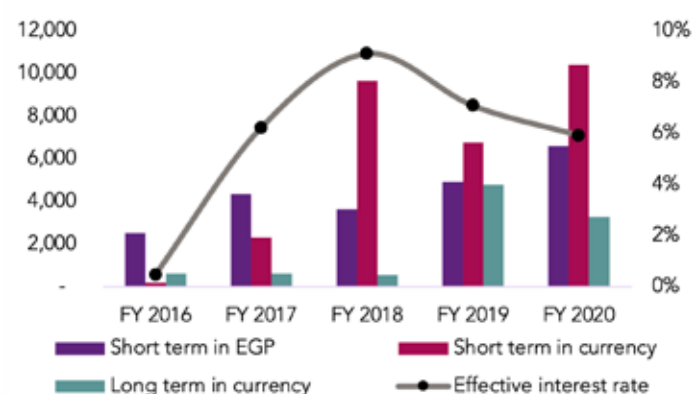
Early Retirement Program (ERP)

Telecom Egypt implemented various cost saving initiatives during the last couple of years to enhance operational performance and improve margins. One of the major initiatives implemented was the reactivation of the company's voluntary Early Retirement Program (ERP) during 2019. The program initially targeted 2,000 employees to minimize employee costs by managing the company's headcount. During the same year, the program was extended to include 1,000 more employees given the growing interest in the program, the potential reduction in costs, and the availability of cash following incremental distribution of dividends from Vodafone Egypt. The total cost of the program was EGP 1.45bn incurred in 2019 and 2020, with a payback period of 2.5 years. During 2020, the company recognized the full annual effect of the program, which is expected to continue paying off in future periods, with total employee costs increasing by only 4% YoY, significantly less than the average annual salary increase, making up 21% of the top line, -400 bps YoY.

Debt restructuring

Telecom Egypt has been taking a number of decisive actions to manage its debt in the most efficient way to lessen interest costs and manage cash flows while it expands its investments. In early 2019, the company restructured its USD debt from short to medium term by acquiring a 500mn medium-term syndicated loan to further enhance finance costs. Subsequently, local interest rates decreased, encouraging it to acquire short-term facilities in EGP to finance operations. Such efforts were evident in FY 2020's effective interest rate, which stood at 5.9%, compared to 7.1% in the previous year, and 9.1% in FY 2018.

Debt structure (in EGP mn)

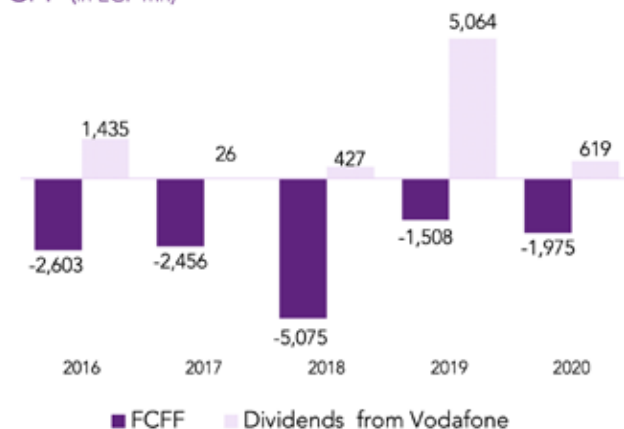


Focusing on cash flows

During 2020, the company was able to adopt a multi-layered, sequential approach to translate the growth witnessed across its P&L to earnings and capitalize on enhanced operational KPIs to improve its cash flow position. The company navigated through the high cash needs of the accelerated copper-to-fiber replacement program and managed to attain 3x the operational cash flows of FY 2019, reaching EGP 8.3bn in 2020.

Telecom Egypt is currently working towards enhancing its FCF by preserving strong operational performance,

FCFF (in EGP mn)



exerting CapEx rationalization efforts in the coming years, and agreeing on a framework for a healthier distribution of dividends from Vodafone Egypt.

A lucrative investment

Vodafone Egypt continues to be a profitable investment for Telecom Egypt as it has exhibited substantial growth in terms of revenue and customers and its periodic dividends have boosted the company's cash flows.

Telecom Egypt and Vodafone Egypt agreed on a dividend of EGP 5.5bn during 2019 to be collected over the course of two years, 2019 and 2020. Telecom Egypt collected EGP 4.8bn in March 2019 and 0.7bn in July 2020, representing +90% of the company's share of retained earnings as of March 2018. Additionally, Telecom Egypt received EGP 450mn after Vodafone Egypt sold its subsidiary, Vodafone International Services (VIS), to Vodafone Group in November 2019. In late March 2021, Vodafone Egypt's OGM also approved a dividend of EGP 2bn, of which, Telecom Egypt's share amounts to c. EGP 0.9bn.

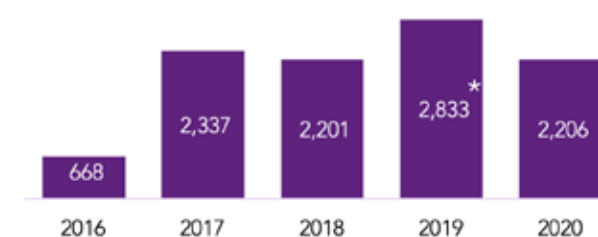
2021 outlook

Telecom Egypt released the budget for the fiscal year 2021 according to the following KPIs:

- Mid-to-high single digit revenue growth
- EBITDA margin in the early thirties
- In-service CapEx to sales ratio in late twenties, excluding spectrum

During 2021 and onwards, Telecom Egypt will focus on improving FCF, supported by its current business model that secures the growth of its multiple revenue streams with healthy margins and its continuous efforts to rationalize CapEx.

Income from direct investment (in EGP mn)



*Including the EGP 0.5bn from the VIS sale to Vodafone Group.



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Auditor's report

To the shareholders of Telecom Egypt Company

Report on the consolidated financial statements

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

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Basis for opinion

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

Opinion

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

KPMG Hazem Hassan
Public Accountants & Consultants

Cairo, February 23, 2021

Consolidated financial statements and disclosure notes

Consolidated statement of financial position

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

The attached notes on pages from (98) to (137) are an integral part of these consolidated financial statements.

Director of Financial Affairs	Senior Director of Financial Affairs	Chief Financial Officer	Managing Director & Chief Executive Officer	Chairman
Ehab Abdo	Wael Hanafy	Mohamed Shamroukh	Adel Hamed	Magued Osman

Consolidated statement of income

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

The attached notes on pages from (98) to (137) are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

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

The attached notes on pages from (98) to (137) are an integral part of these consolidated financial statements. .

Consolidated statement of changes in equity

	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
	no.	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)	L.E.(000)
Balance as of January 1, 2019 (Reclassified)		17 070 716	1 899 547	2 796 578	10 345 787	172 654	32 285 282	15 820	32 301 102
Comprehensive income									
Profit for the year		-	-	-	4 399 125	-	4 399 125	6 765	4 405 890
Translation differences of foreign entities		-	-	-	-	(183 277)	(183 277)	-	(183 277)
Total comprehensive income		-	-	-	4 399 125	(183 277)	4 215 848	6 765	4 222 613
Transactions with shareholders:									
Transferred to legal reserve		-	66 500	-	(66 500)	-	-	-	-
Dividends for year 2018 (shareholders)		-	-	-	(426 768)	-	(426 768)	(5 917)	(432 685)
Dividends for year 2018 (employees & Board of Directors)		-	-	-	(732 844)	-	(732 844)	(865)	(733 709)
Dividends in associates (employees & Board of Directors)		-	-	-	(61 126)	-	(61 126)	-	(61 126)
Adjustments on retained earnings for associates		-	-	-	(75 058)	-	(75 058)	-	(75 058)
Total transactions with shareholders		-	66 500	-	(1 362 296)	-	(1 295 796)	(6 782)	(1 302 578)
Balance as of December 31, 2019 (Reclassified)	(37-1)	17 070 716	1 966 047	2 796 578	13 382 616	(10 623)	35 205 334	15 803	35 221 137
Balance as of January 1, 2020 (Reclassified)	(37-1)	17 070 716	1 966 047	2 796 578	13 382 616	(10 623)	35 205 334	15 803	35 221 137
Comprehensive income									
Profit for the year		-	-	-	4 850 882	-	4 850 882	6 650	4 857 532
Translation differences of foreign entities		-	-	-	-	(14 866)	(14 866)	-	(14 866)
Total comprehensive income		-	-	-	4 850 882	(14 866)	4 836 016	6 650	4 842 666
Transactions with shareholders :									
Transferred to legal reserve		-	275 720	-	(275 720)	-	-	-	-
Dividends for employees announced in associates		-	-	-	(64 329)	-	(64 329)	-	(64 329)
Adjustment on retained earnings for associates		-	-	-	(3 147)	-	(3 147)	-	(3 147)
Dividends for year 2019 (shareholders)		-	-	-	(426 768)	-	(426 768)	(5 515)	(432 283)
Dividends for year 2019 (employees & Board of Directors)		-	-	-	(820 426)	-	(820 426)	(910)	(821 336)
Fixed assets evaluation disposals (land & buildings)	(27)	-	-	(9 028)	-	-	(9 028)	-	(9 028)
Total transactions with shareholders		-	275 720	(9 028)	(1 590 390)	-	(1 323 698)	(6 425)	(1 330 123)
Balance as of December 31, 2020		17 070 716	2 241 767	2 787 550	16 643 108	(25 489)	38 717 652	16 028	38 733 680

The attached notes on pages from (98) to (137) are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

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

The attached notes on pages from (98) to (137) are an integral part of these consolidated financial statements.

Telecom Egypt Company

(An Egyptian Joint Stock Company)

Notes on the consolidated financial statements

For the financial year ended December 31, 2020

1- Background

1- 1 Legal entity

- The Arab Republic of Egypt National Telecommunication Organization (ARENTO) was established according to Law No.153 of 1980. Effective from March 27, 1998 and according to law No.19 of 1998, the legal form of (ARENTO) was amended after the revaluation of its assets on March 26, 1998 to become 'Telecom Egypt Company' (TE).
- Telecom Egypt Company (the "Company") is an Egyptian Joint Stock Company registered in the Arab Republic of Egypt and is engaged in the provision of public communications and associated products and services.
- The company is subject to the provisions of the Companies Law No. 159 of 1981 and Capital Market law No. 95 of 1992.
- The registered office of the company is 26 Ramses Street, Cairo, Egypt.
- The nominal shares of the company are traded in the Egyptian Stock Exchange and the London Stock Exchange.

1-2 Purpose of the company

The main purpose of the company is the following:

- Owning, setting up, operating, maintaining, and developing telecommunication networks and infrastructure necessary for communication services to be used, managed, leased to others and/or dealt on.
- Providing voice, video, and data transmission telecommunication services to subscribers and/or to be managed, leased to others, and/or dealt on.

- Participating in or contributing to global communication systems, such as: - submarine cables and satellites and obtaining capacities or circuits be used, managed, leased to others and/or dealt on.
- Dealing, contracting, or collaborating with authorities, agencies, companies, organizations or any entity exercising an activity similar to or identical to the company's activities or relates to or assists the company in achieving its purposes either in the 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 movable and immovable properties, which could be acquired or owned by the company.
- Selling, purchasing, and distributing 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 signatures, and online money transfers.
- Investment properties for serving its purposes and executing its projects.

1-3 Issuance of consolidated financial statements

- These consolidated financial statements were approved by the Board of Directors to be issued on February 23, 2021.

2- Basis of preparation of the consolidated financial statements

2-1 Statement of compliance

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

2-2 Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial investments, which are evaluated at fair value in accordance with the Egyptian Accounting Standards.

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

2-3 Functional and presentation currency

These consolidated financial statements are presented in Egyptian pound (L.E.). All financial information presented in "L.E." has been rounded to the nearest thousand, unless otherwise stated.

2-4 Use of estimates

The preparation of the consolidated financial statements in conformity with Egyptian Accounting Standards requires the management to make judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and other various factors that are believed to be reasonable under

the circumstances. The results of these assumptions represent the judgmental basis for the value of assets and liabilities that may not be apparently available from other sources. The actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an 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 if the revision affects both current and future periods.

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

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

2 - 5 Fair value measurement

• The fair value of financial instruments is determined based on the market value of the financial instrument or similar financial instruments at the date of the consolidated financial statements without deducting any estimated future selling costs. The values of financial assets are determined according to the current purchase prices; however, the value of financial liabilities are determined according to 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 guidelines. This includes the discounted

cash flows technique or any other valuation methods that lead to reliable values.

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

2-6 Segment reporting

Operating activities related to the company are managed by operating segments at the group activities level as integrated activities, based on the nature of the products and services provided. The segment reporting is prepared according to the following services provided by the group:

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

3- Operating revenues

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

4- Operating costs

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

* The comparative figures have been reclassified, as shown in (Note no. 37-2)

5- Other operating income

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

6- Selling and distribution expenses

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

* The comparative figures have been reclassified, as shown in (Note no. 37-2)

7- General and administrative expenses

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

* The comparative figures have been reclassified, as shown in (Note no. 37-2)

8- Other operating expenses

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

9- Net finance (cost)/income

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

10- Share of profit from equity accounted investees

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

11- Employee benefits

11-1 Early retirement scheme (Telecom Egypt)

The company applied an optional early retirement scheme, under which, employees who wished to retire and who met the requirements to end their service before the legal age of retirement were compensated accordingly. Therefore, the company's Board of Directors decided in its meeting 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 no. (8) were issued 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. The enrollment application was to be submitted during the period from June 9, 2019 until July 9, 2019, according to the following:

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

- The subscription duration in social insurance should not be less than twenty years.
- The company's manpower planning committee must approve the application, according to the requirements of work, and the company has the right to reject any application.
- The subscription application submitted by the employee is final and cannot be repealed after seven days from the date of its submission.

Second: The important benefits of an optional early retirement:

- Payment of compensation for the remaining period, which represents the total of the remaining salaries, including periodic increments 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 January 1, 2015, with an increase of 5% per annum.
- Payment of compensation for unused leaves in accordance with the regulations enforced.
- Payment of an amount of 1,500 per month for three years or until the age of sixty, whichever is the earliest.
- Medical insurance for employees and their families for three years or until the age of sixty, whichever is the earliest.
- 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 considered the applications for early retirement submitted by employees to enroll in the system to determine the extent of which those applications meet the conditions and whether the company needs the applicant or not. The said committee completed the study of most of the applications submitted by the employees of the company, and based on its recommendations and after obtaining all the necessary approvals, a number of administrative orders were issued to end the service of employees who met the requirements of the above scheme. The said committee completed the study of the remaining applications submitted to it by the employees of the company. It also issued its recommendations and prepared the final reports containing the results of its work and all the liabilities that the company had borne as a result of the application of the optional early retirement scheme by an amount of L.E 1 368 221 K charged to the income statement for the year 2019 and 2020, respectively by an amount of L.E 1 266 549 K and L.E 101 672 K (Note no. 7).

11-2 End of service benefits (the company's contribution to the loyalty and belonging fund)

Employees are granted end of service benefits through a loyalty & belonging fund that was established in January 2004. Employee benefits are based on the employees' basic salaries 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 second year after the hiring date with the same annual raise conditions for employees.

The employees' share in the loyalty & belonging fund, according to constant subscription, is based on the same employees' basic salaries, which is how the end of service benefit is calculated. The company's share represents its contribution, which is determined annually according to a Board of Directors decree. The company has contributed an amount of L.E 180 000 K for the financial year ended in December 31, 2020 (against an amount of L.E. 276 182 K for the comparative year 2019) stated in the general and administrative expenses as shown in (Note no. 7).

12- Basic and diluted earnings per share for the year

The holding company owner's equity :-

Profit for the year (L.E. in thousand)*

Less:

Employees' share in dividends (L.E. in thousand)**

Board of Directors share (L.E. in thousand)**

Net profit for the year available for distribution (L.E. in thousand)

Number of shares available during the year (share)

Basic and diluted earnings per share for the year (LE/share)

For the financial year ended:

31/12/2020

31/12/2019

Reclassified

4 850 882

4 399 125

819 804

805 206

11 425

13 720

4 019 653

3 580 199

1 707 071 600

1 707 071 600

2.35

2.10

* The comparative figures have been reclassified, as shown in (Note no. 37-2)

** According to the Board of Directors' proposal to be presented to the general assembly of the company and its subsidiaries for approval.

13- Fixed assets

	Land	Buildings & infrastructure	Technical equipment & information technologies	Vehicles	Furniture	Tools & supplies	Decorations & fixtures	Fixtures on trunk radio network	Total
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Cost as of 1/1/2019	2 350 346	27 710 668	28 765 833	145 865	697 824	142 649	134 673	315	59 948 173
Additions during the year	4 990	6 848 029	4 360 755	37 523	138 291	12 381	25 797	-	11 427 766
Disposals during the year	-	(790 022)	(1 572 522)	(4 576)	(3 458)	(1 204)	(1 464)	-	(2 373 246)
Translation differences of foreign entities	(386)	(53 502)	(21 387)	(49)	(3 926)	-	(918)	-	(80 168)
Cost as of 31/12/2019	2 354 950	33 715 173	31 532 679	178 763	828 731	153 826	158 088	315	68 922 525
Cost as of 1/1/2020	2 354 950	33 715 173	31 532 679	178 763	828 731	153 826	158 088	315	68 922 525
Additions during the year	21	4 912 710	7 791 545	60 189	187 460	65 338	23 395	-	13 040 658
Disposals during the year	(10 475)	(893 175)	(777 501)	(13 820)	(4 713)	(2 190)	-	-	(1 701 874)
Translation differences of foreign entities	(65)	(2 140)	7 276	94	1 844	-	995	-	8 004
Cost as of 31/12/2020	2 344 431	37 732 568	38 553 999	225 226	1 013 322	216 974	182 478	315	80 269 313
Accumulated depreciation as of 1/1/2019	-	15 732 092	21 877 816	108 273	507 512	82 974	118 737	315	38 427 719
Depreciation for the year	-	1 188 323	1 606 490	7 922	84 488	14 313	6 645	-	2 908 181
Accumulated depreciation for disposals	-	(506 685)	(1 564 160)	(4 413)	(3 423)	(1 203)	(1 382)	-	(2 081 266)
Translation differences of foreign entities	-	(46 878)	(10 184)	(49)	(2 334)	-	(719)	-	(60 164)
Accumulated depreciation as of 31/12/2019	-	16 366 852	21 909 962	111 733	586 243	96 084	123 281	315	39 194 470
Accumulated depreciation as of 1/1/2020	-	16 366 852	21 909 962	111 733	586 243	96 084	123 281	315	39 194 470
Depreciation for the year	-	1 640 200	2 659 805	11 677	114 652	23 010	11 874	-	4 461 218
Accumulated depreciation for disposals	-	(736 921)	(771 793)	(13 667)	(4 705)	(2 190)	-	-	(1 529 276)
Translation differences of foreign entities	-	(2 255)	2 221	94	1 249	-	927	-	2 236
Accumulated depreciation as of 31/12/2020	-	17 267 876	23 800 195	109 837	697 439	116 904	136 082	315	42 128 648
Net carrying amounts as of 31/12/2020	2 344 431	20 464 692	14 753 804	115 389	315 883	100 070	46 396	-	38 140 665
Net carrying amounts as of 31/12/2019	2 354 950	17 348 321	9 622 717	67 030	242 488	57 742	34 807	-	29 728 055

Cost of fixed assets includes an amount of L.E. 21 724 Million for fully depreciated assets and those that are still in use.

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

	Note no.	For the financial year ended:	
		31/12/2020	31/12/2019
		L.E. (000)	Reclassified L.E. (000)
Operating costs	(4)	4 360 534	2 806 217
Selling and distribution expenses	(6)	7 603	7 226
General and administrative expenses	(7)	93 081	94 738
		4 461 218	2 908 181

14- Projects in progress

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

15- Investments in associates

	Note no.	31/12/2020		31/12/2019	
		Ownership %	L.E. (000)	Ownership %	L.E. (000)
Vodafone Egypt Telecommunication company *		44.95	12 305 297	44.95	10 818 042
Wataneya for Telecommunication **		50.00	125	50.00	125
International Telecommunication Consortium Limited (ITCL) **		-	-	50.00	54
Egypt Trust**		35.71	7 500	35.71	7 654
New matrix for technology		25.5	1 250	-	-
Consortium Algerian de Telecommunications (CAT) **		-	-	33.00	133
			12 314 172		10 826 008
Less: Impairment loss on investment in associates	(25)		7 625		7 812
			12 306 547		10 818 196

*The investment in Vodafone Egypt on December 31, 2020 represents the ownership of 107 869 799 shares with a percentage of 44.95% of the total shares of Vodafone Egypt.

The financial year of Vodafone Egypt ends on March 31. The equity method was applied in recognizing the investment in Vodafone Egypt when preparing the consolidated financial statements as of December 31, 2020 by using Vodafone Egypt's consolidated financial statements for the financial year ended March 31, 2020. Vodafone Egypt's statements, which were authorized by its management, present the 12 months

from April 1 2019 until March 31, 2020, except for the movements in the period from April 1, 2019 until December 31, 2019 extracted from Vodafone Egypt's consolidated financial statements as of December 31, 2019. Additionally, the movements for the period from April 1, 2020 until December 31, 2020 were extracted from Vodafone Egypt's consolidated financial statements as of December 31, 2020, to determine the share resulting from the financial period from January 1 to December 31, 2020 of business results.

** The impairment loss on investments for Egypt Trust, Wataneya for Telecommunication, Consortium Algerian Telecommunications (CAT), and International Telecommunication Consortium Limited (ITCL) was due to the realized losses of these companies, which exceeded their investment amounts. The Extraordinary General Assembly meeting of Consortium Algeria Telecommunication held on July 1, 2009 approved the dissolution and liquidation of CAT.

16- Available for sale investments

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

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

17- Other assets

	Fourth generation network license	Administrative capital (ROU)	Submarine cables	International circuits (ROU)	Licenses Inter-net services	Licenses and programs	land (Possession)	land (Usufruct)	Goodwill	Total
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Cost as of January 1, 2019	8 633 330	-	2 023 533	880 876	22 997	56 382	440 683	1	15 839	12 073 641
Additions during the year	-	-	102 728	13 908	-	104 465	-	-	-	221 101
Disposals during the year	-	-	(13 075)	-	-	-	-	-	-	(13 075)
Translation differences of foreign entities	-	-	(16 556)	(12 771)	(259)	-	-	-	-	(29 586)
Cost as of December 31, 2019	8 633 330	-	2 096 630	882 013	22 738	160 847	440 683	1	15 839	12 252 081
Additions during the year	-	34 296	23 651	21 174	-	86	-	-	-	79 207
Disposals during the year	-	-	(55 028)	(2 801)	-	(56 382)	-	-	-	(114 211)
Translation differences of foreign entities	-	-	(6 068)	(1 051)	(50)	-	-	-	-	(7 169)
Cost as of December 31, 2020	8 633 330	34 296	2 059 185	899 335	22 688	104 551	440 683	1	15 839	12 209 908
Accumulated amortization as of January 1, 2019	590 870	-	615 503	174 743	21 936	56 382	-	-	-	1 459 434
Amortization for the year	459 569	-	122 143	80 642	159	34 822	-	-	-	697 335
Accumulated amortization for disposals	-	-	(1 334)	-	-	-	-	-	-	(1 334)
Translation differences of foreign entities	-	-	(13 161)	(9 672)	(159)	-	-	-	-	(22 992)
Accumulated amortization as of December 31, 2019	1 050 439	-	723 151	245 713	21 936	91 204	-	-	-	2 132 443
Amortization for the year	459 569	764	122 487	85 953	149	34 879	-	-	-	703 801
Accumulated amortization for disposals	-	-	(7 437)	(700)	-	(56 382)	-	-	-	(64 519)
Translation differences of foreign entities	-	-	(5 779)	(325)	(34)	(9)	-	-	-	(6 147)
Accumulated amortization as of December 31, 2020	1 510 008	764	832 422	330 641	22 051	69 692	-	-	-	2 765 578
Net carrying amounts as of December 31, 2020	7 123 322	33 532	1 226 763	568 694	637	34 859	440 683	1	15 839	9 444 330
Net carrying amounts as of December 31, 2019	7 582 891	-	1 373 479	636 300	802	69 643	440 683	1	15 839	10 119 638

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

Amortization for the year is charged to the statement of income as follows:		Note no.	For the financial year ended:	
			31/12/2020	31/12/2019
			L.E. (000)	L.E. (000)
Operating costs	(4)		703 552	697 068
Selling and distribution expenses	(6)		83	89
General and administrative expenses	(7)		166	178
			703 801	697 335

- Accumulated amortization and impairment in December 31, 2020 include an amount of L.E. 79 825K, which represents the impairment of right of use of international circuits (ROU) and the impairment of the internet service license by one of the subsidiaries (Note no. 25)
- Other assets costs included L.E 192 Million for other assets that are fully amortized and those that are still in use.

18- Inventories

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

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

19- Trade and notes receivables

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

*The comparative figures have been reclassified, as shown in (Note no. 37-1)

20- Debtors and other debit balances

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

21- Cash and cash equivalents

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

22- Loans and credit facilities

Description	Loan Currency	Long term loan installments due within one year	Long term loan installments due within more than one year	Balance as of 31/12/2020	Balance as of 31/12/2020	Balance as of 31/12/2019	Annual interest rate	Repayment schedule
		L.E. (000)	L.E. (000)	L.E. (000)	Currency L.E. (000)	L.E. (000)	%	
Foreign loans	U.S.\$	1 416 455	2 832 909	4 249 364	270 316	5 781 153	Variable interest rate	Quarter installments ending on 18/10/2023
Foreign loans	EURO	37 926	445 235	483 161	25 012	484 983	0.75% - 5.5%	Semi-annual installments ending on 30/6/2036
Foreign suppliers' facilities	EURO	1 527	-	1 527	79	1 422	5.50%	
Bank facilities	LE	6 591 014	-	6 591 014	6 591 014	4 906 875	Variable interest rate	
Bank facilities	U.S.\$	7 576 907	-	7 576 907	481 992	5 277 480	Variable interest rate	
Bank facilities	EURO	1 385 409	-	1 385 409	71 720	-	Variable interest rate	
		17 009 238	3 278 144	20 287 382	-	16 451 913		

23- Creditors and other credit balances

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

* The comparative figures have been reclassified, as shown in (Note no. 37-1)

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

24- Provisions

	Balance as of 1/1/2020	Reclassification	Charged to income statement	Used during the year	Translation differences	Balance as of 31/12/2020
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Provisions for liabilities and claims	772 610	-	362 553	(32 693)	6	1 102 476
	772 610	-	362 553	(32 693)	6	1 102 476

* Provisions for claims are related to contingent tax liabilities, lawsuits, compensation, and social insurance claims in respect to awarding contracts.

25- Impairment loss on assets

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

26- Capital

- The company's issued and fully paid-up capital is L.E.17 070 716 K, represented in 1 707 071 600 shares at a par value of L.E. 10 each.

- The Egyptian Government owns 80% of the company's shares after floating 20% of the company's shares in a public offering during December 2005

27- Reserves

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

* The comparative figures have been reclassified, as shown in (Note no. 37-1)

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

28- Deferred tax

28-1 Recognized deferred tax assets and liabilities

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

28-2 Unrecognized deferred tax assets

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

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

28-3 Reconciliation of effective tax rate

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

* The comparative figures have been reclassified, as shown in (Note no.37-2).

29- Capital commitments

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

30- Contingent liabilities

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

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

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

31- Tax position (Telecom Egypt)

31-1 Corporate tax

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

31-2 Value added tax / sales tax

- Tax inspections for the years 2010 until 2015 were performed and the tax differences were settled. The company didn't pay the additional tax so a lawsuit was raised and the company requested that the issue be overtaken, according to law no. 173 for the year 2020.
- Tax inspections for the years 2016 and 2017 are in process.
- Tax returns were submitted according to the value added tax law and the accrued taxes were paid.

31-3 Salary tax

- Tax inspections were performed for the years until December 31, 2014 and the Company was notified with tax differences and all due taxes were settled. The company disputed one item and it has since been transferred to the Internal Committee and the dispute is being followed up.

- Tax inspections for the years 2015 and 2016 are in process.

31-4 Stamp tax

- Tax inspections for the period from March 27, 1998 to December 31, 2000 were performed for certain sectors and the company was notified with the basis for assessment. The company objected and appealed the due dates.
- Tax inspections for the period from January 1, 2001 until July 31, 2006 were performed for certain sectors of the company and taxes due were settled. Tax inspections for the remaining sectors are currently being undertaken for the same period.
- Tax inspections for the period from August 1, 2006 to December 31, 2016 were performed and due taxes were settled.
- Tax inspections for the years 2017 and 2018 are in process.

31-5 Real estate tax

- All taxes are paid according to the tax forms received by the company. The company's legal department follows up on 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 booked to meet any tax liabilities that may arise from the tax inspection.

32- Related party transactions

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

	Nature of translation during the year	Amount of transactions during the year recorded in the income statement	Transaction volume during the year		Balance as of 31/12/2020	Balance as of 31/12/2019
		LE (000)	Debit LE (000)	Credit LE (000)	Debit/(Credit) LE (000)	Debit/(Credit) LE (000)
Debit balances due from associates						
Consortium Algerian Telecommunications (CAT)* / **	Write off the debit balance during the year	-	-	453 902	-	453 902
International Telecommunication Consortium Limited (ITCL)* / **	-	-	-	66	-	66
			-	453 968	-	453 968
Credit balances due to associates						
Vodafone Egypt Telecommunications Company	Outgoing calls and voice services	1 949 958				
	to the associate company		5 158 483	5 442 389	(1 331 905)	(1 047 999)
	Incoming and international calls, transmission claims & lease of company premises and towers to the associate company	1 288 567				
	Telecommunications services	4 488	8 240	6 612	(15)	(1 643)
			5 166 723	5 449 001	(1 331 920)	(1 049 642)

*The balance is represented in the value of the finance provided by Telecom Egypt to Consortium Algerian de Telecommunication Company (CAT) where Telecom Egypt participates directly and indirectly by 50%. Accordingly, an impairment has been recorded for the full balance as the mentioned company suffered from financial difficulties and sustained material losses. The Extraordinary General Assembly of (CAT) held on July 1, 2009 approved its dissolution and liquidation.

*On February 2020, the Board of Directors of the company decided to write off the debit balance due from the associate company mentioned above.

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

33- Group entities

The parent company's direct and indirect shares in its subsidiaries, as of December 31, 2020, which were included in the consolidated financial statements are as follows:

Company name	Country of incorporation	Ownership interest	
		31/12/2020	31/12/2019
Telecom Egypt France	France	100.00 %	100.00 %
WE Data	Egypt	100.00 %	100.00 %
TE 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 %	0 %
Centra Technologies	Egypt	100.00 %	100.00 %
Centra Industries	Egypt	100.00 %	100.00 %
Telecom Egypt Globe	Singapore	100.00 %	100.00 %
Egyptian International Submarine Cables Company (EISCC)	Egypt	100.00 %	100.00 %
Middle East and North Africa Submarine Cables Company (MENA)	Egypt	100.00 %	100.00 %
MENA Cable Italy	Italy	100.00 %	100.00 %
Egyptian Telecommunication Integrated Services Company	Egypt	100.00 %	0 %
Centra Distribution	Egypt	99.99%	99.99%
Middle East Radio Communication (MERC)	Egypt	51.00 %	51.00 %

34- Financial instruments

34-1 Credit risk

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

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

* The comparative figures have been reclassified, as shown in (Note no. 37-1)

34-2 Liquidity risk

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

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

* The comparative figures have been reclassified, as shown in (Note no. 37-1)

34-3 Currency risk exposure

Description	U.S. Dollars (000)	Euro (000)	Canadian Dollar (000)	Moroccan Dirham (000)	Jordanian Dinar (000)	Mauritius robia (000)	Total L.E. (000)
December 31, 2020							
Trade receivables	348 682	16 821	5 480	37 682	-	25 308	5 949 216
Cash & cash equivalents	101 053	245	1	22 358	3 296	3 995	1 706 375
Total assets in currency	449 735	17 066	5 481	60 040	3 296	29 303	7 655 591
Creditors & other credit balances	377 155	178 892	-	59 668	1 734	7 912	9 529 630
Foreign loans & facilities	752 308	96 811	-	-	-	-	13 696 370
Total liabilities in currency	1 129 463	275 703	-	59 668	1 734	7 912	23 226 000
Risk surplus (deficit)	(679 728)	(258 637)	5 481	372	1 562	21 391	(15 570 409)
Equivalent in Egyptian Pound	(10 685 323)	(4 996 063)	67 575	647	34 413	8 342	(15 570 409)

December 31, 2019							
Trade receivables	299 447	26 554	3 563	38 678	-	-	5 388 490
Cash & cash equivalents	47 229	1 819	-	2 053	2 940	-	859 913
Total assets in currency	346 676	28 373	3 563	40 731	2 940	-	6 248 403
Creditors & other credit balances	395 487	101 739	-	27 902	29 540	-	8 884 683
Foreign loans & facilities	689 441	27 055	-	-	1 639	-	11 581 974
Total liabilities in currency	1 084 928	128 794	-	27 902	31 179	-	20 466 657
Risk surplus (deficit)	(738 252)	(100 421)	3 563	12 829	(28 239)	-	(14 218 255)
Equivalent in Egyptian Pound	(11 841 563)	(1 805 419)	43 754	21 296	(636 323)	-	(14 218 255)

Exchange rates for currencies against Egyptian pound:

	Average exchange rate during:		Closing exchange rate as at:			Average exchange rate during:		Closing exchange rate as at:	
	2020	2019	31/12/2020	31/12/2019		2020	2019	31/12/2020	31/12/2019
	L.E	L.E	L.E	L.E		L.E	L.E	L.E	L.E
U.S. Dollar	15.8092	16.8207	15.7200	16.0400	Maroccan Dirham	1.6500	1.7400	1.7400	1.6600
Euro	18.0816	18.8846	19.3169	17.9785	Jordanian Dinar	22.2838	23.8275	22.0341	22.5335
Canadian Dollar	11.7400	12.6800	12.3300	12.2800	Mauritius robia	0.3900	0.4300	0.3900	0.4300

34-4 Sensitivity analysis

A 10% strengthening of the foreign currencies against the EGP as of December 31, 2020 may lead to losses increase by an amount of L.E 1 557 040 K (L.E. 1 421 825 K as of December 31, 2019). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis on 2019.

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

34-5 Interest rate risk

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

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

34-6 Fair values for financial instruments

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

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

35- Significant claims and litigations

35-1 The existing lawsuit between Telecom Egypt, Etisalat Misr & its subsidiaries, EGY Net and Nile Online

The aforementioned telecom operators "companies" (Etisalat Misr 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. The complaint stated that Telecom Egypt has carried out practices that restrict competition in the Egyptian market, and the ECA has determined that Telecom Egypt has violated the competition protection law.

The companies claimed that Telecom Egypt installed fiber optic cables, replacing copper cables, and MSAN units without prior notification or coordination, which resulted in a service cut off for clients of the companies. During the court session on May 28, 2019, the court decided to postpone its verdict until the session scheduled on June 25, 2019. In the meantime, the court issued a preliminary ruling delegating a tripartite experts committee. The committee has officially finalized and submitted its report to the court during the second half of January 2021, awaiting the Economic Court's ruling on the matter.

Telecom Egypt's legal advisor believes that it is not possible to stay up to date with the company's legal position in the lawsuit as the total amount of indemnifications will still be appealed. The legal advisor will prepare a legal response to the tripartite committee and submit it to the court. He will also ask the court to give the file back to the committee for reconsideration.

35-2 The dispute between Telecom Egypt and Orange Egypt

On February 20, 2019, Orange Egypt filed lawsuit number 167 for the judicial year number 11 in the Economic Court against Telecom Egypt and WE Data. This was based on the decision of the ECA on March 8, 2016. The complaint stated that Telecom Egypt has carried out practices that restrict competition in the Egyptian market, and the ECA has determined that Telecom Egypt did violate the competition protection law. The complaint was filed because Telecom Egypt is the only company in Egypt with a license to provide fixed landline telephone services, which obliges it to allow Orange Egypt to use its infrastructure to provide internet services to its customers.

Orange Egypt claimed that Telecom Egypt replaced its landline network (PTSN network), which relied on copper cables, with fiber optics and installed MSAN units, resulting in a cut off in internet services provided to customers of Orange Egypt and link.net. Orange Egypt also claimed that Telecom Egypt did so intentionally to force customers to subscribe to WE Data's services instead. Accordingly, the claiming company requested that the court look to experts to make a final decision on the matter.

On June 3, 2020, the court decided to delegate a panel of experts from the ECA. Telecom Egypt requested to dismiss the expert committee, as it had previously ruled on the matter, and on August 6, which was the date set to consider the dismissal request, none of the litigants attended, and Telecom Egypt implemented the court's decision taken in the previous session regarding notifying the parties involved in the case. On November 3, 2020, the court issued a preliminary ruling to replace the delegated committee with five individuals, including three employees from the ECA,

who were selected by the ECA, and two individuals registered in the Economic Court as experts on the matter. The court set additional expert fees, and in case the fees were not paid by Orange Egypt, a session was scheduled on December 8, 2020 to reconsider the matter. Another session was scheduled

on January 3, 2021 for the experts appointed by the ECA to take their oaths and a third session was scheduled on February 3, 2021 to submit the report. **The legal adviser of TE** stated that the concerned parties agreed to end the dispute fully.

36- Segment reporting

At the group level, Telecom Egypt defined its main operating segments according to the services being provided. The information is presented after

eliminating inter-segment transactions. The main operating segments are as follows:

For the financial year ended 31/12/2020

Description	Communications, marine cables, and infrastructure	Internet	Outsourcing	All other	Total
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Operating revenues	18 833 373	11 697 963	1 121 161	259 869	31 912 366
Operating costs	(15 582 168)	(3 124 425)	(715 264)	(241 478)	(19 663 335)
Gross profit	3 251 205	8 573 538	405 897	18 391	12 249 031
Credit interest	15 584	22 871	1 972	10 027	50 454
Debit interest and finance cost	(1 342 985)	-	-	(3 593)	(1 346 578)
Depreciation and amortization	(4 661 538)	(429 356)	(69 098)	(5 027)	(5 165 019)
The company's share of profit in associates	-	-	-	2 206 234	2 206 234
Non-cash items					
Impairment loss on financial assets	(140 487)	(82 749)	-	(346)	(223 582)
Provisions	(184 197)	(164 400)	(13 895)	(61)	(362 553)
Total assets	80 326 445	2 990 312	590 707	535 606	84 443 070
Total liabilities	41 625 612	3 077 065	425 273	581 440	45 709 390

For the financial year ended 31/12/2019

Description	Communications, marine cables, and infrastructure	Internet	Outsourcing	All other	Total
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Operating revenues	16 137 214	8 553 269	776 069	338 538	25 805 090
Operating costs	(12 867 074)	(2 589 855)	(612 490)	(292 412)	(16 361 831)
Gross profit	3 270 140	5 963 414	163 579	46 126	9 443 259
Credit interest	26 183	40 918	2 884	21 478	91 463
Debit interest and finance cost	(1 383 655)	-	-	(3 921)	(1 387 576)
Depreciation and amortization	(3 391 012)	(162 760)	(48 235)	(3 509)	(3 605 516)
The company's share of profit in associates	-	-	-	2 832 938	2 832 938
Non-cash items					
Impairment loss on financial assets	-	(176 635)	(600)	-	(177 235)
Provisions	(31 854)	(11 403)	(110)	(474)	(43 841)
Total assets	69 694 049	2 584 125	510 469	462 852	73 251 495
Total liabilities	34 657 540	2 541 367	351 236	480 215	38 030 358

37- Comparative figures

- Some of the comparative figures in the consolidated statement of financial position, consolidated statement of income, and consolidated statement of cash flows were reclassified to conform to the current presentation of the consolidated financial statements.

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

37-1 Effect on the consolidated statement of financial position

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

37-2 Effect on the consolidated statement of income

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

37-3 Effect on the consolidated statement of cash flows

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

38- Significant events

The financial period that ended on December 31, 2020, included a major global event, the Covid-19 pandemic, which continues to affect global societies. In response, the company implemented precautionary measures to protect its

employees and customers from the risk of contracting or spreading the virus. The company's executive management also developed an overall plan, including precautionary measures, to deal with the pandemic.

Firstly: Actions taken by the company for employees:

Work-from-home policies were applied to protect employees. To do that, the company doubled fixed internet quotas and increased mobile internet packages for employees. Furthermore, the company sent periodical messages to motivate employees to follow precautionary measures and raise their awareness and it followed the country's guidelines regarding protecting women, people with special

needs, and people with chronic diseases. All employees that deal directly with customers were provided with personal protective equipment.

Secondly: Actions taken by the company to protect customers:

The company extended the repayment deadline for invoices due between January and April until mid-June, while allowing all electronic means of payment through Telecom Egypt's website or digital wallet (WE Pay).

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

The company launched a number of medical and social initiatives to support the Egyptian people during the pandemic and raise awareness.

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

1- The risks of collection, deposit, and credit liquidity:

- The company collects debts from its clients normally, while considering that it extended the payment deadline for fixed voice invoices due between January and April until mid-June 2020, 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 strong and balanced financial position supported by its cash sales and collections from the market. It also has a distinct credit rating with Egyptian and international banks.

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

Telecom Egypt analyses changes in the value of non-financial assets and clarifies those changes in accordance with the requirements of the Egyptian Accounting Standards and reports losses in the value of those assets, as that decrease would have a considerable impact on the financial indicators. However, the management, at its own discretion, sees that no decrease needs to be reported.

3- Selling and distribution risks:

Telecom Egypt grew in Q1 2020 compared to Q1 2019, reflecting the absence of the negative impact of Covid-19 on the company's revenue. The company's sales plans have been reviewed and updated to coincide with current events.

Given the current circumstances of the country and the risks that the company suffers from, Telecom Egypt ensures that its service remains stable and

consistent by upgrading its network capabilities and attracting new clients, in light of the increased traffic and reliability on telecommunication services.

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

39- Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements.

Certain comparative figures have been restated and reclassified to conform to the current presentation of the consolidated financial statements (note no.37).

39-1 Basis of consolidation

39-1-1 Subsidiaries

The consolidated financial statements include all the companies controlled by the group. Control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to benefit from its activities. In assessing control, the group considers the potential voting rights that are currently exercisable. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

39-1-2 Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquirer's identifiable net assets at the acquisition date. A change in the group's interest in a subsidiary that does not result in a loss of control is accounted as an equity transaction.

39-1-3 Loss of control

When the group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised as a profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

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

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

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

39-1-5 Transactions eliminated for consolidation

Intra-group balances and transactions, any unrealized gains or losses, and income or expenses arising from intra-group transactions are eliminated when preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated proportionate to the group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, if there is no evidence of impairment.

39-2 Foreign currencies translation

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

39-3 Foreign operation

The financial statements of the group's entities are translated into the presentation currency as follows:

- Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated based on the exchange rate at the reporting date.
- Income and expenses are translated based on the average exchange rate for the year.

- Foreign currency differences are recognised in the 'change in shareholders' equity' statement, and are presented in the foreign currency translation reserve (translation reserve). However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests;
- For consolidated cash flows preparation purposes, cash flows from foreign operations are translated at the average exchange rates for the year.

39-4 Fixed assets and depreciation

(A) Recognition and measurement

- Items of property, plant, and equipment are measured at historical cost, less accumulated depreciation and accumulated impairment losses note no. (39-12).

- The cost of fixed assets include expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

(B) Subsequent costs

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

(C) Depreciation

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

The current year's estimated useful lives for fixed assets before and after modifications are as follows:

	Estimated useful life / year before modifying	Estimated useful life /year after modifying
Buildings and infrastructure	5 - 50	5 - 50
Technical equipment and information technologies	3 - 20	3 - 15
Vehicles	5 - 10	7 - 15
Furniture	5 - 10	5 - 10
Tools and supplies	8	2 - 8

39-5 Other assets

Other assets are non-monetary intangible assets that the company can control and generate future economic benefits from.

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

39-5-1 Licenses

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

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

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

39-5-3 Other intangible assets

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

39-6 Projects in progress

The amounts incurred for constructing or purchasing fixed assets are recorded as costs in 'projects in progress' until they are ready to be used. After that, they are transferred to 'fixed assets,' with their associated costs.

39-7 Available-for-sale investments

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

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

39-8 Financial assets at fair value through profit or loss (held for trading investments)

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

39-9 Investments held –to- maturity (treasury bills)

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

39-10 Inventories

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

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

Trade receivables, debtors, and other debit balances are included as current assets unless they are contractually due over more than 12 months after the financial position date in which they were classified as non-current assets. These assets are recognised

initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method, less any impairment losses.

39-12 Impairment loss on assets

(A) Financial assets

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

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

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

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

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

(B) Non-financial assets

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

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

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

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

39-13 Provisions

Provisions are recognized as a result of past events where the company has legal or constructive obligations and it is probable that an outflow of economic benefits will be required to settle them. It must be possible to reasonably measure the obligations.

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

39-14 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, banks current accounts, time deposits, market money

fund bills, treasury bills that do not exceed three months, and bank overdrafts that are repayable on demand or form an integral part of the group's cash management. The aforementioned items are the components of cash equivalents that are used for preparing the statement of cash flows. The consolidated statement of cash flows is prepared and presented according to the direct method.

39-15 Grants

Grants are recognized initially as deferred income at fair value when there is reasonable assurance that they will be received and the group will comply with the conditions associated with the grant.

They are then recognized in the income statement as 'other income' on a systematic basis over the useful life of the asset.

39-16 Creditors and other credit balances

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

39-17 Revenue recognition

Revenue is represented in the value of services, the value of goods sold, investments income, and interest income. Revenue is recognized according to:

- Services: telecommunications services revenue is recognized when the company delivers or provides services to customers and when there is reasonable assurance for recovering them.
- Sale of goods: revenue from sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer and when there is reasonable assurance for recovering them.

- Investments: dividend income is recognized after the date of acquisition and according to the dividends declaration by the General Assembly of the investee, proportionate to the company's share in the investee.
- The income from deposit interest and returns on securities is recognized on an accrual basis, considering the targeted rate of return from the asset.

39-18 Expenses

All operating expenses, including general and administrative expenses and selling and distribution expenses, are recognized in the consolidated statement of income on an accrual basis in the financial period in which they were incurred.

39-18-1 Operating lease payments

Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term, unless there is another systematic basis that is more representative during the lease period.

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

Financing costs comprise interest payable on borrowings, impairment losses recognized on financial assets, and changes in the fair value of financial assets through profit and loss and foreign exchange loss. Finance income includes interest receivable on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, and changes in the fair value of financial assets through profit and loss and foreign exchange gain.

39-19 Employee benefits

The group contributes to the Social Insurance Authority in Egypt to the benefit of its employees, as per the Social Insurance Authority law No. 79 of 1975 and its amendments. These contributions are recorded in the 'wages and salaries' account in addition to the early

retirement scheme applied from September 1, 2001 and end of service benefits (Note no. 11).

39-20 Capital lease agreements

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

At the end of the lease agreement, if the company exercises its right to purchase the leased assets, these assets are recorded as fixed assets and their costs are determined based on the bargained value for purchase stated in the lease agreement and depreciated over the remaining estimated useful lives.

39-21 Earnings per share

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

39-22 Reserves

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

39-23 Income tax

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

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

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

A deferred tax asset is recognized only when it is probable that future taxable profits can be earned from the utilization of the asset. Deferred tax assets are reduced when it is no longer probable that the related tax benefit will be realized.

39-24 Financial risk management

The group is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies, and processes for measuring and managing risks, and the group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements. The Board of Directors has overall responsibility

for establishing and overseeing the group's risk management framework.

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

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

39-24-1 Credit risk

Credit risk is the risk that one party fails to discharge a financial obligation and causes the other party to incur financial loss.

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

Trade receivable & other debtors

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

There is no concentration of credit risk as most of the group's revenue comes from sales transactions with a wide range of customers, with small price variances.

Cash and cash equivalents

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

39-24-2 Liquidity risk

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

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

39-24-3 Market risk

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

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

Currency risk

The group is exposed to currency risks on transactions that are denominated in a currency other than the respective functional currencies of the group, primarily in U.S. Dollars (USD) and Euro. In terms of monetary assets and liabilities denominated in foreign currencies, the group ensures that its net exposure is at an acceptable level through purchasing or selling foreign currencies with current prices, when necessary.

Interest rate risk

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

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

Other market prices risk

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

39-24-4 Capital management

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

40- New issues and amendments to the Egyptian Accounting Standards

On March18, 2019, the Minister of Investment and International Cooperation amended some of the Egyptian Accounting Standards based on the Minister of Investment’s decree No. 110 of 2015, which included new accounting standards and amendments to some existing standards as follows:

New or amended standards	Summary of the most significant amendments	Potential impact on the financial statements	Adoption date
Egyptian Accounting Standard No. (47) "Financial instruments"	<p>1. The new Egyptian Accounting Standard No. (47) "Financial Instruments" replaces the corresponding topics in Egyptian Accounting Standard (26) 'Financial Instruments: Recognition and Measurement'. Accordingly, the Egyptian Accounting Standard No. (26) was amended and reissued after removing the paragraphs related to the new EAS (47) and defining the scope of the amended standard (26) to work only with limited cases of hedge accounting according to the entity's choice.</p> <p>2. In accordance with the requirements of the standard, financial assets are classified on the basis of their subsequent measurement, either at amortized cost, or at fair value through other comprehensive income or at fair value through profit or loss. This is in accordance with the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial asset.</p> <p>3. The model used to measure the impairment of financial assets based on realized losses is replaced by the expected credit loss models, which require measuring the impairment of all financial assets at amortized cost and financial instruments at fair</p> <p>value through other comprehensive income from the initial recognition, regardless of any loss indicators.</p> <p>4. As per the requirements of this standard, the following criteria have been amended:</p> <p>- Egyptian Accounting Standard No. (1) "Presentation of Financial Statements", amended 2019</p> <p>- Egyptian Accounting Standard No. (4) "Statement of Cash Flows"</p> <p>- Egyptian Accounting Standard No. (25) "Financial Instruments: Presentation"</p> <p>- Egyptian Accounting Standard No. (26) "Financial Instruments: Recognition and Measurement"</p> <p>Egyptian Accounting Standard No. (40) "Financial Instruments: Disclosures"</p>	<p>The management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.</p>	<p>Standard No. 47 is effective for financial periods beginning on or after January 1, 2020 and early adoption is permitted on the condition of applying the Egyptian Accounting Standards No. (1), (25), (26) and (40), which were amended in 2019 together at the same date.</p> <p>On September 17, 2020, the Prime Minister issued decree No. 1871 of 2020 to postpone the adoption of the standard, as the standard applies to financial periods beginning on or after January 1, 2021.</p> <p>These amendments shall be effective from the date of applying standard (47).</p>

New or amended standards	Summary of the most significant amendments	Potential impact on the financial statements	Adoption date
Egyptian Accounting Standard No. (48) "Revenue from contracts with customers"	<p>1. The new Egyptian Accounting Standard No. (48), "Revenue from Contracts with Customers", replaces and cancels the following criteria:</p> <p>(A) Egyptian Accounting Standard No. (8) "Construction Contracts", amended 2015;</p> <p>(B) Egyptian Accounting Standard No. 11, "Revenue", amended 2015;</p> <p>2. The control model was used to recognize revenue instead of the benefit and risk model.</p> <p>3. The incremental costs of obtaining a contract with a customer are recognized as an asset if the entity expects to recover those costs or if it recognizes the costs of fulfilling the contract as an asset when specific conditions are met.</p> <p>4. The standard requires that the contract have commercial substance in order for revenue to be recognized.</p> <p>5. Expanding disclosure and presentation requirements.</p>	<p>Management is currently assessing the potential impact on the financial statements when applying the amendment to the standard.</p>	<p>Standard No. (48) is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted.</p> <p>On September 17, 2020, the Prime Minister issued decree No. 1871 of 2020 to postpone the adoption of the standard, as the standard applies to financial periods beginning on or after January 1, 2021.</p>

New or amended standards	Summary of the most significant amendments	Potential impact on the financial statements	Adoption date
Egyptian Accounting Standard (49) "Leases"	<p>1. The new Egyptian Accounting Standard No. (49) "Leases" replaces the Egyptian Accounting Standard No. (20) "Accounting Standards and Standards for Financial Leasing Operations 2015" and cancels it.</p> <p>2. The standard introduces a single accounting model for the leaser and the lessee. The lessee recognizes the right of use of the leased asset within the assets of the company and recognizes an obligation that represents the present value of the unpaid lease payments within the company's obligations, taking into account that the lease contracts are not classified as operating lease or finance lease.</p> <p>3. The leaser shall classify each of his contracts as operating lease or finance lease.</p> <p>4. The leaser must recognize the assets held under a finance lease in the statement of financial position and present them as due amounts equal to the net investment in the lease contract.</p> <p>5. The leaser should recognize the lease payments from operating leases as income, either on a straight-line basis or on another regular basis.</p>	<p>Management is currently assessing the potential impact on the financial statements in case of applying this standard.</p>	<p>Standard No. (49) applies to financial periods beginning on or after 1 January 2020 and early adoption is permitted if the Egyptian Accounting Standard No. (48) "Revenue from contracts with customers" is applied at the same time.</p> <p>On September 17, 2020, the Prime Minister issued decree No. 1871 of 2020 to postpone the adoption of the standard, as the standard applies to financial periods beginning on or after January 1, 2021 regarding operating lease contracts.</p> <p>Except for the aforementioned effective date, Standard No. (49) applies to leases that were subject to the Financial Leasing Law No. 95 of 1995 and its amendments, which were treated in accordance with Egyptian Accounting Standard No. 20, "Accounting Standards and Standards Related to Finance Lease Operations" and the finance lease contracts that were created in light of the law of "Organizing Finance Lease and Factoring Activities" No. 176 of 2018. This exception took place since the beginning of the annual report period in which law No. 95 of 1995 was canceled and law No. 176 of 2018 was issued.</p>

New or amended standards	Summary of the most significant amendments	Potential impact on the financial statements	Adoption date
Egyptian Accounting Standard No. (38) "Employee benefits"	A number of paragraphs were added and amended to adjust the accounting standards related to modifying, reducing, and settling the employee benefits scheme.	There is no effect on the current consolidated financial statement.	<p>Standard No. (38) is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted.</p> <p>During 2020, the Financial Regulatory Authority postponed the adoption of the standard from the quarterly financial statements for 2020, to be applied to the annual financial statements on December 31, 2020, starting from January 1, 2020.</p>
Amended Egyptian Accounting Standard No. (42) "Consolidated financial statements"	<p>Some paragraphs were added to exclude investment entities from being consolidated. This amendment resulted in a change in some standards related to investment entities.</p> <p>The following are the amended standards:</p> <ul style="list-style-type: none"> - Egyptian Accounting Standard No. (15) "Disclosure of Related Parties" - Egyptian Accounting Standard No. (17) "Separate Financial Statements" - Egyptian Accounting Standard No. (18) "Investments in Associates" - Egyptian Accounting Standard No. (24) "Income Tax" - Egyptian Accounting Standard No. (29) "Business Combinations" - Egyptian Accounting Standard No. (30) "Interim Financial Statements" - Egyptian Accounting Standard No. (44) - "Disclosure of Interests in Other Entities" 	There is no effect on the current consolidated financial statement.	<p>Standard No. (42) is effective for financial periods beginning on or after 1 January 2020 and early adoption is permitted.</p> <p>The new or amended paragraphs are also applied to the standards that have been amended with respect to investment entities on the effective date of the Egyptian Accounting Standard No. (42) "Consolidated Financial Statements" that was amended in 2019.</p> <p>During 2020, the Financial Regulatory Authority postponed the adoption of the standard from the quarterly financial statements for 2020, to be applied to the annual financial statements on December 31, 2020, starting from January 1, 2020.</p>



Since its establishment, Telecom Egypt has played a pivotal role in the local and regional ICT industry. Being the Egyptian incumbent telecom operator, the company has never shied away from allocating its resources to facilitate the provision of the most advanced telecom and IT services to the market and offer unmatched value propositions that are meant to simplify the lives of the Egyptian people. This annual report highlights the company's major milestones during the last year in different areas of business including, but not limited to, technology, IT, customer care, and commercial offers. It also provides a thorough analysis of Telecom Egypt's financial results for the most recent 12-month fiscal period.