Translation from Arabic

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Separate Financial Statements
For the Financial Year Ended December 31, 2016
And Auditor's Report

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Separate Financial Statements
For the Financial Year Ended December 31, 2016
And Auditor's Report

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Hazem Hassan
Public Accountants & Consultants

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Translation from Arabic

AUDITOR'S REPORT
TO THE SHAREHOLDERS OF TELECOM EGYPT COMPANY

Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of Telecom Egypt Company S.A.E, which comprise the separate statement of financial position as at December 31, 2016 and the related separate 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 Separate Financial Statements

These separate financial statements are the responsibility of Company's management. Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with the Egyptian Accounting Standards and in the light of the prevailing Egyptian laws, management responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; management 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 separate financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the 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 whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the separate 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate 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 separate financial statements.

KPMG

Hazem Hassan

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Opinion

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the financial position of Telecom Egypt Company as of December 31, 2016, and of its financial performance and its 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 separate financial statements.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note no. (34-1) of the notes to the separate financial statements, which describes the dispute between the company and Orange Egypt Company (previously named Mobinil) in regards to the interconnection rates. Several resolutions were issued by the National Telecommunication Regulatory Authority (NTRA) determining the interconnection rates based on the complaint filed by the company. As a result, Orange filed lawsuits for ceasing the implementation of the said resolutions. In addition, to the lawsuits and arbitral, litigations filed by or against the company and Orange, several rulings were issued but were appealed before the relevant authorities. These litigations and appeals are still under deliberation before the court and the arbitral tribunals and the final ruling has not been issued yet.

According to the opinion of the company's legal consultant, the company has the right to apply the interconnection rates used between Mobile Operators, and that the company's position is based on the relevant agreements and laws, and there are several arbitral and judicial stages to finalize this dispute. It is difficult, in the meantime to determine the outcome of the above mentioned lawsuits and arbitral litigations till the final ruling of the judicial and arbitral bodies is issued.

Report on Other Legal and Regulatory Requirements

The Company maintains proper books of account, which include all that is required by law and by the statutes of the Company, the separate financial statements are in agreement thereto, the inventory was counted by management in accordance with methods in practice.

The financial information included in the Board of Directors' report, prepared in accordance with Law No. 159 of 1981 and its executive regulations, is in agreement with the Company's books of account.

KPMG Hazem Hassan

KPMG Hazem Hassan
Public Accountants & Consultants

Cairo, March 12, 2017

KPMG Hazem Hassan
Public Accountants and Consultants
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Telecom Egypt Company

(An Egyptian Joint Stock Company)

Separate Statement of Financial Position As of:

	Note No.	31/12/2016 L.E. (000)	31/12/2015 L.E. (000)
Assets			
Non Current Assets			
Fixed assets	(13)	14 020 657	11 484 056
Projects in progress	(14)	7 384 247	1 995 617
Investments in subsidiaries and associates	(15-1)	6 377 283	6 377 283
Available-for-sale investments	(15-2)	81 273	98 639
Other assets	(17)	1 215 509	903 240
Deferred tax assets	(28-1)	408 552	334 604
Total Long Term Assets		**29 487 521**	**21 193 439**
Current Assets			
Inventories	(18)	612 467	501 850
Trade receivables	(19)	4 652 069	4 734 369
Debtors and other debit balances	(20)	1 613 138	1 656 258
Held-to-maturity investments -treasury bills		101 922	-
Cash and cash equivalents	(21)	530 195	1 646 158
Total Current Assets		**7 509 791**	**8 538 635**
Total Assets		**36 997 312**	**29 732 074**
Equity			
Capital	(26)	17 070 716	17 070 716
Reserves	(27)	4 380 491	6 317 415
Retained earnings		4 782 442	1 289 817
Total Equity		**26 233 649**	**24 677 948**
Non Current Liabilities			
Loans and credit facilities	(22)	626 235	326 914
Creditors and other credit balances	(23)	114 226	-
Deferred tax liabilities	(28-1)	317 167	-
Total Long Term Liabilities		**1 057 628**	**326 914**
Current Liabilities			
Loans and credit facilities installments due within one year	(22)	2 710 704	57 424
Creditors and other credit balances	(23)	5 937 674	3 672 998
Provisions	(24)	1 057 657	996 790
Total Current Liabilities		**9 706 035**	**4 727 212**
Total Liabilites		**10 763 663**	**5 054 126**
Total Equity and Liabilities		**36 997 312**	**29 732 074**

The attached notes on pages (8) to (44) are an integral part of these separate financial statements.

Financial Director	**Vice President For Financial affairs**	**Managing Director & Chief Executive Officer**
Shaher Shokry	M. Shamroukh	
" Shaher Shokry "	" Mohamed Shamroukh "	" Tamer Gadalla "

Board of Directors approval

Chairman

Maged Osman

M. Os

Auditor's Report "attached"

Translation from Arabic

Telecom Egypt Company

(An Egyptian Joint Stock Company)

Separate Income Statement

	Note No.	For the financial year ended 31/12/2016 L.E. (000)	31/12/2015 Reclassified L.E. (000)
Operating revenues	(3)	12 092 887	10 390 211
Operating costs	(4)	(6 838 891)	(6 378 729)
Gross Profit		**5 253 996**	**4 011 482**
Other income	(5)	358 927	198 363
Selling and distribution expenses	(6)	(1 184 663)	(1 144 682)
General and administrative expenses	(7)	(2 326 623)	(1 608 933)
Other expenses	(8)	(586 835)	(487 566)
Operating profit		**1 514 802**	**968 664**
Finance income		1 270 747	263 788
Finance cost		(316 799)	(14 981)
Net finance income	(9)	**953 948**	**248 807**
Income from investments in subsidiaries and associates	(10)	**1 511 879**	**421 522**
Profit before tax		**3 980 629**	**1 638 993**
Income tax		(344 940)	(358 353)
Deferred tax	(28-1)	(243 219)	(19 113)
Total income tax	(28-3)	**(588 159)**	**(377 466)**
Profit for the year		**3 392 470**	**1 261 527**
Basic earnings per share (LE \ Share)	(12)	**1.65**	**0.41**

The attached notes on pages (8) to (44) are an integral part of these separate financial statements.

Translation from Arabic

Telecom Egypt Company

(An Egyptian Joint Stock Company)

Separate Statement of Comprehensive Income

	For the financial year ended:	
	31/12/2016	31/12/2015
	L.E.(000)	L.E.(000)
Profit for the year	3 392 470	1 261 527
Other Comprehensive Income Items		
Other Comprehensive Income	-	-
Total Comprehensive Income	3 392 470	1 261 527

The attached notes on pages (8) to (44) are an integral part of these separate financial statements.

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Separate Statement of Changes In Equity
For The Financial Year Ended December 31, 2016

	Capital	Legal reserve	Other reserves	Retained earnings	Total
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Balance as of 1/1/2015	**17 070 716**	**1 501 738**	**4 796 578**	**797 723**	**24 166 755**
Comprehensive income					
Profit for the year	-	-	-	1 261 527	1 261 527
Other comprehensive income items	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**1 261 527**	**1 261 527**
Transactions with owners of the company					
Transferred to legal reserve	-	19 099	-	(19 099)	-
Dividends for year 2014 (Shareholders)	-	-	-	(341 414)	(341 414)
Dividends for year 2014 (Employees & Board of Directors)	-	-	-	(408 920)	(408 920)
Total transactions with owners of the company	**-**	**19 099**	**-**	**(769 433)**	**(750 334)**
Balance as of December 31, 2015	**17 070 716**	**1 520 837**	**4 796 578**	**1 289 817**	**24 677 948**
Balance as of 1/1/2016	**17 070 716**	**1 520 837**	**4 796 578**	**1 289 817**	**24 677 948**
Comprehensive income					
Profit for the year	-	-	-	3 392 470	3 392 470
Other comprehensive income items	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**3 392 470**	**3 392 470**
Transactions with owners of the company					
Transferred from general reserve to retained earnings	-	-	(2 000 000)	2 000 000	-
Transferred to legal reserve	-	63 076	-	(63 076)	-
Dividends for year 2015 (Shareholders)	-	-	-	(1 280 304)	(1 280 304)
Dividends for year 2015 (Employees & Board of Directors)	-	-	-	(556 465)	(556 465)
Total transactions with owners of the company	**-**	**63 076**	**(2 000 000)**	**100 155**	**(1 836 769)**
Balance as of December 31, 2016	**17 070 716**	**1 583 913**	**2 796 578**	**4 782 442**	**26 233 649**

The attached notes on pages (8) to (44) are an integral part of these separate financial statements.

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Telecom Egypt Company

(An Egyptian Joint Stock Company)

Separate Statement of Cash Flows

	Note No.	For the financial year ended: 31/12/2016 L.E.(000)	31/12/2015 Reclassified L.E.(000)
Cash flows from operating activities			
Cash receipts from customers		10 963 912	7 915 642
Sales tax collected from customers		253 929	209 635
Stamp tax and fees collected (from third party)		30 763	31 375
Deposits returned from (payments to) customers		5 767	(1 951)
Cash paid to suppliers		(1 186 736)	(1 125 723)
Payments of NTRA license fees		(236 691)	(352 436)
Dividends paid to employees		(562 748)	(494 137)
Cash paid to employees		(3 169 764)	(2 542 806)
Cash paid on behalf of employees to third party		(533 286)	(482 325)
Cash provided by operating activities		**5 565 146**	**3 157 274**
Interest paid		(7 224)	(7 176)
Payments to Tax Authority - income tax		(211 961)	(607 988)
Payments to Tax Authority - sales tax		(766 972)	(496 529)
Payments to Tax Authority - other taxes		(332 948)	(389 782)
Other Proceeds		91 270	2 088
Net cash provided by operating activities		**4 337 311**	**1 657 887**
Cash flows from investing activities			
Payments for purchase of fixed assets, other assets and projects in progress		(3 203 212)	(2 460 719)
Payments for purchase of other assets - Fourth generation network license		(5 293 798)	-
Payments for purchase of held-to-maturity investment - treasurty bills		(254 901)	-
Interest received		32 670	30 504
Dividends collected from investments		1 813 053	201 311
Proceeds from sale available for sale investment		11 183	-
Proceeds from retrieval of held-to-maturity investment - treasurty bills		154 888	265 083
Proceeds from securities - treasury bills interest		54 375	90 576
Net cash used in investing activities		**(6 685 742)**	**(1 873 245)**
Cash flows from financing activities			
Payments for loans and other facilities		(69 000)	(62 328)
Proceeds from credit facilities		2 581 548	-
Dividends paid to shareholders		(1 280 304)	(341 414)
Net cash provided by (used in) financing activities		**1 232 244**	**(403 742)**
Net change in cash and cash equivalents during the year		**(1 116 187)**	**(619 100)**
Cash and cash equivalents at the beginning of the year	(21)	1 636 917	2 256 017
Cash and cash equivalents at the end of the year	(21)	**520 730**	**1 636 917**

The attached notes on pages (8) to (44) are an integral part of these separate financial statements.

Telecom Egypt Company

(An Egyptian Joint Stock Company)

Notes to the Separate Financial Statements
For the Financial Year Ended December 31, 2016

1. BACKGROUND

1-1 Legal Entity

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

1-2 Purpose of the company

The main purpose of the company represents in the following:

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

1-3 Issuance of the separate financial statements

These Separate Financial Statements were approved by the company's Board of Directors on March 12, 2017.

2. BASIS OF PREPERATION OF THE SEPARATE FINANCIAL STATEMENTS

2-1 Statement of compliance

- These Separate Financial Statements have been prepared in accordance with Egyptian Accounting Standards and in the light of applicable Egyptian laws and regulations.
- The company has subsidiaries and associates and according to the Egyptian Accounting Standard No. (17) "the Consolidated and Separate Financial Statements" and the article by law No.188 of executive regulation for Law No. 159 of 1981 "the company prepares the Consolidated Financial Statements for the group which can referred to it to obtain a position reflect the financial position, business results, and cash flows for the group as a whole".

2-2 *Basis of measurement*

These Separate Financial Statements have been prepared under the historical cost basis, except for certain financial instruments which are measured at fair value in according to the Egyptian Accounting Standards.
For presentational purposes, the current/non-current distinction has been used for the balance sheet, while expenses are analyzed in the separate income statement using a classification based on their functions. The direct method has been selected to present the separte statement of cash flows.

2-3 *Functional and presentation currency*

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

2-4 *Use of estimates and assumptions*

The preparation of the Separate Financial Statements in conformity with Egyptian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of 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 which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.
The estimates and underlying assumptions are reviewed on ongoing basis. Revisions to 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 separate financial statements is included in the following notes:

- Impairment of non-financial and financial assets.
- Provisions and contingencies.
- Deferred tax assets.
- 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 financial statements without deducting any estimated future selling costs. The financial assets values are determined with the current purchase prices; however, the financial liabilities values are determined with the current prices that could settle these liabilities.

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

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

3. OPERATING REVENUES

	For the financial year ended: 31/12/2016 L.E. (000)	31/12/2015 L.E. (000)
Home	1 390 968	1 529 944
Enterprise	1 561 214	1 283 336
Domestic wholesale	4 964 015	3 891 909
International carriers	3 206 206	2 998 890
International cables and networks	970 484	686 132
Total Operating Revenues	**12 092 887**	**10 390 211**

4. OPERATING COSTS

	Note No.	For the financial year ended: 31/12/2016 L.E. (000)	31/12/2015 Reclassified L.E. (000)
Interconnection cost		2 587 412	2 404 247
Fuel		326 232	270 377
Spare parts		54 855	80 146
Maintenance		235 911	321 068
Leased circuits & satellite subscriptions		113 902	79 665
Depreciation and amortization		1 379 491	1 446 132
Other operating costs*	(4-1)	2 141 088	1 777 094
		6 838 891	**6 378 729**

*Reclassification was made to comparative figures as shown in note no (35-1).

4-1 OTHER OPERATING COSTS

	For the financial year ended:	
	31/12/2016	31/12/2015 Reclassified
	L.E. (000)	L.E. (000)
Salaries and wages *	1 178 270	1 049 838
Company's social insurance contribution	129 551	114 112
Employees vacations allowance	4 066	5 600
Electricity and water	38 505	26 653
Materials, supplies and miscellaneous printed	30 610	26 893
Transportation cost	51 244	44 225
Company's call costs	55 886	66 883
Other duties (GARBLT) *	55 637	22 672
Frequencies and licenses charges (NTRA)	355 080	296 185
Right of use (IRU) outside Egypt	196 036	57 922
Organizations services cost *	46 079	66 000
Cost of merchandise available for sale	4	3
Publishing and advrtising expenses	120	108
	2 141 088	**1 777 094**

*Reclassification was made to comparative figures as shown in note no (35-1).

5. OTHER INCOME

	For the financial year ended	
	31/12/2016	31/12/2015
	L.E. (000)	L.E. (000)
Deferred revenues (year 2016)	2 438	8 922
Fines and earned delay interest on company's receivables	73 980	112 817
Sundry revenues	282 509	76 624
	358 927	**198 363**

6. SELLING AND DISTRIBUTION EXPENSES

	For the financial year ended: 31/12/2016 L.E. (000)	31/12/2015 Reclassified L.E. (000)
Salaries & wages *	754 239	693 008
Company's social insurance contribution	85 796	77 320
Employees vacations allowance	2 885	3 827
Tax and duties	13 963	14 554
Advertising and Marketing	64 499	69 797
Organizations services cost *	74 601	81 729
Discount allowed	183 063	198 373
Others expenses	5 617	6 074
	1 184 663	**1 144 682**

*Reclassification was made to comparative figures as shown in note no (35-1).

7. GENERAL AND ADMINISTRATIVE EXPENSES

	Note No.	For the financial year ended: 31/12/2016 L.E. (000)	31/12/2015 Reclassified L.E. (000)
Salaries and wages *		1 184 577	994 409
Company's social insurance contribution		111 690	97 233
End of service compensation - early retirement program	(11-1)	42 675	1 843
The company's contribution in loyalty and belonging fund	(11-2)	555 749	188 636
Employees vacations allowance		6 164	6 416
Depreciation		28 362	25 394
Bad debts		14 509	22 237
Tax and duties *		208 339	138 597
Organization services cost *		95 692	88 797
Bank charges		4 103	3 723
Others expenses		74 763	41 648
		2 326 623	**1 608 933**

*Reclassification was made to comparative figures as shown in note no (35-1).

8. OTHER EXPENSES

	Note No.	For the financial year ended: 31/12/2016 L.E. (000)	31/12/2015 L.E. (000)
Provisions	(24)	477 145	432 995
Capital losses		86 142	208
Sale of slow moving inventories losses		3 649	4 598
Donations		19 899	49 765
		586 835	**487 566**

9. NET FINANCE INCOME

	Note No.	For the financial year ended: 31/12/2016 L.E. (000)	31/12/2015 L.E. (000)
Finance income			
Interest income		31 262	30 901
Treasury bills income		56 284	78 261
Gain on sale of available for sale Investments		3 700	-
Net translation gain of foreign currencies balances and transactions		1 170 715	146 409
Income from available for sale Investment			
Civil Information Technology Co.		50	-
Egyptian Company for tracking services & information technology		1 004	162
Technology Developing fund Co.		-	1 491
Egyptian Company for Ideavelopers		938	-
Arabsat		6 794	6 564
Total finance income		**1 270 747**	**263 788**
Finance costs			
Interest expense		(8 180)	(6 031)
Finance cost of credit contracts		(18 785)	-
Impairment loss on financial assets	(25)	(279 968)	(8 575)
Impairment loss on available-for-sale investments	(25)	(9 866)	(375)
Total finance cost		**(316 799)**	**(14 981)**
Net finance income		**953 948**	**248 807**

10. INCOME FROM INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

	For the financial year ended	
	31/12/2016 L.E. (000)	31/12/2015 L.E. (000)
TE-Data	-	315 000
The Egyptian Telecommunication Company for information systems (Xceed)	-	78 125
Middle East Radio Communications (MERC)	1 702	1 430
Vodafone Egypt Telecommuniacations Company	1 510 177	26 967
	1 511 879	**421 522**

11. EMPLOYEE'S BENEFITS

11-1 Early retirement scheme

The Company has an early retirement scheme whereby employees who wishes to retire, prior to the legal retirement age, are entitled to receive a compensation amounting to 75% of their latest basic salary for the remaining service period up to the retirement age with a maximum of 10 years for men and 15 years for women – by the date of 30/3/2016, internal instructions no. 9 were issued related to apply the optional early retirement for employees during the period from 3/4/2016 until 31/5/2016 the employees who wishes to retire prior to the legal retirement age are entitled to receive a compensation amounting to 125% of their latest basic salary for the remaining service period up to the retirement age with a maximum of 15 years. Compensations relating to early retirement amounted to L.E. 42 675 K for the financial year ending December 31, 2016 (against LE 1 843 K for the year 2015) are included in general and administrative expenses note no (7) and now the company doesn't apply any early retirement scheme.

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

The employees are granted an end of service benefits through a Loyalty & belonging Fund established in January 2004. Employees' benefit are based on the employees' basic salary in January 1, 2005 increasing at a compound rate of 5%. The subscription for employees hired after January 1, 2005, is calculated according to a subscription schedule for new hires and increasing at a compound rate of 5% starting from the next year from the hiring date.

The employees share in loyalty & belonging fund according to constant subscription are based on the same employees' basic salary where the end of service benefit calculated. According to TE board of directors' decree held on December 21, 2016 which is approved the proposal to be the Company's contribution in loyalty and belonging fund for the year ended December 31, 2016 amounted to L.E. 555 749 K (against L.E. 188 636 K for the year 2015). The Company's contribution is included in general and administrative expenses as shown in note no (7).

12. BASIC EARNINGS PER SHARE

	For the financial year ended:	
	31/12/2016	**31/12/2015**
Net profit for the year (L.E. (000))	3 392 470	1 261 527
Less:		
Employees' share in profit (L.E. (000)) *	564 202	551 266
Board of directors share in profit (L.E. (000)) *	3 900	5 200
Net profit for the year before distribution	2 824 368	705 061
Number of the available shares during the year (share)	1 707 071 600	1 707 071 600
Basic earnings per share for the year (L.E. / share)	**1.65**	**0.41**

* Employees and Board of Directors' profit share according to Board of Directors proposal to be presented in the Company's General Assembly to be approved.

13- FIXED ASSETS

	Land	Buildings & Infrastructure	Technical equipment &information technologies	Vehicles	Furniture	Tools & supplies	Total
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Cost as at 1/1/2015	2 372 492	19 933 463	20 035 031	125 019	243 639	84 256	42 793 900
Classification	(1 670)	1 670	-	-	-	-	-
Additions during the year	601	1 503 337	499 582	4 155	35 186	6 826	2 049 687
Disposals during the year	-	(3 901)	(12 894)	(4 346)	(4 551)	(1 133)	(26 825)
Cost as at 31/12/2015	**2 371 423**	**21 434 569**	**20 521 719**	**124 828**	**274 274**	**89 949**	**44 816 762**
Additions during the year	555	2 176 481	1 747 303	22 246	29 064	7 374	3 983 023
Disposals during the year	(3 006)	(781 230)	(696 387)	(6 777)	(5 794)	(1 461)	(1 494 655)
Cost as at 31/12/2016	**2 368 972**	**22 829 820**	**21 572 635**	**140 297**	**297 544**	**95 862**	**47 305 130**
Accumulated depreciation as at 1/1/2015	-	13 393 548	18 208 772	104 055	196 877	59 613	31 962 865
Depreciation for the year	-	829 354	538 727	6 457	14 456	4 481	1 393 475
Accumulated depreciation for disposals	-	(801)	(12 894)	(4 255)	(4 551)	(1 133)	(23 634)
Accumulated depreciation as at 31/12/2015	**-**	**14 222 101**	**18 734 605**	**106 257**	**206 782**	**62 961**	**33 332 706**
Depreciation for the year	-	625 907	682 629	4 391	18 607	5 365	1 336 899
Accumulated depreciation for disposals	-	(687 826)	(683 324)	(6 732)	(5 789)	(1 461)	(1 385 132)
Accumulated depreciation as at 31/12/2016	**-**	**14 160 182**	**18 733 910**	**103 916**	**219 600**	**66 865**	**33 284 473**
Net carrying amounts as at 31/12/2016	**2 368 972**	**8 669 638**	**2 838 725**	**36 381**	**77 944**	**28 997**	**14 020 657**
Net carrying amounts as at 31/12/2015	**2 371 423**	**7 212 468**	**1 787 114**	**18 571**	**67 492**	**26 988**	**11 484 056**

- Cost of fixed assets includes an amount of L.E. 22 524 Million fully depreciated assets and still in use.
- During the year, the useful lives of some fixed assets were amended based on to the technical veiw and Board of Directors' decree on May 8, 2016 starting from January 1, 2016 note no.(36-2).

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

	For the financial year ended	
	31/12/2016	31/12/2015
	L.E. (000)	L.E. (000)
Operating costs	1 308 537	1 368 081
General and administrative expenses	28 362	25 394
	1 336 899	**1 393 475**

14. PROJECTS IN PROGRESS

	31/12/2016 LE (000)	31/12/2015 LE (000)
Land	15 576	14 420
Buildings and Infrastructure	536 324	731 589
Furniture	250	8 881
Technical equipment and information technologies	841 190	618 925
Other Assets (cables)	407 681	501 665
Advance payments	289 428	120 137
Other assets (fourth generation network license 4G)*	5 293 798	-
	7 384 247	**1 995 617**

* This item is represented in the amount paid for obtain Fourth generation network license ,TE obtained license to provide 4G license from the National Telecommunication Regulatroy Authority (NTRA), under the terms of the granted license, Telecom Egypt can establish, operate and manage a full-fledged mobile operation to service the Egyptian market, effective from August 31, 2016.

The summary of the license agreement as follows:

1. 4G spectrum of 2×5 MHZ in the frequency band 1800 MHZ and 2×10 MHZ in frequency band 700 MHZ for the period which is extended to 15 years from the signature date of license.
2. The value of the license is equivalent to EGP 7 080 Million, of which equivalent to EGP 5 200 Million is to be paid up front by 50% paid in Egyptian pound and 50% paid in US dollar.
3. The remaining portion will be paid in equal installments over the next Four years, 50% paid in Egyptian pound, 50% paid in US dollar.
4. The initial license term is for a period of 15 years from the signature date of license.
5. Telecom Egypt has conditional right to renew the license for another Five years, with renewal fee up to EGP 2 000 million, to be paid at year 15 from the date of license.
6. Specified annual fixed fees in license in addition to percentage of annual revenue which is specified in the license.
7. The amount of the license includes EGP 93 798 K which is represented in the finance cost of credit facilities which granted to the company to finance part of the licence, and the company is currently completing the equipment and necessary intial ifrasturcure for operating the Fourth generation network license.

15. LONG TERM INVESTMENTS

	Note No.	31/12/2016 Ownership %	31/12/2016 LE(000)	31/12/2015 Ownership %	31/12/2015 LE(000)
15-1 Investments in subsidiaries & associates					
- Telecom Egypt France (TE France)		100.00	69 220	100.00	69 220
- T.E. Data		99.99	252 461	99.99	252 461
- TE Investment Holding*		99.95	4 997	99.95	4 997
- Egyptian Telecommunication for Information System		97.66	31 250	97.66	31 250
- Centra Technology		58.76	14 737	58.76	14 737
- Wataneya for Telecommunications		50.00	125	50.00	125
- International Telecommunications Consortium limited (ITCL)		50.00	54	50.00	54
- Middle East Radio Communication		49.00	7 350	49.00	7 350
- Vodafone Egypt Telecommunications Company		44.95	5 960 054	44.95	5 960 054
- Egypt Trust**		35.71	7 500	35.71	7 500
- Consortium Algerian Telecommunications		33.00	133	33.00	133
- Sofisat company		25.00	-	25.00	-
			6 347 881		6 347 881
Payments for investments purchase					
- TE Investment Holding *			34 983		34 983
- Egypt Trust **			2 500		2 500
			6 385 364		6 385 364
Less:					
Impairment loss on investments of Consortium Algerien de Telecommunications , International Telecommunications Consortium Limited , Egypt Trust, Wataneya for Telecommunications and Telecom Egypt France	(25)		8 081		8 081
			6 377 283		**6 377 283**

* The Extra-Ordinary General Assembly for TE Investment Holding held on 16/2/2015 and 29/8/2016 approved the increase of the authorized capital to be L.E. 100 Million, and the issued capital to be L.E. 40 Million , the commercial registration proceduerse related to is completed as at 3/1/2017.

** The remaining 25% represents the company's share in Egypt Trust capital and the commercial registration related to is in process.

15-2 Available-for-sale investments	Note No.	31/12/2016 LE (000)	31/12/2015 LE (000)
- Participations in foreign satellite companies and organizations*		26 683	26 683
- Investments in other companies		87 205	94 705
		113 888	121 388
Less:			
Impairment loss on investments in other companies	(25)	32 615	22 749
		81 273	**98 639**

* This item includes the company's share in Arab Sat represented in 7 968 455 shares amounting to L.E. 11 856 K including free shares distributed during 2010 by Arab Sat to all the shareholders pro - rata - with their shares accordingly Telecom Egypt contribution in Arab Sat capital remains as the same at 1.5937% .

16. DEBIT BALANCES – LONG TERM

Long-term debit balances in amounting to L.E. 453 902 K are 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%, the impairment has been made for the full balance where this company suffers from financial difficulties and sustains material losses. The Extra-Ordinary General Assembly of (CAT) held on July 1, 2009 approved the dissolution and liquidation of (CAT) Note no. (32-2). In the light of these circumstances, there is high probability that will not be able to collect the finance given to Consortium Algerian de Telecommunication Company.

17- OTHER ASSETS

	Right of way (ALITAR)	Right of way (FLAG)	Right of way (SMW)	Right of way (IMEWE)	Right of way (EIG)	Right of way (FALCON)	land (Possession)	land (Usufruct)	Licenses and programs	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 at 1/1/2015	67 853	172 269	203 938	138 910	209 883	48 432	440 683	1	69 092	1 351 061
Additions during the year	-	10 023	-	-	185	-	-	-	-	10 208
Disposals during the year	-	(11 197)	(30 865)	(7 031)	(13 597)	-	-	-	-	(62 690)
Cost at 31/12/2015	67 853	171 095	173 073	131 879	196 471	48 432	440 683	1	69 092	1 298 579
Additions during the year	-	262 395	162 154	2 198	-	-	-	-	56 382	483 129
Disposals during the year	(1 206)	(21 450)	(31 064)	(63 929)	(26 199)	-	-	-	-	(143 848)
Cost at 31/12/2016	**66 647**	**412 040**	**304 163**	**70 148**	**170 272**	**48 432**	**440 683**	**1**	**56 382**	**1 568 768**
Accumulated amortization as at 1/1/2015	55 715	109 829	55 843	32 862	34 354	8 880	-	-	40 304	337 787
Amortization for the year	3 642	5 750	12 741	9 560	14 341	3 229	-	-	28 788	78 051
Accumulated amortization for disposals	-	(78)	(13 715)	(3 383)	(3 323)	-	-	-	-	(20 499)
Accumulated amortization as at 31/12/2015	59 357	115 501	54 869	39 039	45 372	12 109	-	-	69 092	395 339
Amortization for the year	3 597	10 857	12 602	8 605	13 269	3 229	-	-	18 795	70 954
Accumulated amortization for disposals	(1 116)	-	(8 995)	(25 564)	(8 267)	-	-	-	-	(43 942)
Accumulated amortization as at 31/12/2016	**61 838**	**126 358**	**58 476**	**22 080**	**50 374**	**15 338**	**-**	**-**	**18 795**	**353 259**
Net carrying amounts as at 31/12/2016	**4 809**	**285 682**	**245 687**	**48 068**	**119 898**	**33 094**	**440 683**	**1**	**37 587**	**1 215 509**
Net carrying amounts as at 31/12/2015	**8 496**	**55 594**	**118 204**	**92 840**	**151 099**	**36 323**	**440 683**	**1**	**-**	**903 240**

- Other assets amortization charged to operating costs.
- Other assets costs included L.E 169 Million other assts fully amortized and still used

18. INVENTORIES

	31/12/2016 L.E. (000)	31/12/2015 L.E. (000)
Spare parts	445 918	390 707
Material supplies	978	1 012
Merchandise for sale	218	245
Others – cables and supplies	76 737	78 794
	523 851	**470 758**
Add:		
Letters of credit	88 616	31 092
	612 467	**501 850**

Inventory's value was written down by L.E. 22 294 K (against L.E. 26 635 K at December 31, 2015) for obsolete and slow moving items deducted directly from the cost of each type of inventory.

19. TRADE RECEIVABLES

	Note No.	31/12/2016 L.E. (000)	31/12/2015 L.E. (000)
Trade Receivables - National		4 071 640	4 714 251
Trade Receivables - International		3 165 603	2 366 104
		7 237 243	7 080 355
Less:			
Impairment loss on trade receivables	(25)	2 585 174	2 345 986
		4 652 069	**4 734 369**

20. DEBTORS AND OTHER DEBIT BALANCES

	Note No.	31/12/2016 L.E. (000)	31/12/2015 L.E. (000)
Suppliers – debit balances		47 617	36 295
Deposits with others		159 359	17 739
Customs Authority - deposits		3 043	3 043
Accrued revenues		16 377	385 615
Tax Authority – withholding tax		123 535	110 414
Debts and restricted amounts at banks		3 661	2 173
Payments on the account of income tax		24 916	100 411
Due from organizations and companies		113 938	66 881
Temporary debts due from employees		288 956	282 428
Due from Ministries		154 195	177 051
Other debit balances		808 659	618 568
		1 744 256	1 800 618
Less:			
Impairment loss on debtors and other debit balances	(25)	131 118	144 360
		1 613 138	**1 656 258**

21. CASH AND CASH EQUIVALENTS

	Note No.	31/12/2016 L.E. (000)	31/12/2015 L.E. (000)
Banks - time deposits (less than 3 months)		584 551	1 738 073
Banks - current accounts		(57 047)	(112 072)
Cash on hand		2 691	3 146
Treasury bills (less than 3 months)		-	17 011
Cash and cash equivalents		**530 195**	**1 646 158**
Less:			
Restricted time deposits	(30)	9 465	9 241
Cash and cash equivalents as per cash flows statement		**520 730**	**1 636 917**

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 31/12/2016	Balance as of 31/12/2015	Annual interest rate	Repayment schedule
		L.E (000)	L.E (000)	L.E (000)	L.E (000)	%	
Governmental Loans	U.S.$	89 189	20 510	109 699	84 548	4 %	Annual installments ending on 24/1/2018
Foreign loans	EURO	38 420	605 725	644 145	299 115	0.75 - 5.5%	Semi-annual installments ending on 30/6/2036
Foreign suppliers' facilities	EURO	1 547	-	1 547	675	5.50%	
Bank facilities	LE	2 521 031	-	2 521 031	-	Variable interest rate	
Bank facilities	U.S.$	60 517	-	60 517	-	Variable interest rate	
		2 710 704	**626 235**	**3 336 939**	**384 338**		

- Foreign suppliers' facilities in Euro amounting to L.E. 1 547 K equivalent to Euro 79 K are against letters of guarantee issued by National Bank of Egypt in favor of Siemens as a guarantee for this facility , there are no other guarantees for the remaining loans and facilities.

23. CREDITORS AND OTHER CREDIT BALANCES

	31/12/2016 L.E. (000)	31/12/2015 L.E. (000)
Suppliers	564 102	375 606
Tax Authority-Income Tax	344 940	351 075
Tax Authority (taxes other than income tax)	165 797	190 582
Deposits from others	645 747	609 170
Fixed assets creditors	2 472 507	1 030 011
Dividends creditors	770	770
Accrued interest	6 608	3 175
Accrued expenses	309 369	272 695
Social Insurance Authority	37 531	33 962
Customers - credit balances	132 028	293 082
Credit balances - organizations and companies	829 019	124 274
Deferred revenues	-	2 438
NTRA	207 315	88 926
Other credit balances	336 167	297 232
	6 051 900	3 672 998
Less:		
Credit balances - organizations and companies due within more than one year	114 226	-
	5 937 674	**3 672 998**

24. PROVISIONS

	Note No.	Balance as of 1/1/2016	Charged to income statement	Used during the year	Reclassification	Balance as of 31/12/2016
		L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Provision for liabilities, claims and others						
Claims and liabilities provision*	(8)	996 790	477 145	(401 966)	(14 312)	1 057 657
		996 790	**477 145**	**(401 966)**	**(14 312)**	**1 057 657**

* Claims provision is related to contingent tax liabilities, lawsuits, compensation and social insurance claims in respect of contracting contracts.

25. IMPAIRMENT LOSS ON ASSETS

	Note No.	Balance as of 1/1/2016	charged to income statement	Reversal of impairment	Used during the year	Reclassification	Balance as of 31/12/2016
		L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Impairment loss on investments in associates and subsidiaries	(15-1)	8 081	-	-	-	-	8 081
Impairment loss on available-for-sale investment	(15-2)	22 749	9 866	-	-	-	32 615
Impairment loss on long-term debit balances	(16)	453 902	-	-	-	-	453 902
Write-down of Inventories	(18)	26 635	-	(4 341)	-	-	22 294
Impairment loss on trade receivables	(19)	2 345 986	268 345	-	(29 157)	-	2 585 174
Impairment loss on debtors and other debit balances	(20)	144 360	11 623	-	(45 823)	20 958	131 118
		3 001 713	**289 834**	**(4 341)**	**(74 980)**	**20 958**	**3 233 184**

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 company's shares in public offering during December 2005.

27. RESERVES

	31/12/2016 L.E. (000)	31/12/2015 L.E. (000)
Legal reserve	1 583 913	1 520 837
General reserve*	2 771 654	4 771 654
Revaluation reserve available for sale investments	6 814	6 814
Capital reserve	18 110	18 110
	4 380 491	**6 317 415**

* General reserve amounting to L.E. 2 771 654 K as at December 31, 2016 represents the dividends transferred to the general reserve for years 1999/2000 till 2006 after deducting L.E. 916 530 K which represents the net adjustments on the fixed assets for land item during the years from 2005 to 2014 and transfer an amount of L.E. 2 000 000 K from general reserve to retained earnings "according to Ordinary General Assembly decree which was held on March 30, 2016".

28. DEFERRED TAX

28-1 Recognized deferred tax assets and liabilities

	31/12/2016		31/12/2015	
	Assets L.E (000)	Liabilities L.E (000)	Assets L.E (000)	Liabilities L.E (000)
Net gain of translation foreign currencies balances	-	294 431	-	-
Fixed assets	-	5 553	-	-
Other assets	-	17 183	-	-
Impairment loss on available for sale investments	2 220	-		-
Write-down of inventories	5 016	-	5 993	-
Impairment loss on trade receivables and other debit balances	165 260	-	204 135	-
Provisions	201 769	-	88 783	-
Accrued liabilities	34 287	-	35 693	-
Total deferred tax asset \ liability	**408 552**	**317 167**	**334 604**	**-**
Net deferred tax asset	**91 385**	**-**	**334 604**	**-**
Deferred tax charged to the income statement for the year	**(243 219)**		**(19 113)**	

28-2 Unrecognized deferred tax assets

	31/12/2016 L.E. (000)	31/12/2015 L.E. (000)
Impairment loss on trade recivables	425 759	333 119
Impairment loss on debtors & other debit balances	122 273	125 202
Impairment loss on Investment available for sale	-	5 118
Provision for liabilities and claims	22 050	87 750
Fixed assets	-	51 377
	570 082	**602 566**

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

28-3 Reconciliation of effective tax rate

	For the financial year ended 31/12/2016 L.E. (000)	31/12/2015 L.E. (000)
Net profit for the year before income tax	3 980 629	1 638 993
Income tax according to the current tax law (22.5%)	895 642	368 773
Add / (Less):		
Depreciation and amortization	(107 636)	11 424
Provisions	(58 384)	31 612
Impairment loss on financial assets and inventory	55 455	56 578
Accrued liabilities	(1 419)	3 961
Exempted investments income	(342 149)	(88 788)
Adjustments on other items	146 650	(13 375)
Tax differences of previous years	-	7 281
	(307 483)	**8 693**
Income tax	**588 159**	**377 466**
Effective tax rate	**14.78%**	**23.03%**

29. CAPITAL COMMITMENTS

The company's capital commitments for the unexecuted parts of contracts until December 31, 2016 amounted to L.E. 2 921 Million (against L.E. 77 Million as at December 31, 2015) includes the installments of payments of 4G license by an amount of L.E. 2 920 Million. paid in four equal installments by an amount of L.E. 235 Million and USD 26,4 Million in addition to investees' share in capital haven't been claimed yet by an amount of L.E. 1 million. These commitments are expected to be settled in the subsequent period except for the uncalled installments of investees' share in capital, which shall be settled when required by the Board of Directors of those investees companies.

30. CONTINGENT LIABILITIES

In addition to the amounts included in the statement of financial position as of December 31, 2016, the company has the following contingent liabilities:

	31/12/2016 L.E. (000)	31/12/2015 L.E. (000)
- Letters of guarantee issued by banks on behalf of the company*	613 668	120 177
- Letters of credit	373 301	305 718

* letters of guarantee issued by banks are against include restricted time deposits (Note no.21).

31. TAX POSITION

31-1 Corporate tax

- Tax inspection was performed for the years till December 31, 2014 and all due taxes were settled, and there is not any disputes except one dispute related to exempt distributions from subsidaries and the Internal Committee work on it.
- Tax inspection for the year 2015 is in process.

31- 2 Sales Tax

- Tax inspection was performed for the years till December 31, 2010 and all due taxes were settled.
- Tax inspection for the years 2011 and 2012 was performed and the company was informed by the inspection differences and the company objected during the legal period and the differences are being discussed with the Appeals Committee.
- Tax ispection for the year 2013 , 2014 and 2015 is in process.

31- 3Salary Tax

- Tax inspection was performed for the years till December 31 ,2013, and the Company was notified and all due taxes were settled.
- Tax inspection for the year 2014 and 2015 is in process.

31- 4 Stamp tax

- Tax inspection for the period from March 27, 1998 to December 31, 2000 was performed for certain sectors and the company was notified, the company objected on the disputed items on the due dates and the related provisions were formed to meet the disputed tax liabilities.
- Tax inspection for the period from January 1, 2001 till July 31, 2006 was performed for certain sectors of the company and taxes due were settled. Tax inspection for the remaining sectors is currently being undertaken during the same period.
- Tax inspection for period from August 1, 2006 to December 31, 2009 and due taxes were settled and the disputed item has been forworded to the Internal Committee.
- Tax inspection for the years 2010 till 2014 was performed and the disputed items were resolved with the exception of the relative stamp on salaries and wages which have been forworded to the Appeal Committee.

31- 5 Real estate taxes

- All taxes are paid according to the addition notices received by the company. The company's Legal Affairs Department follows up the disputes according to the Real Estate Tax Law.
- Tax returns were submitted according to the new Real Estate Tax Law No.196 for the year 2008 on the due dates.

31- 6 Value added taxes

- On September 7, 2016, Value added tax law no 67 for the year 2016 was issued and to be effective starting from 8 September 2016,

Provisions were formed to meet any tax liabilities that may arise from the tax inspection.

32 **RELATED PARTY TRANSACTIONS**

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

32-1 *Transactions with subsidiaries*

	Nature of transaction during the year	Amount of transactions during the year recorded in the income statement L.E 000	Transaction volume during the year Debit L.E 000	Credit L.E 000	Balance as of 31/12/2016 Debit/(Credit) L.E 000	Balance as of 31/12/2015 Debit/(Credit) L.E 000
Debit balances included in trade receivables						
- Egyptian Telecommunication Company for Information Systems	Lease of subsidiary company headquarters & electricity claims, maintenance and circuits leased	12 517	16 080	14 179	14 319	12 418
- TE Data	Leased circuits and information transfer networks	1 872 985	2 484 076	2 596 484	241 543	353 951
- Middle East Radio Communication (MERC)	Leased circuits and information circuits	1 598	1 757	1 757	-	-
- Jordanian Egyptian Company for data transfer	participation contract	8 357	8 318	10 960	(4 081)	(1 439)
- Jordanian Egyptian Company for data transfer	The movement of international clearing	2 829	2 829	8 218	(2 209)	3 180
			2 513 060	2 631 598	249 572	368 110
Debit balances included in debtors and other debit balances						
- Egyptian Telecommunication Company for Information Systems	-	-	-	-	145	145
- TE Investment Holding	Finance and payments of expenses on behalf of the subsidiary company	-	23 136	400	23 010	274
			23 136	400	23 155	419
Credit balances included in suppliers balances						
- Centra for Technology	Maintenance & supplying computers	11 597	63 363	65 805	(13 706)	(11 264)
- Centra for Electronic Industries	Maintenance & supplying computers	1 566	1 951	1 724	(819)	(1 046)
- Middle East Radio Communication (MERC)	Supplying & installing communication networks	-	138	-	-	(138)
- TE Data	Services rendered from subsidiary company	89 543	73 011	218 522	(242 872)	(97 361)
- Egyptian Telecommunication Company for Information Systems	Services rendered from subsidiary company	70 000	83 181	84 043	(7 229)	(6 367)
			221 644	370 094	(264 626)	(116 176)
Credit balance included in creditors and other credit balances						
- TE Data	Internet services	-	24	-	-	(24)
- TE Data	Supplying Information technology equipment and services	342	12 112	342	(9 303)	(21 073)
- TE Investment Holding	Lease of premises	18	27	18	-	(9)
- TE France	participation contract	12 498	4 957	41 757	(52 453)	(15 653)
- Egyptian Telecommunication Company for Information Systems	Services rendered from subsidiary company	-	6 322	-	-	(6 322)
			23 442	42 117	(61 756)	(43 081)

32. RELATED PARTY TRANSACTIONS (continued)

32-2 Transactions with associates

	Nature of transactions during the year	Amount of transactions during the year recorded in the income statement	Transaction volume during the year Debit	Credit	Balance as of 31/12/2016 Debit/(Credit)	Balance as of 31/12/2015 Debit/(Credit)
		L.E 000	L.E 000	L.E 000	L.E 000	L.E 000
Balances included in trade receivables						
– Vodafone Egypt Telecommuniacations Company	Outgoing calls and voice services to the associates company	1 296 078				
			3 147 815	3 614 633	(341 218)	125 600
	Incoming and international calls, transmission Claims, Leased premises and towers to the associate company	1 123 206				
			3 147 815	3 614 633	(341 218)	125 600
Debit balances included in debit balances - long term (Note No.16)						
– Consortium Algerian Telecommunications (CAT)*	Paid on behalf of associates to finance operating expenses	-	-	-	453 902	453 902
			-	-	453 902	453 902
Debit balances included in debtors and other debit balances						
– International Telecommunication Consortium Limited (ITCL)*	-	-	-	-	66	66
			-	-	66	66

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

33. FINANCIAL INSTRUMENTS

33 –1 Credit risk

The carrying amount of financial assets represents the maximum credit risk exposure. The maximum exposure to credit risk at the separate financial statements date as follows:

Description	Note No.	31/12/2016 L.E. (000)	31/12/2015 L.E. (000)
Trade receivables	(19)	4 652 069	4 734 369
Debtors and other debit balances - Loang Term	(20)	1 613 138	1 656 258
Available-for-sale investments	(15-2)	81 273	98 639
Held-to-maturity investments -treasury bills		101 922	-
Cash and cash equivalents	(21)	527 504	1 643 012
		6 975 906	**8 132 278**

33-2 Liquidity risk

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

Description	Carrying Amount L.E. (000)	One year or less L.E. (000)	From 1-2 years L.E. (000)	From 3-5 years L.E. (000)	More than 5 years L.E. (000)
December 31, 2016					
Creditors and other credit balances	6 051 900	5 937 674	114 226	-	-
Loans and credit facilities	3 336 939	2 710 704	79 144	96 051	451 040
	9 388 839	**8 648 378**	**193 370**	**96 051**	**451 040**
December 31, 2015					
Creditors and other credit balances	3 672 998	3 672 998	-	-	-
Loans and credit facilities	384 338	57 424	70 781	42 519	213 614
	4 057 336	**3 730 422**	**70 781**	**42 519**	**213 614**

33-3 **Currency risk**

Description	U.S. Dollar (000)	Sterling Pound (000)	Euro (000)	Swedish Krona (000)	Total LE (000)
December 31, 2016					
Trade receivables	160 752	-	-	-	3 014 100
Accrued interest for time deposits	2	-	11	-	253
Banks-current accounts & time deposits	12 779	286	17 600	-	590 576
Total assets in currency	**173 533**	**286**	**17 611**	**-**	**36 049 929**
Creditors & other credit balances	87 576	5	17 119	8 196	1 993 905
Foreign loans & facilities	5 904	-	32 945	-	755 391
Total liabilities in currency	**93 480**	**5**	**50 064**	**8 196**	**2 749 296**
Risk surplus (deficit)	**80 053**	**281**	**(32 453)**	**(8 196)**	**33 300 633**
Equivalent in Egyptian Pound	**1 500 994**	**6 446**	**(635 063)**	**(16 744)**	**855 633**
December 31, 2015					
Trade receivables - International Clearance	182 946	-	-	-	1 432 476
Accrued interest for time deposits	134	-	37	-	1 365
Banks-current accounts & time deposits	157 958	300	47 336	-	1 644 557
Total assets in currency	**341 038**	**300**	**47 373**	**-**	**3 078 398**
Creditors & other credit balances	45 609	5	1 787	8 196	380 055
Foreign loans & facilities	10 798	-	35 103	-	384 339
Total liabilities in currency	**56 407**	**5**	**36 890**	**8 196**	**764 394**
Risk surplus (deficit)	**284 631**	**295**	**10 483**	**(8 196)**	**2 314 004**
Equivalent in Egyptian Pound	**2 228 675**	**3 416**	**89 528**	**(7 615)**	**2 314 004**

* Centeral Bank of Egypt decided in its meeting held on November 3, 2016 to float exchange rate of foreign currencies to give flexibility to banks which are operating in Egypt for the pricing of purchase and sale of foreign currencies.

Exchange rates for currencies against Egyptian pound:

	Average exchange rate during:		Closing exchange rate as at:	
	2016	2015	31/12/2016	31/12/2015
	L.E	L.E	L.E	L.E
U.S. Dollar	10.0888	7.6989	18.7500	7.8301
Sterling Pound	13.4676	11.7502	22.9390	11.5800
Euro	11.0386	8.5577	19.5687	8.5403
Swedish Krona	1.1644	0.9155	2.0429	0.9292

33–4 Sensitivity analysis

A 10% strengthening of the foreign currencies against the EGP as of December 31, 2016, would have increased profit by an amount of L.E. 85 563 K (L.E. 231 400 K as of December 31, 2015). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2015.

33–5 Interest rate risk

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

Description	Note No.	31/12/2016 L.E. (000)	31/12/2015 L.E. (000)
Financial instruments with fixed interest rate			
Financial assets – deposits	(21)	584 551	1 738 073
Financial liabilities (loans-credit facilities)	(22)	3 336 939	384 338
		3 921 490	**2 122 411**

33–6 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 receivables, investments, debtors and creditors.

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

34. SIGNIFICANT CLAIMS AND LITIGATIONS

34-1 Interconnection dispute with Orange Egypt (previously named Mobinil)

On September 2009, Orange Egypt had filed an Arbitration Case requesting the application of the interconnection rates mentioned in the signed agreements with TE, and objecting the application of NTRA abovementioned decisions, claiming that TE made a contractual violations by complaining at NTRA, also request damages for not entering into services level agreements related to the transmission leased line and International gateway service, also te had filed the Arbitration Case against Orange Egypt, that's where TE's management believes that Orange Egypt charged TE with rates exceeds the rates where Orange Egypt and other operator charging each other.

On March 29, 2015, The tribunal in Orange Egypt Case rejected Orange Egypt's request to apply the interconnection rates stated in the interconnection agreement, also the tribunal submit its interpetation to the Egyptian law and the principles that should be followed by both parties to agree on the interconnection rates. Also the tribunal rejected a part of TE's claims for the previous period years 2008, the Tribunal depute an expert to review Orange egypt claims whether from the principle or the amount claimed, and these claims still pending before Tribunal.

The company's legal advisor believes that the company has the right to apply the interconnection rates same as other mobile operators, and this opinion in the light of NTRA decisions that still in effect, the provisions Telecommunication law and Competition law.

The amount in dispute as per the company's record between TE and Orange Egypt in relation to the said dispute for the period from September 3, 2008 to the end of December 2016 is approximtely an amount of L.E 639 237 K.

34-2 Interconnection dispute with Vodafone Egypt Company (VFE)

The Ordinary General Assembly dated March 30, 2016 approved the frame agreement of settling all the current disputes between te and VFE and the same frame was approved by the Ordinary General Assembly of VFE dated April 13, 2016. Subject to such settlement, TE and VFE settled all disputes raised between both of them, till December 31, 2015.

34-3 Dispute with one of the investees

The company has filed an arbitration case against an investee, in which TE owns 25%, claiming compensations for breach of obligations stipulated in an agreement concluded between the company, and the investee and requesting the termination of the said agreement. The investee has filed as well another arbitration case against TE claiming compensation for breaching of obligations stipulated in the same agreement.

On August 31, 2015, The tribunal rejected TE claims for compensations, it also decided that it has jurisdiction over the investee claims and decided to terminate the contract and awarded compensation to the investees. The company started to take the necessary legal actions to cease the implementation of such award according to acceptable law principals, as per the external advisor recommended to the company.

And the company's Board of Directors meeting held on January 20, 2016 and March 29, 2016 approved the frame agreement of settling all the current disputes between TE and the investee, the agreements which are related to the frame settlement were signed between the dispute parties on May 31, 2016.

The company has made the impairment loss on financial assets to cover any anticipated future loss, may arise as a result of the above cases.

35. Compartive figures

Reclassifications were made to comparative figures for some of the separate income statement and separate statement of cash flow items to conform to the current presentation as follows:

35-1 Separate Income Satetment

	For the financial year ended 31/12/2015 as previously presented LE(000)	Reclassification (debit) / credit LE(000)	For the financial year ended 31/12/2015 current presentation LE(000)
Operating cost	(6 232 739)	(145 990)	(6 378 729)
Selling and distribution expenses	(1 028 808)	(115 874)	(1 144 682)
General and adminstrative expenses	(1 870 797)	261 864	(1 608 933)

35-2 Separate Statement of Cash Flows

	For the financial year ended 31/12/2015 as previously presented LE(000)	Reclassification LE(000)	For the financial year ended 31/12/2015 current presentation LE(000)
Cash paid to suppliers	(1 032 623)	(93 100)	(1 125 723)
Other (Payments) \ Proceeds	(91 455)	93 543	2 088
Cash paid to employees	(2 542 363)	(443)	(2 542 806)

36. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the Separate financial statements, taking into consideration the new issues and amendments issued to Egyptian Accounting Standards and effective on January 1, 2016 (Note no. 37).
Certain comparative figures have been reclassified to conform to the current presentation of separate financial statements (Note no. 35).

36-1 Foreign currency translations

Transactions in foreign currencies are translated into the respective functional currencies at 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 at the exchange rate at that date. Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rates at that date of the transaction. Foreign currency differences arising on retranslation are recognised in income statement.

36-2 Fixed assets and depreciation

(A) Recognition and measurement

Items of property, plant and equipment are measured at cost or deemed cost less accumulated depreciation and accumulated impairment losses (see accounting policy 36-11).

The cost of the fixed assets includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, 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 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 income statement.

(B) Subsequent costs

The cost of replacing part of an item of fixed assets is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company 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 income statement as incurred.

(C) Depreciation

Depreciation is recognized in profit or loss according to a straight-line method over the estimated useful life of fixed assets. During the year, the useful lives of some fixed assets were amended according to the technical view and Board of Directors' decree on May 5, 2016 starting from January 1, 2016.

The estimated useful lives for the fixed assets before and after the amendments are as follows:

	Estimated useful life Before amendments /year	Estimated useful life After amendments/year
Buildings and Infrastructure	10 – 50	5 – 50
Technical equipment and information technologies	6 - 20	3 - 20
Vehicles	5 - 10	7 - 10
Furniture	3 - 10	5 - 10
Tools and supplies	1 - 8	8

36-3 Other assets

Other assets are licenses, submarine cables, right of way and right of use, land (usufruct) and land (possession) which can be controlled and capable of generate future economic benefits.

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

36-3-1 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 terms of the underlying agreement, whichever is shorter.

36-3-2 Right of way and right of use

The Company recognizes an intangible asset arising from a right of way and right of use of other assets when it has the right for usage of 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 or the terms of the underlying agreement, starting from the date of the acquisition of the right.

36-4 Projects in Progress

The amounts incurred for construction or purchases of fixed assets are recorded at cost as projects in progress till being ready for the intended use in operations. Then, they are transferred to fixed assets with its cost.

36-5 Investments in subsidiaries and associates

Investments in subsidiaries and associates are stated at cost. In case of the existence of impairment in the carrying amounts of these investments, the related investment is reduced by this impairment loss, and charged to the income statement for each investment.

36-6 Available - for - sale investments

Available-for-sale investments that have a quoted market price in an active market are measured at fair value and re-measurement is recognized directly in equity, if there is objective evidence that an impairment loss has been incurred, impairment loss is recognized in income statement. When an investment is derecognized, the cumulative gain or loss in equity is transferred to income statement. 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 of the existence of impairment, the carrying amounts of these investments are reduced by this impairment loss and recognized in income statement.

36-7 Financial asset 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 income statement for the period in which it arises.

36-8 Investments held- to- maturity (Treasury bills)

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

36-9 Inventories

- Inventories are measured at the lower of cost or net realizable value at the date of balance sheet.
- Cost of materials, supplies, spare parts and merchandise for sale are determined using the moving average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location condition.

36-10 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 twelve months after the financial position date in which case they are classified as non-current assets. These assets are recognized 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.

36-11 Impairment loss of assets

(i) 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 of 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 of an available-for-sale financial asset is calculated by 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 income statement. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to income statement.

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 income statement. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

(ii) 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 income statement.

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.

36-12 Provisions

A provision is recognized as a result of a past event where the company has a legal or constructive obligation and it is probable that an outflow of economic benefits will be required to settle the obligation, and the obligation can be reasonably estimated.

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

36-13 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, banks current accounts, time deposits, money market fund and treasury bills which do not exceed three months and banks overdrafts that are repayable on demand and form an integral part of the company's cash management preparing are included as a component of cash equivalents for the purpose of preparing the statement of cash flows. The separate statement of cash flows is prepared and presented according to direct method.

36-14 Grants

Grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant and are then recognised in income statement as other income on a systematic basis over the useful life of the asset.

36-15 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 balances are stated at amortized cost using the effective interest rate.

36-16 Revenue recognition

Revenue represent in the service value & the goods sold value & investments income and interest income, revenue is recognized according to:

- Services: telecommunications services revenue is achieved when we deliver or provide service to the client when there is adequate emphasis to recover for 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 adequate emphasis to recover for them.
- Investments: The Dividend income is recognized after the date of acquisition and according to dividends declaration by General Assembly of the investee, within the company's share in the investee.
- The income from deposit interest and returns of securities according to the accrual basis with considering the targeted rate of return from the asset.

36-17 Expenses

All operating expenses, including general and administrative expenses and selling and distribution expenses are recognized in income statement in accordance with the accrual basis in the financial period when incurred.

36-17-1 Operating lease payments

Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

36-17-2 Net financing income / (costs)

Financing costs comprise interest payable on borrowings, impairment losses recognized on financial assets, change in the fair value of financial assets at fair value through profit and loss and foreign exchange losses.
Financing 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 at fair value through profit and loss and foreign exchange gains.

36-18 *Employees benefits*

The company contributes inside Egypt in Social Insurance under the Social Insurance Authority for the benefit of its personnel in pursuance to 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 (Note no. 28).

36-19 *Capital lease agreements*

The accrued lease payments, repair and maintenance expenses of leased assets under the capital leasing agreements are recognized according to the regulations of capital lease law no. 95 of 1995 as an expense in the income statement for the period according to the 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 at the amount of the purchase bargain option stated in the lease agreement and depreciated over the remaining estimated useful lives.

36-20 *Earnings per share*

The company presents basic 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 ordinary shareholders after excluding the share of each of the employees and the Board of Directors in profits on the Company by the weighted average number of ordinary shares outstanding during the year.

36-21 *Reserves*

Legal Reserve: According to the company's Article 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, however, if the reserve falls below the defined level, then the company is required to resume setting aside 5% of the net profit.
Other reserves: The General Assembly may form other reserves based on the Board of Directors' recommendation.

36-22 *Income tax*

Income tax on the profit or loss for the year comprises of current and deferred tax. Income tax is recognized in the income statement except to the extent that 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 balance sheet date, and any adjustment to tax payable in respect of 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 method expected to measure the values of assets and liabilities using tax rates enacted at the balance sheet date.
A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.
Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

36-23 *Financial risk management*

The company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the company's exposure to each of the above risks, the company objectives, policies and processes for measuring and managing risks, and the company management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the company risk management framework.

The company risk management policies are established to identify and analyze the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities. The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

36-23-1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss.

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

Trade receivable and other debtors

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

Most of company's revenue is represented in sales transaction with many customers with close values for each customer, hence, there is no concentration of credit risk on specific customers.

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 company conducts transactions and deposits funds with financial institutions with high investment grade.

36-23-2 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company'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 stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

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

36-23-3 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 company'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 company is exposed to currency risk on transactions that are denominated in a currency other than the respective functional currencies of the company, primarily the U.S. Dollars (USD) and Euro. In respect of monetary assets and liabilities denominated in foreign currencies, the company ensures that its net exposure is kept to an acceptable level through purchase or sale of the foreign currencies with current prices when that is necessary to face un-balanced short term.

Interest rate risk

The Company 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 company to cash flow interest rate risk. Borrowings issued at fixed rates expose the company to fair value interest rate risk.

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 company'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 company, the company'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 company's investment strategy is to maximize investment returns and the Company consults external advisors in this regard.

36-23-4 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 future development of the business. The Board of Directors monitors the return on capital, which the company 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 company's approach to capital management during the year. The company is not subject to externally imposed capital requirements.

36-24 Segment reporting

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

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

37. New issues and amendments issued to the Egyptian Accounting Standards (EAS) and effective on 1/1/2016.

During the year 2015, a modified version of the Egyptian Accounting Standards (EAS) was issued including some of the new accounting standards and the amendments to some existing standards provided that they shall come into force for the financial periods that start after January 1, 2016, while taking into consideration that the adoption of these standards is not permissible.

*In the following table, we shall review the most importanat amendments that may have an impact on the separate financial statements of the company.

New or Amended Standards	Summary of the Most Significant Amendments	Impact on the Financial Statements
EAS (1) **Presentation of Financial Statements**	*Financial Position Statement* • The Standard does not require to present the working capital presentation. The reference financial statements that was included in 2006 Standards was excluded; which presented the working capital presentation. • A statement shall be added to the statement of financial position including balances of the beginning of the first presented comparative period in case of retrospective implementation or change in an accounting policy or reclassification carried out by the entity.	All the presented financial statements have been re-presenting, disclosures and their accompanying notes including the comparative figures to be in conformity with the amendments to the Standard.
	Income Statement (Profit or Loss)/Statement of Comprehensive Income The entity shall disclose all recognized income and expense captions during the financial period in two separate statements; one of them presents the profit or loss components (Income Statement) and the other one starts with the profit or loss and presents the other comprehensive income items (Statement of Comprehensive Income).	Added a new statement, Statement of Comprehensive Income, for the current and comparative period was added.
EAS (10) **Property, Plant and Equipment *(PPE)***	• The option of using the revaluation model in the subsequent measurement of PPE has been canceled.	The amendment is not applicable retroactively, the book value and accumulated depreciation on the date of application of the amended standard is to be used.
	• The financial shall disclose a reconciliation of the carrying amount – movement of the PPE and its depreciations- in the notes accompanying the financial statements at the beginning and the end of the current period and the comparable period.	The comparative figures related to the PPE in the notes accompanying the financial statements have been represented to be in conformity with the required amendments on the standard.

New or Amended Standards	Summary of the Most Significant Amendments	Impact on the Financial Statements
EAS (14) **Borrowing Costs**	• Elimination of the previous benchmark treatment that recognized the borrowing cost directly attributable to the acquisition, construction or production of a qualifying asset in the Income Statement without being capitalized on the asset.	The Standard was applied to the borrowing costs attributable to the qualifying assets, where the start date of capitalization falls within or after 1/1/2016.
EAS (23) **Intangible Assets**	The option of using the revaluation model in the subsequent measurement of intangible assets has been canceled.	The amendment is not applicable retroactively, the book value and accumulated amortization on the date of application of the amended standard is to be used
Egyptian Standard No. (45) **Fair Value Measurement**	• The new Egyptian Accounting Standard No. (45) *"Fair Value Measurement"* was issued and shall be applied when another Standard requires or allows measurement or disclosure to be made at fair value. This Standard aims the following: (a) Defining the fair value (b) Laying down a framework to measure the fair value in one Standard and (c) Identifying the disclosure required for the fair value measurements.	Proactive application of the standard was carried out on the preparation of the financial statements starting from year 2016 including the disclosures required by the standard.
EAS (40) **Financial Instruments: Disclosures**	• A new Egyptian Accounting Standard No.(40) *"Financial Instruments: Disclosures"* was issued including all the disclosures required for the financial instruments. • Accordingly, EAS (25) was amended by separating the disclosures from it. The name of the Standard became *"Financial Instruments: Presentation"* instead of "Financial Instruments: Presentation and Disclosure"	Retroactive amendment to all the comparative figures of the presented disclosures were carried out.