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Translation from Arabic

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Consolidated Financial Statements
For the Financial Year Ended December 31, 2017
& Auditor's Report

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For the Financial Year Ended December 31, 2017
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Index

Hazem Hassan
Public Accountants & Consultants

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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 at December 31, 2017 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 Company's management. Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 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 control 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 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 consolidated financial statements.

KPMG

Hazem Hassan

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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.

Opinion

In our opinion, 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, 2017, 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

KPMG Hazem Hassan
Public Accountants & Consultants

Cairo, March 4, 2018

KPMG Hazem Hassan
Public Accountants and Consultants
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Telecom Egypt Company

(An Egyptian Joint Stock Company)

Consolidated Statement of Financial Position As of:

	Note No.	31/12/2017 L.E. (000)	31/12/2016 Reclassified L.E. (000)	1/1/2016 Reclassified L.E. (000)
Assets				
Non current Assets				
Fixed assets	(13)	17 495 627	14 238 001	11 690 937
Projects in progress	(14)	3 767 650	7 418 288	2 077 482
Investments in associates	(15-1)	11 746 262	9 452 591	10 462 026
Available-for-sale investments	(15-2)	77 568	81 273	98 639
Other assets	(17)	10 341 724	1 391 327	1 081 442
Deferred tax assets	(28-1)	396 877	418 502	350 763
Total non current Assets		**43 825 708**	**32 999 982**	**25 761 289**
Current Assets				
Inventories	(18)	1 183 773	662 097	556 880
Trade and notes receivables	(19)	4 017 658	4 738 671	4 611 579
Debtors and other debit balances	(20)	2 718 563	1 906 841	1 412 071
Held-to-maturity investments-treasury bills		113 320	144 428	173 338
Cash and cash equivalents	(21)	524 209	1 035 999	2 413 451
Total Current Assets		**8 557 523**	**8 488 036**	**9 167 319**
Total Assets		**52 383 231**	**41 488 018**	**34 928 608**
Equity				
Capital	(26)	17 070 716	17 070 716	17 070 716
Reserves	(27)	4 641 301	4 446 323	6 380 134
Retained earnings		8 674 562	8 056 342	5 508 940
Foreign entites translation reserve		189 443	161 357	4 310
Total Equity attributable to the owners of the holding company		**30 576 022**	**29 734 738**	**28 964 100**
Non - controlling interest		**12 135**	**10 696**	**10 330**
Total Equity		**30 588 157**	**29 745 434**	**28 974 430**
Non current Liabilities				
Loans and credit facilities	(22)	614 472	626 235	326 914
Creditors and other credit balances	(23)	1 310 082	114 226	182
Deferred tax liabilities	(28-1)	755 618	638 295	357 630
Total non current Liabilities		**2 680 172**	**1 378 756**	**684 726**
Current Liabilities				
Loans and facilities installments due within one year	(22)	6 678 793	2 715 554	62 476
Creditors and other credit balances	(23)	10 606 261	6 546 163	4 189 290
Provisions	(24)	1 829 848	1 102 111	1 017 686
Total Current Liabilities		**19 114 902**	**10 363 828**	**5 269 452**
Total liabilities		**21 795 074**	**11 742 584**	**5 954 178**
Total equity and liabilities		**52 383 231**	**41 488 018**	**34 928 608**

The attached notes on pages (8) to (42) 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**
Wael Hanafy	Shaher Shokry	M.Shamroukh	
" Wael Hanafy "	" Shaher Shokry "	" Mohamed Shamroukh "	"Ahmed El Beheiry"

Board of Directors approval

Chairman

M.O

" Maged Osman "

Auditor's Report "attached"

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

	Note No.	For the finacial year ended: 31/12/2017 L.E.(000)	31/12/2016 Reclassified L.E.(000)
Operating revenues	(3)	18 567 282	13 950 018
Operating costs	(4)	(11 214 755)	(7 919 651)
Gross Profit		**7 352 527**	**6 030 367**
Other income	(5)	308 493	353 136
Selling and distribution expenses	(6)	(1 627 203)	(1 201 002)
General and administrative expenses	(7)	(2 547 729)	(2 562 925)
Other expenses	(8)	(1 364 151)	(628 330)
Operating profit		**2 121 937**	**1 991 246**
Finance income	(9)	113 223	1 043 417
Finance cost	(9)	(759 241)	(350 180)
Finance (cost) / income		**(646 018)**	**693 237**
Share of profit of equity accounted investees	(10)	**2 337 269**	**668 390**
Profit before tax		**3 813 188**	**3 352 873**
Income tax		(520 204)	(467 350)
Deferred tax	(28-1)	(138 948)	(212 926)
Total income tax		**(659 152)**	**(680 276)**
Net profit for the year		**3 154 036**	**2 672 597**
Profit attributable to :			
Owners of the holding company		3 150 398	2 670 277
Non-controlling interest		3 638	2 320
Net profit for the year		**3 154 036**	**2 672 597**
Basic and diluted earnings per share (LE \ Share)	(12)	**1.43**	**1.20**

The attached notes on pages (8) to (42) are an integral part of these consolidated financial statements.

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Telecom Egypt Company

(An Egyptian Joint Stock Company)

Consolidated Statement of Comprehensive Income

	For the financial year ended:	
	31/12/2017	31/12/2016 Reclassified
	L.E.(000)	L.E.(000)
Net profit for the year	**3 154 036**	**2 672 597**
Other Comprehensive Income items :		
Translation differences of foreign entities	28 086	157 047
Total Comprehensive Income	**3 182 122**	**2 829 644**
Attributable to :		
Owners of the company	3 178 484	2 827 324
Non-controlling interest	3 638	2 320
Total Comprehensive Income	**3 182 122**	**2 829 644**

The attached notes on pages (8) to (42) are an integral part of these Consolidated Financial Statements.

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Consolidated Statement of Changes in Equity
For The Financial year Ended December 31, 2017

	Capital	Legal reserve	Other reserves	Retained earnings	Foreign entities translation reserve	Total of equity attributable to owners of the company	Non-controlling interest	Total
	L.E(000)	L.E(000)	L.E(000)	L.E(000)	L.E(000)	L.E(000)	L.E(000)	L.E(000)
Balance as of January 1,2016	17 070 716	1 583 556	4 796 578	5 508 940	4 310	28 964 100	10 330	28 974 430
Comprehensive Income								
Net profit for the year	-	-	-	2 670 277	-	2 670 277	2 320	2 672 597
Translation differences of foreign entities	-	-	-	-	157 047	157 047	-	157 047
Total Comprehensive Income	-	-	-	2 670 277	157 047	2 827 324	2 320	2 829 644
Transactions with shareholders of the company :								
Transferred to retained earnings from general reserve	-	-	(2 000 000)	2 000 000	-	-	-	-
Transferred to legal reserve	-	66 189	-	(66 189)	-	-	-	-
Dividends for year 2015 (shareholders)	-	-	-	(1 280 304)	-	(1 280 304)	(1 702)	(1 282 006)
Dividends for year 2015 (Employees & Board of Directors)	-	-	-	(608 735)	-	(608 735)	(245)	(608 980)
Dividends in associates (Employees & Board of Directors)	-	-	-	(167 647)	-	(167 647)	-	(167 647)
acquisition of non-controlling interest Subsidiaries	-	-	-	-	-	-	(7)	(7)
Total transactions with shareholders of the company	-	66 189	(2 000 000)	(122 875)	-	(2 056 686)	(1 954)	(2 058 640)
Balance as of December 31,2016	17 070 716	1 649 745	2 796 578	8 056 342	161 357	29 734 738	10 696	29 745 434
Balance as of January 1,2017	17 070 716	1 649 745	2 796 578	8 056 342	161 357	29 734 738	10 696	29 745 434
Comprehensive Income								
Net profit for the year	-	-	-	3 150 398	-	3 150 398	3 638	3 154 036
Translation differences of foreign entities	-	-	-	-	28 086	28 086	-	28 086
Total Comprehensive Income	-	-	-	3 150 398	28 086	3 178 484	3 638	3 182 122
Transactions with shareholders of the company :								
Transferred to legal reserve	-	194 978	-	(194 978)	-	-	-	-
Dividends for year 2016 (shareholders)	-	-	-	(1 707 071)	-	(1 707 071)	(1 921)	(1 708 992)
Dividends for year 2016 (Employees & Board of Directors)	-	-	-	(613 499)	-	(613 499)	(278)	(613 777)
Dividends of Subsidiaries (Employees & Board of Directors)	-	-	-	(16 630)	-	(16 630)	-	(16 630)
Total transactions with shareholders of the company	-	194 978	-	(2 532 178)	-	(2 337 200)	(2 199)	(2 339 399)
Balance as of December 31, 2017	17 070 716	1 844 723	2 796 578	8 674 562	189 443	30 576 022	12 135	30 588 157

The attached notes on page from (8) to (42) are an integral part of these Consolidated Financial Statements.

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

	Note No.	For the Financial year ended: 31/12/2017 L.E. (000)	31/12/2016 Reclassified L.E. (000)
Cash flows from operating activities			
Cash receipts from customers		15 262 881	12 204 029
Value added tax collected from customers		370 112	269 287
Stamp tax and fees collected (from third party)		29 436	30 763
Deposits returned to customers		257	5 767
Cash paid to suppliers		(2 589 706)	(1 495 290)
Payments of NTRA license fees		(439 000)	(314 301)
Dividends paid to employees and bord of directors		(641 148)	(601 901)
Cash paid to employees and bord of directors		(3 555 207)	(3 466 784)
Cash paid on behalf of employees to third party		(682 678)	(726 043)
Cash provided by operating activities		**7 754 947**	**5 905 527**
Interest paid		(325 226)	(8 007)
Payments to Tax Authority - income tax		(274 981)	(318 920)
Payments to Tax Authority - value added tax		(1 859 081)	(825 561)
Payments to Tax Authority - other taxes		(676 764)	(501 651)
Other proceeds		30 562	86 723
Net cash provided by operating activities		**4 649 457**	**4 338 111**
Cash flows from investing activities			
Payments for purchase of fixed assets, projects in progress and other assets		(6 088 007)	(3 311 721)
Payments for purchase of other assets - Fourth generation network license		(1 419 828)	(5 293 798)
Proceeds form sales of fixed assets and other assets		149	846
Payments for acquisition of investements		-	(7)
Payments for purchase of held-to-maturity investment - treasurty bills		(222 174)	(363 906)
Interest received		55 014	48 160
Dividends collected from investments		37 753	1 437 968
Proceeds from sale available for sale investment		-	11 183
Proceeds from retrieval of held-to-maturity investment - treasurty bills		261 861	395 075
Proceeds from securities (treasury bills - mutual fund)		15 611	70 737
Net cash used in investing activities		**(7 359 621)**	**(7 005 463)**
Cash flows from financing activities			
Payment for loans and other facilities		(133 969)	(69 202)
Proceeds form loans and other facilities		4 033 067	2 581 548
Dividends paid to shareholders		(1 708 896)	(1 281 920)
Net cash provided by financing activities		**2 190 202**	**1 230 426**
Net change in cash and cash equivalents during the year		**(519 962)**	**(1 436 926)**
Translation differences of foreign entities		2 022	57 792
Cash and cash equivalents at the beginning of the year	(21)	1 024 876	2 404 010
Cash and cash equivalents at the end of the year	(21)	**506 936**	**1 024 876**

The attached notes on pages (8) to (42) are an integral part of these consolidated financial statements.

Telecom Egypt Company
(An Egyptian Joint Stock Company)

Notes to the Consolidated Financial Statements
For the Financial Year Ended December 31, 2017

1. BACKGROUND

1-1 Legal Entity

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

1-2 Purpose of the company

The main purpose of the company represents in the following:

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

1-3 Issuance of consolidated financial statements

These consolidated financial statements were approved by the Board of Directors for issuance on March 4, 2018.

2. BASIS OF PREPERATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2-1 Statement of compliance

These consolidated financial statements as of December 31, 2017, have been prepared in accordance with Egyptian Accounting Standards and in the light of applicable Egyptian laws and regulations.

2-2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost basis, except for certain financial investments which are evaluated at fair value in according to the Egyptian Accounting Standards.

For presentation purposes, the current and non-current classification has 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 management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other various factors that are believed to be reasonable under the circumstances, the results of these assumption represent the judgmental basis for the value of assets and liabilities that may not apparently available from other sources. The actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on going 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.
- 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 consolidated financial statements without deducting any estimated future selling costs. The financial assets values are determined with the current purchase prices; however, the financial liabilities values are determined with the current prices that could settle these liabilities.

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

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

2-6 Segment reporting

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

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

3. OPERATING REVENUES

	For the financial year ended: 31/12/2017	31/12/2016 Reclassified
	L.E. (000)	L.E. (000)
Home and personal communications*	5 662 272	4 227 537
Enterprise*	2 791 244	2 388 528
Domestic wholesale*	3 303 833	3 004 453
International carriers	4 868 176	3 203 377
International cables and networks	1 941 757	1 126 123
	18 567 282	**13 950 018**

*Reclassification was made to the comparative figures as shown in note no. (37-2).

4. OPERATING COSTS

	Note No.	For the financial year ended: 31/12/2017	31/12/2016 Reclassified
		L.E. (000)	L.E. (000)
Interconection cost		4 152 402	2 587 412
Fuel		446 679	326 232
Spare parts		84 130	55 210
Maintenance		311 484	234 958
Leased circuits & satellite subscriptions		245 893	188 772
Depreciation of fixed assets	(13)	1 665 541	1 378 126
Amortization of other assets	(17)	263 638	76 852
Other operating costs*	(4-1)	4 044 988	3 072 089
		11 214 755	**7 919 651**

*Reclassification was made to the comparative figures as shown in note no. (37-2).

4-1 OTHER OPERATING COSTS

	For the financial year ended: 31/12/2017 L.E. (000)	31/12/2016 Reclassified L.E. (000)
Salaries and wages*	1 793 875	1 478 076
Company's social insurance contribution*	194 181	166 351
Employees vacations allownace	7 411	4 066
Electricity and water	61 752	51 571
Other supplies	31 501	30 610
Transportation cost	90 099	75 981
Company's call costs	54 065	63 026
Cost of merchandise available for sale	459 469	178 941
Right of use (IRU) outside Egypt	144 990	196 036
Rent	37 261	18 478
Frequencies and license charges (NTRA)	686 139	472 995
organizations services cost	247 617	115 707
Others*	236 628	220 251
	4 044 988	**3 072 089**

*Reclassification was made to the comparative figures as shown in note no. (37-2).

5. OTHER INCOME

	For the financial year ended 31/12/2017 L.E. (000)	31/12/2016 L.E. (000)
Deferred revenues (year 2016)	-	2 438
Fines and earned delay interest on company's receivables	86 941	73 980
Sundry revenues	221 552	276 718
	308 493	**353 136**

6. SELLING AND DISTRIBUTION EXPENSES

		For the financial year ended: 31/12/2017 L.E. (000)	31/12/2016 Reclassified L.E. (000)
Salaries & wages*		986 121	800 683
Company's social insurance contribution*		100 217	90 143
Employees vacations allowance		5 259	2 885
Depreciation of fixed assets	(13)	2 793	7 038
Amortization of other assets	(17)	35	43
Discount allowed*		220	-
Advertising and marketing		200 968	118 135
Tax and duties		26 074	13 963
Organizations services cost		62 035	50 605
Sales and collection commissions		126 456	34 213
Rent		21 644	19 062
Others		95 381	64 232
		1 627 203	**1 201 002**

*Reclassification was made to the comparative figures as shown in note no. (37-2).

7. GENERAL AND ADMINISTRATIVE EXPENSES

	Note No.	For the financial year ended: 31/12/2017 L.E. (000)	31/12/2016 Reclassified L.E. (000)
Salaries and wages*		1 582 640	1 373 793
Company's social insurance contributions*		119 500	108 679
Early retirement program	(11-1)	904	42 675
The company's contribution in loyalty and belonging fund	(11-2)	260 000	555 749
Employees vacations allowance		11 236	6 164
Depreciation of fixed assets	(13)	74 524	72 783
Amortization of other assets	(17)	73	43
Organizations services and consulting cost		207 818	95 692
Bad debts		6 951	14 509
Tax and duties*		99 399	136 945
Bank charges		12 713	7 089
Others		171 971	148 804
		2 547 729	2 562 925

*Reclassification was made to the comparative figures as shown in note no. (37-2).

8. OTHER OPERATING EXPENSES

	Note No.	For the financial year ended: 31/12/2017 L.E. (000)	31/12/2016 L.E. (000)
Provisions	(24)	1 214 627	502 194
Capital losses		52 861	86 257
Donations		62 302	19 899
Other expenses		34 361	19 980
		1 364 151	628 330

9. NET FINANCE (COST) / INCOME

	Note No.	For the financial year ended: 31/12/2017 LE (000)	31/12/2016 LE (000)
Finance income			
Interest income		35 036	36 934
Translation gain of foreign currencies balances and transactions		-	888 451
Treasury bills income		31 484	91 529
Income from money market funds		19 153	14 017
Divdends from available for sale investment		27 550	8 717
Gain on sale of available for sale investments		-	3 769
Total finance income		**113 223**	**1 043 417**
Finance costs			
Interest expense		(330 699)	(8 961)
Impairment loss on financial assets	(25)	(41 293)	(312 568)
Finance costs of credit contracts		(247 017)	(18 785)
Impairment loss on available-for-sale investments	(25)	(3 705)	(9 866)
Translation loss of foreign currencies balances and transactions		(136 527)	-
Total finance cost		**(759 241)**	**(350 180)**
Net finance (cost) / income		**(646 018)**	**693 237**

10. SHARE OF PROFIT OF EQUITY ACCOUNTED INVESTEE

	For the financial year ended: 31/12/2017 L.E. (000)	31/12/2016 L.E. (000)
Vodafone Egypt Telecommunication company	2 337 629	668 710
Egypt Trust	(360)	(320)
	2 337 269	668 390

11. EMPLOYEES' BENEFITS

11-1 Early retirement scheme (Telecom Egypt Company)

The Company had an early retirement scheme where 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 904 K till 2017 (against LE 42 675 K for the same period as of the year 2016) 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, 2012 increasing annually at a compound rate of 5%. The subscription for employees hired after January 1, 2012, is calculated according to a subscription schedule for new hires (starting of hiring date 1/1/2012) and increasing at a compound rate of 5% starting from the next year from the hiring date with the same conditions of annual raise of employees.

The employees share in loyalty & belonging fund according to constant subscription are based on the same employees' basic salary where the end of service benefit calculated. The contribution in loyalty and belonging fund for the year ended December 31, 2017 amounted to L.E 260 000 K (against L.E. 555 749 K for the year 2016). The Company's contribution is included in general and administrative expenses as shown in note no (7).

12. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted EPS in determined as follow :-

	For the financial year ended:	
	31/12/2017	**31/12/2016**
The holding company owner's equity :-		
Net profit for the year (L.E.(000))	3 150 398	2 670 277
Less:		
Employees' share in dividends (L.E.(000))*	697 151	607 951
Board of Directors share (L.E.(000))*	7 004	5 548
Net profit for the year available for distribution (L.E.(000))	**2 446 243**	**2 056 778**
Number of the available shares during the year (share)	1 707 071 600	1 707 071 600
Basic and diluted earnings per share for the year (LE/ share)	**1.43**	**1.20**

* According to Board of Directors proposal to be presented in The Company and its Subsidiaries General Assembly for approval.

13- **FIXED ASSETS**

	Land	Buildings & Infrastructure	Technical equipment &information technologies	Vehicles	Furniture	Tools & supplies	Decoration & 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 at 1/1/2016 (Reclassified)	2 374 023	21 323 899	21 682 913	130 011	510 217	49 661	116 807	315	46 187 846
Additions during the year	555	2 176 481	1 808 336	23 275	7 473	52 121	3 061	-	4 071 302
Disposals during the year	(3 006)	(781 230)	(697 347)	(7 728)	(1 461)	(10 118)	(1 152)	-	(1 502 042)
Translation differences of foreign entities	-	-	59 338	-	-	4 515	858	-	64 711
Cost as at 31/12/2016 (Reclassified)	**2 371 572**	**22 719 150**	**22 853 240**	**145 558**	**516 229**	**96 179**	**119 574**	**315**	**48 821 817**
Adjustments on beginning balance	(532)	20 875	-	-	-	-	-	-	20 343
Additions during the year	77	2 487 312	2 465 611	2 480	109 329	36 864	4 108	-	5 105 781
Disposals during the year	-	(313 065)	(49 399)	(5 317)	(4 696)	(1 555)	-	-	(374 032)
Translation differences of foreign entities	-	-	8 553	190	11 429	-	3 353	-	23 525
Cost as at 31/12/2017	**2 371 117**	**24 914 272**	**25 278 005**	**142 911**	**632 291**	**131 488**	**127 035**	**315**	**53 597 434**
Accumulated depreciation as at 1/1/2016 (Reclassified)	-	14 231 388	19 641 007	110 548	387 187	37 618	88 846	315	34 496 909
Depreciation for the year	-	628 079	770 464	4 791	5 395	37 443	11 775	-	1 457 947
Accumulated depreciation for disposals	-	(687 825)	(684 102)	(7 457)	(1 461)	(9 810)	(851)	-	(1 391 506)
Translation differences of foreign entities	-	-	18 373	-	-	1 821	272	-	20 466
Accumulated depreciation as at 31/12/2016 (Reclassified)	-	**14 171 642**	**19 745 742**	**107 882**	**391 121**	**67 072**	**100 042**	**315**	**34 583 816**
Adjustments on beginning balance	-	5 733	-	-	-	-	-	-	5 733
Depreciation for the year	-	791 781	874 261	4 821	53 771	7 617	10 607	-	1 742 858
Accumulated depreciation for disposals	-	(181 415)	(46 609)	(5 231)	(4 582)	(1 554)	-	-	(239 391)
Translation differences of foreign entities	-	-	2 851	186	3 864	-	1 890	-	8 791
Accumulated depreciation as at 31/12/2017	-	**14 787 741**	**20 576 245**	**107 658**	**444 174**	**73 135**	**112 539**	**315**	**36 101 807**
Net carrying amounts as at 31/12/2017	**2 371 117**	**10 126 531**	**4 701 760**	**35 253**	**188 117**	**58 353**	**14 496**	-	**17 495 627**
Net carrying amounts as at 31/12/2016 (Reclassified)	**2 371 572**	**8 547 508**	**3 107 498**	**37 676**	**125 108**	**29 107**	**19 532**	-	**14 238 001**

- Cost of fixed assets includes an amount of L.E. 23 616 Million fully depreciated assets and still in use.
- Reclassification was made to comparative figures as shown in Note no (37-1)

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

	Note No.	For the financial year ended 31/12/2017	31/12/2016
		L.E. (000)	L.E. (000)
Operating costs	(4)	1 665 541	1 378 126
Selling and Distribution expenses	(6)	2 793	7 038
General and administrative expenses	(7)	74 524	72 783
		1 742 858	**1 457 947**

14. PROJECTS IN PROGRESS

	Note No.	31/12/2017 L.E. (000)	31/12/2016 L.E. (000)
Land		16 503	15 576
Buildings and Infrastructure		494 046	536 324
Centrals and information technologies equipment		2 545 993	895 722
Tools and supplies		2 532	-
Furniture		-	250
Other Assets (cables)		29 767	407 681
Advance payments - (fourth geneation network license 4G)		-	5 293 798
Advance payments - fixed assets		699 300	289 428
		3 788 141	**7 438 779**
Less:			
Impairment loss on projects in progress	(25)	20 491	20 491
		3 767 650	**7 418 288**

15. LONG TERM INVESTMENTS

15-1 Investments in associates

	Note no.	31/12/2017 Ownership %	31/12/2017 LE (000)	31/12/2016 Ownership %	31/12/2016 LE (000)
- Vodafone Egypt Telecommunication company *		44.95	11 746 173	44.95	9 452 142
- Wataneya for Telecommunication **		50.00	125	50.00	125
- International Telecommunication Consortium Limited (ITCL) **		50.00	54	50.00	54
- Egypt Trust**		35.71	7 500	35.71	7 500
- Consortium Algerian de Telecommunications (CAT) **		33.00	133	33.00	133
			11 753 985		9 459 954
Add:					
Payments for investments purchase					
- Egypt Trust***		35.71	89		449
Less					
- Impairment loss on investments in associates	(25)		7 812		7 812
			11 746 262		**9 452 591**

* The investments in Vodafone Egypt on December 31, 2017 represents the ownership of 107 869 799 shares with a percentage of 44.95% from the total shares of Vodafone Egypt.

The financial year of Vodafone Egypt ends on March 31, the equity method was applied in recognizing the investment in Vodafone Egypt when preparing the Consolidated Financial Statements as of December 31, 2017 by using the Consolidated

Financial Statements of Vodafone Egypt for the financial year ended March 31, 2017 that were authorized by the Company's management which presents the 12 months from the 1st of April 2016 till March 31, 2017, less the movements for the period from the 1st of April 2016 till December 31, 2016 extracted from the Financial Statements for Vodafone Egypt as of December 31, 2016. plus, the movements for the period from the 1st of April 2017 till December 31, 2017 extracted from the Financial Statements for Vodafone Egypt as of December 31, 2017, to determine the share of financial period from January 1 to December 31, 2017 of business results.

** The impairment loss on investments for Egypt Trust, Wataneya for Telecommunication, Consortium Algerian Telecommunications (CAT) and International Telecommunication Consortium Limited (ITCL) due to the realized losses by these investee companies which exceeded this investments amount, as the Extra Ordinary General Assembly meeting of Consortium Algeria Telecommunication held on July 1, 2009 approved the dissolution and liquidation of CAT.

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

15-2 *Available-for-sale investments*

	Note No.	31/12/2017 LE (000)	31/12/2016 LE (000)
- Participations in foreign satellite companies and organizations*		26 683	26 683
- Investments in other companies		87 205	87 205
		113 888	113 888
Less:			
Impairment loss on available-for-sale investments	(25)	36 320	32 615
		77 568	**81 273**

* 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 based on 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 December 31, 2017 amounted to L.E. 453 902 K 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 mentioned company suffers from financial difficulties and sustains material losses. The Extra-Ordinary General Assembly of CAT held on July 1, 2009 approved the dissolution and liquidation of CAT, accordingly, impairment has been made for the full balance (Note no 25). in the light of these circumstances, since there is high probability that Telecom Egypt will not be able to collect the finance given to Consortium Algerian de Telecommunication Company.

17- OTHER ASSETS

	Fourth generation Network license *	Submarine cables	International circuits (ROU)	Licenses Internet services	Licenses and programs	land (Possession)	land (Usufruct)	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)
Cost as at January 1, 2016 (Reclassified)	-	948 237	148 065	21 583	-	440 683	1	1 558 569
Additions during the year	-	426 747	-	-	56 382	-	-	483 129
Disposals during the year	-	(143 848)	-	-	-	-	-	(143 848)
Translation differences of foreign entities	-	-	4 500	1 550	-	-	-	6 050
Cost at December 31, 2016 (Reclassified)	**-**	**1 231 136**	**152 565**	**23 133**	**56 382**	**440 683**	**1**	**1 903 900**
Adjustment on beginning balance	-	29 130	-	-	-	-	-	29 130
Additions during the year	8 633 330	585 185	-	-	-	-	-	9 218 515
Disposals during the year	-	(23 261)	-	-	-	-	-	(23 261)
Translation differences of foreign entities	-	-	438	150	-	-	-	588
Cost at December 31, 2017	**8 633 330**	**1 822 190**	**153 003**	**23 283**	**56 382**	**440 683**	**1**	**11 128 872**
Accumulated amortization as at January 1, 2016 (Reclassified)	-	337 286	118 940	20 901	-	-	-	477 127
Amortization for the year	-	52 159	5 878	106	18 795	-	-	76 938
Accumulated amortization for disposals	-	(43 942)	-	-	-	-	-	(43 942)
Translation differences of foreign entities	-	-	1 795	655	-	-	-	2 450
Accumulated amortization as at December 31, 2016 (Raeclassified)	**-**	**345 503**	**126 613**	**21 662**	**18 795**	**-**	**-**	**512 573**
Adjustment on beginning balance	-	11 894	-	-	-	-	-	11 894
Amortization for the year	131 301	106 774	6 695	181	18 795	-	-	263 746
Accumulated amortization for disposals	-	(1 402)	-	-	-	-	-	(1 402)
Translation differences of foreign entities	-	-	265	72	-	-	-	337
Accumulated amortization as at December 31, 2017	**131 301**	**462 769**	**133 573**	**21 915**	**37 590**	**-**	**-**	**787 148**
Net carrying amounts as at December 31, 2017	**8 502 029**	**1 359 421**	**19 430**	**1 368**	**18 792**	**440 683**	**1**	**10 341 724**
Net carrying amounts as at December 31, 2016 (Raeclassified)	**-**	**885 633**	**25 952**	**1 471**	**37 587**	**440 683**	**1**	**1 391 327**

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

	Note No.	For the financial year ended 31/12/2017 L.E. (000)	31/12/2016 L.E. (000)
Operating costs	(4)	263 638	76 852
Selling and Distribution expenses	(6)	35	43
General and administrative expenses	(7)	73	43
		263 746	76 938

- Accumulated amortization and impairment at December 31, 2017 include an amount of L.E. 79 825 K is represented in impairment of right of use of international circuits (ROU) and internet service license by one of subsidiary - Note no (25)
- Other assets costs included L.E 100 Million other assets fully amortized and still in used.
- Reclassification was made to comparative figures as shown in Note no (37-1)

*This item is represented in the acquisition cost of Fourth generation network license,TE obtained license to provide 4G services 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 of 15 years from the signature date of license, in addition to the right of renew the license for another five years against specified amount.
2. The total value of the license is equivalent to EGP 10 545 Million includes the amount of license renewal for another five years, of which equivalent to EGP 5 200 Million was 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 in addition to the right of renew the license for another five years against EGP 2000 Million as maximum.
5. Specified annual fixed fees in license in addition to percentage of annual revenue which is specified in the license.
6. The amount of the license includes EGP 577 912 K which is represented in the finance cost of credit facilities which granted to the company to finance part of the license.
7. The services related to fourth generation license were provided for customers starting from September 18, 2017.

18. INVENTORIES

	31/12/2017 L.E. (000)	31/12/2016 L.E. (000)
Spare parts	636 816	445 918
Material supplies	977	978
Computers and Pc's components	1 324	7 652
Merchandise for sale-telecommunication equipment and computers	159 309	42 196
Others – cables and supplies	263 973	76 737
	1 062 399	573 481
Add:		
Letters of credit	121 374	88 616
	1 183 773	**662 097**

Inventory's value was written down by L.E. 18 229 K (against L.E. 25 466 K at December 31, 2016) Note no (25) for obsolete and slow moving items deducted directly from the cost of each type of inventory.

19. TRADE AND NOTES RECEIVABLES

	Note No.	31/12/2017 L.E. (000)	31/12/2016 Reclassified L.E. (000)
Trade Receivables - National		3 468 001	4 131 189
Trade Receivables - International*		2 615 058	3 260 775
		6 083 059	7 391 964
Less:			
Impairment loss on trade receivables*	(25)	2 065 960	2 653 293
		4 017 099	4 738 671
Add:			
Notes Receivables		559	-
		4 017 658	**4 738 671**

* Reclassification was made to comparative figures as shown in Note no (37-1)

20. DEBTORS AND OTHER DEBIT BALANCES

	Note No.	31/12/2017 L.E. (000)	31/12/2016 Reclassified L.E. (000)
Suppliers – debit balances		261 017	130 382
Deposits with others		202 168	171 758
Customs Authority - deposits		2 740	3 043
Accrued revenues		31 200	42 885
Tax Authority – withholding tax		224 073	160 319
Tax Authority – value added tax		550 521	208 760
Due from organizations, companies and franchises*		498 266	360 783
Due from Ministries		104 212	154 195
Temporary debts due from employees		346 525	288 956
Due from banks		5 718	3 661
Payments on the account of income tax		84 842	27 796
Other debit balances*		579 010	544 683
		2 890 292	2 097 221
Less:			
Impairment loss on debtors and other debit balances*	(25)	171 729	190 380
		2 718 563	**1 906 841**

* Reclassification was made to comparative figures as shown in Note no (37-1)

21. CASH AND CASH EQUIVALENTS

	Note No.	31/12/2017 LE(000)	31/12/2016 Reclassified LE(000)
Banks - time deposits (less than 3 months)*		126 948	726 619
Banks - current accounts*		255 023	135 947
Cash on hand*		11 908	13 861
Treasury bills (less than 3 months)		40 766	55 998
Money market funds (less than 3 months)		89 564	103 574
Cash and cash equivalents		**524 209**	**1 035 999**
Less:			
Restricted cash and cash equivalents	(30)	17 273	11 123
Cash and cash equivalents as per cash flows statement		**506 936**	**1 024 876**

* Reclassification was made to comparative figures as shown in Note no (37-1)

22. LOANS AND CREDIT FACILITIES

Description	Loan Currency	Long term loan installments due within one year L.E (000)	Long term loan installments due within more than one year L.E (000)	Balance as of 31/12/2017 L.E (000)	Balance as of 31/12/2016 L.E (000)	Annual interest rate %	Repayment schedule
Governmental Loans	U.S.$	20 332	-	20 332	109 699	4 %	Annual installments ending on 24/1/2018
Foreign loans	EURO	41 688	614 472	656 160	644 145	0.75 - 5.5%	Semi-annual installments ending on 30/6/2036
Total loans		62 020	614 472	676 492	753 844		
Bank facilities	LE	4 350 171	-	4 350 171	2 521 031	Variable interest rate	
Bank facilities	U.S.$	2 254 190	-	2 254 190	60 517	Variable interest rate	
Bank facilities	EURO	10 254	-	10 254	-	Variable interest rate	
Foreign suppliers' facilities	EURO	1 679	-	1 679	1 547	5.50%	
Subsidiary's local facility	LE	479	-	479	4 850	Corridor rate + 0.1%	
Total facilities		6 616 773	-	6 616 773	2 587 945		
Total loans & facilities		6 678 793	614 472	7 293 265	3 341 789		

23. CREDITORS AND OTHER CREDIT BALANCES

	31/12/2017	31/12/2016
		Reclassified
	L.E (000)	L.E (000)
Suppliers and notes payables	840 879	522 242
Tax Authority-Income Tax	510 944	384 819
Tax Authority (taxes other than income tax)*	511 689	223 159
Deposits from others	403 212	648 274
Assets creditors	6 536 942	2 495 289
Dividends creditors	3 333	3 043
Accrued expenses	909 695	482 954
Customers - credit balances	280 668	181 798
Credit balances - organizations and companies	308 947	829 019
Deferred revenues**	402 755	193 524
National Telecommunication Regulatory Authority (NTRA)	497 480	347 642
Social Insurance Authority	46 510	42 899
Accrued interest	11 823	6 608
Other credit balances	651 466	299 119
	11 916 343	6 660 389
Less balances due within more than one year:		
Other assets creditors - fourth generation network license	1 265 359	-
Deferred revenues	39 448	-
Credit balances - organizations and companies	5 275	114 226
	10 606 261	**6 546 163**

* Reclassification was made to comparative figures as shown in Note no (37-1)

**The deferred revenues amounting to L.E. 402 755 K which are represented in both rent of transmission systems for mobile companies by an amount of L.E 7 864 K (against nil at December 31, 2016) and deferred revenues for mobile services by an amount of L.E 27 214 K (against nil at December 31, 2016), revenues from operating services and maintenance cables by an amount of L.E 39 448 K (against nil at December 31, 2016) and revenues from internet and telecommunications services by an amount of L.E 328 229 K (against L.E 193 524 K at December 31, 2016).

24. PROVISIONS

	Balance as of 1/1/2017	Charged to income statement	Used during the year	Translation differences	Reclassification	Balance as of 31/12/2017
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Provision for liabilities, claims	1 102 111	1 214 627	(390 859)	6	(96 037)	1 829 848
	1 102 111	**1 214 627**	**(390 859)**	6	**(96 037)**	**1 829 848**

* 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 1/1/2017 Reclassified	Formed / (Reversal) during the year	Used during the year	Translation differences	Reclassification	Balance as of 31/12/2017
		LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)
Impairment loss on projects in progress	(14)	20 491	-	-	-	-	20 491
Impairment loss on investments in associates	(15-1)	7 812	-	-	-	-	7 812
Impairment loss on available-for-sale investment	(15-2)	32 615	3 705	-	-	-	36 320
Impairment loss on long-term debit balances	(16)	453 902	-	-	-	-	453 902
Impairment loss on other assets	(17)	79 825	-	-	-	-	79 825
Write-down of inventories	(18)	25 466	(6 776)	(504)	43	-	18 229
Impairment loss on trade receivables	(19)	2 653 293	60 230	(743 642)	96 037	42	2 065 960
Impairment loss on debtors and other debit balances	(20)	190 380	(18 937)	-	286	-	171 729
		3 463 784	**38 222**	**(744 146)**	**96 366**	**42**	**2 854 268**

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

	31/12/2017 L.E. (000)	31/12/2016 L.E. (000)
Legal reserve	1 844 723	1 649 745
General reserve*	2 771 654	2 771 654
Revaluation reserve available-for-sale investments	6 814	6 814
Capital reserve	18 110	18 110
	4 641 301	4 446 323

* General reserve amounting to L.E. 2 771 654 K as at December 31, 2017 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 20, 2016.

28. DEFERRED TAX

28-1 Recognized Deferred tax assets and liabilities

	31/12/2017		31/12/2016	
	Assets	Liabilities	Assets	Liabilities
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Fixed assets	-	154 292	9 950	-
Other assets	-	40 403	-	24 010
Write down of inventories	3 389	-	5 016	-
Impairment loss on trade receivables, debtors and other debit balances	79 999	-	165 260	-
Provisions	276 860	-	201 769	-
Accrued liablities	35 785	-	34 287	-
Net gain of translation of foreign currencies balance	-	64 465	-	294 543
Re-evaluation of available for sale financial investments losses	844	-	2 220	-
Undistributed profit in subsidaries and associated	-	496 458	-	319 742
Total deferred tax asset \ liabilities	**396 877**	**755 618**	**418 502**	**638 295**
Net deferred tax liabilities	**-**	**358 741**	**-**	**219 793**
Deferred tax charged to the consolidated income statement	**(138 948)**		**(212 926)**	

28-2 Unrecognized deferred tax assets

	31/12/2017 L.E. (000)	31/12/2016 L.E. (000)
Impairment loss on trade recivables	394 196	441 085
Impairment loss on debtors & other debit balances	129 316	134 478
Provision for liabilities and claims	13 067	28 477
Other	5 299	5 324
	541 878	**609 364**

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.

29. CAPITAL COMMITMENTS

The company's capital commitments for the unexecuted parts of contracts until December 31, 2017 amounted to L.E. 53 Million (against L.E. 2 956 Million as at December 31, 2016) which include 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 consolidated statement of financial position as the following contingent liabilities:

	31/12/2017 L.E. (000)	31/12/2016 L.E. (000)
- Letters of guarantee issued by banks on behalf of the company*	721 310	688 021
- Letters of credit	1 416 929	373 301

* Letters of guarantee which were issued by banks on behalf of the company and for the benefits of others as at December 31,2017 including letters of guarantee have been issued against cash margin (restricted cash and cash equivalent at banks) (Note no.21).

31. TAX POSITION (Telecom Egypt)

31-1 Corporate tax

- Tax inspection was performed for the years till December 31, 2015 and all due taxes were settled.
- Tax return was submitted for the year 2016 and all taxes were paid during the legal dates.

31- 2 Value Added Tax \ Sales

- On September 7, 2016, Value added tax law no. 67 for the year 2016 was issued and to be effective starting from September 8,2016 and tax returns were submitted according to the value added tax law on the due legal dates.
- Tax inspection was performed for the years till December 31, 2010 and all due taxes were settled.
- Tax inspection for the years 2011 untill 2013 was performed and the tax differences were settled and the company didn't pay the additional tax, lawsuit was raised regarding it.
- Tax ispection for the years 2014 and 2015 is in process.

31- 3 Salary Tax

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

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 with assessment basis, the company objected and appealed on the disputed items on the due dates and the provisions were formed to meet any tax liabilities that may arise.
- Tax inspection for the period from January 1, 2001 till July 31, 2006 was performed for certain sectors of the company and taxes due were settled. Tax inspection for the remaining sectors is currently being undertaken for the same period.
- Tax inspection for period from August 1, 2006 to December 31, 2009 was performed and due taxes were settled and the disputed item has been transferred to the internal committe .
- Tax inspection for the years from 2010 to 2014 was performed and the disputed items were settled except for the relative stamp on salaries and wages which have been transfered to the Appeal Committee.
- Tax inspection for the years 2015 and 2016 is 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 the disputes according to the real estate tax law.
- Tax returns were submitted according to the new real estate tax law No.196 for the year 2008 on the due dates. . Provisions were formed to meet any tax liabilities that may arise from the tax inspection.

32. RELATED PARTY TRANSACTIONS

There are transactions between Telecom Egypt and it's 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 L.E 000	Transaction volume during the year Debit L.E 000	Transaction volume during the year Credit L.E 000	Balance as of 31/12/2017 Debit/(Credit) L.E 000	Balance as of 31/12/2016 Debit/(Credit) L.E 000
Balances included in trade receivables						
Vodafone Egypt Telecommuniacations Company	Outgoing calls and voice services to the associates company	1 576 532				
			4 980 971	4 989 000	(354 039)	(346 010)
	Incoming and international calls, transmission claims & lease of company premises and towers to the associates company	1 131 134				
			4 980 971	4 989 000	(354 039)	(346 010)
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
Vodafone Egypt Telecommuniacations Company	Telecommunication servies	-	15 540	-	19 040	3 500
			15 540	-	19 106	3 566
Credit balances included in creditors and other credit balances						
Vodafone Egypt Telecommunications Company	Telecommunication servies	21 466	12 175	31 569	(33 057)	(13 663)

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

33. GROUP ENTITIES

Parent company's direct and indirect share in subsidiaries companies on December 31, 2017 which were included in the consolidated financial statements are as follows:

Company name	Country of incorporation	Ownership interest 31/12/2017	Ownership interest 31/12/2016
Telecom Egypt France	France	100.00 %	100.00 %
T.E Data	Egypt	100.00 %	100.00 %
T.E Data Jordan	Jordan	100.00 %	100.00 %
TE Investment Holding	Egypt	100.00 %	100.00 %
The Egyptian Telecommunication Company for Information Systems (Xceed)	Egypt	100.00 %	100.00 %
Xceed Customer Care Maroc	Morocco	100.00 %	100.00 %
Centra Technologies	Egypt	100.00 %	100.00 %
Centra Industries	Egypt	100.00 %	100.00 %
Centra Distribution	Egypt	99.99 %	99.99 %
Middle East Radio Communication (MERC)	Egypt	51.00 %	51.00 %
Telecom Egypt Globe	Singabore	100.00 %	100.00 %

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 consolidated statement of financial position date as follows :-

Description	Note No.	31/12/2017 L.E. (000)	31/12/2016 Reclassified L.E. (000)
Trade and notes receivables*	(19)	4 017 658	4 738 671
Debtors and other debit balances*	(20)	2 718 563	1 906 841
Available-for-sale investments	(15-2)	77 568	81 273
Held-to-maturity investment -treasury bills		113 320	144 428
Cash and cash equivalents*	(21)	512 301	1 022 138
		7 439 410	**7 893 351**

* Reclassification was made to comparative figures 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 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, 2017					
Creditors and other credit balances	11 916 343	10 606 261	576 657	490 028	243 397
Loans and credit facilities	7 293 265	6 678 793	83 377	125 066	406 029
	19 209 608	**17 285 054**	**660 034**	**615 094**	**649 426**
December 31, 2016					
Creditors and other credit balances	6 660 389	6 546 163	114 226	-	-
Loans and credit facilities	3 341 789	2 715 554	79 144	96 051	451 040
	10 002 178	**9 261 717**	**193 370**	**96 051**	**451 040**

34 - FINANCIAL INSTRUMENTS (CONTINUED)

34-3 Currency risk exposure:

Description	U.S. Dollars (000)	Sterling Pound (000)	Euro (000)	Canadian Dollar (000)	Swedish krona (000)	Maroccan Dirham (000)	Jordanian Dinar (000)	Total L.E (000)
December 31, 2017								
Trade receivables	157 439	-	16	2 537	-	22 439	-	2 868 391
Accrued interest for deposits	2	-	-	-	-	-	-	35
Other debit balances	32	-	518	247	-	30 425	891	94 818
Cash & cash equivalents	(93 276)	245	675	-	-	1 615	1 949	(1 580 917)
Total assets in currency	**64 197**	**245**	**1 209**	**2 784**	-	**54 479**	**2 840**	**1 382 327**
Creditors & other credit balances	122 113	5	47 213	-	5	16 088	324	3 204 962
Foreign loans & facilities	1 147	-	30 982	-	-	-	-	678 175
Total liabilities in currency	**123 260**	**5**	**78 195**	-	**5**	**16 088**	**324**	**3 883 137**
Risk surplus (deficit)	**(59 063)**	**240**	**(76 986)**	**2 784**	**(5)**	**38 391**	**2 516**	**(2 500 810)**
Equivalent in Egyptian Pound	**(1 046 596)**	**5 735**	**(1 634 667)**	**39 310**	**(11)**	**72 559**	**62 860**	**(2 500 810)**
December 31, 2016								
Trade receivables	165 649	-	25	2 076	-	13 926	17	3 160 447
Accrued interest for deposits	2	-	11	-	-	-	-	253
Other debit balances	703	-	1 256	367	-	15 978	299	79 266
Cash & cash equivalents	17 674	286	18 880	-	-	1 132	2 415	773 364
Total assets in currency	**184 028**	**286**	**20 172**	**2 443**	-	**31 036**	**2 731**	**4 013 330**
Creditors & other credit balances	103 511	5	18 568	-	8 196	7 386	151	2 338 198
Foreign loans & facilities	5 904	-	32 945	-	-	-	-	755 391
Total liabilities in currency	**109 415**	**5**	**51 513**	-	**8 196**	**7 386**	**151**	**3 093 589**
Risk surplus (deficit)	**74 613**	**281**	**(31 341)**	**2 443**	**(8 196)**	**23 650**	**2 580**	**919 741**
Equivalent in Egyptian Pound	**1 398 994**	**6 446**	**(613 283)**	**33 822**	**(16 744)**	**42 199**	**68 307**	**919 741**

* 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: 2017	Average exchange rate during: 2016	Closing exchange rate as at: 31/12/2017	Closing exchange rate as at: 31/12/2016
	L.E	L.E	L.E	L.E
U.S. Dollar	17.8058	10.0888	17.7200	18.7500
Sterling Pound	22.9624	13.4676	23.8975	22.9390
Euro	20.1139	11.0386	21.2333	19.5687
Canadian Dollar	13.9800	11.3100	14.1200	13.8444

	Average exchange rate during: 2017	Average exchange rate during: 2016	Closing exchange rate as at: 31/12/2017	Closing exchange rate as at: 31/12/2016
	L.E	L.E	L.E	L.E
Swedish Krona	2.0853	1.1644	2.1591	2.0429
Maroccan Dirham	1.8300	1.4900	1.8900	1.7843
Jordanian Dinar	25.7299	21.3400	24.9843	26.4756

34-4 Sensitivity analysis

A 10% strengthening of the foreign currencies against the EGP as of December 31, 2017 may lead to losses increase by an amount of L.E 250 081 K (L.E. 91 974 K as of December 31, 2016). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis on 2016.

And a 10% weakening of the foreign currencies against L.E. at December 31, 2017 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.	31/12/2017 L.E. (000)	31/12/2016 L.E. (000)
Financial instruments with variable interest rate			
Financial assets – deposits	(21)	126 948	726 619
Financial liabilities (loans-credit facilities)	(22)	7 293 265	3 341 789

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 receivables, investments, debtors and creditors balances.

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

35. CLAIMS AND LITIGATIONS (Telecom Egypt)

35-1 Dispute with Etisalat Misr regarding interconnection rates

A case was brought by Etisalat Misr against Telecom Egypt on 6th of June 2015 regarding the International Incoming Voice Services, TE external legal counsel stated that it's an account claim which it differs from the claim for which the plaintiff seeks to ask the other party to pay a certain amount. according to the preliminary ruling the court appoint an expert to calculate of Etisalat Misr entitlement from the company, On August 26, 2017 the expert issued a report include an estimate for Etisalat Misr entitlement from the company by an amount of U$ 125 millions , according to the opinion of the company's management , this report was prepared on inaccurate assmptions, this report is considerd only an opinion and shall not "restrict the court".

On October 21, 2017, Etisalat Misr request to amend the Claims to compel Telecom Egypt to pay the amount stated in the expert report, the company has submitted a memoranpdum of defense containing the legal defense against the said report , and has also requested leave to provide a memorandum to challenge the basis of challenges to the method used by the expert to reach its inaccurate findings along with the supporting documents . On November 25, 2017 the company submitted the supporting documents and memo's to the court. The court has decided to postpone the hearing on January 30, 2018 for judgment.

The company's Board of Directors in it's meeting held on January 22, 2018 approved the frame agreement of settling all the said disputes between TE and Etisalat Misr, the agreements which are related to the frame settlement were signed between the dispute parties on January 22, 2018.

The provisions were formed to meet the liabilities that arised from this settlement in December 31, 2017.

35-2 Interconnection dispute with Orange Egypt (previously named Mobinil)

On September 2009, Orange Egypt – Mobinil previously - 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 periods before 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 company's Board of Directors in it's meeting held on November 21, 2017 approved the frame agreement of settling all the said disputes between TE and Orange Egypt, the agreements which are related to the frame settlement were signed between the dispute parties on November 22, 2017.

35-3 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.

35-4 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.

36 - Segment reporting

As of the group activity level, the group of company defined the main operating activity segments and its prepared according to service provided. The information presented after the elimination of inter-segment transaction. The main operating activities segments for the group represented as follows:

For the year ended 2017

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	12 807 837	5 157 842	475 080	126 523	**18 567 282**
Operating costs	(9 534 713)	(1 170 048)	(377 772)	(132 222)	**(11 214 755)**
Gross profit	**3 273 124**	**3 987 794**	**97 308**	**(5 699)**	**7 352 527**
Credit interest	39 465	36 249	1 469	8 490	**85 673**
Debit interest and Finance cost	(576 564)	-	-	(1 152)	**(577 716)**
Depreciation and amortization	(1 840 528)	(146 318)	(19 253)	(505)	**(2 006 604)**
The company's share of profit in associates companies	-	-	-	2 337 269	**2 337 269**
Non cash items					
Impairment loss on financial assets	(37 533)	(3 299)	-	(461)	**(41 293)**
Impairment loss on available-for-sale investments	(3 705)	-	-	-	**(3 705)**
Provisions	(1 156 590)	(46 557)	(11 180)	(300)	**(1 214 627)**
Total assets	**50 126 323**	**1 675 243**	**371 322**	**210 343**	**52 383 231**
Total liabilities	**20 113 108**	**1 120 457**	**156 776**	**404 733**	**21 795 074**

For the year ended 2016

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	10 028 358	3 631 662	195 627	94 371	**13 950 018**
Operating costs	(6 914 146)	(792 132)	(113 632)	(99 741)	**(7 919 651)**
Gross profit	**3 114 212**	**2 839 530**	**81 995**	**(5 370)**	**6 030 367**
Credit interest	87 546	49 495	770	4 669	**142 480**
Debit interest and Finance cost	(26 965)	-	-	(781)	**(27 746)**
Depreciation and amortization	(1 411 055)	(112 747)	(10 896)	(187)	**(1 534 885)**
The company's share of profit in associates companies	-	-	-	668 390	**668 390**
Non cash items					
Impairment loss on financial assets	(279 787)	(32 781)	-	-	**(312 568)**
Impairment loss on available-for-sale investments	(9 866)	-	-	-	**(9 866)**
Provisions	(476 800)	(25 061)	(333)	-	**(502 194)**
Total assets	**39 686 530**	**1 445 397**	**203 511**	**152 580**	**41 488 018**
Total liabilities	**10 770 337**	**781 283**	**81 138**	**109 826**	**11 742 584**

37- COMPARATIVE FIGURES

- Reclassifications were made to comparative figures for some of the cosolidated statement of financial position, cosolidated statement of income and cosolidated statement of cash flows items to conform the current presentation of cosolidated financial statements.

- The following is the effect of reclassification and representation on the consolidated financial statements.

37-1 Consolidated statement of financial position

	1/1/2016 as previously presented L.E.(000)	Reclassification debit / (credit) L.E.(000)	1/1/2016 Reclassified L.E.(000)
Fixed assets	11 839 332	(148 395)	11 690 937
Other assets	933 047	148 395	1 081 442

	For the financial year ended 31/12/2016 as previously presented LE(000)	Reclassification debit / (credit) LE(000)	For the financial year ended 31/12/2016 Reclassified LE(000)
Fixed assets	14 386 396	(148 395)	14 238 001
Other assets	1 242 932	148 395	1 391 327
Trade and note receivables	4 739 351	(680)	4 738 671
Debtors and other debit balances	1 829 478	77 363	1 906 841
Cash and cash equivalents	1 112 286	(76 287)	1 035 999
Creditors and other credit balances	(6 545 767)	(396)	(6 546 163)

37-2 Consolidated statement of income

	For the financial year ended 31/12/2016 as previously presented L.E. (000)	Reclassification (debit)/credit L.E. (000)	For the financial year ended 31/12/2016 Reclassified L.E. (000)
Operating revenues	14 133 081	(183 063)	13 950 018
Operating cost	(7 832 165)	(87 486)	(7 919 651)
Selling and distribution expenses	(1 530 780)	329 778	(1 201 002)
General and administrative expenses	(2 579 400)	16 475	(2 562 925)
Incom tax	(391 646)	(75 704)	(467 350)

37-3 Consolidated statement of Cash Flows

	For the year ended 31/12/2016 as previously presented LE(000)	Reclassification LE(000)	For the year ended 31/12/2016 Reclassified LE(000)
Cash flows from operating activities			
Cash receipts from customers	12 280 316	(76 287)	12 204 029
Cash paid for suppliers	(1 433 458)	(61 832)	(1 495 290)
Cash paid to employees and bored of drectors	(3 530 015)	63 231	(3 466 784)
Cash paid to tax authorty - other taxes	(500 252)	(1 399)	(501 651)

38- SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the Consolidated Financial Statements on December 31, 2017.

Certain comparative figures have been reclassified to conform to the current presentation of the Consolidated Financial Statements (note no.37).

38-1Basic of consolidation

38-1-1 Subsidiaries

- Subsidiaries consolidated financial statements includes all 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 obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are 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.

38-1-2 Non-controlling interests

- NCI 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 do not result in a loss of control are accounted in as equity transactions.

38-1-3 Loss of control

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

38-1-4 Investments in associates (equity accounted investees)

Associates are those 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 at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses, if any and the investment is reduced by it's share in 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 except to the extent that the Group has an obligation or has made payments on behalf of the investee.

38-1-5 Transactions eliminated for consolidation

Intra-group balances and transactions, and any unrealized gains or losses and income or expenses arising from Intra-group transactions, are eliminated in preparing the Consolidated Financial Statements. Unrealized gains arising from transactions with equity accounted investees are eliminated to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

38-2 Foreign currencies translation

Transactions in foreign currencies are translated to functional currencies of the Group 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.

38-3 Foreign operation

The financial statements of the Group 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 at exchange rate at the reporting date.
- Income and expenses are translated at the average exchange rate for the year.
- Foreign currency differences are recognised in change in shareholders' equity statement, and 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.

38-4 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. (38-12)
- 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, 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 consolidated statement of income.

(B) Subsequent costs

The cost of replacing part of an item of property, 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 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 consolidated statement of income 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.

The current year estimated useful lives for the fixed assets are as follows:

	Estimated useful life /year
Buildings and Infrastructure	5 – 50
Technical equipment and information technologies	1 - 20
Vehicles	5 - 15
Furniture	1.5 – 16.67
Tools and supplies	4 - 8
Decoration and fixtures	5
Fixtures on trunk radio network	8

38-5 Other assets

Other assets are non-monetary intangible assets which the company can be controlled and capable of generate future economic benefits.

Other assets are stated at purchased 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.

38-5-1 Licenses

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

38-5-2 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 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 and the term of the underlying agreement, starting from the date of the acquisition of the right.

38-5-3 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.

38-6 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.

38-7 Available - for - sale investments

Available-for-sale investments that have a quoted market price in an active market are measured at fair value and remeasurement is recognized directly in equity, if there is objective evidence that an impairment loss has been incurred, impairment loss 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 of the existence of impairment, the carrying amounts of these investments is reduced by this impairment loss and recognized in the consolidated statement of income.

38-8 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 consolidated statement of income for the year in which it arises.

38-9 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, less any impairment losses.

38-10 Inventories

- Inventories are measure 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 condition.
- Work in progress is valued at cost at the latest production process reached.
- Finished goods are valued at the manufacturing cost.

38-11 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 case they are 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.

38-12 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 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 the consolidated statement of income. Any cumulative loss in respect of 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.

38-13 *Provisions*

The provisions 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 reporting date and amended when necessary to reflect the best current estimate.

38-14 Cash and cash equivalents

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

38-15 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 and are then recognized in statement of income as other income on a systematic basis over the useful life of the asset.

38-16 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.

38-17 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 accrual basis with considering the targeted rate of return from the asset.

38-18 Expenses

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

38-18-1 Operating lease payments

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

38-18-2 Net financing (costs) /income

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 loss.

Finance income includes, interest receivable on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit and loss and foreign exchange gain.

38-19 Employees benefits

The Group contributes inside Egypt the social insurance under the 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. 11).

38-20 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 consolidated statement of income for the year 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.

38-21 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 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 period.

38-22 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.
- Other reserves: the General Assembly may form other reserves based on the Board of Directors' recommendation.

38-23 Income tax

Income tax on the profit or loss for the year comprises of current and deferred tax. Income tax is recognized in the consolidated statement of income 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 financial position 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 statement of financial position 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.

38-24 Financial risk management

The Group has exposure 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 objectives, policies and processes for measuring and managing risks, and the Group management of capital. Further quantitative disclosures are included throughout these Consolidated Financial Statements.

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

The Group risk management policies are established to identify and analyze the risks faced by the Group, 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 Group's activities.

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

38-24-1 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 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.

Most of Group'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 Group conducts transactions and deposits funds with financial institutions with high investment grade.

38-24-2 Liquidity risk

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

The Group 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.

38-24-3 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 risk on transactions that are denominated in a currency other than the respective functional currencies of the Group, primarily the U.S. Dollars (USD) and Euro.In respect of monetary assets and liabilities denominated in foreign currencies, the Group 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 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 risk. Borrowings issued at fixed rates expose the Group 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 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 and the management consults external advisors in this regard.

38-24-4 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 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.