telecomegypt

Translation from Arabic

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

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

Index

Hazem Hassan
Public Accountants & Consultants

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AUDITOR'S REPORT
TO THE SHAREHOLDERS OF TELECOM EGYPT COMPANY

Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of Telecom Egypt Company S.A.E, which comprise the separate statement of financial position as at December 31, 2017 and the related separate statements of income, comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Separate Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the separate financial statements are free from material misstatement.

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

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

KPMG

Hazem Hassan

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Opinion

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the financial position of Telecom Egypt Company as of December 31, 2017, and of its financial performance and its cash flows for the financial year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these separate financial statements.

Report on Other Legal and Regulatory Requirements

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

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

KPMG Hazem Hassan

KPMG Hazem Hassan
Public Accountants & Consultants

Cairo, March 4, 2018

KPMG Hazem Hassan
Public Accountants and Consultants
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Telecom Egypt Company

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Separate 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)	17 094 735	13 872 262	11 335 661
Projects in progress	(14)	3 693 528	7 384 247	1 995 617
Investments in subsidiaries and associates	(15-1)	6 377 301	6 377 283	6 377 283
Available-for-sale investments	(15-2)	77 568	81 273	98 639
Other assets	(17)	10 320 926	1 363 904	1 051 635
Deferred tax assets	(28-1)	396 877	408 552	334 604
Total Non Current Assets		**37 960 935**	**29 487 521**	**21 193 439**
Current Assets				
Inventories	(18)	1 056 663	612 467	501 850
Trade receivables	(19)	4 312 747	4 652 069	4 734 369
Debtors and other debit balances	(20)	2 210 282	1 613 138	1 656 258
Held-to-maturity investments -treasury bills		102 090	101 922	-
Cash and cash equivalents	(21)	58 263	530 195	1 646 158
Total Current Assets		**7 740 045**	**7 509 791**	**8 538 635**
Total Assets		**45 700 980**	**36 997 312**	**29 732 074**
Equity				
Capital	(26)	17 070 716	17 070 716	17 070 716
Reserves	(27)	4 550 115	4 380 491	6 317 415
Retained earnings		2 895 992	4 782 442	1 289 817
Total Equity		**24 516 823**	**26 233 649**	**24 677 948**
Non Current Liabilities				
Loans and credit facilities	(22)	614 472	626 235	326 914
Creditors and other credit balances	(23)	1 303 429	114 226	-
Deferred tax liabilities	(28-1)	265 345	317 167	-
Total Non Current Liabilities		**2 183 246**	**1 057 628**	**326 914**
Current Liabilities				
Loans and credit facilities installments due within one year	(22)	6 678 314	2 710 704	57 424
Creditors and other credit balances	(23)	10 575 703	5 937 674	3 672 998
Provisions	(24)	1 746 894	1 057 657	996 790
Total Current Liabilities		**19 000 911**	**9 706 035**	**4 727 212**
Total Liabilites		**21 184 157**	**10 763 663**	**5 054 126**
Total Equity and Liabilities		**45 700 980**	**36 997 312**	**29 732 074**

The attached notes on pages (8) to (41) are an integral part of these separate 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)

Separate Income Statement

	Note No.	For the financial year ended 31/12/2017 L.E. (000)	31/12/2016 Reclassified L.E. (000)
Operating revenues	(3)	15 547 308	11 909 824
Operating costs	(4)	(9 783 676)	(6 926 820)
Gross Profit		**5 763 632**	**4 983 004**
Other income	(5)	330 014	358 927
Selling and distribution expenses	(6)	(1 165 839)	(854 885)
General and administrative expenses	(7)	(2 233 123)	(2 309 705)
Other expenses	(8)	(1 301 264)	(586 835)
Operating profit		**1 393 420**	**1 590 506**
Finance income		66 794	1 270 747
Finance cost		(721 647)	(316 799)
Net finance (cost) / income	(9)	**(654 853)**	**953 948**
Income from investments in subsidiaries and associates	(10)	**108 014**	**1 511 879**
Profit before tax		**846 581**	**4 056 333**
Income tax		(328 381)	(420 644)
Deferred tax	(28-1)	40 147	(243 219)
Total income tax	(28-3)	**(288 234)**	**(663 863)**
Net profit for the year		**558 347**	**3 392 470**
Basic and diluted earning per share for the year (L.E. / Share)	(12)	**(0.05)**	**1.65**

The attached notes on pages (8) to (41) are an integral part of these separate financial statements.

Translation from Arabic

Telecom Egypt Company

(An Egyptian Joint Stock Company)

Separate Statement of Comprehensive Income

	For the financial year ended:	
	31/12/2017	31/12/2016 Reclassified
	L.E.(000)	L.E.(000)
Net profit for the year	558 347	3 392 470
Other Comprehensive Income Items		
Other Comprehensive Income	-	-
Total Comprehensive Income	558 347	3 392 470

The attached notes on pages (8) to (41) are an integral part of these separate financial statements.

Translation from Arabic

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Separate Statement of Changes In Equity
For The Financial Year Ended December 31, 2017

	Capital L.E. (000)	Legal reserve L.E. (000)	Other reserves L.E. (000)	Retained earnings L.E. (000)	Total L.E. (000)
Balance as of January 1, 2016	**17 070 716**	**1 520 837**	**4 796 578**	**1 289 817**	**24 677 948**
Comprehensive income					
Net profit for the year	-	-	-	3 392 470	3 392 470
Other comprehensive income items	-	-	-	-	-
Total comprehensive income	-	-	-	**3 392 470**	**3 392 470**
Transactions with shareholders of the company					
Transferred from general reserve to retained earnings	-	-	(2 000 000)	2 000 000	-
Transferred to legal reserve	-	63 076	-	(63 076)	-
Dividends for year 2015 (Shareholders)	-	-	-	(1 280 304)	(1 280 304)
Dividends for year 2015 (Employees & Board of Directors)	-	-	-	(556 465)	(556 465)
Total transactions with shareholders of the company	-	**63 076**	**(2 000 000)**	**100 155**	**(1 836 769)**
Balance as of December 31, 2016	**17 070 716**	**1 583 913**	**2 796 578**	**4 782 442**	**26 233 649**
Balance as of January 1, 2017	**17 070 716**	**1 583 913**	**2 796 578**	**4 782 442**	**26 233 649**
Comprehensive income					
Net profit for the year	-	-	-	558 347	558 347
Other comprehensive income items	-	-	-	-	-
Total comprehensive income	-	-	-	**558 347**	**558 347**
Transactions with shareholders of the company					
Transferred to legal reserve	-	169 624	-	(169 624)	-
Dividends for year 2016 (Shareholders)	-	-	-	(1 707 071)	(1 707 071)
Dividends for year 2016 (Employees & Board of Directors)	-	-	-	(568 102)	(568 102)
Total transactions with shareholders of the company	-	**169 624**	-	**(2 444 797)**	**(2 275 173)**
Balance as of December 31, 2017	**17 070 716**	**1 753 537**	**2 796 578**	**2 895 992**	**24 516 823**

The attached notes on pages (8) to (41) are an integral part of these separate financial statements.

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Separate 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		12 779 601	10 963 912
Value added tax collected from customers		311 423	253 929
Stamp tax and fees collected from third party		29 436	30 763
Deposits returned to customers		257	5 767
Cash paid to suppliers		(1 647 318)	(1 248 568)
Payments of NTRA license fees		(331 180)	(236 691)
Dividends paid to employees		(595 853)	(562 748)
Cash paid to employees		(2 959 412)	(3 106 533)
Cash paid on behalf of employees to third party		(583 647)	(533 286)
Cash provided by operating activities		**7 003 307**	**5 566 545**
Interest paid		(324 308)	(7 224)
Payments to Tax Authority - income tax		(220 808)	(211 961)
Payments to Tax Authority - value added tax		(1 640 499)	(766 972)
Payments to Tax Authority - other taxes		(513 985)	(334 347)
Other proceeds		88 822	91 270
Net cash provided by operating activities		**4 392 529**	**4 337 311**
Cash flows from investing activities			
Payments for purchase of fixed assets , other assets and projects in progress		(5 797 437)	(3 203 212)
Payments for purchase of other assets - Fourth generation network license		(1 419 828)	(5 293 798)
Payments for purchase of held-to-maturity investment - treasurty bills		(201 632)	(254 901)
Interest received		20 515	32 670
Dividends collected from investments		114 817	1 813 053
Proceeds from sale available for sale investment		-	11 183
Proceeds from retrieval of held-to-maturity investment - treasurty bills		209 863	154 888
Proceeds from securities - treasury bills interest		10 271	54 375
Net cash used in investing activities		**(7 063 431)**	**(6 685 742)**
Cash flows from financing activities			
Payments for loans and other facilities		(129 598)	(69 000)
Proceeds from credit facilities		4 033 067	2 581 548
Dividends paid to shareholders		(1 707 071)	(1 280 304)
Net cash provided by financing activities		**2 196 398**	**1 232 244**
Net change in cash and cash equivalents during the year		**(474 504)**	**(1 116 187)**
Cash and cash equivalents at the beginning of the year	(21)	520 730	1 636 917
Cash and cash equivalents at the end of the year	(21)	**46 226**	**520 730**

The attached notes on pages (8) to (41) are an integral part of these separate financial statements.

Telecom Egypt Company

(An Egyptian Joint Stock Company)

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

1. BACKGROUND

1-1 *Legal Entity*

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

1-2 *Purpose of the company*

The main purpose of the company represents in the following:

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

1-3 *Issuance of the separate financial statements*

These separate financial statements were approved by the company's Board of Directors for issuance on March 4, 2018.

2. BASIS OF PREPERATION OF THE SEPARATE FINANCIAL STATEMENTS

2-1 *Statement of compliance*

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

2-2 *Basis of measurement*

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

For presentational purposes, the current/non-current distinction has been used for the statement of financial position, while expenses are analyzed in the separate statement of income using a classification based on their functions. The direct method has been selected to present the separte statement of cash flows.

2-3 Functional and presentation currency

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

2-4 Use of estimates and assumptions

The preparation of the separate financial statements in conformity with Egyptian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

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

2-5 Fair value measurement

- The fair value of financial instruments is determined based on the market value of the financial instrument or similar financial instruments at the date of the separate 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*	1 583 493	1 378 113
Enterprise*	1 924 279	1 554 419
Domestic wholesale*	5 637 026	4 800 602
International carriers	4 869 438	3 206 206
International cables and networks	1 533 072	970 484
	15 547 308	**11 909 824**

*Reclassification was made to comparative figures as shown in note no (35-2).

4. OPERATING COSTS

	Note No.	For the financial year ended: 31/12/2017	31/12/2016 Reclassified
		L.E (000)	L.E (000)
Interconnection cost		4 152 402	2 587 412
Fuel		446 679	326 232
Spare parts		79 659	54 855
Maintenance		310 201	235 911
Leased circuits & satellite subscriptions		186 162	113 902
Depreciation of fixed assets	(13)	1 551 689	1 308 537
Amortization of other assets	(17)	256 870	70 954
Other operating costs*	(4-1)	2 800 014	2 229 017
		9 783 676	**6 926 820**

*Reclassification was made to comparative figures as shown in note no (35-2).

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 *	1 457 083	1 244 956
Company's social insurance contribution*	166 430	150 794
Employees vacations allowance	7 411	4 066
Electricity and water	42 720	38 505
Materials, supplies and miscellaneous printed	31 501	30 610
Transportation cost	55 906	51 244
Company's call costs	45 362	55 886
Frequencies and licenses charges (NTRA)	469 309	355 080
Right of use (IRU) outside Egypt	144 990	196 036
Organizations services cost	36 983	46 079
Cost of merchandise available for sale	312 662	4
Other expenses*	29 657	55 757
	2 800 014	**2 229 017**

*Reclassification was made to comparative figures as shown in note no (35-2).

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	243 073	282 509
	330 014	**358 927**

6. SELLING AND DISTRIBUTION EXPENSES

	For the financial year ended:	
	31/12/2017	31/12/2016 Reclassified
	L.E. (000)	L.E. (000)
Salaries & wages *	792 768	618 135
Company's social insurance contribution*	83 421	75 185
Employees vacations allowance	5 259	2 885
Tax and duties	26 074	13 963
Advertising and Marketing	120 461	64 499
Organizations services cost	106 526	74 601
Discount allowed*	220	-
Others expenses	31 110	5 617
	1 165 839	**854 885**

*Reclassification was made to comparative figures as shown in note no (35-2).

7. GENERAL AND ADMINISTRATIVE EXPENSES

	Note No.	For the financial year ended: 31/12/2017	31/12/2016 Reclassified
		L.E. (000)	L.E. (000)
Salaries and wages *		1 440 214	1 253 996
Company's social insurance contribution*		109 810	101 057
Employees vacations allowance		11 236	6 164
Early retirement program	(11-1)	904	42 675
The company's contribution in loyalty and belonging fund	(11-2)	260 000	555 749
Fixed assets depreciation		33 085	28 362
Bad debts		6 951	14 509
Tax and duties *		90 043	132 635
Organization services and consulting cost		208 004	95 692
Bank charges		9 543	4 103
Others expenses		63 333	74 763
		2 233 123	**2 309 705**

*Reclassification was made to comparative figures as shown in note no (35-2).

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)	1158 206	477 145
Capital losses		52 893	86 142
Sale of slow moving inventories losses		27 863	3 649
Donations		62 302	19 899
		1 301 264	**586 835**

9. NET FINANCE (COST) / INCOME

	Note No.	For the financial year ended: 31/12/2017 L.E. (000)	31/12/2016 L.E. (000)
Finance income			
Interest income		20 574	31 262
Treasury bills income		18 670	56 284
Gain on sale of available for sale Investments		-	3 700
Net translation gain of foreign currencies balances and transactions		-	1 170 715
Income from available for sale Investment			
Civil Information Technology Co.		314	50
Egyptian Company for tracking services & information technology		1 104	1 004
Technology Developing fund Co.		12 783	-
Egyptian Company for Ideavelopers		-	938
Arabsat		13 349	6 794
Total finance income		**66 794**	**1 270 747**
Finance costs			
Interest expense		(329 781)	(8 180)
Finance cost for credit contracts		(246 783)	(18 785)
Impairment loss on financial assets	(25)	(37 533)	(279 968)
Impairment loss on available-for-sale investments	(25)	(3 705)	(9 866)
Net translation loss of foreign currencies balances and transactions		(103 845)	-
Total finance cost		**(721 647)**	**(316 799)**
Net finance (cost) / income		**(654 853)**	**953 948**

10. INCOME FROM INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

	For the financial year ended	
	31/12/2017	31/12/2016
	L.E. (000)	L.E. (000)
TE-Data	76 000	-
The Egyptian Telecommunication Company for information systems (Xceed)	3 125	-
Middle East Radio Communications (MERC)	1 921	1 702
Vodafone Egypt Telecommuniacations Company	26 968	1 510 177
	108 014	**1 511 879**

11. EMPLOYEE'S BENEFITS

11-1 Early retirement scheme

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 EARNING PER SHARE

	For the financial year ended: 31/12/2017	31/12/2016
Net profit for the year (L.E. (000))	558 347	3 392 470
Less:		
Employees' share in profit (L.E. (000)) *	635 695	564 202
Board of Directors share in profit (L.E. (000)) *	4 650	3 900
Net (loss) profit for the year available for distribution (L.E. (000))	(81 998)	2 824 368
Number of shares during the year (share)	1 707 071 600	1 707 071 600
Basic and diluted earnings per share for the year (L.E. / share)	**(0.05)**	**1.65**

* According to Board of Directors proposal to be presented in the General Assembly for approval.

13- FIXED ASSETS

	Land	Buildings & Infrastructure	Technical equipment &information technologies	Vehicles	Furniture	Tools & supplies	Total
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Cost as at January 1, 2016 (Reclassified)	2 371 423	21 280 449	20 519 207	124 828	274 305	89 949	44 660 161
Additions during the year	555	2 176 481	1 747 303	22 246	29 064	7 374	3 983 023
Disposals during the year	(3 006)	(781 230)	(696 387)	(6 700)	(5 794)	(1 461)	(1 494 578)
Cost as at December 31, 2016 (Reclassified)	**2 368 972**	**22 675 700**	**21 570 123**	**140 374**	**297 575**	**95 862**	**47 148 606**
Adjustments on the beginning balance	-	20 875	-	-	-	-	20 875
Additions during the year	77	2 487 312	2 379 816	2 105	20 395	36 601	4 926 306
Disposals during the year	-	(313 065)	(48 884)	(5 317)	(3 877)	(1 555)	(372 698)
Cost as at December 31, 2017	**2 369 049**	**24 870 822**	**23 901 055**	**137 162**	**314 093**	**130 908**	**51 723 089**
Accumulated depreciation as at January 1, 2016 (Reclassified)	-	14 214 849	18 733 651	106 257	206 782	62 961	33 324 500
Depreciation for the year	-	625 907	682 629	4 391	18 607	5 365	1 336 899
Accumulated depreciation for disposals	-	(687 826)	(683 324)	(6 655)	(5 789)	(1 461)	(1 385 055)
Accumulated depreciation as at December 31, 2016 (Reclassified)	-	**14 152 930**	**18 732 956**	**103 993**	**219 600**	**66 865**	**33 276 344**
Adjustments on the beginning balance	-	5 733	-	-	-	-	5 733
Depreciation for the year	-	789 610	762 079	4 403	21 135	7 547	1 584 774
Accumulated depreciation for disposals	-	(181 415)	(46 420)	(5 231)	(3 877)	(1 554)	(238 497)
Accumulated depreciation as at December 31, 2017	-	**14 766 858**	**19 448 615**	**103 165**	**236 858**	**72 858**	**34 628 354**
Net carrying amounts as at December 31, 2017	**2 369 049**	**10 103 964**	**4 452 440**	**33 997**	**77 235**	**58 050**	**17 094 735**
Net carrying amounts as at December 31, 2016 (Reclassified)	**2 368 972**	**8 522 770**	**2 837 167**	**36 381**	**77 975**	**28 997**	**13 872 262**

- Cost of fixed assets includes an amount of L.E. 23 227 Million fully depreciated assets and still in use.
- Reclassification was made to comparative figures as shown in note no (35-1).

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

	Note No.	For the financial year ended 2017	2016
		L.E. (000)	L.E. (000)
Operating costs	(4)	1 551 689	1 308 537
General and administrative expenses	(7)	33 085	28 362
		1 584 774	1 336 899

14. PROJECTS IN PROGRESS

	31/12/2017 LE (000)	31/12/2016 LE (000)
Land	16 503	15 576
Buildings and Infrastructure	494 046	536 324
Furniture	-	250
Tools and equipments	2 532	-
Technical equipment and information technologies	2 451 380	841 190
Other Assets (cables)	29 767	407 681
Advance payments - Fixed assets	699 300	289 428
Advance payments - Other assets (fourth generation network license 4G)	-	5 293 798
	3 693 528	**7 384 247**

The balance of projects in progress is represented in the executed part from capital commitments and contracts until December 31, 2017 and related advanced payment.

15. LONG TERM INVESTMENTS

	Note No.	31/12/2017 Ownership %	31/12/2017 LE (000)	31/12/2016 Ownership %	31/12/2016 LE (000)
15-1 Investments in subsidiaries & associates					
- Telecom Egypt France (TE France)		100.00	69 220	100.00	69 220
- T.E. Data		99.99	252 461	99.99	252 461
- TE Investment Holding*		99.95	39 998	99.95	39 980
- Egyptian Telecommunication for Information System		97.66	31 250	97.66	31 250
- Centra Technology		58.76	14 737	58.76	14 737
- Wataneya for Telecommunications		50.00	125	50.00	125
- International Telecommunications Consortium limited (ITCL)		50.00	54	50.00	54
- Middle East Radio Communication		49.00	7 350	49.00	7 350
- Vodafone Egypt Telecommunications Company		44.95	5 960 054	44.95	5 960 054
- Egypt Trust**		35.71	7 500	35.71	7 500
- Consortium Algerian Telecommunications		33.00	133	33.00	133
			6 382 882		6 382 864
Payments for investments purchase					
- Egypt Trust *			2 500		2 500
			6 385 382		6 385 364
Less:					
Impairment loss on investments of Consortium Algerien de Telecommunications , International Telecommunications Consortium Limited , Egypt Trust, Wataneya for Telecommunications and Telecom Egypt France	(25)		8 081		8 081
			6 377 301		**6 377 283**

* The company has been underwriting in the remaining 25% that represent share's in Egypt Trust capital and the commercial registration related to is 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 investments in other companies	(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 amounted to L.E. 453 902 K are represented in the value of the finance provided by Telecom Egypt to Consortium Algerian de Telecommunication Company (CAT) where Telecom Egypt participates directly and indirectly by 50%, accordingly, impairment has been made for the full balance, 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) note no. (32-2). In the light of these circumstances, there is high probability that will not be able to collect the finance given to Consortium Algerian de Telecommunication Company.

17- **OTHER ASSETS**

	Fourth generation Network license *	Submarine cables	land (Possession)	land (Usufruct)	Licenses and programs	Total
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Cost as at January 1, 2016 (Reclassified)	-	945 404	440 683	1	-	1 386 088
Additions during the year	-	426 747	-	-	56 382	483 129
Disposals during the year	-	(143 848)	-	-	-	(143 848)
Cost at December 31, 2016 (Reclassified)	-	1 228 303	440 683	1	56 382	1 725 369
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)
Cost at December 31, 2017	**8 633 330**	**1 819 357**	**440 683**	**1**	**56 382**	**10 949 753**
Accumulated amortization as at January 1, 2016 (Reclassified)	-	334 453	-	-	-	334 453
Amortization for the year	-	52 159	-	-	18 795	70 954
Accumulated amortization for disposals	-	(43 942)	-	-	-	(43 942)
Accumulated amortization as at December 31, 2016 (Raeclassified)	-	342 670	-	-	18 795	361 465
Adjustment on beginning balance	-	11 894	-	-	-	11 894
Amortization for the year	131 301	106 774	-	-	18 795	256 870
Accumulated amortization for disposals	-	(1 402)	-	-	-	(1 402)
Accumulated amortization as at December 31, 2017	**131 301**	**459 936**	**-**	**-**	**37 590**	**628 827**
Net carrying amounts as at December 31, 2017	**8 502 029**	**1 359 421**	**440 683**	**1**	**18 792**	**10 320 926**
Net carrying amounts as at December 31, 2016 (Reclassified)	**-**	**885 633**	**440 683**	**1**	**37 587**	**1 363 904**

- Other assets amortization is charged to operating costs.
- 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 (35-1)

*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
Merchandise for sale	33 890	218
Others – cables and supplies	263 973	76 737
	935 656	**523 851**
Add:		
Letters of credit	121 007	88 616
	1 056 663	**612 467**

Inventory's value was written down by L.E. 15 064 K (against L.E. 22 294 K at December 31, 2016) for obsolete and slow moving items deducted directly from the cost of each type of inventory (Note no. 25).

19. TRADE RECEIVABLES

	Note No.	31/12/2017 L.E. (000)	31/12/2016 L.E. (000)
Trade Receivables - National		3 838 824	4 071 640
Trade Receivables - International		2 467 962	3 165 603
		6 306 786	7 237 243
Less:			
Impairment loss on trade receivables	(25)	1 994 039	2 585 174
		4 312 747	**4 652 069**

20. DEBTORS AND OTHER DEBIT BALANCES

	Note No.	31/12/2017 L.E (000)	31/12/2016 L.E (000)
Suppliers – debit balances		128 199	47 617
Deposits with others		188 343	159 359
Customs Authority - deposits		2 740	3 043
Accrued revenues		21 669	16 377
Tax Authority – value added tax		481 774	160 948
Tax Authority – withholding tax		138 429	123 535
Debts and restricted amounts at banks		5 718	3 661
Payments on the account of income tax		71 916	24 916
Due from organizations and companies		315 774	204 694
Due from Ministries		104 212	154 195
Temporary debts due from employees		316 773	288 956
Other debit balances		546 916	556 955
		2 322 463	1 744 256
Less:			
Impairment loss on debtors and other debit balances	(25)	112 181	131 118
		2 210 282	**1 613 138**

21. CASH AND CASH EQUIVALENTS

	Note No.	31/12/2017 L.E (000)	31/12/2016 L.E (000)
Banks - time deposits (less than 3 months)		18 504	584 551
Banks - current accounts		38 750	(57 047)
Cash on hand		1 009	2 691
Cash and cash equivalents		**58 263**	**530 195**
Less:			
Restricted cash and cash equivalents	(30)	12 037	9 465
Cash and cash equivalents as per cash flows statement		**46 226**	**520 730**

22. LOANS AND CREDIT FACILITIES

Description	Loan Currency	Long term loan installments due within one year	Long term loan installments due within more than one year	Balance as of 31/12/2017	Balance as of 31/12/2016	Annual interest rate	Repayment schedule
		L.E (000)	L.E (000)	L.E (000)	L.E (000)	%	
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
Foreign suppliers' facilities	EURO	1 679	-	1 679	1 547	5.50%	
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	
		6 678 314	614 472	7 292 786	3 336 939		

23. CREDITORS AND OTHER CREDIT BALANCES

	31/12/2017 L.E. (000)	31/12/2016 L.E. (000)
Suppliers	1 876 090	564 102
Tax Authority-Income Tax	322 298	344 940
Tax Authority (taxes other than income tax)	424 962	165 797
Deposits from others	400 611	645 747
Assets creditors	6 519 614	2 472 507
Dividends creditors	770	770
Accrued interest	11 823	6 608
Accrued expenses	640 064	309 369
Social Insurance Authority	37 216	37 531
Customers - credit balances	199 481	132 028
Credit balances - organizations and companies	295 449	829 019
Deferred revenues*	74 526	-
NTRA	345 442	207 315
Other credit balances	730 786	336 167
	11 879 132	6 051 900
Less balances due within more than one year:		
Other assets creditors - fourth generation network license	1 258 706	-
Deferred revenues	39 448	-
Credit balances - organizations and companies	5 275	114 226
	10 575 703	**5 937 674**

*The deferred revenues amounting to L.E. 74 526 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) and revenues from operating services and maintenance cables by an amount of L.E 39 448 K (against nil at December 31, 2016).

24. PROVISIONS

	Note No.	Balance as of 1/1/2017 L.E. (000)	Charged to income statement L.E. (000)	Used during the year L.E. (000)	Reclassification L.E. (000)	Balance as of 31/12/2017 L.E. (000)
Claims and liabilities provision*	(8)	1 057 657	1 158 206	(372 932)	(96 037)	1 746 894
		1 057 657	**1 158 206**	**(372 932)**	**(96 037)**	**1 746 894**

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

25. IMPAIRMENT LOSS ON ASSETS

	Note No.	Balance as of 1/1/2017 L.E. (000)	charged to income statement L.E. (000)	Reversal of impairment L.E. (000)	Used during the year L.E. (000)	Reclassification L.E. (000)	Balance as of 31/12/2017 L.E. (000)
Impairment loss on investments in associates and subsidiaries	(15-1)	8 081	-	-	-	-	8 081
Impairment loss on available-for-sale investment	(15-2)	32 615	3 705	-	-	-	36 320
Impairment loss on long-term debit balances	(16)	453 902	-	-	-	-	453 902
Write-down of Inventories	(18)	22 294	-	(7 230)	-	-	15 064
Impairment loss on trade receivables	(19)	2 585 174	56 470	-	(743 642)	96 037	1 994 039
Impairment loss on debtors and other debit balances	(20)	131 118	-	(18 937)	-	-	112 181
		3 233 184	**60 175**	**(26 167)**	**(743 642)**	**96 037**	**2 619 587**

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	1 753 537	1 583 913
General reserve*	2 771 654	2 771 654
Revaluation reserve available for sale investments	6 814	6 814
Capital reserve	18 110	18 110
	4 550 115	**4 380 491**

* 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 L.E. (000)	Liabilities L.E. (000)	Assets L.E. (000)	Liabilities L.E. (000)
Net gain of translation foreign currencies balances	-	64 924	-	294 431
Fixed assets	-	165 502	-	5 553
Other assets	-	34 919	-	17 183
Impairment loss on available for sale investments	844	-	2 220	-
Write-down of inventories	3 389	-	5 016	-
Impairment loss on trade receivables and other debit balances	79 999	-	165 260	-
Provisions	276 860	-	201 769	-
Accrued liabilities	35 785	-	34 287	-
Total deferred tax asset \ liability	396 877	265 345	408 552	317 167
Net deferred tax asset	131 532	-	91 385	-
Deferred tax charged to the income statement for the year	40 147		(243 219)	

28-2 Unrecognized deferred tax assets

	31/12/2017 L.E. (000)	31/12/2016 L.E. (000)
Impairment loss on trade recivables	378 015	425 759
Impairment loss on debtors & other debit balances	117 112	122 273
Provision for liabilities and claims	-	22 050
	495 127	570 082

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

28-3 Reconciliation of effective tax rate

	For the financial year ended	
	31/12/2017 L.E. (000)	31/12/2016 L.E. (000) Reclassified
Net profit for the year before income tax	846 581	4 056 333
Income tax according to the current tax law (22.5%)	190 481	912 675
Tax deducted at source on undistributed profit in subsidiaries and associaties	6 082	75 704
Add / (Less):		
Depreciation and amortization	79 053	(107 636)
Provisions	35 765	(58 384)
Impairment loss on financial assets and inventory	-	55 455
Accrued liabilities	-	(1 419)
Exempted investments income	(30 502)	(359 182)
Adjustments on other items	7 355	146 650
	97 753	(248 812)
Income tax	288 234	663 863
Effective tax rate	34.05%	16.37%

29. CAPITAL COMMITMENTS

The company's capital commitments for the unexecuted parts of contracts until December 31, 2017 amounted to L.E. 45 Million (against L.E. 2 921 Million as at December 31, 2016) investees' share in capital haven't been claimed yet by an amount of L.E. 1 million. These commitments are expected to be settled in the subsequent period except for the uncalled installments of investees' share in capital, which shall be settled when required by the Board of Directors of those investees companies.

30. CONTINGENT LIABILITIES

In addition to the amounts included in the statement of financial position as 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*	635 836	613 668
- Letters of credit	1 413 702	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

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

32-1 *Transactions with subsidiaries*

	Nature of transaction during the year	Amount of transactions during the year stated in the income statement L.E. 000	Movement during the year Debit L.E. 000	Movement 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
Debit balances included in trade receivables						
- Egyptian Telecommunication Company for Information Systems	Lease of company premises, electricity claims, maintenance and Leased circuits	27 735	38 768	16 122	36 965	14 319
- TE Data	Leased circuits and information network circuits	2 717 917	3 425 707	2 924 350	742 900	241 543
- Middle East Radio Communication (MERC)	Leased information circuits	1 763	2 003	2 003	-	-
- Jordanian Egyptian Company for data transfer	participation contract	16 137	-	15 836	(19 917)	(4 081)
- Jordanian Egyptian Company for data transfer	The movement of international clearing	1 262	1 378	-	(831)	(2 209)
			3 467 856	2 958 311	759 117	249 572
Debit balances included in debtors and other debit balances						
- Egyptian Telecommunication Company for Information Systems	Purchasing of fixed assets	-	-	-	145	145
- T E investment Holding	Lease of premises	18	18	18	-	-
- T E investment Holding	payments of expenses on behalf of the subsidiary company	-	-	23 010	-	23 010
			18	23 028	145	23 155
Credit balances included in suppliers balances						
- Centra for Technologies	Maintenance & supplying computers	15 344	132 202	364 102	(245 606)	(13 706)
- Centra for Electronic Industries	Maintenance & supplying computers	1 269	1 614	1 919	(1 124)	(819)
- Middle East Radio Communication (MERC)	Supplying & installing communication networks	2 975	2 865	3 378	(513)	-
- TE Data	Services rendered from subsidiary company	42 317	523 192	1 452 758	(1 172 438)	(242 872)
- Egyptian Telecommunication Company for Information Systems	Services rendered from subsidiary company	104 692	67 174	120 552	(60 607)	(7 229)
			727 047	1 942 709	(1 480 288)	(264 626)
Credit balance included in creditors and other credit balances						
- TE Data	Services rendered and supplying information technology equipment	360	-	411	(9 714)	(9 303)
- T E investment Holding	Services rendered from subsidiary company	9 118	6 397	10 275	(3 878)	-
- TE France	Participation contract	23 547	4 624	29 491	(77 320)	(52 453)
			11 021	40 177	(90 912)	(61 756)

* Amount of transactions during the year does not included the value added tax

32. **RELATED PARTY TRANSACTIONS (continued)**

32-2 Transactions with associates

	Nature of transactions during the year	Amount of transactions during the year recorded in the statement of income L.E. 000	Movement during the year Debit L.E. 000	Movement 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 associate company	1 576 532				
			4 980 971	4 989 000	(354 039)	(346 010)
	Incoming and international calls, transmission claims premises and towers to the associate 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 Algerien de Telecommunications (CAT)*	Paid on behalf of associate to finance operating expenses	-	-	-	453 902	453 902
			-	-	453 902	453 902
Debit balances included in debtors and other debit balances						
- International Telecommunication Consortium Limited (ITCL)	-	-	-	-	66	66
			-	-	66	66

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

33. FINANCIAL INSTRUMENTS

33 –1 Credit risk

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

Description	Note No.	31/12/2017 L.E (000)	31/12/2016 L.E (000)
Trade receivables	(19)	4 312 747	4 652 069
Debtors and other debit balances - short term	(20)	2 210 282	1 613 138
Available-for-sale investments	(15-2)	77 568	81 273
Held-to-maturity investments -treasury bills		102 090	101 922
Cash and cash equivalents	(21)	57 254	527 504
		6 759 941	**6 975 906**

33-2 Liquidity risk

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

Description	Carrying Amount L.E (000)	One year or less L.E (000)	From 1-2 years L.E (000)	From 3-5 years L.E (000)	More than 5 years L.E (000)
December 31, 2017					
Creditors and other credit balances	11 879 132	10 575 703	570 004	490 028	243 397
Loans and credit facilities	7 292 786	6 678 314	83 377	125 066	406 029
	19 171 918	**17 254 017**	**653 381**	**615 094**	**649 426**
December 31, 2016					
Creditors and other credit balances	6 051 900	5 937 674	114 226	-	-
Loans and credit facilities	3 336 939	2 710 704	79 144	96 051	451 040
	9 388 839	**8 648 378**	**193 370**	**96 051**	**451 040**

33-3 Currency risk

Description	U.S. Dollar (000)	Sterling Pound (000)	Euro (000)	Swedish Krona (000)	Total LE (000)
December 31, 2017					
Trade receivables	141 675	-	-	-	2 510 481
Accrued interest for time deposits	-	-	-	-	
Banks-current accounts & time deposits	(96 639)	245	418	-	(1 697 713)
Total assets in currency	**45 036**	**245**	**418**	**-**	**812 768**
Creditors & other credit balances	102 841	5	46 720	5	2 814 490
Foreign loans & facilities	1 147	-	30 982	-	678 173
Total liabilities in currency	**103 988**	**5**	**77 702**	**5**	**3 492 663**
Risk surplus (deficit)	**(58 952)**	**240**	**(77 284)**	**(5)**	**(2 679 895)**
Equivalent in Egyptian Pound	**(1 044 629)**	**5 735**	**(1 640 990)**	**(11)**	**(2 679 895)**
December 31, 2016					
Trade receivables - International Clearance	160 752	-	-	-	3 014 100
Accrued interest for time deposits	2	-	11	-	253
Banks-current accounts & time deposits	12 779	286	17 600	-	590 576
Total assets in currency	**173 533**	**286**	**17 611**	**-**	**3 604 929**
Creditors & other credit balances	87 576	5	17 119	8 196	1 993 905
Foreign loans & facilities	5 904	-	32 945	-	755 391
Total liabilities in currency	**93 480**	**5**	**50 064**	**8 196**	**2 749 296**
Risk surplus (deficit)	**80 053**	**281**	**(32 453)**	**(8 196)**	**855 633**
Equivalent in Egyptian Pound	**1 500 994**	**6 446**	**(635 063)**	**(16 774)**	**855 633**

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

Exchange rates for currencies against Egyptian pound:

	Average exchange rate during:		Closing exchange rate as at:	
	2017	2016	31/12/2017	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
Swedish Krona	2.0853	1.1644	2.1591	2.0429

33–4 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. 267 989 K (L.E. 85 562 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.

33–5 Interest rate risk

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

Description	Note No.	31/12/2017 L.E. (000)	31/12/2016 L.E. (000)
Financial instruments with fixed interest rate			
Financial assets – deposits	(21)	18 504	584 551
Financial liabilities (loans-credit facilities)	(22)	7 292 786	3 336 939

33–6 Fair values for financial instruments

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

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

34. SIGNIFICANT CLAIMS AND LITIGATIONS

34-1 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.

34-2 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.

34-3 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.

34-4 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.

35. Compartive figures

Reclassifications was made to comparative figures for some of the separate statement of financial position, separte statement of income and separate statement of cash flow items to conform to the current presentation as follows:

35-1 Separate statement of financial position

	1/1/2016 as previously presented LE(000)	Reclassification debit / (credit) LE(000)	1/1/2016 Reclassified LE(000)
Fixed assets	11 484 056	(148 395)	11 335 661
Other asstes	903 240	148 395	1 051 635

	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	14 020 657	(148 395)	13 872 262
Other assets	1 215 509	148 395	1 363 904

35-2 Separate Satetment of Income

	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)
Operating revenue	12 092 887	(183 063)	11 909 824
Operating cost	(6 838 891)	(87 929)	(6 926 820)
Selling and distribution expenses	(1 184 663)	329 778	(854 885)
General and adminstrative expenses	(2 326 623)	16 918	(2 309 705)
Income tax	(344 940)	(75 704)	(420 644)

35-3 Separate Statement of Cash Flows

	For the financial year ended 31/12/2016 as previously presented LE(000)	Reclassification LE(000)	For the financial year ended 31/12/2016 Reclassified LE(000)
Cash paid to suppliers	(1 186 736)	(61 832)	(1 248 568)
Cash paid to employees and board of directors	(3 169 764)	63 231	(3 106 533)
Cash paid to tax authority (other taxes)	(332 948)	(1 399)	(334 347)

36. SIGNIFICANT ACCOUNTING POLICIES

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

Certain comparative figures have been reclassified to conform to the current presentation of separate financial statements (Note no. 35).

36-1 Foreign currencies translation

Transactions in foreign currencies are translated to functional currencies 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 currencies are translated using the exchange rates at that date of the transaction. Foreign currency differences arising from retranslation are recognised in the statement of income.

36-2 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 (see accounting policy 36-11).

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

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

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

(B) Subsequent costs

The cost of replacing part of an item of fixed assets is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of fixed assets are recognized in 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	3 - 20
Vehicles	7 - 10
Furniture	5 - 10
Tools and supplies	8

36-3 Other assets

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

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

36-3-1 Licenses

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

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

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

36-4 Projects in Progress

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

36-5 Investments in subsidiaries and associates

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

36-6 Available - for - sale investments

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

36-7 Financial asset at fair value through profit or loss (Held for trading investments)

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

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

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

36-9 Inventories

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

36-10 Trade receivables, debtors and other debit balances

Trade receivables, debtors and other debit balances are included as current assets unless they are contractually due over more than twelve months after the financial position date in which case they are classified as non-current assets. These assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method, less any impairment losses.

36-11 Impairment loss of assets

(i) Financial assets

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

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

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

All impairment losses are recognized in statement of income. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to 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 statement of income. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognized in the 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.

36-12 ***Provisions***

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

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

36-13 ***Cash and cash equivalents***

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

36-14 ***Grants***

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

36-15 ***Creditors and other credit balances***

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

36-16 ***Revenue recognition***

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

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

36-17 ***Expenses***

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

36-17-1 ***Operating lease payments***

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

36-17-2 ***Net financing (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 losses.

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

36-18 ***Employees benefits***

The company contributes inside Egypt in Social Insurance under the Social Insurance Authority for the benefit of its personnel in pursuance to the Social Insurance Authority law No. 79 of 1975 and its amendments. These contributions are recorded in the "Wages and Salaries account" in addition to the early retirement scheme applied from September 1, 2001 (Note no. 11).

36-19 ***Capital lease agreements***

The accrued lease payments, repair and maintenance expenses of leased assets under the capital leasing agreements are recognized according to the regulations of capital lease law no. 95 of 1995 as an expense in the statement of income for the period according to the accrual basis. At the end of the lease agreement, if the company exercises its right to purchase the leased assets, these assets are recorded as fixed assets and their costs are determined at the amount of the purchase bargain option stated in the lease agreement and depreciated over the remaining estimated useful lives.

36-20 ***Earnings per share***

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

36-21 ***Reserves***

Legal Reserve: According to the company's Article of Associations requirements, 5% of the net profit is set aside to form a legal reserve. The transfer to legal reserve ceases once the reserve reaches 50% of the company's paid up capital, however, if the reserve falls below the defined level, then the company is required to resume setting aside 5% of the net profit.

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

36-22 ***Income tax***

Income tax on the profit or loss for the year comprises of current and deferred tax. Income tax is recognized in the 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 balance sheet date.
A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.
Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

36-23 *Financial risk management*

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the company's exposure to each of the above risks, the company objectives, policies and processes for measuring and managing risks, and the company management of capital. Further quantitative disclosures are included throughout these financial statements.
The Board of Directors has overall responsibility for the establishment and oversight of the company risk management framework.
The company risk management policies are established to identify and analyze the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities. The company, through
its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

36-23-1 *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss.
This risk is mainly resulting from the company's trade and other debtors.

Trade receivable and other debtors

The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the company's customer base, including the default risk has less of an influence on credit risk.
Most of company's revenue is represented in sales transaction with many customers with close values for each customer, hence, there is no concentration of credit risk on specific customers.

Cash and cash equivalents

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

36-23-2 *Liquidity risk*

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.
The company ensures that the sufficient cash on demand to meet expected operational expenses for a suitable period, including the service of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

36-23-3 Market risk

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

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

Currency risk

The company is exposed to currency risk on transactions that are denominated in a currency other than the respective functional currencies of the company, primarily the U.S. Dollars (USD) and Euro.

In respect of monetary assets and liabilities denominated in foreign currencies, the company ensures that its net exposure is kept to an acceptable level through purchase or sale of the foreign currencies with current prices when that is necessary to face un-balanced short term.

Interest rate risk

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

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

Other market prices risk

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

36-23-4 Capital management

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