telecomegypt

Translation from Arabic

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Separate Financial Statements
For the Financial Year Ended December 31, 2018
And Auditor's Report

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(An Egyptian Joint Stock Company)
Separate Financial Statements
For the Financial Year Ended December 31, 2018
And Auditor's Report

Index

Hazem Hassan
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Translation from Arabic

AUDITOR'S REPORT
TO THE SHAREHOLDERS OF TELECOM EGYPT COMPANY

Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of Telecom Egypt Company S.A.E, which comprise the separate statement of financial position as at December 31, 2018 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.

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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, 2018, 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, February 20, 2019

KPMG Hazem Hassan
Public Accountants and Consultants
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Telecom Egypt Company

(An Egyptian Joint Stock Company)

Separate Statement of Financial Position As of:

	Note No.	31/12/2018 L.E. (000)	31/12/2017 Restated L.E. (000)	1/1/2017 Reclassified L.E. (000)
Assets				
Non Current Assets				
Fixed assets	(13)	22 120 402	17 852 509	13 872 262
Projects in progress	(14)	5 336 110	2 837 275	7 384 247
Investments in subsidiaries and associates	(15)	6 644 879	6 377 301	6 377 283
Available-for-sale investments	(16)	78 561	77 568	81 273
Other assets	(17)	10 258 796	10 320 926	1 363 904
Deferred tax assets	(28-1)	238 797	396 877	408 552
Total Non Current Assets		**44 677 545**	**37 862 456**	**29 487 521**
Current Assets				
Inventories	(18)	1 422 011	1 056 663	612 467
Trade receivables	(19)	3 669 369	3 902 221	4 748 507
Debtors and other debit balances	(20)	4 521 831	2 210 058	1 589 983
Debit balances with subsidiaries and associates	(32)	-	-	30 245
Held-to-maturity investments -treasury bills		102 259	102 090	101 922
Cash and cash equivalents	(21)	201 393	58 263	530 195
Total Current Assets		**9 916 863**	**7 329 295**	**7 613 319**
Total Assets		**54 594 408**	**45 191 751**	**37 100 840**
Equity				
Capital	(26)	17 070 716	17 070 716	17 070 716
Reserves	(27)	4 578 032	4 550 115	4 380 491
Retained earnings		2 953 141	2 797 513	4 782 442
Total Equity		**24 601 889**	**24 418 344**	**26 233 649**
Non Current Liabilities				
Loans and credit facilities	(22)	550 168	614 472	626 235
Creditors and other credit balances	(23)	3 696 799	1 303 429	114 226
Deferred tax liabilities	(28-1)	583 909	265 345	317 167
Total Non Current Liabilities		**4 830 876**	**2 183 246**	**1 057 628**
Current Liabilities				
Loans and credit facilities installments due within one year	(22)	13 290 192	6 678 314	2 710 704
Creditors and other credit balances	(23)	8 540 554	8 998 976	5 611 292
Credit balances due to subsidiaries and associates	(32)	2 692 893	1 165 977	429 910
Provisions	(24)	638 004	1 746 894	1 057 657
Total Current Liabilities		**25 161 643**	**18 590 161**	**9 809 563**
Total Liabilites		**29 992 519**	**20 773 407**	**10 867 191**
Total Equity and Liabilities		**54 594 408**	**45 191 751**	**37 100 840**

The attached notes on pages from (8) to (40) 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 "	"Adel Hamed"

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 31/12/2018 L.E. (000)	31/12/2017 Restated L.E. (000)
Operating revenues	(3)	18 006 460	15 547 308
Operating costs	(4)	(11 956 248)	(9 882 155)
Gross Profit		**6 050 212**	**5 665 153**
Other income	(5)	399 432	330 014
Selling and distribution expenses	(6)	(1 803 224)	(1 165 839)
General and administrative expenses	(7)	(2 082 282)	(2 233 123)
Other expenses	(8)	(161 365)	(1 301 264)
Operating profit		**2 402 773**	**1 294 941**
Finance income		168 230	66 794
Finance cost		(1 496 322)	(721 647)
Net finance cost	(9)	**(1 328 092)**	**(654 853)**
Income from investments in subsidiaries and associates	(10)	**687 034**	**108 014**
Profit before income tax		**1 761 715**	**748 102**
Income tax		(34 413)	(328 381)
Deferred tax	(28-1)	(476 644)	40 147
Total income tax	(28-3)	**(511 057)**	**(288 234)**
Net profit for the year		**1 250 658**	**459 868**
Basic and diluted earning per share for the year (L.E. / Share)	(12)	**0.36**	**(0.11)**

The attached notes on pages from (8) to (40) are an integral part of these separate financial statements.

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Telecom Egypt Company

(An Egyptian Joint Stock Company)

Separate Statement of Comprehensive Income

	For the financial year ended:	
	31/12/2018	31/12/2017 Restated
	L.E.(000)	L.E.(000)
Net profit for the year	1 250 658	459 868
Other Comprehensive Income Items		
Other Comprehensive Income	-	-
Total Comprehensive Income	1 250 658	459 868

The attached notes on pages from (8) to (40) are an integral part of these separate financial statements.

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CERTIFIED ISO 9001:2015 COMPANY

Translation from Arabic

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Separate Statement of Changes In Equity
For The Financial Year Ended December 31, 2018

	Capital	Legal reserve	Other reserves	Retained earnings	Total
	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)
Balance as of 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 (Restated)	-	-	-	459 868	459 868
Other comprehensive income items	-	-	-	-	-
Total comprehensive income (Restated)	-	-	-	**459 868**	**459 868**
Transactions with shareholders					
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	-	**169 624**		**(2 444 797)**	**(2 275 173)**
Balance as of December 31, 2017 (Restated)	**17 070 716**	**1 753 537**	**2 796 578**	**2 797 513**	**24 418 344**
Balance as of January 1, 2018 (Restated)	**17 070 716**	**1 753 537**	**2 796 578**	**2 797 513**	**24 418 344**
Comprehensive income					
Net profit for the year	-	-	-	1 250 658	1 250 658
Other comprehensive income items	-	-	-	-	-
Total comprehensive income	-	-	-	**1 250 658**	**1 250 658**
Transactions with shareholders					
Transferred to legal reserve	-	27 917	-	(27 917)	-
Dividends for year 2017 (Shareholders)	-	-	-	(426 768)	(426 768)
Dividends for year 2017 (Employees & Board of Directors)	-	-	-	(640 345)	(640 345)
Total transactions with shareholders	-	**27 917**	-	**(1 095 030)**	**(1 067 113)**
Balance as of December 31, 2018	**17 070 716**	**1 781 454**	**2 796 578**	**2 953 141**	**24 601 889**

The attached notes on pages from (8) to (40) are an integral part of these separate financial statements.

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

	Note No.	For the financial year ended: 31/12/2018 L.E.(000)	31/12/2017 Reclassified L.E.(000)
Cash flows from operating activities			
Cash receipts from customers		11 292 058	10 117 916
Cash receipts from related party		3 696 557	2 661 685
Value added tax collected from customers		354 492	311 423
Stamp tax and fees collected (from third party)		32 070	29 436
Deposits collected from customers		1 009	257
Cash paid to suppliers		(3 383 930)	(1 647 318)
Payments of NTRA license fees		(450 919)	(331 180)
Dividends paid to employees and Board of Directors		(311 768)	(283 939)
Cash paid to employees and Board of Directors		(3 595 168)	(3 271 326)
Cash paid on behalf of employees to third party		(700 617)	(583 647)
Cash provided by operating activities		**6 933 784**	**7 003 307**
Interest paid		(920 402)	(324 308)
Payments to Tax Authority - income tax		(182 447)	(220 808)
Payments to Tax Authority - value added tax		(1 874 739)	(1 640 499)
Payments to Tax Authority - other taxes		(778 472)	(513 985)
Cash paid to third parties for claims		(919 278)	-
Other (payments) proceeds		(58 828)	88 822
Net cash provided by operating activities		**2 199 618**	**4 392 529**
Cash flows from investing activities			
Payments for purchase of fixed assets , project in progress and other assets		(7 867 053)	(5 797 437)
Payments for purchase of other assets		(780 178)	(1 419 828)
Payments for acquisition of investments		(268 578)	-
Cash paid to lend one of subsidiaries	(15)	(1 604 700)	-
Proceeds from payments the loan to one of subsidiaries	(15)	1 604 700	-
Payments for purchase of held-to-maturity investment - treasurty bills		(201 053)	(201 632)
Interest received		13 405	20 515
Dividends collected from investments		679 404	114 817
Proceeds from sale of available for sale investment		7	-
Proceeds from retrieval of held-to-maturity investment - treasurty bills		209 422	209 863
Proceeds from income of securities (treasury bills interest)		10 156	10 271
Net cash used in investing activities		**(8 204 468)**	**(7 063 431)**
Cash flows from financing activities			
Payments for loans and other facilities		(60 926)	(129 598)
Proceeds from credit facilities		6 633 922	4 033 067
Dividends paid to shareholders		(426 768)	(1 707 071)
Net cash provided by financing activities		**6 146 228**	**2 196 398**
Net change in cash and cash equivalents during the year		**141 378**	**(474 504)**
Cash and cash equivalents at the beginning of the year	(21)	46 226	520 730
Cash and cash equivalents at the end of the year	(21)	**187 604**	**46 226**

The attached notes on pages from (8) to (40) 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, 2018

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 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 the separate financial statements

These separate financial statements were approved by the company's Board of Directors for issuance on February 20, 2019.

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 related to.
- 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: 31/12/2018 L.E. (000)	31/12/2017 L.E. (000)
Home and personal communications	2 659 672	1 583 493
Enterprise	2 556 640	1 924 279
Domestic wholesale	6 767 627	5 637 026
International carriers	4 424 255	4 869 438
International cables and networks	1 598 266	1 533 072
	18 006 460	**15 547 308**

4. OPERATING COSTS

	Note No.	For the financial year ended: 31/12/2018 L.E. (000)	31/12/2017 Restated L.E. (000)
Interconnection cost		4 295 373	4 152 402
Depreciation of fixed assets*	(13)	1 903 304	1 650 168
Amortization of other assets	(17)	599 654	256 870
Salaries and wages		1 612 095	1 457 083
Company's social insurance contribution		200 670	166 430
Employees vacations allowance		5 410	7 411
Frequencies and licences charges (NTRA)		570 455	469 309
Fuel		638 210	446 679
Right of use (IRU) outside Egypt		228 022	144 990
Leased circuits & satellite subscriptions		239 537	186 162
Cost of merchandise available for sale		682 288	312 662
Spare parts		126 813	79 659
Maintenance		387 661	310 201
Organiztions services cost		80 752	36 983
Company's call costs		58 333	45 362
Electricity and water		53 679	42 720
Transportion cost		84 067	55 906
Materials, supplies and miscellaneous printed		46 654	31 501
Other operating costs		143 271	29 657
		11 956 248	**9 882 155**

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

5. OTHER INCOME

	For the financial year ended 31/12/2018 L.E. (000)	31/12/2017 L.E. (000)
Fines and earned delay interest on company's receivables	120 117	86 941
Unoperational assets revenues	48 407	16 068
Sundry revenues	230 908	227 005
	399 432	**330 014**

6. SELLING AND DISTRIBUTION EXPENSES

	For the financial year ended 31/12/2018 L.E. (000)	31/12/2017 L.E. (000)
Salaries and wages	811 620	792 768
Company's social insurance contribution	92 113	83 421
Employees vacations allowance	3 840	5 259
Tax and duties	87 656	26 074
Advertising and Marketing	442 441	120 461
Organizations services cost	209 828	106 526
Commissions	92 603	8 273
Others expenses	63 123	23 057
	1 803 224	**1 165 839**

7. GENERAL AND ADMINISTRATIVE EXPENSES

	Note No.	For the financial year ended 31/12/2018 L.E. (000)	31/12/2017 L.E. (000)
Salaries and wages		1 355 009	1 440 214
Company's social insurance contribution		127 765	109 810
Employees vacations allowance		8 203	11 236
The company's contribution in loyalty and belonging fund	(11)	–	260 000
Fixed assets depreciation	(13)	40 861	33 085
Bad debts		396	6 951
Tax and duties		108 953	90 043
Organization services and consulting cost		294 459	208 004
Bank charges		12 075	9 543
Others expenses		134 561	64 237
		2 082 282	**2 233 123**

8. OTHER OPERATING EXPENSES

	Note No.	For the financial year ended 31/12/2018 L.E. (000)	31/12/2017 L.E. (000)
Provisions	(24)	69 573	1 158 206
Capital losses		17 012	52 893
Sale of slow moving inventories losses		3 085	27 863
Donations		71 695	62 302
		161 365	**1 301 264**

9. NET FINANCE COST

	Note No.	For the financial year ended 31/12/2018 L.E. (000)	31/12/2017 L.E. (000)
Finance income			
Interest income		14 082	20 574
Treasury bills income		18 695	18 670
Reversal of impairment loss on financial assets	(25)	35 840	-
Net translation gain of foreign currencies balances and transactions		85 152	-
Gain on sale of available for sale Investments		1	-
Income from available for sale Investment			
Civil Information Technology Co.		398	314
Egyptian Company for tracking services & information technology		2 158	1 104
Egyptian Company for Ideavelopers		-	12 783
Arabsat		11 904	13 349
Total finance income		**168 230**	**66 794**
Finance costs			
Interest expense		(1 090 544)	(329 781)
Finance cost for credit contracts		(405 778)	(246 783)
Impairment loss on financial assets	(25)	-	(37 533)
Impairment loss on available-for-sale investments	(25)	-	(3 705)
Net translation loss of foreign currencies balances and transactions		-	(103 845)
Total finance cost		**(1 496 322)**	**(721 647)**
Net finance cost		**(1 328 092)**	**(654 853)**

10. INCOME FROM INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

	For the financial year ended	
	31/12/2018	31/12/2017
	L.E. (000)	L.E. (000)
WE Data	200 000	76 000
Middle East Radio Communications (Merc)	2 998	1 921
The Egyptian Telecommunication Company for information systems (Xceed)	31 250	3 125
Centra Technology Company	3 328	-
Vodafone Egypt Telecommuniacations Company (Vodafone)	449 458	26 968
	687 034	**108 014**

This income is represented in the company's share in the cash dividends from investment according to the resolutions of the General Assembly of investees.

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. 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.

12. BASIC AND DILUTED EARNING PER SHARE

	For the financial year ended 31/12/2018	For the financial year ended 31/12/2017 Restated
Net profit for the year (L.E. (000))	1 250 658	459 868
Less:		
Employees' share in profit (L.E. (000)) *	628 401	635 695
Board of Directors share in profit (L.E. (000)) *	6 300	4 650
Net profit (loss) for the year available for distribution (L.E. (000))	**615 957**	**(180 477)**
Number of shares during the year (share)	1 707 071 600	1 707 071 600
Basic and diluted earning per share for the year (L.E. / share)**	**0.36**	**(0.11)**

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

**Restatement was made to the comparative figures as shown in (Note no. 35-2).

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, 2017	2 368 972	22 675 700	21 570 123	140 374	297 575	95 862	47 148 606
Adjustments on beginning balance	(24 659)	78 518	(32 953)	-	(31)	-	20 875
Additions during the year **(Restated)**	77	2 487 312	3 236 069	2 105	20 395	36 601	5 782 559
Disposals during the year	-	(313 065)	(48 884)	(5 317)	(3 877)	(1 555)	(372 698)
Cost as at December 31, 2017 (Restated)	**2 344 390**	**24 928 465**	**24 724 355**	**137 162**	**314 062**	**130 908**	**52 579 342**
Additions during the year	47	3 496 352	2 719 594	7 139	36 448	12 274	6 271 854
Disposals during the year	-	(283 330)	(125 038)	(4 886)	(3 509)	(1 252)	(418 015)
Cost as at December 31, 2018	**2 344 437**	**28 141 487**	**27 318 911**	**139 415**	**347 001**	**141 930**	**58 433 181**
Accumulated depreciation as at January 1, 2017	-	14 152 930	18 732 956	103 993	219 600	66 865	33 276 344
Adjustments on beginning balance	-	4 779	954	-	-	-	5 733
Depreciation for the year **(Restated)**	-	795 770	854 398	4 403	21 135	7 547	1 683 253
Accumulated depreciation for disposals	-	(181 415)	(46 420)	(5 231)	(3 877)	(1 554)	(238 497)
Accumulated depreciation as at December 31, 2017 (Restated)	-	**14 772 064**	**19 541 888**	**103 165**	**236 858**	**72 858**	**34 726 833**
Depreciation for the year	-	729 438	1 173 866	5 268	24 594	10 999	1 944 165
Accumulated depreciation for disposals	-	(227 853)	(120 777)	(4 828)	(3 509)	(1 252)	(358 219)
Accumulated depreciation as at December 31, 2018	-	**15 273 649**	**20 594 977**	**103 605**	**257 943**	**82 605**	**36 312 779**
Net carrying amounts as at December 31, 2018	**2 344 437**	**12 867 838**	**6 723 934**	**35 810**	**89 058**	**59 325**	**22 120 402**
Net carrying amounts as at December 31, 2017 (Restated)	**2 344 390**	**10 156 401**	**5 182 467**	**33 997**	**77 204**	**58 050**	**17 852 509**

- Cost of fixed assets includes an amount of L.E. 23 198 Million fully depreciated assets and still in use.
- Restatement and reclassification were made to the comparative figures are shown in (Note no. 35-1).

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

	Note No.	For the financial year ended 2018	2017 Restated
		L.E. (000)	L.E. (000)
Operating costs	(4)	1 903 304	1 650 168
General and administrative expenses	(7)	40 861	33 085
		1 944 165	**1 683 253**

14. PROJECTS IN PROGRESS

	31/12/2018	31/12/2017 Reclassified
	LE (000)	LE (000)
Land	21 025	16 503
Buildings and Infrastructure	2 616 751	494 046
Vehicles	493	-
Furniture	2 108	-
Tools and equipments	24 083	2 532
Technical equipment and information technologies*	2 107 988	1 595 127
Other Assets (cables)	70 776	29 767
Advance payments - Fixed assets	492 886	699 300
	5 336 110	2 837 275

The balance of projects in progress is represented in the executed part from capital commitments and contracts until December 31, 2018 and related advanced payment.

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

15. LONG TERM INVESTMENTS

	Note No.	31/12/2018 Ownership %	31/12/2018 LE (000)	31/12/2017 Ownership %	31/12/2017 LE (000)
15-1 Investments in subsidiaries & associates					
- Telecom Egypt France (TE France)		100.00	69 220	100.00	69 220
- WE Data***		99.99	252 461	99.99	252 461
- TE Investment Holding		99.99	39 998	99.99	39 998
- Egyptian international submarine cables company (Eiscc)*		99.00	267 578	-	-
- Egyptian Telecommunication for Information System (Xceed)		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 (Merc)		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	10 000	35.71	10 000
- Consortium Algerian Telecommunications		33.00	133	33.00	133
			6 652 960		6 385 382
Less:					
Impairment loss on investments of subsidiaries and associates**	(25)		8 081		8 081
			6 644 879		**6 377 301**

*During the year, Telecom Egypt Group has acquired the rest of the shares of the Egyptian International Submarine Cables Company (EISCC) which represent 50% by an amount of USD 15 Million, Telecom Egypt finalised the acquisition procedures of Middle East and North Africa Submarine Cable "MENA Cable" from Orascom Investment Holding "OIH" through its subsidiary Egyptian International Submarine Cable Company "EISCC".

The total enterprise value of MENA Cable is USD 90 Million of which USD 40 Million represents the equity value and the remaining amount USD 50 Million represents its outstanding debt, the deal was financed by a loan granted by the company to the said subsidiary with an amount of USD 90 Million at annual interest rate LIBOR, in addition to profit margin which will be paid within one year from the date of obtaining the loan at most, the loan have been fully paid during the year.

**Impairment loss on investments of subsidiaries and associates is formed for Consortium Algerian de Telecommunications, International Telecommunications Consortium Limited, Egypt Trust, Wataneya for Telecommunications and Telecom Egypt France.

***The trade name of the subsidiary has been changed from TE Data to WE Data during the year.

16. **Available-for-sale investments**	Note No.	31/12/2018 LE (000)	31/12/2017 LE (000)
- Participations in foreign satellite companies and organizations*		26 676	26 683
- Investments in other companies		87 205	87 205
		113 881	113 888
Payment for purchase Available-for-sale investments			
Egyptian company for tracking services and information technology		1 000	-
		114 881	**113 888**
Less:			
Impairment loss on investments in other companies	(25)	36 320	36 320
		78 561	**77 568**

* 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% .

17- OTHER ASSETS

	Fourth generation Network license L.E. (000)	Submarine cables L.E. (000)	Land (Possession) L.E. (000)	Right of traffic local L.E. (000)	Land (Usufruct) L.E. (000)	Licenses and programs L.E. (000)	Total L.E. (000)
Cost as at January 1, 2017	-	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**
Additions during the year	-	149 889	-	522 722	-	-	672 611
Disposals during the year	-	(150 298)	-	-	-	-	(150 298)
Cost at December 31, 2018	**8 633 330**	**1 818 948**	**440 683**	**522 722**	**1**	**56 382**	**11 472 066**
Accumulated amortization as at January 1, 2017	-	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**
Amortization for the year	459 569	108 225	-	13 068	-	18 792	599 654
Accumulated amortization for disposals	-	(15 211)	-	-	-	-	(15 211)
Accumulated amortization as at December 31, 2018	**590 870**	**552 950**	**-**	**13 068**	**-**	**56 382**	**1 213 270**
Net carrying amounts as at December 31, 2018	**8 042 460**	**1 265 998**	**440 683**	**509 654**	**1**	**-**	**10 258 796**
Net carrying amounts as at December 31, 2017	**8 502 029**	**1 359 421**	**440 683**	**-**	**1**	**18 792**	**10 320 926**

- Other assets amortization is charged to operating costs.
- Other assets costs included L.E 168 Million other assets fully amortized and still in used.

18. INVENTORIES

	31/12/2018 L.E. (000)	31/12/2017 L.E. (000)
Spare parts	753 004	636 816
Material supplies	977	977
Merchandise for sale	28 084	33 890
Others – cables and supplies	505 152	263 973
	1 287 217	935 656
Add:		
Letters of credit	134 794	121 007
	1 422 011	1 056 663

Inventory's value was written down by L.E. 16 317K (against L.E. 15 064 K at December 31, 2017) for obsolete and slow moving items deducted directly from the cost of each type of inventory (Note no. 25).

19. TRADE RECEIVABLES

	Note No.	31/12/2018 L.E. (000)	31/12/2017 Reclassified L.E. (000)
Trade Receivables - National*		3 134 685	3 428 298
Trade Receivables - International		2 504 215	2 467 962
		5 638 900	**5 896 260**
Less:			
Impairment loss on trade receivables	(25)	1 969 531	1 994 039
		3 669 369	**3 902 221**

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

20. DEBTORS AND OTHER DEBIT BALANCES

	Note No.	31/12/2018 L.E. (000)	31/12/2017 Reclassified L.E. (000)
Suppliers – debit balances		284 659	128 199
Deposits with others		241 810	188 343
Customs Authority - deposits		2 397	2 740
Accrued revenues		9 492	21 669
Tax Authority – value added tax*		1 785 732	508 447
Tax Authority – withholding tax		194 675	138 429
Debts and restricted amounts at banks		3 848	5 718
Payments on the account of income tax		28 023	71 916
Due from Ministries organizations and companies*		868 826	419 762
Temporary debts due from employees		628 401	316 773
Other debit balances*		574 817	520 243
		4 622 680	2 322 239
Less:			
Impairment loss on debtors and other debit balances	(25)	100 849	112 181
		4 521 831	**2 210 058**

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

21. CASH AND CASH EQUIVALENTS

	Note No.	31/12/2018 L.E. (000)	31/12/2017 L.E. (000)
Banks - time deposits (less than 3 months)		185 833	18 504
Banks - current accounts		14 143	38 750
Cash on hand		1 417	1 009
Cash and cash equivalents		**201 393**	**58 263**
Less:			
Restricted cash and cash equivalents at banks	(30)	13 789	12 037
Cash and cash equivalents as per cash flows statement		**187 604**	**46 226**

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 31/12/2018	Balance as of 31/12/2017	Annual interest rate	Repayment schedule
		L.E. (000)	L.E. (000)	L.E. (000)	L.E. (000)	%	
Governmental Loans	U.S.$	-	-	-	20 332	4 %	Annual installments ending on 24/1/2018
Foreign loans	EURO	40 043	550 168	590 211	656 160	0.75% - 5.5%	Semi-annual installments ending on 30/6/2036
Foreign suppliers' facilities	EURO	1 612	-	1 612	1 679	5.50%	
Bank facilities	LE	3 628 825	-	3 628 825	4 350 171	Variable interest rate	
Bank facilities	U.S.$	9 619 712	-	9 619 712	2 254 190	Variable interest rate	
Bank facilities	EURO	-	-	-	10 254	Variable interest rate	
		13 290 192	**550 168**	**13 840 360**	**7 292 786**		

Obtaining of medium term syndicated loan

On October 18, 2018 Telecom Egypt has signed a USD 500 Million medium – term syndicated loan, which will be used to support its capital and operational expenditure, and refinance an existing short – term facility. First Abu Dhabi Bank PJSC (FAB) and Mashreq Bank NPSC (Mashreq) were mandated as joint Book runners and mandated lead arrangers of the facility. FAB is the facility agent for the transaction and Mashreq Bank is the designated Account Bank, the company didn't use any amount from the said loan till 31/12/2018.

23. CREDITORS AND OTHER CREDIT BALANCES

	31/12/2018	31/12/2017 Reclassified
	L.E. (000)	L.E. (000)
Suppliers*	625 484	412 903
Tax Authority-Income Tax	-	322 298
Tax Authority (taxes other than income tax)	546 558	424 962
Deposits from others	453 557	400 611
Assets creditors	8 096 103	6 519 614
Dividends creditors	770	770
Accrued interest	46 614	11 823
Accrued expenses*	611 572	630 574
Social Insurance Authority	55 559	37 216
Customers - credit balances	285 574	199 481
Credit balances - organizations and companies*	452 818	272 597
Deferred revenues**	140 401	74 526
National Telecommunication Regulatory Authority (NTRA)	152 051	345 442
Other credit balances *	770 292	649 588
	12 237 353	10 302 405
Less balances due within more than one year:		
Other assets creditors	3 662 987	1 258 706
Deferred revenues	33 812	39 448
Credit balances - organizations and companies	-	5 275
Non current creditors and other credit balances	**3 696 799**	**1 303 429**
Current creditors and other credit balances	**8 540 554**	**8 998 976**
Toata creditors and other credit balances	**12 237 353**	**10 302 405**

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

** The deferred revenues amounting to L.E.140 401 K which are represented in both rent of transmission systems for mobile companies by an amount of L.E 30 312 K (against L.E 7 864 K at December 31, 2017) and deferred revenues for mobile services by an amount of L.E 49 750 K (against L.E 27 214 K at December 31, 2017) and revenues from operating services and maintenance cables by an amount of L.E 60 339 K (against L.E 39 448 K at December 31, 2017).

24. PROVISIONS

	Note No.	Balance as of 1/1/2018 L.E. (000)	Reclassification L.E. (000)	Used during the year L.E. (000)	Charged to income statement the year L.E. (000)	Balance as of 31/12/2018 L.E. (000)
Claims and liabilities provision*	(8)	1 746 894	793	(1 179 256)	69 573	638 004
		1 746 894	**793**	**(1 179 256)**	**69 573**	**638 004**

* 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 1/1/2018 L.E. (000)	charged to income statement L.E. (000)	Reversal of impairment L.E. (000)	Balance as of 31/12/2018 L.E. (000)
Impairment loss on investments in subsidiaries and associates	(15)	8 081	-	-	8 081
Impairment loss on available-for-sale investment	(16)	36 320	-	-	36 320
Debit balances with subsidiaries and associates	(32)	453 968	-	-	453 968
Write-down of Inventories	(18)	15 064	1 253	-	16 317
Impairment loss on trade receivables	(19)	1 994 039	-	(24 508)	1 969 531
Impairment loss on debtors and other debit balances	(20)	112 181	-	(11 332)	100 849
		2 619 653	**1 253**	**(35 840)**	**2 585 066**

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

	31/12/2018 L.E. (000)	31/12/2017 L.E. (000)
Legal reserve	1 781 454	1 753 537
General reserve*	2 771 654	2 771 654
Revaluation reserve available for sale investments	6 814	6 814
Capital reserve	18 110	18 110
	4 578 032	**4 550 115**

* General reserve amounting to L.E. 2 771 654 K as at December 31, 2018 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

	31/12/2018		31/12/2017	
	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)
Fixed assets	-	(434 144)	-	(165 502)
Other assets	-	(149 765)	-	(34 919)
Impairment loss on available for sale investments	2 980	-	844	-
Write-down of inventories	3 672	-	3 389	-
Impairment loss on trade receivables and other debit balances	183 062	-	79 999	-
Provisions	13 500	-	276 860	-
Accrued liabilities	35 583	-	35 785	-
Total deferred tax asset \ liability	**238 797**	**(583 909)**	**396 877**	**(265 345)**
Net deferred tax asset \ liability	-	**(345 112)**	**131 532**	-
Deferred tax charged to the income statement for the year (expense) / income		**(476 644)**	**40 147**	

28-2 Unrecognized deferred tax assets

	31/12/2018 L.E. (000)	31/12/2017 L.E. (000)
Impairment loss on trade recivables	381 390	378 015
Impairment loss on debtors & other debit balances	116 774	117 112
	498 164	**495 127**

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 31/12/2018 L.E. (000)	31/12/2017 L.E. (000) Restated
Net profit for the year before income tax	1 761 715	748 102
Income tax according to the current tax law (22.5%)	396 386	168 323
Tax on dividends from subsidiaries and associaties	34 413	6 082
Add / (Less):		
Provisions	(31 653)	35 765
Exempted investments income	-	(30 502)
Unrealized foreign exchange currency effect	(61 468)	-
Adjustments on other items	173 379	108 566
	114 671	**119 911**
Income tax	**511 057**	**288 234**
Effective tax rate	**29.01%**	**38.53%**

*Restatement was made to the comparative figures as shown in (Note no. 35-2).

29. CAPITAL COMMITMENTS

The company's capital commitments for the unexecuted parts of contracts until December 31, 2018 L.E 3 186 Million (against L.E. 45 Million as at December 31, 2017).

30. CONTINGENT LIABILITIES

In addition to the amounts included in the separate statement of financial position as the following contingent liabilities:

	31/12/2018 L.E. (000)	31/12/2017 L.E. (000)
- Letters of guarantee issued by banks on behalf of the company*	816 278	635 836
- Letters of credit	1 357 440	1 413 702

* Letters of guarantee which were issued by banks on behalf of the company and for the benefits of others include letters of guarantee have been issued against 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 inspection for the years 2016 and 2017 is in process.
- Tax return was submitted for the year 2017 and all taxes were paid during the legal dates.

31- 2 Value Added Tax \ Sales Tax

- Tax inspection for the years 2010 untill 2015 was performed and the tax differences were settled and the company didn't pay the additional tax, lawsuit was raised regarding it.

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.

Notes to the Separate financial statements
For the financial year ended December 31, 2018 (continued)

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 interim financial statements date:

Transactions with subsidiaries & associates

	Nature of transaction during the period	Amount of transactions during the period stated in the income statement L.E. 000	Movement during the period Debit L.E. 000	Movement during the period Credit L.E. 000	Balance as of 31/12/2018 Debit/(Credit) L.E. 000	Balance as of 31/12/2017 Reclassified Debit/(Credit) L.E. 000
Debit balances due from subsidiaries and associates						
- Consortium Algerien de Telecommunications (CAT)*	Paid on behalf of associate to finance operating expenses	-	-	-	453 902	453 902
- International Telecommunication Consortium Limited (ITCL)*	-	-	-	-	66	66
			-	-	453 968	453 968
Credit balances due to subsidiaries and associates						
- WE Data	Participation contract and Purchasing of fixed assets and services rendered from subsidiaries company	50 209	3 080 862	4 988 833	(3 090 123)	(1 182 152)
- WE Data	Leased circuits and information transfer network renderd	39 998	5 140 126	3 344 940	2 538 086	742 900
			8 220 988	8 333 773	(552 037)	(439 252)
- Egyptian Telecommunication Company for Information Systems	Services rendered from subsidiary company	209 836	214 523	240 856	(86 940)	(60 607)
- Egyptian Telecommunication Company for Information Systems	lease of subsidiary company premises, electricity claims, maintenance and leased circuits and selling fixed assets	35 278	49 169	30 262	56 017	37 110
			263 692	271 118	(30 923)	(23 497)
- Centra for Technologies	Maintenance & supplying devices	590 550	748 324	660 631	(157 913)	(245 606)
- Centra for Electronic Industries	Maintenance & supplying devices	1 614	1 948	1 839	(1 015)	(1 124)
- Middle East Radio Communication (MERC)	Leased of information circuits	2 563	2 922	2 922	-	-
- Middle East Radio Communication (MERC)	Supplying & installing communication networks	826	1 304	1 015	(224)	(513)
			4 226	3 937	(224)	(513)
- T E investment Holding	Rendered services from subsidiary company	96 685	92 969	109 078	(19 987)	(3 878)
- T E investment Holding	Leased sites for subsidiary company	18	18	18	-	-
			92 987	109 096	(19 987)	(3 878)
- Jordanian Egyptian Company for data transfer	Participation contract	19 066	55 614	41 663	(5 966)	(19 917)
- Jordanian Egyptian Company for data transfer	International clearing	-	836	5	-	(831)
			56 450	41 668	(5 966)	(20 748)
- TE France	Participation contract	27 214	27 666	27 809	(77 463)	(77 320)
- Egyptian International Submarine Cables Company (EISCC)	Leased sites for subsidiary company	15	15	-	15	-
- Egyptian International Submarine Cables Company (EISCC)	Purchasing of intigible assets from subsidiaries company	1 112 592	-	1 268 355	(1 268 355)	-
- Egyptian International Submarine Cables Company (EISCC)	Selling of intigible assets to subsidiaries company	427 920	487 829	-	487 829	-
			487 844	1 268 355	(780 511)	-
- Vodafone Egypt Telecommuniacations Company	Outgoing calls and voice services for associate company	1 595 124	4 077 747	4 773 340	(1 049 632)	(354 039)
- Vodafone Egypt Telecommuniacations Company	Incoming international calls, claims, transmissions,lease of locations and towers for the associate company	1 219 857				
- Middle East and North Africa Submarine Cables Company	Maintenance	1 783	-	17 222	(17 222)	-
			13 981 872	15 508 788	(2 692 893)	(1 165 977)

- Amount of transactions during the period which included in the statement of income does not include the value added tax.

*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 (Note no. 25), 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) . 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.

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

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.	31/12/2018 L.E. (000)	31/12/2017 L.E. (000)
Available-for-sale investments	(16)	78 561	77 568
Trade receivables	(19)	3 669 369	3 902 221
Debtors and other debit balances - short term	(20)	4 521 831	2 210 058
Held-to-maturity investments -treasury bills		102 259	102 090
Cash and cash equivalents	(21)	199 976	57 254
		8 571 996	**6 349 191**

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, 2018					
Creditors and other credit balances	12 237 353	8 540 554	820 778	2 649 498	226 523
Loans and credit facilities	13 840 360	13 290 192	80 085	120 128	349 955
	26 077 713	**21 830 746**	**900 863**	**2 769 626**	**576 478**
December 31, 2017					
Creditors and other credit balances	10 302 405	8 998 976	570 004	490 028	243 397
Loans and credit facilities	7 292 786	6 678 314	83 377	125 066	406 029
	17 595 191	**15 677 290**	**653 381**	**615 094**	**649 426**

33-3 Currency risk

Description	U.S. Dollar (000)	Sterling Pound (000)	Euro (000)	Swedish Krona (000)	Total LE (000)
December 31, 2018					
Trade receivables	147 886	-	-	-	2 636 807
Accrued interest for time deposits	3	-	-	-	53
Banks-current accounts & time deposits	-	221	564	-	16 506
Total assets in currency	**147 889**	**221**	**564**	**-**	**2 653 366**
Creditors & other credit balances	164 814	5	56 802	5	4 097 228
Foreign loans & facilities	160 968	-	29 018	-	3 461 879
Total liabilities in currency	**325 782**	**5**	**85 820**	**5**	**7 559 107**
Risk surplus (deficit)	**(177 893)**	**216**	**(85 256)**	**(5)**	**(4 905 741)**
Equivalent in Egyptian Pound	**(3 171 832)**	**4 890**	**(1 738 789)**	**(10)**	**(4 905 741)**
December 31, 2017					
Trade receivables - International Clearance	141 675	-	-	-	2 510 481
Banks-current accounts & time deposits	-	245	418	-	14 731
Total assets in currency	**141 675**	**245**	**418**	**-**	**2 525 212**
Creditors & other credit balances	102 841	5	46 720	5	2 814 490
Foreign loans & facilities	97 786	-	30 982	-	2 390 617
Total liabilities in currency	**200 627**	**5**	**77 702**	**5**	**5 205 107**
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)**

Exchange rates for currencies against Egyptian pound:

	Average exchange rate during:		Closing exchange rate as at:	
	2018 L.E.	2017 L.E.	31/12/2018 L.E.	31/12/2017 L.E.
U.S. Dollar	17.7608	17.8058	17.8300	17.7200
Sterling Pound	23.6505	22.9624	22.6379	23.8975
Euro	20.9598	20.1139	20.3949	21.2333
Swedish Krona	2.0453	2.0853	1.9868	2.1591

33–4 Sensitivity analysis

A 10% strengthening of the foreign currencies against the EGP as of December 31, 2018, may lead to losses increase by an amount of L.E. 490 574 K (L.E. 267 989 K as of December 31, 2017). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis on 2017.

33–5 Interest rate risk

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

Description	Note No.	31/12/2018 L.E. (000)	31/12/2017 L.E. (000)
Financial instruments with fixed interest rate			
Financial assets – deposits	(21)	185 833	18 504
Financial liabilities (loans-credit facilities)	(22)	13 840 360	7 292 786

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.

35. Compartive figures

Restatement was made to some of the comparative figures of the separate statement of financial position, separate statement of income and separate statement of comprehensive income as a result of the reclassification was made on fixed assets item which led to the increase in its cost by an amount of L.E 856 253 K against decrease in projects in progress by the same amount, as a result of recording these fixed assets since the beginning of providing the service in 2017, which led to make an adjustment led to increase in accumulated depreciation of fixed assets by an amount of L.E 98 479 K against increase in depreciation expense for the year 2017 included in operating costs by the same amount.

Reclassification was made to some of the comparative figuers of the separate statement of financial statement, and separate statement of income and separate statement of cash flows to conform to the current presentation of the separate financial statements.

*the following is the effect of restatement and reclassification on the separate financial statements:

35-1 Effect on Separate statement of financial position

	1/1/2017 as previously reported debit / (credit) LE(000)	Reclassification debit / (credit) LE(000)	1/1/2017 Reclassified debit / (credit) LE(000)
Trade receivables	4 652 069	96 438	4 748 507
Debtors and other debit balances	1 613 138	(23 155)	1 589 983
Debit balances to associates and subsidiaries	-	30 245	30 245
Creditors and other credit balances	(5 937 674)	326 382	(5 611 292)
Credit balance to associates and subsidiaries	-	(429 910)	(429 910)

	31/12/2017 as previously reported debit / (credit) LE(000)	Restatement debit / (credit) LE(000)	Reclassification debit / (credit) LE(000)	31/12/2017 Restated debit / (credit) LE(000)
Fixed assets	17 094 735	(98 479)	856 253	17 852 509
Pojects in progress	3 693 528	-	(856 253)	2 837 275
Trade receivable	4 312 747	-	(410 526)	3 902 221
Debtors and other debit balances	2 210 282	-	(224)	2 210 058
Retained earnings	(2 895 992)	98 479	-	(2 797 513)
Creditors and other credit balances	(10 575 703)	-	1 576 727	(8 998 976)
Credit balance to subsidiaries and associates	-	-	(1 165 977)	(1 165 977)

35-2 Effect on Separate Satetment of Income

	For the financial year ended 31/12/2017 as previously reported LE(000)	Restatment (debit) / credit	For the financial year ended 31/12/2017 Restated LE(000)
Operating cost	(9 783 676)	(98 479)	(9 882 155)
Basic and diluted earning per share (L.E/Share)	(0.05)	(0.06)	(0.11)

35-3 Effect on Separate Statement of Cash Flows

	For the financial year ended 31/12/2017 as previously reported LE(000)	Reclassification LE(000)	For the financial year ended 31/12/2017 Reclassified LE(000)
Cash receipts from customers	12 779 601	(2 661 685)	10 117 916
Cash receipts from related party	-	2 661 685	2 661 685
Dividends paid to employees and Board of Directors	(595 853)	311 914	(283 939)
Cash paid to employees and Board of Direcrors	(2 959 412)	(311 914)	(3 271 326)

36. LAWS WERE RECENTLY ISSUED

On January 11, 2018, Comprehensive health insurance No. 2 for the year 2018 was issued and to be effective after spending six months starting from the next day of the issued law date, also the executive regulations of this law was issued on May 8, 2018, management of the company calculated and recorded the due contribution according to the recent explanation of the provisions of the law and its executive regulations.

37. SUBSEQUENT EVENTS

On February 18, 2019 Vodafone Egypt has proposed a dividend of EGP 12.2 bn, of which Telecom Egypt's share is the equivalent of EGP 5.5 bn. The dividends will be paid on two tranches, the first of which amounts to EGP 4.8 bn and will be paid in March 2019 with the remainder in June 2020, to be presented in the Company General Assembly for approval.

38. 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 restated and reclassified to conform to the current presentation of separate financial statements (Note no. 35).

38-1 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.

38-2 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 38-11).

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 useful life for some fixed assets items have been modified during the year based on the technical department opinion and the Board of Directors decree in meeting held on July 5, 2018 effective from 1/1/2018 which led to decrease in the depreciation of the year ended December 31, 2018 by an amount of L.E 351 488 K, after applied the modified useful life from 1/1/2018.

The current year estimated useful lives for the fixed assets before and after modifying are as follows:

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

38-3 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.

38-3-1 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.

38-3-2 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.

38-4 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.

38-5 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.

38-6 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.

38-7 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.

38-8 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.

38-9 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.

38-10 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.

38-11 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.

38-12 *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.

38-13 *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.

38-14 *Grants*

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

38-15 *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.

38-16 *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.

38-17 *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.

38-17-1 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.

38-17-2 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.

38-18 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).

38-19 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.

38-20 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.

38-21 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.

38-22 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.

38-23 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.

38-23-1 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.

38-23-2 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.

38-23-3 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.

38-23-4 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.