Egypt Kuwait Holding

A FOCUSED APPROACH

ANNUAL REPORT 2017

Our singular focus on our most profitable and stable investments has already begun to bear fruit, with EKH not only meeting but surpassing management expectations and budget targets.

Moataz Al-Alfi
Chairman

120 USD MN
2017 Net Profit

A FOCUSED APPROACH

EKH has anchored its 2017 strategy on throwing its weight behind proven winners while streamlining its investment portfolio as it works to create continuous growth and value for shareholders.

EKH at a Glance

Egypt Kuwait Holding Company (EKHO.CA on the Egyptian Exchange and EKHOLDING on the Kuwait Stock Exchange) was founded in 1997 by a consortium of prominent Kuwaiti and Egyptian businessmen. Over the past two decades, the company has established itself as one of the MENA region's leading and fastest-growing investment companies, cultivating a diversified portfolio of investments that spans 19 companies and a wide variety of sectors, including fertilizers and petrochemicals, energy, cement production, insurance, information technology, transport and infrastructure. The past decade in particular has seen the company flourish as the countries of the Arab world began to liberalize their economies, opening doors for private sector investments in strategic sectors that had once been off limits.

> *EKH has deployed its resources in a manner that has largely shielded the company from the full impact of the social and economic upheaval that has characterized its operating environment during the past five years.*

Our portfolio of companies currently employs over 4,000 people and has the potential for ongoing job creation as companies and investments mature. As long-term investors, we take pride in growing the businesses in which we invest and positively contributing to the economic growth of the region.

EKH has deployed its resources in a manner that has largely shielded the company from the full impact of the social and economic upheaval that has characterized its operating environment during the past five years. The company's ability to drive revenue growth and margin expansion across its investment portfolio is a testament to the resilience of its strategy and the dedication of its management teams.

While maintaining the growth and profitability of its investments, EKH also recognizes the importance of being a responsible investor and leading by example. The company works to minimize the environmental impact of all its business operations and promotes the conversion of businesses and households to natural gas through its investment in NatEnergy, a leading Egyptian gas distribution business.

Through its ongoing support for Injaz Egypt, an organization working to bridge the gap between the education system and the private sector, EKH has positively impacted 400,000 Egyptian students in more than 451 public schools and 21 universities in 26 governorates since 2003.

1 USD bn
cumulative net profit (2005-2017)

20%
average ROE

500 USD mn
total equity

4,000+
professionals employed by the holding company and its subsidiaries

5
strategic sectors, ranging from fertilizers and petrochemicals to energy, building materials and insurance

1.1 USD mn
total assets

Chairman's Note

Moataz Al-Alfi Chairman of the Board and CEO

Dear Stakeholders,

We have just come out of what was arguably a year of transformation for both Egypt and its businesses community, with all sectors feeling the ripple effects of the government's reform agenda. While the reform agenda has had short-term dislocations, we have anchored our strategy in what is now a clearer view at the macro level. I am proud to report that not only did we manage to weather the storm, but we capitalized on these new realities and continued to deliver solid performance.

We continued throughout the year to outperform, posting both top- and bottom-line growth year-on-year, upholding the standards we have consistently delivered. We posted impressive on-the-ground growth and margin expansion across the board, allowing us to completely offset the effect of the Egyptian pound's float despite our financials being denominated in US dollar. These results reflect our investment choices, success in executing growth initiatives and effective cost controls as we leveraged our business model's unique ability to respond dynamically to change.

Throughout 2017, the wisdom and expertise of our capable management team has set us on a path of success. Throughout the year, we implemented solid portfolio restructuring initiatives and streamlined our investments to unlock greater value for shareholders. We have afforded our balance additional strength and liquidity to usher in a new growth phase.

As such, I want to thank our valued Board for their continued support, as well as each and every member of the EKH team for their hard work, loyalty and dedication, all of which have been instrumental in making the year a success.

Going forward, we are confident in the prospects of the Egyptian economy and our ability to continue capturing the upside of these positive changes. We are optimistic about the year ahead as we continue to deploy resources and invest in our proven winners to realize their full potential, see out our carefully implemented investment strategy and asset restructuring initiative, while remaining constantly on the lookout for new growth opportunities on the horizon to boost shareholder value.

M. Alfi

1.0 USD BN

Cumulative Net Profit (2005-2017)

EKH continued to outperform, posting both top- and bottom-line growth year-on-year, upholding the standards it has consistently delivered.

CEO's Note

Mr. Sherif El-Zayat CEO

It is an honor to report to you that EKH has delivered yet another year of outstanding results, having delivered tangible, on-the-ground growth at both our top- and bottom-lines. Despite the challenges and uncertainty that characterized the year, EKH has demonstrated its strong position within its markets and its ability to capitalize on new realities and continue creating real shareholder value.

The group's investment strategy, growth initiatives and business model allowed it to deliver over 18% top-line growth in USD terms even as the Egyptian pound lost 50% of its value at the close of last year. This serves as a testament to the strength of our EGP businesses that across the board have delivered solid increases in full-year revenues. Overall, EKH recorded a 116% y-o-y increase in top-line in EGP terms during FY2017.

The year just ended was also one of portfolio restructuring and investments streamlining with the aim of unlocking new value for shareholders. EKH completed divestments totaling USD 195 million in FY2017, including exits from industrial EHC at USD 65 million, investment firm I Squared for USD 60 million and a share sell-down in Kuwait's telecoms provider Zain for USD 70 million. Proceeds from these transactions helped strengthen our balance sheet, with cash from the latter utilized in debt reduction while excess liquidity will be directed at growth opportunities as well as acquiring minority interests in our proven winners. Most recently, EKH increased its stake in Delta Insurance to 55.4%, a company commanding a strong and competitive position in the market and that can capitalize on the favorable trends in the non-bank financial services space.

On account of our divestments as well as one-time impairments and provisions, EKH had realized net non-recurring gains of c.USD 48.3 million in FY2017, leading to a substantial increase in attributable net income for the year to USD 120.1 million and a net margin of 29%. While investment companies are no stranger to capital gains and investment impairments, our primary focus continues to be the organic growth of our recurring income and ongoing operations. I am pleased to report that even after factoring out this year's non-recurring gains, recurring attributable income delivered year-on-year growth of c.24% in FY2017, a faster rate than that of our top-line thanks to increased operational efficiencies and prudent cost management.

Our forward-looking strategy and targets for the year ahead will see us carry out our expansion plans at operating businesses to build on this growth momentum, as well as continue investing in new ventures poised to substantially contribute to profitability.

At Sprea Misr, we are working to capture a larger share of the fast-growing sulfonated naphthalene formaldehyde market (SNF, a key additive to ready-mix concrete). At the start of Sprea's SNF production in 2016, the ready-mix con-

1.1 USD BN

Total Assets

EKH's forward-looking strategy and targets for the year ahead will see the company carry out our expansion plans at operating businesses to build on this growth momentum.

crete market accounted for 10% of cement consumption. Today this figure stands at c.18-20% following a recent shift to ready-mix concrete versus loose bags across infrastructure and development projects. Sprea is thus ramping up utilization to capture close to 50% of the market up from a current 25-30% share. We have also completed capacity expansions at our formaldehyde facility, commissioning a third production line at a total investment cost of c.EGP 116 million. Increased formaldehyde production paves the way for higher derivates yield and volume-driven growth going forward. Meanwhile, Sprea completed the acquisition of a 26 thousand sqm plot of land that gives us the space to expand manufacturing capacities of existing products; allow for diversification into complementary businesses; and see this import substitute play and cost-competitive exporter fully capitalize on its potential.

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Management also maintains an optimistic view with regards to the fertilizers business on the back of an upward momentum in global urea prices along with maximized capacity utilization at AlexFert. At the close of the year, AlexFert was operating above its nameplate capacity recording +106% utilization thanks to uninterrupted feedstock. The company was also successful is extracting operational efficiencies during the year, with EBITDA margin recording an impressive 32% in FY2017 or an eight-point expansion over the previous year. I am also glad to report that while AlexFert had historically constituted the lion's share of EKH's profitability, fast growth at other petrochemical and energy businesses has seen our earnings become more diversified. Management's view is that AlexFert will continue to play an integral role in our growth story and remain a key investment.

On the energy and energy-related front, we continue to make progress at EKH's fully-owned Offshore North Sinai (ONS) concession with production gradually being ramped up and returns expected to hit our financial statements in the first quarter of 2018. Holding P1 reserves of some 113 bcf, ONS holds significant upside potential and is expected to add c.USD 300 million to our top-line at a 50% margin over the next four years. Meanwhile, NatEnergy and its natural gas distribution and power generation subsidiaries continue to deliver strong growth year-on-year, with consolidated revenues delivering close to 38% growth in FY2017. Increased market deregulation is a net positive for the industry, particularly in the natural gas space where accelerated infrastructure development and the government's plan to fast-track grid connected homes is proving to be a win-win scenario for consumers, businesses and fiscal concerns.

A strong close for 2017 and a continuing growth momentum into the first months of 2018 leave us optimistic about the year ahead. EKH will continue to deploy resources to its proven winners to realize their full potential, while remaining constantly on the lookout for new growth opportunities as it seeks to create sustainable shareholder value.

Company Overview

Founded in 1997 by a Kuwaiti-Egyptian consortium, EKH has a two-decade history in the MENA region as a prominent investment company with a proven track record of excellence in numerous fields such as fertilizers and petrochemicals, energy, cement, insurance, IT, transport, and infrastructure.

In 1998, EKH established gas distribution company NatGas, and in 1999 it acquired a stake in Egyptian insurance company Delta Insurance, which it has since grown to 99%. A year later, Fayum Gas Co. was established in partnership with Royal Dutch Shell and Gail India, while in 2002, EKH acquired a majority stake in Egyptian Glass Company (EGC) through a joint venture with Guardian Industries. The stake was eventually divested in 2009 to Guardian Industries.

2003 saw several milestones as well, with Nubaria Gas, Kahraba, and AlexFert being founded during the year. EKH also acquired in 2003 11.75% in the Egyptian Fertilizer company, but the stake was divested in 2005. In 2006, the company established Gas Chill, providing world-class cooling and heating solutions, and the Egyptian Tanker Company for crude marine transport.

In 2007, EKH increased capital through a c.USD 100 million rights issue and in 2014 closed a USD 110 million capital increase via the issuance of new shares, bringing paid-in capital to USD 243.9 million. 2007 also saw the establishment of Building Materials Industry company and the acquisition of Sprea Misr and its subsidiary Plastichem. A year later, EKH entered a joint venture agreement with Tokio Marine to establish Nile Takaful and Nile Family Takaful, with Nile Takaful eventually being divested in 2013.

> *The company invested throughout the last two years in the Offshore North Sinai (ONS) concession, which holds P1 reserves of some 113 bcf.*

In 2010, EKH founded holding company NatEnergy, bringing five leading energy and gas distribution companies under its umbrella: NatGas, Fayum Gas, Nubaria Gas, Kahraba, and Gas Chill. Today NatGas, Fayum Gas and Nubaria Gas together hold a 16% market share in Egypt.

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In 2017, the company divested three non-core assets as part of its strategy to streamline its investment portfolio and direct liquidity to debt reduction and unlock new value for shareholders. The year saw the company complete divestments totalling USD 195 million, including exits from industrial EHC at USD 65 million, investment firm I Squared for USD 60 million and a share sell-down in Kuwait's telecoms provider Zain for USD 70 million.

Currently, EKH is one of the fastest growing companies in the Middle East and Africa, with investments in 19 companies and total assets worth c.USD 1.1 billion. As long-term investors in the region, the company plans to continue to unlock assets' operational improvements, expand the businesses where it holds a market niche and unique competitive advantage, and contribute to the economic growth of the region.

195 USD MN

Divestments Completed in 2017

EKH divested three non-core assets as part of its strategy to streamline its investment portfolio and direct liquidity to debt reduction and unlock new value for shareholders.

A History of Excellence

Founded in 1997 by a Kuwaiti-Egyptian consortium, including former Chairman and prominent businessman Nasser Al-Kharafi, EKH has a two-decade history in the MENA region as a leading investment company with a proven track record of excellence in numerous fields such as fertilizers and petrochemicals, energy, cement, insurance, IT, transport, and infrastructure.

1998

EKH established gas distribution company NatGas, and the following year it acquired a stake in Egyptian insurance company Delta Insurance. A year later, Fayum Gas Co. was established in partnership with Royal Dutch Shell and Gail India. In 2002, EKH acquired a majority stake in Egyptian Glass Company (EGC) through a joint venture with Guardian Industries. The stake was eventually divested in 2009 to Guardian Industries.

2003

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2007

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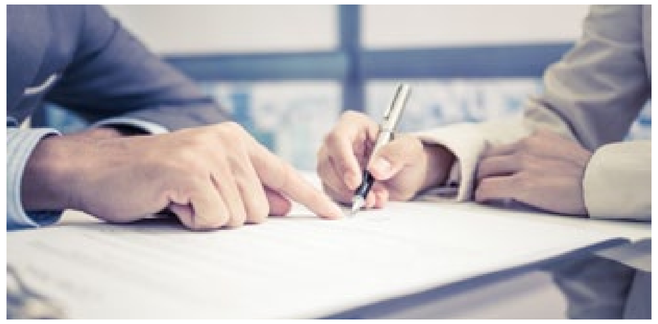


2010

EKH founded holding company NatEnergy, bringing five leading energy and gas distribution companies under its umbrella: NatGas, Fayum Gas, Nubaria Gas, Kahraba, and Gas Chill. Today NatGas, Fayum Gas and Nubaria Gas together hold a 16% market share in Egypt.

2016

EKH has become one of the fastest growing companies in the Middle East and Africa, with investments in 19 companies and total assets worth c.USD 1.1 billion. As long-term investors in the region, the company plans to continue to unlock assets' operational improvements, expand the businesses where it holds a market niche and unique competitive advantage, and contribute to the economic growth of the region.

2017

EKH completed number of strategic divestments and investments throughout the year in an effort to optimize its portfolio. These included exits from industrial EHC at USD 65 million, investment firm I Squared for USD 60 million and a share sell-down in Kuwait's telecoms provider Zain for USD 70 million. It also increased its stake in Delta Insurance to 99%.

Milestones

EKH is one of the fastest growing companies in the Middle East and Africa, with 19 investments and total assets of c.USD 1.1 billion.

1997-99

- Company is founded by a consortium of prominent Kuwaiti and Egyptian businessmen
- Including former Chairman Nasser Al-Kharafi
- Establishment of NatGas
- NatGas commences operations
- Initial acquisition of a significant stake in Delta Insurance

2000-02

- Fayum Gas Co. is established in partnership with Royal Dutch Shell and Gail India
- Fayum Gas is awarded its first concession
- Acquisition of a majority stake in the Egyptian Glass Company (EGC) through a joint venture with Guardian Industries

2003-05

- Establishment of AlexFert
- Acquisition of 11.75% in the Egyptian Fertilizer Company
- Acquisition of a minority stake in Fayum Gas
- Establishment of Nubaria Gas
- Establishment of Kahraba
- Acquisition of an additional stake in Delta Insurance
- Participating in the bidding process to acquire 100% of EFC, which ultimately led to the divestiture of the stake

2006-07

- AlexFert commences operations
- Establishment of Egyptian Tanker Company
- Establishment of Gas Chill
- Capital increase through a c.USD 100 million rights issue
- Acquisition of Sprea and Plastichem
- Acquisition of a controlling stake in Fayum Gas through a joint venture with GAIL India
- Establishment of Building Materials Industry Company (BMIC)

2008-12

- Establishment of Nile Takaful and Nile Family Takaful as a joint venture with Tokio Marine
- Divestiture of EGC to Guardian Industries
- Establishment of NatEnergy
- Establishment of NatEnergy
- Acquires US nitrogen fertilizer company
- BMIC begins operations

2013

- Divestiture of Nile Takaful and Shabakat
- Investment in a global infrastructure fund management company
- BMIC reaches full production capacity
- Launch of first phase of Sprea Misr's expansion plan with the Formica sheet, and power glue plants begins production

2014

- Closure of USD 110 million capital increase via issuance of new shares, bringing paid-in capital to USD 243.9 million
- Now Formica line begins trial operations
- NatGas is awarded a contract to connect 150,000 households to the grid
- EKH obtains approval to double Kahraba's performance to 80 MW and allocates funds accordingly
- Sprea Misr doubles its capacity to produce Formica bringing total annual capacity to c.1.8 million sheets

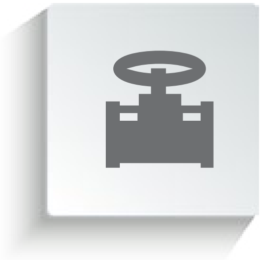
2015-16

- Acquiring additional 18% of NatGas raising EKH ownership to 75%
- Deconsolidation of Oil & Gas business
- Sprea commences production of Sulfonated Naphthalene Formaldehyde (SNF) with design capacity of 66,000 tpa
- Acquiring additional 9% of NatGas, raising EKH ownership to 84%

2017

- Increases stake in Delta Insurance to 99%
- Divests from I Squared, EHC, Kuwait's Zain
- Kahraba capacity grows to 70 MW, having been granted approval to sell power to both households and commercial clients
- Sprea Misr expands capacities to 88 ktpa to capture a larger share of the market
- Sprea Misr commissions a third production line at a total investment cost of c.EGP 116 million
- New SNF is added to grow Sprea's export revenues to as much as 50% by 2019
- Sprea Misr completes acquisition of a 26,000 sqm to serve as space for its planned expansions and complementary business opportunities
- Invests in Offshore North Sinai, holding P1 reserves of some 113 bcf

Unlocking Opportunities



EKH's strategy going forward is to focus on streamlining its portfolio and pursue investments in proven success stories.

The company's growth strategy is anchored by its desire to optimize its portfolio in a way that creates the largest value for shareholders. With capital gains being what we consider a source of recurring income, it is important for us to hinge our strategy on continuous growth and expansion while being mindful of our portfolio structure. As a result, our primary focus continues to be the organic growth of our recurring income and ongoing operations.

Our current strategy and business model is now built on bolstering our balance sheet so as to actively seek growth opportunities focused on higher-return business for long-term value. To do this, EKH's strategic plan for 2018 is to continue to streamline its investments by divesting or selling down non-performing assets. The year just ended was also one of portfolio restructuring and investments streamlining with the aim of unlocking new value for shareholders. EKH completed divestments totaling USD 195 million in FY2017, including exits from industrial EHC at USD 65 million, investment firm I Squared for USD 60 million and a share sell-down in Kuwait's telecoms provider Zain for USD 70 million.

Proceeds from these transactions helped strengthen our balance sheet, with cash from the latter utilized in debt reduction while excess liquidity is directed at growth opportunities as well as acquiring minority interests in our proven winners. Most recently, EKH submitted a Mandatory Tender Offer to increase its stake in Delta Insurance to 99%, a company commanding a strong and competitive position in the market and that can capitalize on the favorable trends in the non-bank financial services space. Using this carefully calculated strategy of capitalizing on high-growth industries and investing in businesses with solid market positions, EKH has managed to not only dodge prevailing market challenges but continue to outperform.

Additionally, the company will continue to invest in local businesses with large, defensible market positions and target investments with access to key export markets, such as the US and Europe, and expand its export capabilities. The company is set to reap the benefits of the Egyptian economy favoring energy plays and manufacturers using local inputs to bolster the export industry and create import substitutes.

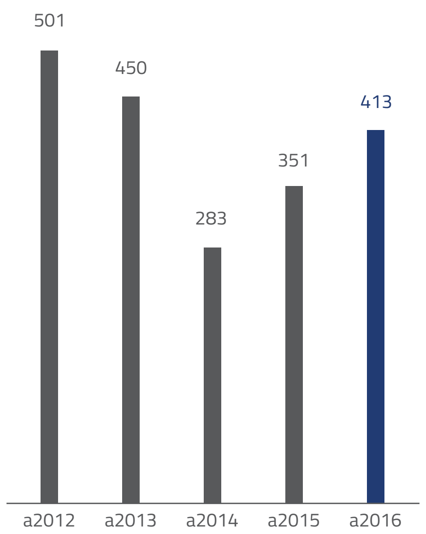
Our forward-looking strategy and targets for the year ahead will see us carry out our expansion plans at operating businesses to build on this growth momentum, as well as continue investing in new ventures poised to substantially contribute to profitability. EKH will continue to deploy resources to its proven winners to realize their full potential, while remaining constantly on the lookout for new growth opportunities as it seeks to create sustainable shareholder value.

Highlights of **2017**

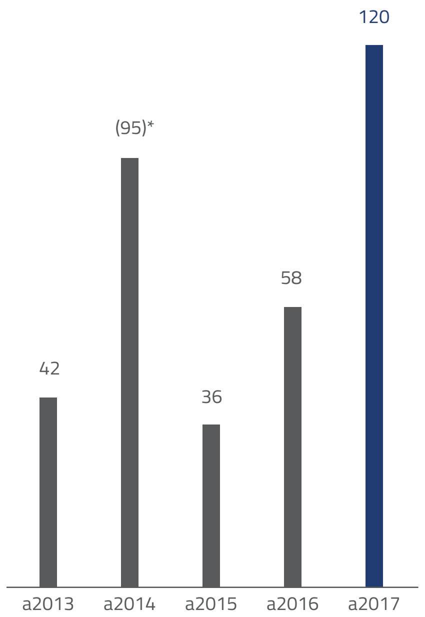
2017 was characterized by portfolio restructuring and investment streamlining with the aim of unlocking new value for shareholders. We took solid steps to divest non-core assets and funneled proceeds into strengthening our balance sheet through debt reduction and pursuing high-growth opportunities.

Total revenues for FY2017 stood at USD 413.7 million, up 17.8% y-o-y, significantly boosting profitability twofold compared to last year with a net profit figure of USD 120.1 million.

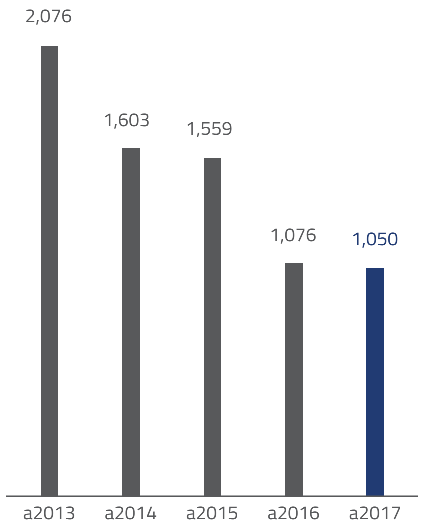
Total Revenues
(USD Millions)



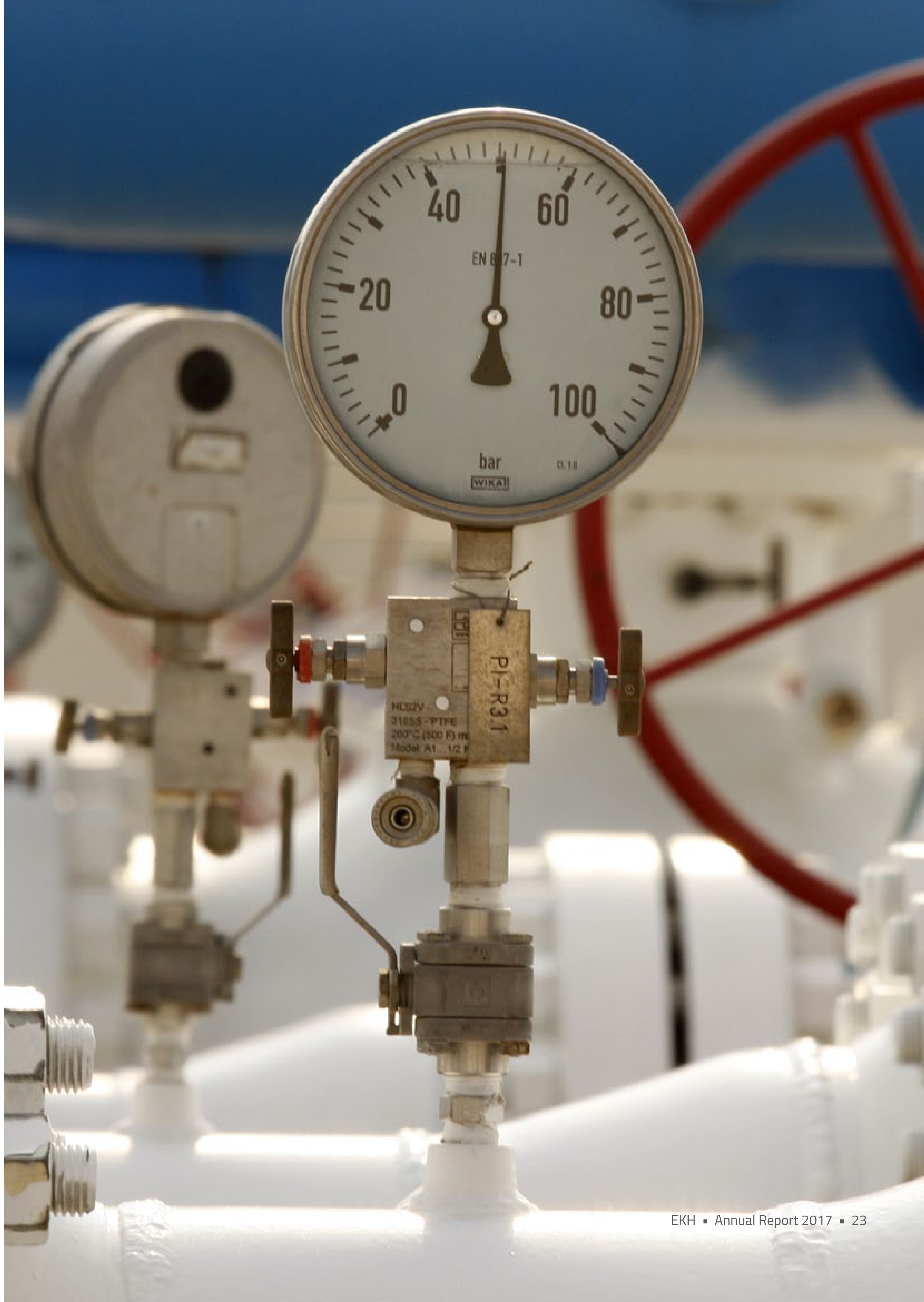
Net Profit After Minority Interest
(USD Millions)



Total Assets
(USD Millions)



* 2014 figures restated financial to account for asset impairments related to the company's oil operations.



Management Discussion & Analysis

2017 In Review

If 2016 was a year of adaptation for EKH, then 2017 was a year of transformation. Armed with a much clearer view of the macro landscape and a carefully implemented strategy to restructure our investment portfolio, EKH has capitalized on new market realities at every corner, allowing it to build a new track record for growth.

Management maintains the view that EKH is ideally positioned to capitalize on the new economic realities resultant from the government's reform program, and that the group's businesses have the solid foundation and strong market position that will allow them to continue their growth trajectory. Across EKH's portfolio, subsidiaries are implementing prudent investment and growth strategies that serve to expand their market shares and deliver superior shareholder returns. Meanwhile, we continue to push forward with other growth initiatives across our portfolio that target import substitute plays, export-driven businesses and power distribution and generation assets, all of which are capitalizing on the prevailing macroeconomic themes.

5 Strategic Sectors

The diversity of EKH's portfolio has allowed the company to benefit from the Egyptian government's economic reforms and a number of industry dynamics playing in its favor.

Currency Float

The float of the Egyptian pound favored Sprea Misr's sulfonated naphthalene formaldehyde (SNF) lineup. Today, SNF is an import substitution play in the local market, and our global cost-competitiveness in USD terms sees Sprea well-positioned to grow its export base. The devaluation also benefitted AlexFert, with the company's position as a leading global fertilizer supplier increasingly strengthened, and its natural gas feedback stock remaining consistent thanks to the government's improved external finances.

Market Dynamics

Shifting market dynamics have also played in our favor. At the start of Sprea Misr's SNF production in 2016, the ready-mix concrete market accounted for 10% of cement consumption. Today this figure stands at c.18-20% following a recent shift to ready-mix concrete versus loose bags across infrastructure and development projects.

The fertilizers business also did well following an upward momentum in global urea prices supported on both the global and local level, with the former being driven by China's phase-out of heavy coal industries and the consequent effect that will have on coal-based urea producers. Meanwhile in the local market the Egyptian Ministry of Agriculture has increased its offtake prices by 10%, benefiting AlexFert which directs c.30% of its annual production to the local market.

Energy Reform

Egypt is also actively working on energy reforms under several planks. Natural gas deregulation plays well in favor of our gas distribution arm, NatEnergy, with the government's proposed new role as a regulator set to promote increased market efficiency and competitiveness. Meanwhile, the government's clear commitment to lifting energy subsidies and further liberalizing the sector is shifting household economics away from compressed natural gas cylinders and in favor of connection to the national grid. This sets up NatEnergy for increased volumes of installations. As energy subsidies are phased out and with liquefied natural gas (LNG) and compressed natural gas (CNG) prices on the rise, the natural gas market is poised for significant growth. NatEnergy will capitalize on its strong market position and its commercially viable business model amid a heavily-regulated market to capture the upside.

EKH Performance

EKH reported a strong set of results in FY2017 with consolidated revenues closing the year at USD 413.7 million, up 17.8% y-o-y in USD terms despite the 50% devaluation of the Egyptian pound in November 2016 and its effect on EKH's EGP-denominated businesses. Top-line growth filtered down the income statement and recorded an attributable net income of USD 120.1 million in FY2017, up an impressive 108% y-o-y on the back of non-recurring gains to the tune of USD 48.3 million related to the company's exits from Egyptian Hydrocarbons Company (EHC) and I Squared. Nevertheless, factoring out non-recurring items would leave EKH's attributable net income for FY2017 at c.USD 71.8 million versus a normalized c.USD 58 million in FY2016, up almost 24% y-o-y and yielding a margin of c.21%.

Meanwhile, NatEnergy's power distribution play Kahraba performed exceptionally well during the year on the back of the government's successive electricity price increases in 2017, with the company bringing total generation capacity to 70 MW during the year. The new expansion comes at a time when Kahraba was granted approval to sell power to both households and commercial clients, with direct connections to consumers versus the more prevailing captive model.

Management is also increasingly confident that natural gas shortages that plagued AlexFert in previous years are behind us. With the recently approved natural gas act, which effectively opens the market to the private sector, the company will have more sources and better prices for its primary feedstock. Uninterrupted feedstock along with a favorable momentum in global urea prices will see this export-driven business maximize returns.

Fertilizers & Petrochemicals

The Fertilizer & Petrochemicals segment recorded revenues of USD 291.9 million in FY2017, up 16% y-o-y on the back of strong results from the USD-denominated and export-driven AlexFert. The segment's bottom-line for the year booked USD 42.7 million, up 31% over FY2016 and yielding a seven-point expansion in net profit margin to 22%. Improved profitability in USD terms was again driven by higher efficiencies at AlexFert, while Sprea Misr's bottom-line remained somewhat flat year-on-year on account of the currency liberalization, which reverses Sprea Misr's almost twofold increase in EGP revenues and net profit. Translating the segment's results into EGP sees fertilizers and petrochemicals record an impressive 112% y-o-y increase in top-line to EGP 5.2 billion.

Sprea Misr recorded revenues of EGP 2.0 billion in FY2017, up a solid 81% y-o-y as the company delivers on its growth strategy and continues to leverage its market positioning as a quality import-substitute play. Growth during the year was primarily driven by melamine and urea compound sales as well as higher production of formaldehyde and formurea (an anti-caking agent for urea). Meanwhile, growth was also driven by sales of formica sheets. Sprea Misr's profitability remained stable despite market volatility, with EBITDA margin for the year recording 31% in FY2017 versus 33% the previous year. Net profit came in at EGP 502.4 million in FY2017, up 79% y-o-y and posting a net profit margin of 25%.

Management sees Sprea Misr as holding significant potential for the group, with the company poised for continued organic and volume-driven growth. Plans are underway to ramp up production and increase capacities to capture a larger share of the fast-growing ready-mix market. Sprea Misr will also push forward plans to tap into export markets, particularly in Africa, where it aims to leverage its reputation for quality across its product portfolio.

AlexFert continued to reap the rewards of a global recovery in urea prices, now hovering close to the USD 300 per ton mark, as well as capacity utilization exceeding 106% for the full-year 2017. Total volumes were up 34.4% y-o-y to 878 thousand tons in FY2017, with revenues similarly recording a 31% y-o-y increase to USD 177 million for the full year. High utilization rates, stable feedstock supply and prices as well as cost control and efficiency initiatives saw AlexFert deliver a 253% y-o-y increase in its bottom-line to USD 35.5 million in FY2017 and a 13-point expansion in net profit margin to 20%.

Fertilizers & Petrochemicals

in USD mn unless otherwise indicated	4Q2016	4Q2017	% Change	FY2016	FY2017	% Change
Revenues	63.7	73.8	16%	251.6	291.9	16%
Gross Profit Margin	27%	28%	1 ppt	24%	27%	3 ppt
EBITDA Margin	28%	33%	5 ppt	28%	32%	4 ppt
Net Profit	9.2	18.3	99%	38.8	63.7	64%
Net Profit Margin	14%	25%	11 ppt	15%	22%	7 ppt
Net Profit attributable to EKH	7.0	11.2	60%	32.5	42.7	31%

Energy & Energy Related

Revenues from the Energy & Energy-related segment posted USD 53.5 million in FY2017, down 24% on the back of the float of the Egyptian pound and subsequent translation of **NatEnergy** and subsidiaries' EGP-denominated financials into US dollars. NatEnergy, however, delivered strong on-the-ground growth during the year and deployed aggressive marketing efforts that allowed it to accelerate revenues in EGP terms as well as protect margins in an inflationary environment. The company's EGP-denominated financials show revenue growth of 38% y-o-y to EGP 953.1 million in FY2017, while bottom-line profitability inched up one point to 41% yielding a net profit of EGP 302.5 million.

NatEnergy's natural gas distribution platforms **NatGas** and **Fayum Gas** connected a total of 101,056 households to the national grid during FY2017, up 41% y-o-y as the company resumed government-subsidized installations in the last quarter of the year. After the pound's liberalization, EKH as well as several industry players opted to scale-down or halt government-subsidized installations pending an upward revision of installation fees. Thus, EKH had connected only 311 households in 4Q2016 versus 24,750 households in 4Q2017. NatEnergy installation levels were also supported by management's efforts to identify and market services to the higher-margin infill clients outside of the government program. Said efforts have reflected positively on operating margins, with NatGas recording a 12-point expansion in operating profit margin to 36% in FY2017, while net profit margin posted 50% for the full year, up 10 points y-o-y.

Meanwhile, NatEnergy's power distribution play **Kahraba** recorded revenues of EGP 214.9 million in FY2017, up almost twofold compared to the EGP 111.3 million recorded last year. Revenue growth was largely price-driven following the government's successive electricity price increases in 2017. Net profit also posted solid results recording a 166% y-o-y increase in FY2017 to EGP 40.0 million and with a two-point expansion in margin to 20%. Meanwhile, the company's capacity additions have been completed bringing total generation capacity to 70 MW. The new expansion comes at a time when Kahraba was granted approval to sell power to both households and commercial clients, with direct connections to consumers versus the more prevailing captive model.

We also continue to make progress at EKH's fully-owned Offshore North Sinai (ONS) concession with production gradually being ramped up and returns expected to hit our financial statements in the first quarter of 2018. Holding P1 reserves of some 113 bcf, ONS holds significant upside potential and is expected to add c.USD 300 million to our top line at a 50% margin over the next four years.

Energy & Energy-Related

in USD mn unless otherwise indicated	4Q2016	4Q2017	% Change	FY2016	FY2017	% Change
Revenues	10.0	16.2	62%	70.7	53.5	(24%)
Gross Profit Margin	34%	42%	8 ppt	38%	39%	1 ppt
EBITDA Margin	33%	40%	7 ppt	36%	38%	2 ppt
Net Profit	3.9	6.0	53%	26.1	20.3	(22%)
% Margin	39%	37%	(2 ppt)	37%	38%	1 ppt
Net Profit Attributable to EKH	3.3	5.0	53%	22.0	17.0	(23%)

Diversified

EKH's diversified segment generated sales of USD 68.4 million in FY2017, up 136% y-o-y on the back of capital gains realized from exists concluded during the year, including EHC, I Squared and Zain.

Outlook

The nature of EKH's business as an investment company affords it the flexibility to utilize – or rearrange, if necessary – its resources in the best way possible with the aim of maximizing shareholder value. Heading into 2018, EKH will continue to invest in businesses that can capitalize on the current economic environment, pushing for organic growth while keeping an eye for new investment and/or acquisition opportunities.

Sprea Misr:

Management is particularly bullish on the company's potential given its now well-established position as a producer of high quality products and an import substitute play. EKH aims to extract further growth from this petrochemicals play by affording Sprea Misr the necessary resources to unlock its potential, namely continued investment in expansion capacities including the company's SNF business, so as to grow market share from the current 25-30% to as high as 50% in the medium-term. Said levels are at par with Sprea Misr's position in other markets such formurea and formica sheets where the company commands market share in excess of 60%. Meanwhile, the recently completed acquisition of a 26 thousand sqm plot of land provides Sprea with the space necessary to deliver on its growth strategy.

AlexFert:

The company is also on a solid growth trajectory particularly as global supply/demand dynamics for the urea market are in its favor. With urea prices currently on the rise, AlexFert will fully-capitalize on its uninterrupted feedstock supply, and utilization rates north of 100%, and continue delivering valuable foreign currency proceeds to the group.

NatEnergy:

EKH's energy distribution and generation platform is set to benefit from increased market liberalization, with the company proving to be a formidable competitor given its lean cost structure and efficient operations. Repriced government-subsidized contracts for natural gas installations, gradual lifting of energy subsidies, and a freer power generation playing field are all avenues of growth for NatEnergy and its subsidiaries in the medium and long-term.

Kahraba:

The company is set to benefit from the dual-effect of expanded capacities and the recent hike in electricity prices passed in June 2017.

ONS:

EKH is looking forward in the months ahead to begin consolidating ONS which is poised to create substantial shareholder value. In addition to current production levels from its P1 reserves, seismic surveys suggest significant upside potential for reserve levels and EKH is actively working to upgrade probability tiers and outline a CAPEX program to drive longer-term returns.

413 USD MN

2017 Revenues

Top-line growth filtered down the income statement and recorded an attributable net income of USD 120.1 million in FY2017.

Our Investment Portfolio

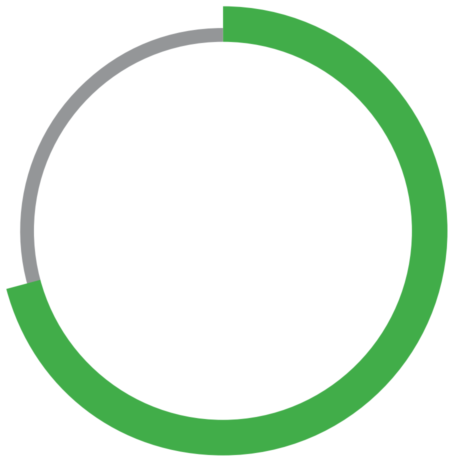
EKH is a hands-on investor seeking majority stakes and management control of its investments to unlock value for shareholders.

Fertilizer & Petrochemicals

With over 10 years of nitrogen fertilizer and petrochemical expertise, EKH's investments cover a wide range of the industry's value chain from urea, ammonium nitrate, and melamine to formaldehyde and liquid and powder glue. EKH's strategy in this segment is to target investments with access to key export markets, including the US and Europe, and diverse products across several industries, particularly import substitute plays with strong cashflows.

Key assets:

- AlexFert
- Sprea Misr



Energy & Energy-related

Investments in this line of business cover the energy value chain, with key activities of portfolio companies including building and operating gas distribution networks (including the transport of natural gas to power stations and the independent production of power). The company also engages in local and global marine transport of crude oil and petroleum products and oil and gas exploration.

Key assets:

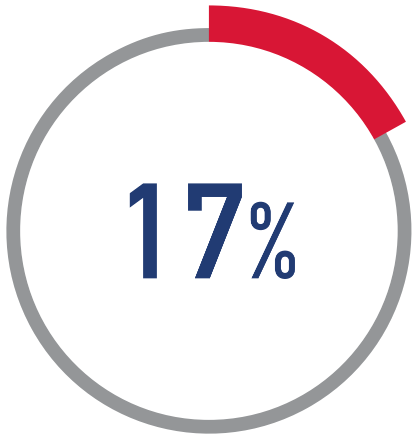
- **NatEnergy**
  - NatGas
  - Fayum Gas
  - Nubaria Gas
  - Kahraba
  - Gas Chill

Diversified

This segment encompasses a wide array of strategic investments from cement production, telecommunications and infrastructure to insurance. Our strategy is to invest in local businesses with large and defensible market positions.

Key assets:

- Delta Insurance
- Building Materials Industries Company
- Al Shorouk for Melamine and Resins
- Globe Telecommunications
- Bawabet Al Kuwait Holding Company



48 USD MN

2017 Non-recurring Gains

On account of the company's divestments throughout the year as well as one-time impairments and provisions.

Fertilizers & Petrochemicals

EKH has investments in two operational companies in the Fertilizers & Petrochemicals Segment: Alexandria Fertilizers Company (AlexFert) and Sprea Misr for Production of Chemicals & Plastics Company. A third investment, the Egyptian Hydrocarbon Corporation, a mining-grade ammonium nitrate manufacturing startup, was divested in 2017. The company's Fertilizers & Petrochemicals investments are made up of a large range of products, including urea, ammonium nitrate, and melamine, to formaldehyde and liquid and powder glue. The company has more than a decade of nitrogen fertilizer and petrochemical expertise, with its strategy in this segment being to target investments with access to key export markets, including the US and Europe, and numerous products in several industries, particularly import I tsubstitute plays with strong cashflows.

Primary Portfolio Investments

AlexFert
(Ammonia, Urea Fertilizer, and Ammonium Sulfate Plant)

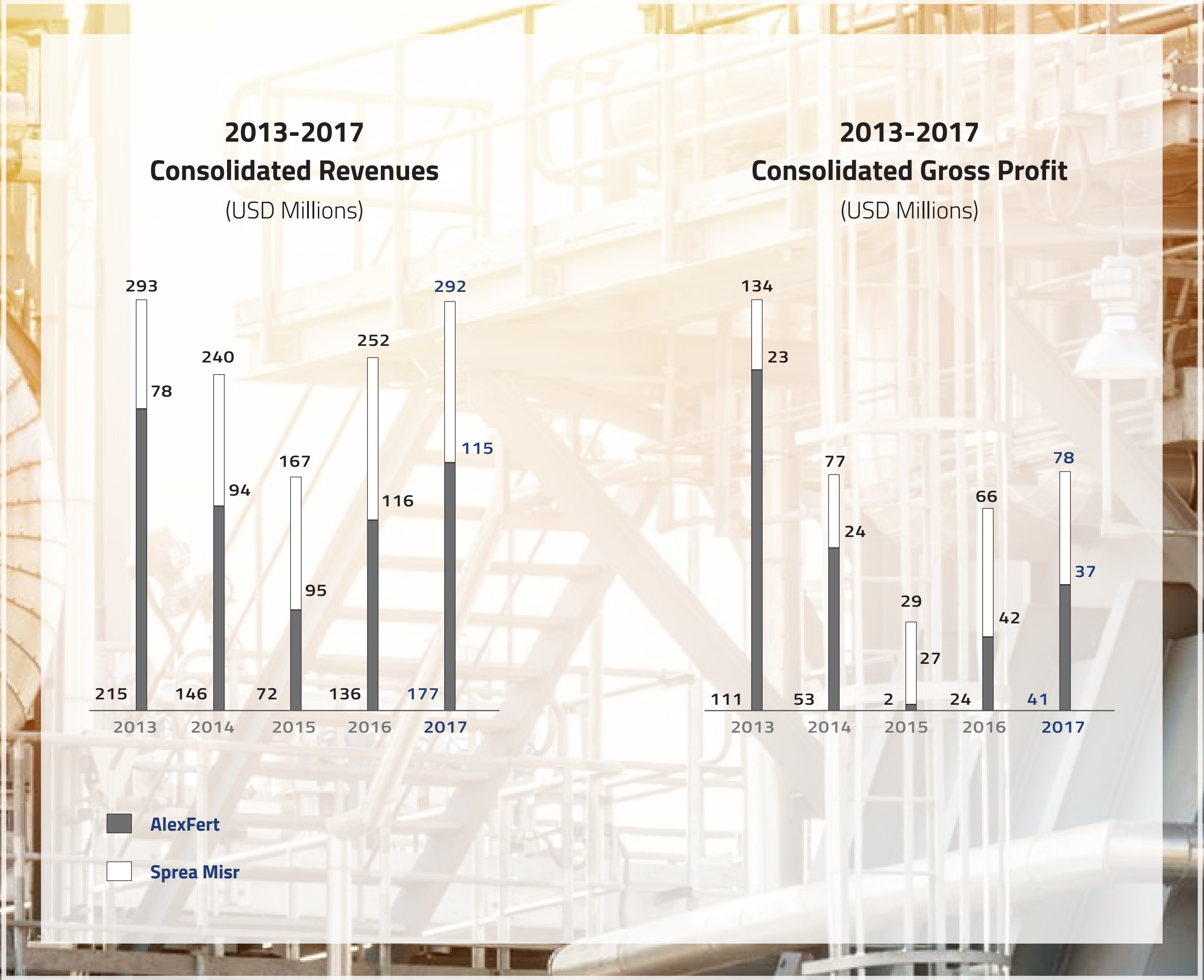
Effective Ownership

42.6%

Sprea Misr
(Chemicals Plant)

Effective Ownership

100%



Alexandria Fertilizer Company

AlexFert was established in 2003 by EKH as a greenfield project with an authorized capital of USD 500 million and paid-in capital of USD 249 million. AlexFert began operations in 2006 and has since positioned itself as a leading Egyptian producer of fertilizers and urea.

The company's plant is optimally located in Alexandria with access to export markets in Europe and the US and utilizes a strong distribution strategy with limited reliance on offtake agreements (c.90% of the company's production is exported to Europe and the US with c.10% of production directed to the domestic market).

AlexFert's 442 employees operate out of a 101,000 square meter factory in Alexandria that is ISO 9001/2008 and ISO 14001/2004 certified. In 2013, AlexFert established a new ammonium sulfate production line as part of a major push for operational expansions.

EKH directly and indirectly holds c.3843% of AlexFert through its majority shareholding stake (42%) in Bawabet Al Kuwait Holding, which allows EKH to exert management control in AlexFert.

2017 Developments

At the close of the year, AlexFert was operating above its nameplate capacity, recording +106% utilization thanks to uninterrupted feedstock. Consistency in natural gas supply, the gas market set to open up in Egypt, and the prevailing global supply/demand dynamics in the urea market mean momentum remains in AlexFert's favor.

International Petrochemical Investments Company

A subsidiary of AlexFert, the International Petrochemical Investments Company (IPIC) is an Egyptian joint-stock company established in 2012 with authorized capital of USD 1 billion and paid-in capital of USD 100 million. IPIC seeks to invest and acquire promising companies in the fertilizer and petrochemical industry, both within Egypt and abroad.

USD 177 mn
total revenues in FY2017

USD 57.3 mn
EBITDA in FY2017

USD 41.5 mn
gross profit in FY2017

442
employees

42.6%
directly and indirectly owned with management control

396 ktpy
ammonia capacity

650 ktpy
urea capacity

165 ktpy
ammonium sulphate capacity

Sprea Misr **Company**

سبريا مصر ش.م.م

Founded in 1989 and acquired by EKH in 2007, Sprea Misr has emerged as one of the largest manufacturers and exporters of petrochemicals and plastics in Egypt due to the careful management and oversight of EKH, which holds a 100% stake in the company.

Sprea Misr produces top-of-the-line urea, melamine, and formaldehyde products at its factory complex in 10th of Ramadan City. Our 41,439-square-meter facilities have a combined 270 kiloton production capacity. Flagship products include molding compounds, glues and resins, as well as new production lines of Formica sheets and powder glue launched in 2013. Our Formica plant is strategically planned to replace imports, with our Formurea and Formica sheets currently commanding a market share in excess of 60%.

With specialized production facilities and a unique range of petrochemical products, Sprea Misr is the trusted supplier of large and small companies alike both in Egypt and abroad, enjoying a healthy market share across its product lines in Egypt thanks to unmatched pricing, quality and after-sales service.

Sprea Misr has implemented an aggressive growth plan that led to expansion into new markets, such as the Formica sheet plant, while the roll-out of a cost reduction program has further enhanced margins. The company is working to capture a larger share of the fast-growing naphthalene formaldehyde market (SNF, a key additive to ready-mix concrete). At the start of Sprea's SNF production in 2016, the ready-mix concrete market accounted for 10% of cement consumption. Today this figure stands at c.18-20% following a recent shift to ready-mix concrete versus loose bags across infrastructure and development projects. The company's array of products enables it to target several industries including fertilizers, plastics, pharmaceutical, textile, automotive, construction, industrial manufacturing, and water treatment, while production flexibility allows Sprea Misr to change production lines to capitalize on demand changes or short-term price increases. As a whole, the petrochemical has significant barriers to entry given industry knowhow, providing the company with an additional competitive advantage.

Sprea has been certified by international cement producers, becoming part of the international supply chain and opening the gates to new export opportunities. Egypt's strategic geographic location facilitates Sprea Misr's exports, which currently span more than 38 countries in Africa, the Middle East, Europe, and Latin America. Exports account for more than 19% of total sales, with plans to expand its international footprint going forward.

2017 Developments

Sprea Misr expanded capacities to 88 ktpa to capture a larger share of the market and serve unmet demand that is otherwise satisfied through imports. The company is ramping up SNF utilization to capture close to 40% of the market up from a current 25-30% share, with plans to grow the figure to 50% by 2019. In 2017, the company was in the advanced stages of expanding its product offering to include the production of medium density fibreboard (MDF). It has also completed capacity expansions at its formaldehyde facility, commissioning a third production line at a total investment cost of c.EGP 116 million. Increased formaldehyde production paves the way for higher derivates yield and volume-driven growth going forward. The company completed the acquisition of 26,000 sqm in 4Q2017 to serve as space for its planned expansions and complementary business opportunities, which will see this import substitute play and cost-competitive exporter fully capitalize on its potential.

USD 114.9 mn
total revenues in FY2017

USD 37.2 mn
gross profit in FY2017

USD 35.4 mn
EBITDA in FY2017

+19%
of revenues are from export sales

38+
export countries worldwide

Over 85%
market share in Egypt

EKH holds 100%
stake in the company

Energy &
Energy-related

EKH has investments in two companies in the Energy and Energy-related Segment, NatEnergy and the Egyptian Tanker Company (ETC). It also fully owns Offshore North Sinai, a natural gas play that has P1 reserves estimated at c.400 billion cubic feet. EKH builds and operates gas distribution networks in Egypt through its 100%-owned subsidiary NatEnergy, which covers a wide spectrum of activities, including connecting households and industrial clients to the natural gas grid as well as the independent production of power.

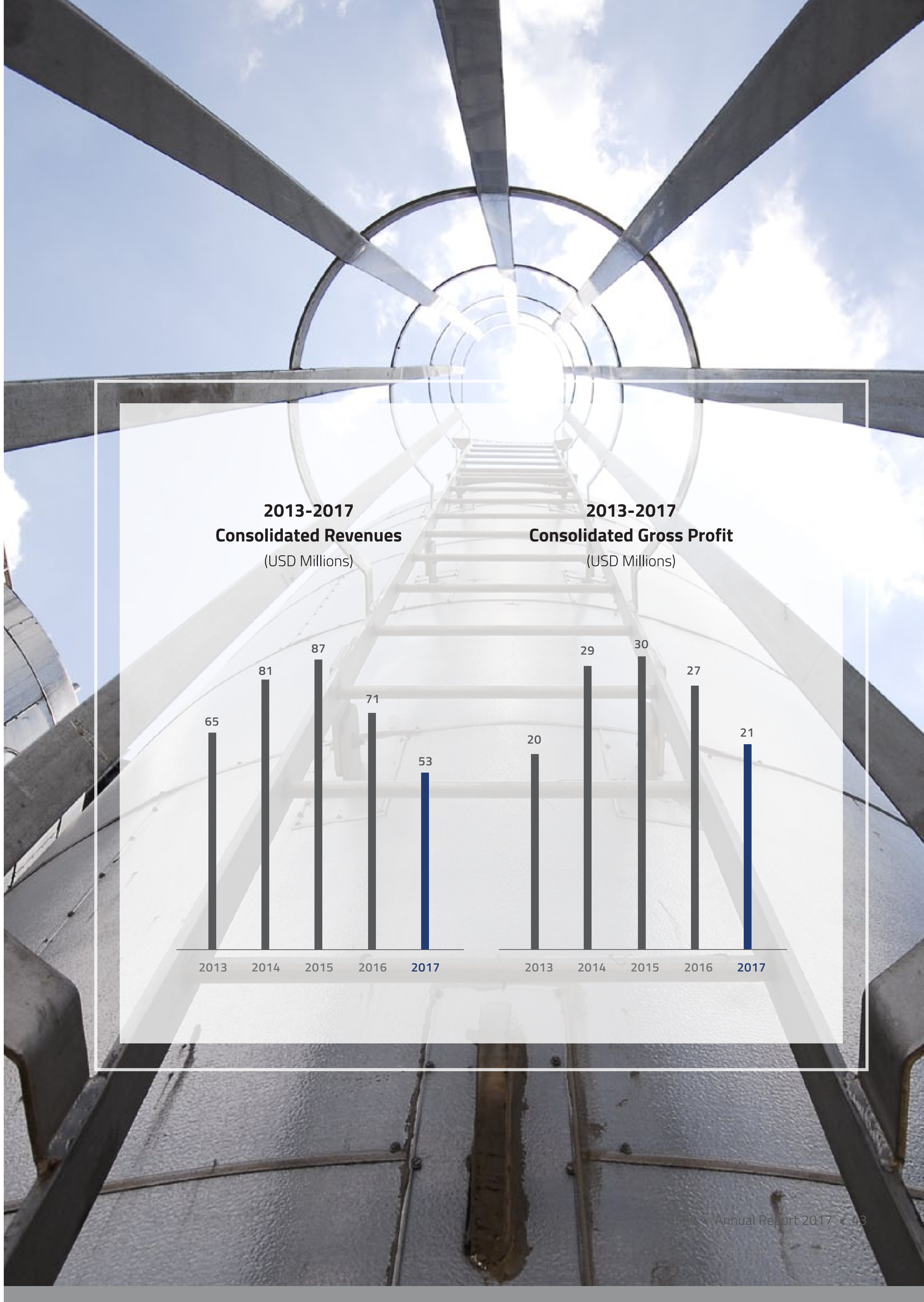
Primary Portfolio Investments

NatEnergy
(Gas Distribution Business Holding Company)

Effective Ownership

100%

> *NatEnergy has strong strategic partnerships with global players such as Shell, Gail India, and PETROGAS.*



NatEnergy

Established in 2010, NatEnergy is EKH's wholly-owned holding company with five leading private sector energy and gas distribution plays under its umbrella: NATGAS, Fayum Gas, Nubaria Gas, Kahraba, and Gas Chill. The company's operations cover a wide spectrum of activities, such as building and operating gas distribution networks, connecting homes to the national grid, transmitting natural gas to power stations, providing district cooling services, and generating electricity.

Covering over 1.3 million customers — be they household, commercial, or industrial — in Egypt through its diverse range of activities, NatEnergy has an expert, nuanced understanding of the natural gas industry, helping it strategically invest in profitable business segments and provide professional support, financing and business management to its subsidiaries. The company is looking to double the number of customers it serves in Egypt over the next five years.

The company also has strong strategic partnerships with global players such as Shell, Gail India and Petroleum Gas Co. (PETROGAS), and significant room for growth in the market considering 8 million new customers are likely to be connected throughout the market in the next five years. NatEnergy holds a competitive advantage in the industry due to significant barriers to entry, with investments totaling an unmatched EGP 2.2 billion.

1.3 MN

Customers

NatEnergy offers a wide spectrum of services to clients, including household, commercial, and industrial players in Egypt.

2,500 employees	**28** PRMS
1.27 mn household clients	**7,400 km** of pipes
> 8,400 commercial clients	**5.06** BCM/year
> 718 industrial clients	**75 MW** electricity generation
99 residential resorts	**2** power stations
> 19 % market share in Egypt	**34,000** refrigerated tons

NATGAS

National Gas Company (NATGAS) is an Egyptian-based company incorporated in 1998. It began as a local distribution company for natural gas networks, under concession agreements signed with the Egyptian government. To date, NATGAS has executed and connected natural gas distribution networks for over 1 million residential customers, 7,500 commercial customers, 700 industrial customers, two 300 MW power plants and 10 CNG stations over four major areas in Egypt (Cairo, Giza, Alexandria and Beheira). NATGAS has delivered 4.5 billion m3 in natural gas sales to its customers. It is a dedicated project management company that undertakes turnkey projects, constructs pipeline networks and operates and maintains developments. It offers a full range of services and technical resources, providing up-to-date, technically compliant and cost-effective solutions. It is equipped for both local and international business challenges through its 1,060 experts skilled in project management, system design and application engineering. The company utilizes a full range of modern, computer-aided techniques and finance, administration and procurement structures.

Fayum Gas

Fayum Gas is a natural gas distribution company established in 2000 by Shell Gas BV to finance, construct, operate, maintain and develop the natural gas system in the Fayum governorate. In 2007, EKH partnered with Gail India to acquire a majority stake in the company, which later became part of NatEnergy. The company operates three concessions in Fayum, where it is responsible for the construction, maintenance and operation of the natural gas distribution network for the entire governorate. Fayum Gas serves over 165,000 domestic customers, 35 industrial customers, 4 CNG stations and 964 commercial customers. It distributes around 263 million m3 of natural gas per year.

Nubaria Gas

Nubaria Gas Company was established in 2003 to build a steel pipeline and pressure reduction station with a capacity of 480,000 m3/hr to supply natural gas to the West Nubaria power station, one of the largest power generation projects in Egypt producing 2,250 MW of power (more than the capacity of the Aswan High Dam). Nubaria Gas currently transports roughly 9.6 million m3 of gas per day for a distance of 43 kilometres from Tanta to the Nubaria power station via a 24-inch, 70-bar, high-pressure steel pipeline that is maintained and operated by the company. The Nubaria power station also includes two steam turbines that use waste heat from the gas for combined -cycle power generation. Nubaria Gas operates both PRS and steel pipelines using the supervisory control and data acquisition (SCADA) system, allowing full control over every aspect of the gas transmission process.

Gas Chill

Gas Chill was established in late 2006 to provide world-class cooling and heating solutions using ground-breaking Japanese and European technology. The only private sector player in the district cooling industry in Egypt, Gas Chill's core objective is to provide the most revolutionary, environmentally friendly energy supply techniques, not only in Egypt but the MENA region. Partnering with Japanese Kawasaki Thermal Engineering and Italian ROBUR, Gas Chill is a one-stop-shop offering pre-sales and value engineering; installation, commissioning and testing; project, operation and facility management; and aftersales services for its innovative energy solutions, products and services. Acting as the exclusive agent for Kawasaki Thermal Engineering in Egypt, the company leverages its know-how to give clients a competitive edge in their markets by tailoring solutions to meet their current and future cooling requirements. Gas Chill also offers its clients several financing options including: build, own, operate (BOO), build, own, operate, transfer (BOT), as well as engineering, procurement, construction (EPC).

The company's primary focus is district cooling, which is a highly robust and customizable cooling solution that distributes thermal energy in the form of chilled water from a central source to multiple end users through a network of insulated pipes. With a system that can use various types of water (potable, treated, or seawater) and several energy sources, district cooling is both economically viable and environmentally friendly, suitable for large-scale, high-density developments. Using 40-60% less energy than traditional cooling systems, district cooling decreases initial capital investments, offers lower annual maintenance costs, and greatly reduces CO2 emissions, making it an ideal solution for every type of client.

In just over 10 years, Gas Chill has built a solid track record and developed an impressive roster of high-profile clients, including: Cairo Festival City, Eastern Company, Arkan Mall, Americana Plaza Sheikh Zayed and New Cairo, Concord Plaza New Cairo, Misr University for Science and Technology, and the General Authority for Investment. With new investments being pumped into mega projects across the country like the New Administrative Capital, Gas Chill has vast potential for growth in Egypt.

40%+

Energy Savings

Gas Chill specializes in district cooling, which uses significantly less energy than traditional cooling systems, lowering initial capital investments.

Diversified

Diversified Segment

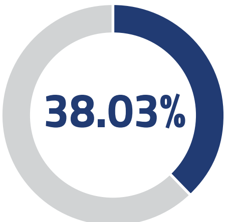
EKH's Diversified segment includes a wide array of strategic investments, from cement production, telecommunications and infrastructure to insurance. In line with the company's strategy to invest in local businesses with large and defensible market positions, EKH owns c.3038% of the Building Materials Industries Company (BMIC) in Egypt, a country home to the largest cement market in Africa, with total consumption of c.50 mtpa. Other group assets in the sector include Delta Insurance, Al Shorouk for Melamine and Resins, Globe Telecommunications, and Bawabet Al Kuwait Holding Company.

This segment encompasses a wide array of strategic investments from cement production, telecommunications and infrastructure to insurance. Our strategy is to invest in local businesses with large and defensible market positions.

Primary Portfolio Investments

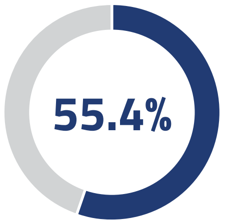
BMIC
Building Materials Industries Company (Cement Plant)

Effective Ownership



Delta Insurance
Delta Insurance (Life and General Insurance Company)

Effective Ownership



Building Materials Industries Company

BMIC
شركة صناعات مواد البناء
www.bmicement.com

Founded in 2007 as a greenfield investment, and with total investments exceeding EGP 2 billion, BMIC produces grey cement and clinker for sale in the Egyptian market, particularly Upper Egypt. With state-of-the-art technology of European and German origin and products that meet Egyptian and international standards, BMIC distinguishes itself from less sophisticated local competition, producing 1.8 million tons of cement per year at its mazut and natural gas-powered factory and satisfying market needs by providing high-quality services and products.

As one of two key players in the region, BMIC benefits not only from minimal competition in Upper Egypt but also has licenses for some of the best, darkest quarries in Egypt, a crucial source of raw materials for cement production.

The Egyptian cement market is ready for further consolidation as there are a number of smaller local players competing with the largest multinationals in the market, which combined have a c.27% market share, while the market is by far the largest in Africa with a total consumption of c.50 mtpa (double the consumption rates in South Africa, which is the second-largest cement market in Africa). BMIC is on track to complete its conversion to coal-fired generation.

29 USD MN

2017 Diversified Revenue

The diversified segment's revenues continue to be strong year on year.

Delta Insurance

> *Delta Insurance offers numerous services, including corporate solution plans, individual protection plans, and group life insurance plans.*

Delta Insurance is a publicly listed company and has grown steadily over the years to secure roughly a 5% share of the Egyptian insurance market. With over 300 professionals operating more than 19 branches, the company has built a strong competitive position in the Egyptian market, providing financial protection through innovative insurance products and services supported by dedicated, well-trained and knowledgeable insurance professionals.

The company offers numerous services, including corporate solution plans, individual protection plans, and group life insurance plans. While many sectors in Egypt have suffered in the aftermath of the 2011 uprising, the insurance industry has experienced opportunities for growth as more companies and individuals seek to protect themselves amid a higher risk environment.

In July 2013, Delta Insurance was divided into two companies with two distinct boards of directors, per Egyptian law: Delta General, which provides medical, fire, vehicular and marine insurance, and Delta Life, which provides traditional life insurance products. Both companies cover a range of local and foreign corporations and individuals, but Delta General's largest clients are corporate, while Delta Life primarily serves individual customers. Delta Insurance also engages in reinsurance with leading local and global partners.

Delta Insurance was established in 1981 with EGP 150 million in authorized capital and EGP 90 million in paid-up capital, and was acquired by EKH in 1999. By the end of 2017, EKH had increased its stake in the company to 99%, believing that Delta Insurance commands a strong and competitive position in the market and can capitalize on the favorable trends in the non-bank financial services space.

Al Shorouk for Melamine and Resins

Founded in 1979 under the name Al Sherif and with authorized capital of EGP 250 million and paid-in capital of EGP 38 million, Al Shorouk was acquired by EKH in 2007. Already a successful and well-established tableware manufacturer, Al Shorouk has flourished under EKH's ownership.

Thanks to synergies with Sprea Misr, an EKH portfolio company specializing in urea and melamine products, Al Shorouk receives a reliable supply of high-quality raw materials at affordable prices, distinguishing Al Shorouk from foreign competitors.

Al Shorouk is a standout among local competition for its commitment to health and safety. Unlike many local manufacturers who use less expensive, carcinogenic urea, Al Shorouk's tableware is made from 100% melamine and clearly labeled to help consumers make safe purchasing decisions. This consumer confidence has greatly contributed to Al Shorouk's 10% market share for melamine tableware and 77% market share for urea trays, as well as strong brand recognition in the Egyptian market.

The company produces urea trays and melamine tableware using two separate production lines with a combined 86 presses and overall production capacity of 3,000 tons per annum.

From its production facilities in Belbeise, Al Shorouk supplies all hypermarkets in Cairo and distributes products across Alexandria and cities in Upper Egypt and the Nile Delta. The company's export activities focus primarily on the Middle East and Africa.

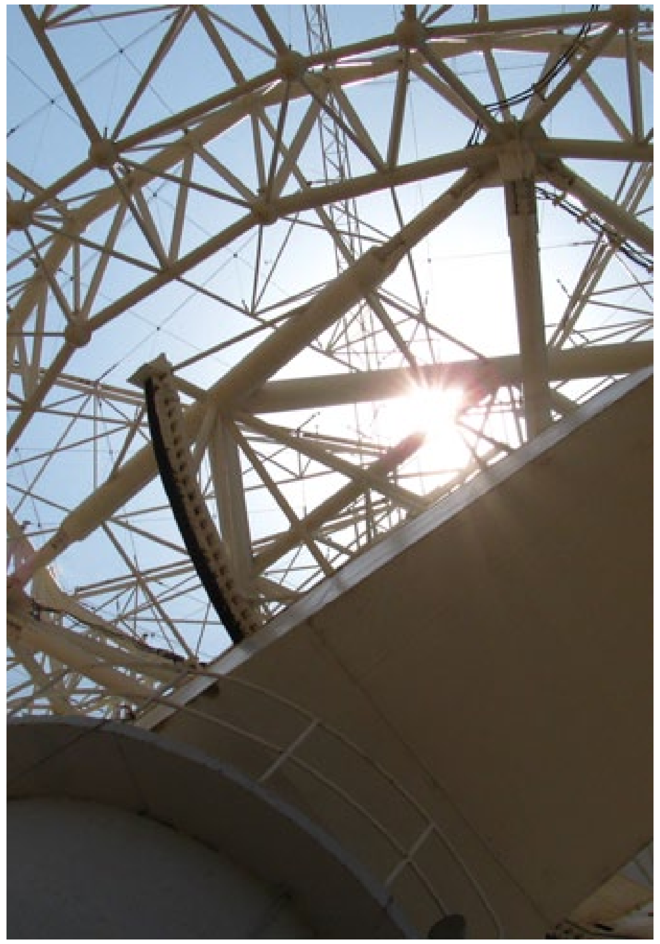
Globe Telecommunications

Globe Technologies (GT) specializes in providing technology systems geared toward facilitating business operations. The company was established as a greenfield investment in 2001 and is 100% owned by EKH. It currently has operations in Egypt, conducts in-house software research and development and has partnerships with leading international firms such as Intergraph, Psion and TomTom.

GT is the sole and exclusive partner of Intergraph in Egypt and has agreements with PGESCO, in addition to being the main supplier for Enppi's Engineering Software.

Bawabet Al Kuwait Holding Company

Established in 2004 with both an authorized and paid-in capital of KWD 50 million, Bawabet Al Kuwait Holding Company (BKH) is poised to become a major investor in the fertilizer and petrochemical sector. BKH has ownership stakes in AlexFert and other petrochemical companies in the Gulf Cooperation Council (GCC). EKH currently holds a 42% stake in Bawabet Al Kuwait, which it acquired in 2004.



Corporate Governance

EKH promotes ethical practices across all levels of its businesses, protecting the interests of all stakeholders and ensuring a responsible working environment for employees. EKH assesses its policies and performance with respect to its Business Principles; Code of Conduct; Health, Safety, Security and Environment (HSSE) policies; and major issues of public concern on behalf of the Board.

Our corporate governance policies and practices are guided by internationally recognized standards such as the OECD Principles of Corporate Governance.

Board of Directors

The Board of Directors oversees EKH's business strategy and affairs and appoints from among its members a Managing Director responsible for implementing Board decisions and EKH executive actions.

4 BoD Committees

The Board of Directors effectively oversees all Corporate Governance activities of the Group and its subsidiaries with the help of its committees.

The Board members, who are comprised of both executive and non-executive directors, have a range of qualifications, expertise, and experience, and were each considered for their ability to add value to the company. Our Board comprises 18 members and includes one Chairman and one Executive Director responsible for carrying out all executive tasks and responsibilities.

There are various mechanisms for Board interaction with shareholders and employees, including recommendations, upper-level directives, and communication with various departments throughout EKH and its subsidiaries. The Board sets up corporate and departmental plans to inform shareholders and help realize EKH's goals. Results and progress are followed up by the Board Chairman through monthly, quarterly, and semi-annual progress reports submitted to the Board.

Board Committees

EKH's Board of Directors is able to oversee all Corporate Governance activities of the Group and its subsidiaries through four committees:

- The Internal Audit Committee
- The Investment Committee
- The Communication Committee
- The Remuneration Committee (includes Senior Executives at EKH)

Risk Management

The Group manages its exposure to credit, liquidity, market, and capital management risk through the Audit and Internal Audit Committees. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures; the results are then reported to the Board of Directors.

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is also responsible for identifying and analyzing the risks faced by the Group, setting appropriate risk limits and controls, and monitoring risks and adherence to limits.

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

Transparency

EKH is thoroughly committed to transparency and disclosure practices. The Internal Audit Committee ensures that the company is fully transparent and in full compliance with the requirements of the Egyptian Exchange (EGX), on which EKH is listed. The Committee is composed of four members, comprising three non-executive Board Members and one expert. The Audit Committee is responsible for investigating and revising EKH's internal control procedures and levels of compliance; it also enacts precautionary measures to maintain the safety and stability of the Company's assets, and ensures the removal of any potential conflicts of interest. The Audit Committee has also established an Internal Audit Department for EKH and its subsidiaries. The role of this department is to review all EKH activities and activities of its subsidiaries, and to submit regular reports to the Internal Audit Committee and Board of Directors.

Audit and Internal Control Review Committee (AICRC)

EKH has allocated an Audit Committee that is made up of three non-executive board members and one specialized non-board member. The principal functions of the Audit and Internal Control Review Committee (AICRC) are to oversee the integrity of the Company's financial statements and ensure compliance with legal and regulatory requirements. The Committee also monitors the adequacy of the company's accounting and financial reporting, its internal control processes, and financial reporting processes. Further, the AICRC is responsible for the independence and evaluation of the external auditors it appoints.

Internal Auditing

Internal auditing improves business processes that will result in an increase in stakeholders' value, as well as reducing risks and improving revenues. EKH's internal auditing ensures that good governance is implemented and maintained. It also guarantees that effective business processes, values, and goals are established and communicated and that the implementation and accomplishment of those goals are monitored to ensure accountability.

Investment Committee

The basic function of the Investment Committee is to communicate investment guidelines and evaluate, approve, and monitor existing investments at the Group or business unit level. The committee screens and evaluates ideas generated from rainmakers and assigns the M&A team with due diligence of the short-listed ideas, while providing guidance and following up throughout the transaction. The meeting is held on a quarterly basis.

Communication Committee

The communication committee provides an avenue through which department heads can communicate the status of existing projects and projects in progress. The committee has a number of core objectives, including keeping the management team informed about developments in all projects, providing a platform for the exchange of ideas among management, allowing for the discussion of outcomes of subsidiary board meetings, and sharing knowledge gained from conferences and exhibitions. The meeting is held on a quarterly basis and follows the Investment Committee meeting.

Investor Relations

Stock Trading Symbol

EKHO.CA
EKHK.KW

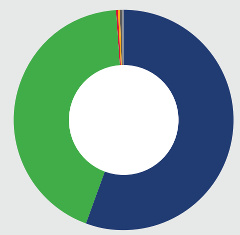
Stock Exchange Listings

The Egyptian Exchange (EGX) is the principal market for EKH common stock, which is also listed on the Kuwait Stock Exchange.

Shareholding Structure

As of 31 December 2017

Principal Shareholders	55.93
Free Float	43.17
EKH Board Members	0.30
Total Unlisted Shares	0.28
Mortgaged Shares	0.21
Frozen Shares	0.10



Board of Directors

Mr. Moataz Al-Alfi
Chairman of the Board and CEO

In addition to his role at Egypt Kuwait Holding, Mr. Al-Alfi is the Chairman of Americana Group-Egypt; Board member of the Cairo Poultry Company; Founder and Chairman of Al-Alfi Foundation for Human and Social Development; Member of the Board of Trustees of the American University in Cairo and the Magdi Yacoub Heart Foundation.

Mr. Loay Jassim Al-Kharafi
Vice Chairman of the Board

Mr. Al-Kharafi serves as Vice President of Mohamed Abdulmohsin Al-Kharafi and Sons Group; Chairman of Al-Mal Investment Co.; Vice Chairman of Kuwait Pipe Industries and Oil Services Co., Egypt; Chairman of International Pipe Industries Co., Egypt; Chairman of EMAK for Hotels and Tourism Development Co., Egypt; and Vice Chairman of MAK Holding for Investment Co., Egypt. He is also the owner of a legal firm and a member of the Kuwaiti Lawyers Association.

Mr. Sherif El-Zayat
CEO

Mr. El-Zayat brings to Egypt Kuwait Holding a wealth of experience in a wide cross-section of relevant industries. He was until recently Founder and Chief Executive of Misr Glass Manufacturing Co. (MGM), having previously worked as Managing Director and Deputy Chairman of Al-Ahram Beverages Co. Mr. El-Zayat is a member of the Board of Directors of the Chamber of Chemical Industries (part of the Federation of Egyptian Industries) and serves as Chairman of its Diversified Chemicals Division, while he has also served as a board member of the Egyptian Chemical and Fertilizers Export Council since 2008.

Mr. Saad Al-Saad
Board Member

Mr. Al-Saad is Chairman and Managing Director of National Industries Group Holding Company and Managing Director of MABANEE. He serves as Chairman of the Board of Eagle Proprietary Investments Limited and as a member of the Board of Directors at Seera Investment Bank. Mr. Al-Saad is former Vice Chairman and Board member of Kuwait National Petroleum Company (KNPC), former Vice Chairman of Contracting & Marine Services, and former Chairman of the Kuwait Association of Accountants & Auditors. He previously served on the Board of Directors at the Gulf Cable & Electrical Company, Kuwait Cement Company, National Bank of Kuwait, Kuwait Aviation Fuelling Company (KAFCO), Saudi Sand Lime Bricks & BM Company, the Higher Council for Planning and Delta Insurance Company.

Mr. Abdel Mohsen Al-Fares
Board Member

Mr. Al-Fares is Chairman and Managing Director of Kuwait Lebanon Holding Company. He also serves on the Board of Directors at MTC Vodafone, Kuwait Telecommunications, and Consultancy Information Group.

Mr. Marzouk Al-Ghanim
Board Member

Mr. Al-Ghanim serves as Chairman of Boubyan Petrochemical Company and Kuwait Sports Club, Vice Chairman of Ali Thanyan Al-Ghanim and Sons Group, and CEO of Al-Ghanim and Sons Automotive Company. He is also a member of the Board of Directors at National Gas, Egypt; Jebail Chemical Industries, Saudi Arabia; Quality Net Company, Kuwait; Globe Telecom, Egypt; and Investment House, Kuwait.

Mr. Assad Al-Banwan
Board Member

Mr. Al-Banwan is Chairman of Mobile Telecommunications Company KSC (Zain), Kuwait; Chairman of Zain, Jordan; Chairman of Seera Bank, Bahrain; Chairman and Managing Director of Foras International Investment Co., KSA; Chairman of the Union of Investment Companies, Kuwait; Vice Chairman of Zain, Bahrain; Vice Chairman of Gulf Cable & Electrical Industries Company KSC, Kuwait; Vice Chairman of Gulf Investments, KSA; Vice Chairman of the Business Owners Union; and Vice Chairman of Al Mutahed, KSA. He is also a member of the Board of Directors at Zain; Holland, Iraq and Lebanon.

Mr. Hussein Al-Kharafi
Board Member

Mr. Al-Kharafi is Managing Director of Khalid Ali Al-Kharafi & Bros. Company and Chairman of the Kuwait Industrial Union. He is also a member of the Board of Directors at the Chamber of Commerce & Industry, a member of the Public Authority of Industry, and a member of the Board of Trustees at the Australian College of Kuwait.

Mr. Ayman Laz
Board Member

Mr. Laz is Director and Advisor to the Chairman at Egypt Kuwait Holding. He has been associated with the Al-Kharafi Group for over 30 years and with Egypt Kuwait Holding Company since its inception. Prior to his association with EKH and the Al-Kharafi Group, Mr. Laz worked with the Chase-National Bank, where his last position was Credit Manager. Mr. Laz has served on the Board of Directors of a leading state-owned Egyptian bank, an international joint venture bank operating in Egypt and Telecom Egypt. He also served on the Board of Trustees for Investment in Egypt and on the Board of Directors of the Egyptian Center for Economic Studies (ECES). Mr. Laz has served and continues to serve on the Boards of Directors of leading Egyptian private sector companies operating in a number of key industries. He holds a degree in Economics from the American University in Cairo.

Sheikh Mubarak Abdulla Al-Mubarak Al-Sabah
Board Member

His Excellency Mr. Al-Sabah is Group Vice Chairman at Action Group Holdings Company (KSCC) Kuwait, Founder of Action Real Estate Company (AREC), Chairman of Action Hotels W.L.L., Founding Chairman of Al Qurain Petrochemical Industries Company KSC, and Chairman of Kuwait-Austria Business and Friendship Association (KABFA). He is also Vice Chairman of the Board of Trustees at the Abdullah Mubarak Foundation, a member of the Board of Directors at Equate Petrochemicals Company, and was honored as a Young Global Leader (YGL) in 2009 by the World Economic Forum.

Eng. Amin Abaza
Board Member

Mr. Abaza is Chairman of the Arab Cotton Ginning Co.; CEO of Modern Nile Cotton Company; President of the Cotton Exporters Association; Member of the Board of Directors of the Egyptian General Authority for Investments; Minister of Agriculture and Land Reclamation, Arab Republic of Egypt, 2006-2011.

Mr. Talal Jassim Al-Kharafi
Board Member

Mr. Al-Kharafi is the Chairman of Gulf North Africa Holding Company, Kuwait; Vice Chairman of Heavy Engineering Industries & Shipbuilding Company, Kuwait; Board Member of Kuwait Chamber of Commerce & Industry, Kuwait; Board Member of Asia Capital Investments Company, Kuwait; Former Board Member of the Industrial Bank of Kuwait.

Mr. Husam Mohamed El-Sayed
Board Member

Mr. El-Sayed is the Executive Director of Al-Khair National For Stocks & Real Estate Co– Kuwait, the investment arm of Al-Kharafi Group; Chief Financial Officer of Al-Kharafi Group in Lebanon and Syria; Chairman of RYMCO UK LTD–London; Board Member of Al-Nasr Gardens Holding–Kuwait; Board Member of Rasamny Younis Motor SAL (RYMCO)–Lebanon; Executive Board Member of United Insurance Company SAL (UIC)–Syria; Board Member of Kharafi Cham for Utilities Development LLC–Syria; and Board Member of the National Company For Plastic Industries WLL–Syria. Mr. El-Sayed was previously Chairman of Menajet Holding SAL–Lebanon and was a Board Member of First National Bank SAL (FNB)–Lebanon

Eng. Ismail Osman
Board Member

Eng. Osman is Senior Advisor for Osman Ahmed Osman Group; Board Member and Secretary General of the Egyptian Business Association; Deputy Secretary General for the Federation of Arab Businessmen; Vice President of the Egyptian Federation for Construction & Building Contractors; Senior Vice President of the Arab Federation for Construction & Building Contractors; Chairman of the Local Council, Ismailia Governorate; and Chairman of the Board at the Giza Educational Cooperative Society (Misr Language Schools).

Mr. Mohamed Kamel
Board Member

Mr. Kamel is Chief Executive Officer of the Egyptian Resorts Company (ERC). Prior to joining ERC, he spent eight years with KATO Investment, one of Egypt's largest and most diversified industrial and services conglomerates. Mr. Kamel held several roles in different divisions of KATO, including sales and marketing, operations and project management, business development, and finally group Vice President of Strategy at KATO Investment's headquarters. While at KATO, he was instrumental in creating the first modern privately-held, bonded warehouse at Cairo International Airport, and managed the debt-raising process from European banks for the aerospace division. Mr. Kamel also worked as a consultant with Bain & Company in their London offices following his MBA. Mr. Kamel holds a Bachelor's in Economics with high honors from the American University in Cairo and an MBA with distinction from Harvard Business School.

Mr. Marzouk Nasser Al-Kharafi
Board Member

Mr. Al-Kharafi is the Chairman of Kuwait Food Company (AMERICANA) - Kuwait; Chairman of Kharafi National Infrastructure Projects Development, Construction and Services Co.- Egypt; Chairman of Kharafi National Co.- Bahrain; Chairman of Utilities Development Co. (UDC) - Kuwait; Chairman of Egyptian Company For Utilities Development Co.- Egypt; Vice Chairman of Kuwait Syrian Holding Co- Kuwait; Vice Chairman of ABJ Industries - Abu Dhabi; Board Member of ABJ Engineering & Contracting Co. – Kuwait; Board Member of Makhazen Co .Abu Dhabi - UAE; Partner of Kharafi National – Lebanon; General Manager of Kharafi National Co.- Abu Dhabi /Dubai; General Manager of Lebanese Utilities Co.- Lebanon; General Manager of Emirates Utilities Holding Co.- UAE; General Manager of Quality Technical Supplies Co.- Kuwait / Abu Dhabi; General Manager of Instant Access Professional & Technical Training Center Co.- Abu Dhabi; General Manager of Instant Access Co. For Sales & Rentals of Construction Equipment - Qatar; Director In the Group Executive Committee of M.A. Kharafi & Sons – Kuwait; Managing Director of Aluminum Industries Co. – Kuwait; and the Executive Manager of Kharafi National Co.- KSA.

Mr. Hussam Al-Kharafi

Board Member

Mr. Al-Kharafi is the chairman of MAK Investments Group of Companies - Port Ghalib, Egypt; Head of Real Estate Sector & Urban Development - Mohammed Abdulmohsin Al-Kharafi & Sons Co, Kuwait; Member of the Executive Committee of Mohammed Abdulmohsin Al-Kharafi & Sons Group, Kuwait; Board Member of the National Industries Group (Holding), Kuwait; Former Chairman of Noor Financial Investment Company; Former President of the Kuwait Society of Engineers; Former Board Member of Boubyan Bank, Kuwait; Former Board Member of Al-Ahleia Insurance Co., Kuwait; Former Board Member of National Real Estate Co., Kuwait; and Former Board Member of Mabanee Co., Kuwait.

Mr. Waleed El-Zorba

Board Member

Mr. Waleed El Zorba is the Managing Director of Nile Holding Company, a family-owned group leading the way in Egyptian ready-made garment exports. In 2010 and 2012, the Egyptian Minister of Trade and Industry appointed Mr. El-Zorba to the Egypt-US Business Council. Between 2008 and 2010, he was an elected member of the American Chamber of Commerce in Egypt's Board of Governors. He was also appointed in 2015 to the Export Council of Ready-made Garments and Council of Qualified Industrial Zones by the minister to help promote and propagate the success of Egypt's textile industry. He holds a BA in Economics from University of Southern California.

Management Team

Mr. Moataz Al-Alfi
Chairman of the Board and CEO

Mr. Ayman Laz
Advisor to the Chairman and CEO

Mr. Sherif El-Zayat
Chief Executive Officer

Mr. Medhat Bonna
Group Chief Financial Officer

Mr. Khaled El-Demerdash
Group Legal Counsel

Mr. Tamer Badrawi
Chief Human Resources & Communication Officer

Mr. Hany Ezzat
Group Treasurer

Mr. Hany Azzam
Head of Corporate Governance

Mr. Sayed Hussein
Sector Head – Cement

Mr. Alaa El-Banna
Senior Sector Head - Fertilizers and Upstream Oil and Gas

Mr. Elhamy El Sheikh
Senior Sector Head - Gas Distribution and Electricity

Mr. Ashraf Abdel Aziz
Corporate Comercial Director

Mr. Mahmoud Hamza
General Leagal Counsel - International

Mr. Haitham M.Abdel Moneim
Investor Relations Director

Our People

The success of EKH is largely owed to its fundamental belief in human capital as its key asset to driving growth. With over 5,000 skilled employees in EKH and its subsidiary companies, the company remained dedicated to investing in human talent acquisition, development, and retention throughout the year.

Key to this strategy in 2017 was the company's new HR Development Program, which was implemented during the year with the aim of centralizing the company's HR system at the Group level and applying that system throughout its portfolio companies. The program put together a comprehensive HR governance framework that addresses all employee concerns and enabled HR governance at the group level. The recently launched program provides uniform HR services concerning talent acquisition and employee development for the group's subsidiaries so all related processes are implemented within an appropriate timeframe.

During the year, EKH continued its comprehensive approach to foster a safe and productive work environment. The company's policies are designed to make sure employee needs are being met, address business, cultural, and work environment issues, and maximize employee potential. EKH maintains an open-door policy for transparency at all levels of the organization, with a framework in place to handle employee complaints and grievances. The company has in place a comprehensive control system for compensation and benefits group-wide, offering an extensive variety of benefits such as life insurance, medical insurance, and employee grants. In tandem, EKH has a rigorous approach to compliance with first aid, health, and safety protocols to ensure worker safety and satisfaction.

EKH's HR department carefully analyzed employees needs throughout the year and invested heavily in diversified training programs to help staff reach their fullest potential.

EKH's HR department carefully analyzed employees needs throughout the year and invested heavily in diversified training programs to help staff reach their fullest potential in line with the company's needs and objectives. For maximum return on investment, the company offered training programs that focused on leadership, behavioral, function-, and sector-specific programs. By year's end, EKH had offered over 8,500 hours of training modules to more than 1,300 employees.

EKH is also committed to acquiring the most qualified candidates for employment, using DDI interview methods during its recruitment process to secure top talent. Ensuring that workflow remains smooth and straightforward as new recruits join, the company offers induction programs, job rotations, and a full-fledged succession plan program as part of its onboarding efforts.

Furthermore, retaining its qualified staff is a high priority for the company. During 2017, the HR department actively worked on maintaining employee satisfaction, rewarding top achievers across several departments with awards and recognition for their efforts during the EKH annual kick-off ceremony. Awards distributed included "Highest Growth", "Best HR", "Most Efficient", and "Most Innovative". EKH also provided the "Developing Leaders Program" for each of its subsidiary companies, offering a variety of career-development programs and benefits to employees with exceptional performance.

4k+

Employees

EKH has well over 5,000 skilled staffers in its employ throughout its portfolio

Corporate Citizenship

Recognizing its responsibility to the wider community to ensure a sustainable future, EKH is actively involved in enabling Egypt's youth to access high-quality education, practicing sustainable development, and improving the communities where it does business. In 2017, EKH was primarily focused on supporting its education and training initiatives in Egypt while continuing to foster business ties and community spirit between Kuwait and Egypt.

Education

Delivering on its purpose to support education in communities across Egypt, EKH is proud of its subsidiary NatGas's collaboration program with Egyptian NGO So7beit Kheir on their Youth Technical Training Program. With NatGas as the primary sponsor, the program provides vocational training for more than 250 students, preparing them to become professional technicians and presenting them with better employment opportunities. The program's training modules instructs students from impoverished families in areas such as mechanics, plumbing and construction. Since its inception, the program has empowered at least 25 of its students to begin their university educations, with a number of them going on to learn new languages or secure employment at one of the sponsor companies.

Training

Since 2012, EKH has been an enthusiastic supporter of Injaz Egypt, a nonprofit organization working to bridge the gap between the education system and the private sector in Egypt. The organization's empowering impact has reached 668,365 Egyptian students in 330 schools and 32 universities across Egypt since it was founded in 2003, enabling them to become successful entrepreneurs and sought-after employees in their communities.

Over the course of 2017, under the direction of Injaz, many employees from EKH's portfolio companies volunteered at Injaz's school program to educate preparatory school students on how to face the needs and challenges of the community as well as how to unlock their strengths and ambitions to build their futures. Students also enjoyed problem-solving activities that prepared them for real-life challenges and enhanced their communication skills.

In acknowledgement of its continued support of Injaz's efforts, EKH received the Volunteer Growth Award in 2017 during Injaz's annual awards ceremony which celebrates the organizations' valuable impact on young Egyptians. This marks the second consecutive year EKH has been recognized for the award.

3

Core Corporate Citizenship Planks

EKH's corporate citizen agenda covers an array of activities, including educational initiatives, training programs, and community development efforts.

Community Development

Committed to bolstering business relations to the benefit of both Egypt and Kuwait, in 2017 EKH participated for the first time at the "10th Kuwaiti Week in Egypt", an annual exhibition that takes place under the auspices of His Excellency the Ambassador of Kuwait in Egypt. The exhibition attracted senior officials from the Egyptian government as well as top Kuwaiti diplomats, and over 80 Kuwaiti and Egyptian representatives from public and private sectors participating. During the event, EKH positioned itself as a positive contributor to the economic growth of the region, with a close eye on attractive investment opportunities in Egypt.

> *EKH received the Volunteer Growth Award in 2017 by Injaz, celebrating the organizations' valuable impact on young Egyptians. This marks the second consecutive year EKH has been recognized for the award.*

Financials Statements

AUDITOR'S REPORT

To the Shareholders of Egypt Kuwait Holding Company

Report on the Consolidated Financial Statements

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Basis for Qualified Opinion paragraph, 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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Basis for Qualified Opinion

(1) The provisions balance, in the consolidated statement of financial position, includes an amount of approximately USD 23.2 million which does not have a matching obligation out of which an amount of approximately USD 13.33 is carried forward from previous years and the remaining amount of approximately USD 9.87 has been formed during the year. The aforementioned matter has led to a reduction in net profit for the year with an amount of approximately USD 9.87, and an increase in the provisions balance as at December 31, 2017 by approximately USD 23.2 million. Accordingly, a decrease in equity attributable to owners of the Company as at December 31, 2017 by approximately USD 23.2 million. We have issued a qualified auditor's report on the consolidated financial statements for the financial year ended on December 31, 2016 for the same reason.

(2) The Company's management has not transferred the balance set aside for the share-based payments transactions amounting to approximately USD 17.56 million as at December 31, 2017 to retained earnings in spite of finalizing the share ownership procedures pertaining to part of the shares of the incentives and bonus plan to the executive board of directors and senior managers during the year. The matter that caused an overstatement in the balance set aside for the share-based payments transactions with an approximate amount of USD 17.56 million and a decrease in the retained earnings balance including net profit for the year attributable to owners of the Company with the same amount.

Qualified Opinion

In our opinion, except for the effect of matters described in paragraphs (1) & (2) in the Basis for Qualified Opinion on the consolidated financial statements, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Egypt Kuwait Holding Company as at December 31, 2017, and of its consolidated financial performance and its consolidated cash flows for the year ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these consolidated financial statements.

Report on Other Legal and Regulatory Requirements

The Company keeps proper accounting records, which include all that is required by law and the statutes of the Company, the financial statements, are in agreement thereto, the Company maintains proper costing system that matches the Company's purpose, and 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
Public Accountants & Consultants

Cairo, February 19, 2018

Consolidated Statement of Financial Position As at December 31 2017

	Note No.	31/12/2017 USD	31/12/2016 USD
Assets			
Non-current assets			
Equity - accounted investees	(6)	29 201 428	63 782 363
Available -for- sale investments	(7)	28 860 567	116 958 962
Held to maturity financial assets	(8)	108 551 255	113 528 198
Property, plant and equipment (net)	(10)	207 741 912	221 707 554
Exploration & development assets	(11)	24 591 508	-
Projects under construction	(12)	25 154 067	12 173 378
Goodwill	(13)	52 413 767	51 038 635
Other intangible assets (net)	(14)	14 595 297	18 205 606
Sundry debtors & notes receivables	(15)	11 727 932	249 714
Total non-current assets		**502 837 733**	**597 644 410**
Current assets			
Cash at banks & on hand	(17)	224 894 312	242 186 165
Investment in treasury bills	(18)	25 889 359	12 353 745
Held to maturity financial assets	(8)	111 296 293	6 259 781
Financial assets at fair value through profit and loss	(19)	15 024 540	15 159 821
Trade & notes receivable	(20)	58 500 466	21 277 548
Egyptian General Petroleum Corporation	(9 -1)	2 802 262	1 416 404
Debtors & other debit balances	(21)	37 587 084	18 398 458
Inventories	(22)	60 225 430	46 498 518
Work in process	(23)	6 718 212	7 604 774
Assets held for sale	(24)	4 552 500	38 368 005
Total current assets		**547 490 458**	**409 523 219**
Total assets		**1 050 328 191**	**1 007 167 629**
Equity			
Issued & fully paid up capital	(25)	256 110 292	256 110 292
Legal reserve	(26)	125 178 004	123 559 511
Special reserve - share premium	(27)	57 954 547	57 954 547
General reserve	(28)	8 380 462	8 380 462
Fair value reserve	(7) . (29)	5 081 987	9 867 000
Amount set aside for share-based payments transactions	(30)	17 561 848	17 561 848
Retained earnings	(32) . (34)	219 881 881	140 231 517
Foreign currency translation differences of foreign operations	(31)	(211 220 462)	(217 373 270)
		478 928 559	**396 291 907**
Non-controlling interests	(33)	214 716 217	224 276 236
Total equity		**693 644 776**	**620 568 143**
Libilities			
Non-current liabilities			
Long - term loans & bank facilities	(35)	33 056 995	119 409 164
Other long-term liabilities	(36)	298 993	372 908
Egyptian General Petroleum Corporation	(9-2)	7 572 033	-
Deferred tax liabilities	(37)	24 367 095	26 571 939
Total non-current liabilities		**65 295 116**	**146 354 011**
Current liabilities			
Provisions	(38)	33 206 603	21 448 727
Short - term loan installments, bank facilities & bank overdraft	(39)	97 423 850	81 055 075
Suppliers, subcontractors & notes payable	(40)	13 050 716	14 250 675
Egyptian General Petroleum Corporation	(9 -2)	24 962 878	23 983 418
Dividends payable		1 037 400	1 037 400
Creditors & other credit balances	(41)	121 706 852	98 465 580
Liabilities held for sale	(24)	-	4 600
Total current liabilities		**291 388 299**	**240 245 475**
Total liabilities		**356 683 415**	**386 599 486**
Total equity and liabilities		**1 050 328 191**	**1 007 167 629**

* The accompanying notes on pages from (6) to (62) are an integral part of these consolidated financial statements and to be read therewith

Group Chief Financial Officer	Managing Director	Chairman & Managing Director
Medhat Hamed Bonna	Sherif Al Zayat	Moataz Adel Al- Alfi

* Auditor's Report " attached "

KPMG Hazem Hassan

Consolidated Income Statement For the Financial Year Ended December 31, 2017

	Note No.	2017 USD	2016 USD
Continuing operations			
Operating revenues	(42)	348 761 731	343 079 552
Operating costs	(43)	(248 137 897)	(234 033 205)
Gross profit		**100 623 834**	**109 046 347**
Income from investments activity	(44)	65 343 591	18 147 978
Other income	(45)	37 364 507	3 117 962
Selling & distribution expenses	(46)	(3 172 594)	(10 047 583)
General & administrative expenses		(22 042 463)	(21 987 663)
Share based payments expense	(53)	-	(17 561 848)
Other expenses	(47)	(47 950 611)	(15 472 054)
Operating profit		**130 166 264**	**65 243 139**
Financing income	(48)	25 818 742	45 365 481
Financing costs	(48)	(14 953 194)	(11 349 590)
Net financing income		**10 865 548**	**34 015 891**
Share of profit (loss) of associates		(375 828)	5 269 826
Net profit for the year before income tax		**140 655 984**	**104 528 856**
Income tax expense	(49)	(19 728 829)	(22 194 762)
Net profit for the year from continuing operation		**120 927 155**	**82 334 094**
Discontinued operations			
Gain (Loss) from discontinued operation (net of income tax)	(50)	17 256 512	(10 624 215)
Non-controlling interests share in profit of discontinued operation	(50)	-	-
Net profit for the year		**138 183 667**	**71 709 879**
Net profit attributable to:			
Owners of the Company		120 145 535	57 777 220
Non-controlling interests	(33)	18 038 132	13 932 659
Net profit for the year		**138 183 667**	**71 709 879**
Earnings per share (US cent / Share)	(51)	**10.73**	**5.11**
Earnings per share (US cent / Share) from continuing operation	(51)	**9.00**	**6.19**

* The accompanying notes on pages from (6) to (62) are an integral part of these consolidated financial statements and to be read therewith.

Consolidated Statement of Comprehensive Income For the Financial Year Ended December 31, 2017

	Note No.	2017 USD	2016 USD
Net profit for the year		138 183 667	71 709 879
Other comprehensive income items			
Available -for- sale investments - net change in fair value		5 963 444	4 523 231
Deduct :- Available - for - sale financial asets – reclassified to profit or loss		(6 165 565)	(507 862)
Foreign operations - foreign currency translation differences	(31)	6 992 791	(179 736 331)
Total other comprehensive income items for the year before income tax		6 790 670	(175 720 962)
Income tax related to other comprehensive income items		-	-
Total other comprehensive income for the year after income tax		6 790 670	(175 720 962)
Total comprehensive income for the year		144 974 337	(104 011 083)
Total comprehensive income for the year attributable to:			
Owners of the Company		121 513 330	(107 540 517)
Non-controlling interests		23 461 007	3 529 434
Total comprehensive income for the year		**144 974 337**	**(104 011 083)**

* The accompanying notes on pages from (6) to (62) are an integral part of these consolidated financial statements and to be read therewith.

Consolidated Statement of Changes in Equity For the Financial Year Ended December 31, 2017

	Note No.	Share capital USD	Legal reserve USD	Special reserve - Share premium USD	General reserve USD	Fair value reserve USD	Cumulative translation adjustments USD	Amount set aside for share based payment transactions USD	Retained earnings USD	Total USD	Non-controlling interests USD	Total equity USD
Balance as at January 1, 2016 (before restatement)		256 110 292	121 957 282	57 954 547	8 380 462	(175 271 701)	(47 179 262)	-	299 919 262	521 870 882	269 784 026	791 654 908
Prior period adjustments	(34)	-	-	-	-	180 262 430	-	-	(180 262 430)	-	-	-
Balance as at January 1, 2016 (after restatement)		256 110 292	121 957 282	57 954 547	8 380 462	4 990 729	(47 179 262)	-	119 656 832	521 870 882	269 784 026	791 654 908
Change in equity during the year												
Amounts transferred to legal reserves	(26)	-	1 602 229	-	-	-	-	-	(1 602 229)	-	-	-
Dividends distribution for shareholders		-	-	-	-	-	-	-	(24 391 456)	(24 391 456)	-	(24 391 456)
Dividends distribution for employees and board members		-	-	-	-	-	-	-	(12 432 400)	(12 432 400)	-	(12 432 400)
Gain on acquisition of non-controlling interests		-	-	-	-	-	-	-	1 223 550	1 223 550	(1 223 550)	-
Equity - setteled share-based payments		-	-	-	-	-	-	17 561 848	-	17 561 848	-	17 561 848
Non-Controlling interests		-	-	-	-	-	-	-	-	-	(47 813 674)	(47 813 674)
Comprehensive income for the year												
Net profit for the year		-	-	-	-	-	-	-	62 542 790	62 542 790	13 932 659	76 475 449
Change in fair value of available -for- sale investments	(29)	-	-	-	-	4 876 271	-	-	-	4 876 271	(860 902)	4 015 369
Cumulative translation adjustments	(31)	-	-	-	-	-	(170 194 008)	-	-	(170 194 008)	(9 542 323)	(179 736 331)
Total comprehensive income		-	-	-	-	4 876 271	(170 194 008)	-	62 542 790	(102 774 947)	3 529 434	(99 245 513)
Balance as at December 31, 2016 (before restatement)		256 110 292	123 559 511	57 954 547	8 380 462	9 867 000	(217 373 270)	17 561 848	144 997 087	401 057 477	224 276 236	625 333 713
Prior period adjustments	(34)	-	-	-	-	-	-	-	(4 765 570)	(4 765 570)	-	(4 765 570)
Balance as at December 31, 2016 (after restatement)		256 110 292	123 559 511	57 954 547	8 380 462	9 867 000	(217 373 270)	17 561 848	140 231 517	396 291 907	224 276 236	620 568 143
Change in equity during the year												
Amounts transferred to legal reserves	(26)	-	1 618 493	-	-	-	-	-	(1 618 493)	-	-	-
Dividends distribution for shareholders		-	-	-	-	-	-	-	(31 160 061)	(31 160 061)	-	(31 160 061)
Dividends distribution to employees and board members		-	-	-	-	-	-	-	(7 510 715)	(7 510 715)	-	(7 510 715)
Gain on acquisition of non-controlling interests	(55)	-	-	-	-	-	-	-	(205 902)	(205 902)	205 902	-
Non-Controlling interests		-	-	-	-	-	-	-	-	-	(33 226 928)	(33 226 928)
Comprehensive income for the year												
Net profit for the year		-	-	-	-	-	-	-	120 145 535	120 145 535	18 038 132	138 183 667
Net change in fair value of financial assets at fair value through other comprehensive income	(29)	-	-	-	-	(4 785 013)	-	-	-	(4 785 013)	4 582 892	(202 121)
Cumulative translation adjustments	(31)	-	-	-	-	-	6 152 808	-	-	6 152 808	839 983	6 992 791
Total comprehensive income		-	-	-	-	(4 785 013)	6 152 808	-	120 145 535	121 513 330	23 461 007	144 974 337
Balance as at December 31, 2017		256 110 292	125 178 004	57 954 547	8 380 462	5 081 987	(211 220 462)	17 561 848	219 881 881	478 928 559	214 716 217	693 644 776

* The accompanying notes on pages from (6) to (62) are an integral part of these consolidated financial statements and to be read therewith.

Consolidated Statement of Cash Flows For the Financial Year Ended December 31, 2017

	Note No.	2017 USD	2016 USD
Cash flows from operating activities			
Net profit for the year before income tax		157 912 496	93 904 641
Adjustments for:			
Depreciation & amortization of property, plant and equipment and other non-tangible assets	(10) & (14)	27 195 200	28 196 641
Exploration & development assets depletion		-	
Gain on sale of available -for- sale investments	(44)	(49 969 456)	(541 489)
Company's share of profits (loss) of associates	(6)	375 828	(5 269 826)
Unrealized gain on held for trading investments value	(44)	(588 741)	(865 879)
Accrued interest & financing expenses	(48)	13 055 679	11 349 590
Interest income	(48)	(25 818 742)	(13 547 054)
Capital gain	(45)	(966 063)	(71 321)
Provisions no longer required	(38)	(138 110)	(85 511)
Provisions other than depreciation	(38)	11 817 238	10 706 484
Reversal of impairment losses on debtors and other debit balances	(45)	(31 094 062)	(4 593)
Impairment losses on debtors and other debit balances	(47)	5 558	-
Discountined operations share in loss of associates			
Share based payments expense	(53)	-	17 561 848
Impairment loss on investments value	(47)	35 951 321	-
Reversal of impairment losses on property, plant and equipment	(45)	(3 267 773)	-
Gain (Losses) of disposal of discontinued operations - loss of control	(50)	(17 256 512)	10 624 215
		117 213 861	151 957 746
Changes in:-			
Change in held for trading investments		355 426	103 471 734
Trade & notes receivable		(48 723 976)	6 475 931
Debtors & other debit balances		11 580 000	22 461 182
Inventories		(13 726 912)	7 380 766
Work in progress		886 562	791 121
Suppliers & subcontractors		(1 199 959)	3 338 588
Creditors & other credit balances		15 087 112	(82 764 816)
Egyptian General Petroleum Corporation		8 551 493	8 195 577
Blocked deposits	(17)	-	35 607 795
Time deposits	(17)	135 276 500	(117 912 482)
Provisions used	(38)	(426 615)	(351 375)
Interest & financing expenses paid		(13 058 720)	(11 370 395)
Net change in assets of the acquired company		(24 703 718)	-
Net change in assets of unconsolidated subscription due to loss of control		-	(49 994 208)
Net cash available from operating activities		**187 111 054**	**77 287 164**
Cash flows from investing activities			
Interest recieved		26 161 460	15 898 531
Payments for acquisition of property, plant and equipment, projects under construction & intangible assets		(20 004 857)	(18 392 064)
Proceeds from sale of fixed assets		26 308	1 067 396
Proceeds from sale of other intangible assets		4 535 546	-
Proceeds from (Payments for) Egyptian General Petroleum Corporation		(1 385 858)	5 907 856
Proceeds from sale of available -for- sale investments		129 937 958	8 568 998
Payments for acquisition of available -for- sale investments		-	(6 080 354)
Payments for held to maturity financial assets		(119 178 872)	(156 529 603)
Proceeds from held to maturity financial assets		21 097 788	12 129 571
Dividends received from associates		499 242	1 712 914
Payments for investment on treasury bills (more then three months)		(21 447 762)	(44 276 852)
Proceeds from treasury bills (more then three months)		10 752 726	31 923 107
Proceeds from disposal of discontinued operations	(50) & (52)	42 639 917	-
Net cash available from (used in) investing activities		**73 633 596**	**(148 070 500)**
Cash flows from financing activities			
Repayment of long-term loans & bank facilities		(63 914 672)	-
Proceeds from long-term loans & bank facilities		16 909 990	8 766 257
Proceeds from short-term loans & bank facilities		128 665 336	121 303 885
Repayment of short-term loans & bank facilities		(155 546 799)	(201 192 807)
Proceeds from bank overdraft		8 178 420	71 512
Repayment of bank overdraft		(4 262 369)	(38 153 612)
Payments for acquisition of non-controlling interests		(19 055 040)	(3 043 968)
Non-controlling interests		(8 749 013)	27 719 974
Dividends paid		(38 670 776)	(36 824 402)
Net cash used in financing activities		**(136 444 923)**	**(121 353 161)**
Foreign currency translation differences		(3 461 202)	(51 082 256)
Net change in cash and cash equivalents during the year		**120 838 525**	**(243 218 753)**
Cash and cash equivalents at beginning of the year		103 682 428	346 901 181
Cash and cash equivalents at end of the year	**(17)**	**224 520 953**	**103 682 428**

* The accompanying notes on pages from (6) to (62) are an integral part of these consolidated financial statements and to be read therewith.

Egypt Kuwait Holding Company (An Egyptian Joint Stock Company)

Notes to the consolidated financial statements

For the financial year ended December 31,2017

1 Background and activities

- Egypt Kuwait Holding Company “The Company” was incorporated by virtue of the Chairman of General Investment Authority's resolution No. 197 of 1997, according to the provisions of Investment Law No. 230 of 1989 and according to Law No. 8 of 1997, concerning Investment Incentives & Guarantees and Law No. 95 of 1992 concerning Capital Market.

  The Company was registered in Giza Governorate Commercial Registry under No. 114648 on 20/7/1997. The duration of the Company according to the Company's Statute, is 25 years starting from the date of registration in the Commercial Registry.

  The Company's financial year starts on January 1st and ends on December 31st each year.

- The Company's purpose is represented in investment in all activities stated in Article 1 of Law No. 230 of 1989, provided that its object does not include accepting deposits or performing banking transactions and comprise the following activities:-

  A - Securities underwriting and promotion.
  B - Participation in Companies, which issue securities or increasing their capital.
  C - Venture capital.

In addition, the Company is entitled to establish other projects or modify its purposes in conformity with the Investment Law. The Company is also entitled to establish or participate in projects not governed by the Investment Law subject to the approval of the General Investment Authority & General Capital Market Authority.

On March 6, 2002 the General Investment Authority gave permission to the Company to use the excess funds in investing outside the Arab Republic of Egypt by participating in establishing companies & contributing to projects & portfolios of marketable securities managed abroad.

- The registered office of the Company is located at 14 Hassan Mohamed El Razaz St.-Dokki - Egypt. Mr. Moataz Adel AL-Alfi is the Chairman of the Company.
- The consolidated financial statements for the financial Year ended December 31, 2017 comprise the financial statements of Egypt Kuwait Holding Company (the Parent Company) & its subsidiaries (together referred to as the “Group”) and the Group's interest in associates and jointly controlled entities. The Group is involved in several activities which are represented in investment activities, selling & supplying of natural gas activity, drilling, petroleum & petrochemicals services activity, fertilizers activity, exploration & exploitation of oil, natural gas activity, chill technology by natural gas activity, communications and selling & distributing of chemicals & plastic activity, manufacturing of Formica chips & MDF of all types and sizes, and the activity of life insurance and responsibilities and properties insurance (note No. 3-1-1).

2 Basis of preparation of the consolidated financial statements

a) Statement of compliance

- These consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards and relevant Egyptian laws and regulations.
- The consolidated financial statements were authorized for issuance by the Board of Directors of the Company on February 15, 2018.

b) Basis of measurement

The consolidated financial statements have been prepared on historical cost basis except for the following:-

- Derivatives financial instruments measured at fair value.
- Financial assets at fair value through profit or loss.
- Available-for-sale investments measured at fair value.

The methods used to measure fair values are discussed further in note No (2-e).

c) Functional and presentation currency

The consolidated financial statements are presented in USD, which is the Parent Company's functional currency.

d) Use of estimates and judgments

- The preparation of the consolidated financial statements in conformity with Egyptian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are readily apparent from other sources. Actual results may differ from these estimates.
- The estimates and underlying assumptions are reviewed on an 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.

e) Measurement of fair values

- The fair value of financial instruments is measured based on the market value of the financial instrument or a similar financial instrument as at the financial statements date without deducting any estimated future selling costs. The value of financial assets is determined by the current purchase prices of these assets whereas, the value of financial liabilities is determined by the current prices which can be used to settle these liabilities.
- In case of inactive market exists to determine the fair value of the financial instruments, the fair value is estimated using the different valuation techniques while considering the prices of the transactions recently made and using the current fair value of the other similar financial instrument as a guide significantly – discounted cash flows method - or any other valuation method that results in reliable values.
- On using the discounted cash flows method as a valuation technique, the future cash flows are estimated based on best estimate of management and the used discount rate is determined in light of the prevailing price in market as at the financial statements date of similar financial instruments with respect to their nature and conditions.

3 Significant accounting policies

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

3-1 Basis of consolidation

3-1-1 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

3-1-2 Non-controlling interests

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

3-1-3 Loss of control

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

3-1-4 Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs.

Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees.

3-1-5 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. An unrealized loss are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3-2 Foreign currency

3-2-1 Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.

However, foreign currency differences arising from the translation of the following items are recognized in OCI:

- Available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognized in OCI are reclassified to consolidated income statement);
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective.
- Qualifying cash flow hedges to the extent that the hedges are effective.

3-2-2 Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into USD at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into USD at the exchange rates at the dates of the transactions.

Foreign currency differences are recognized in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to consolidated income statement as part of the gain or loss on disposal.

If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI.

When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to consolidated income statement.

3-3 Property, plant and equipment & depreciation

a) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation (3-3-C) and any accumulated impairment losses (3-12-b).

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant & equipment is recognized in consolidated income statement.

b) Subsequent costs

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

c) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in consolidated income statement. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated. The estimated useful lives are as follows:

Asset	Years
Usufruct of lands	25
Buildings of the Parent Company's premises	50
Buildings & constructions	20 – 50 or according to lease term
Machinery & equipment	3 – 20
Stations & electric transformers	10
Means of transportation	4 – 10
Furniture & office equipment	2 – 10
Computer hardware & software and Decorations	3 – 6.67
Air-conditions	4 – 6.67
Tools & supplies	5
Leasehold improvements	Over the lower of lease term or estimated useful life

- Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3-4 Projects under construction

Projects under construction are recognized initially at cost. Cost includes all expenditures directly Attributable to bringing the assets to a working condition for it intended use. Projects under construction are transferred to property, plant and equipment caption when they are completed and are ready for their intended use.

3-5 Intangible assets

3-5-1 Recognition and measurement

Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. Impairment of goodwill is not reversed subsequently. In case of gain on bargain purchase, it is recognized immediately in the statement of income.

Exploration and development expenses

- Expenditure on research activities is recognized in profit or loss as incurred.
- Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognized in as profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

Other intangible assets

Other intangible assets, including customer relationships, patents and trademarks that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

Deferred charges

Actual costs incurred by the Company while establishing Al Nubaria Electricity station in excess of contractual value and were not refunded from the Egyptian Holding Company for Natural Gas (EGAS) including the amount paid as a non- refundable grant. Cost of other assets is amortized using the straight line method over Fifteen years starting from pumping the Gas to the station.

3-5-2 Subsequent expenditures

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are expensed as incurred.

3-5-3 Amortization

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in consolidated income statement. Goodwill is not amortized.

3-6 Financial instruments

- The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.
- The Group classifies non-derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities category.

3-6-1 Non-derivative financial assets and liabilities- recognition and disposal

The Group initially recognizes loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

3-6-2 Non-derivative financial assets - measurement

3-6-2-1 Financial assets measured at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognized in profit or loss.

3-6-2-2 Held – to – maturity financial assets

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

3-6-2-3 Loans and receivables

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

3-6-2-4 Available for sale financial assets

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognized in OCI and accumulated in the fair value reserve. When these assets are derecognized, the gain or loss accumulated in equity is reclassified to consolidated income statement.

3-6-3 Non-derivative financial liabilities - measurement

A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognized in profit or loss.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

3-7 Inventories

- Inventories are measured at the lower of cost and net realizable value.
- The cost of inventories is based on the moving average principle and includes expenditure incurred in acquiring the inventories and bringing it to its existing location and condition. Cost of finished goods and work in process inventories includes an appropriate share of production overheads.

Petrochemicals inventories is valued based on the following basis:

- Inventories of purchased supplies, utilities and spare parts, fuel and oil are stated at cost. The cost is calculated based on moving average principle.

Unfinished goods

- The cost of work in process is determined based on indirect manufacturing costs till the latest production process reached and includes an appropriate share of overheads till the current process.

Finished goods

- Inventory of finished products is determined based on the cost or net realizable value which is lower.

3-8 Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for distribution and subsequent gains and losses on re-measurement are recognized in consolidated income statement.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

3-9 Construction contracts in progress

Construction contracts in progress represents the gross amount expected to be collected from customers for contract work performed to date. It is measured at costs incurred plus profits recognised to date less progress billings and recognised losses.

In the statement of financial position, construction contracts in progress for which costs incurred plus recognised profits exceed progress billings and recognised losses are presented as trade and other receivables. Contracts for which progress billings and recognised losses exceed costs incurred plus recognised profits are presented as deferred income/revenue. Advances received from customers are presented as deferred.

3-10 Debtors and other debit balances

Debtors are recorded at their nominal value net of any irrecoverable amounts. An estimate of doubtful debts is made when collections of the full amount is no longer probable. Bad debts are written off when identified. Other debit balances are stated at cost less impairment losses(3-12).

3-11 Cash and cash equivalents

For the purpose of preparing the consolidated statement of cash flows, "cash & cash equivalents" comprise cash at banks & on hand, time deposits with original maturities of three month or less and net of bank overdraft balances, which are repayable on demand and form an integral part of the Group cash management.

3-12 Impairment of assets

a) Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, including an interest in an equity accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- Default or delinquency by a debtor;
- Restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- Indications that a debtor or issuer will enter bankruptcy;
- Adverse changes in the payment status of borrowers or issuers;
- The disappearance of an active market for a security because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Group considers a decline of 20% to be significant and a period of nine months to be prolonged.

Financial assets measured at amortized cost

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Losses are recognized in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off.

If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

Available for sale financial assets

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognized in profit or loss.

If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through profit or loss. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed.

Equity-accounted investees

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognized in profit or loss, and is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

b) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets other than inventories and deferred tax assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, 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.

3-13 Finance leasing

The accrued rental value due from finance lease contracts in addition to what the Group bears for maintenance and repairing expenses of leased assets; are charged to the consolidated income statement each financial year. If the Group at the end of the contract decided to exercise the purchase option of the leased asset, this asset will be recorded as a fixed asset by the value of using the purchase option which is agreed upon in the contract. This asset will be depreciated based on its useful life according to the Group's fixed asset depreciation policy for similar assets.

3-14 Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Provision for warranty

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

Onerous contracts

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

3-15 Loans and borrowings

- Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs.
- Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the consolidated income statement over the period of the borrowings on an effective interest basis.

3-16 Trade payables and other credit balances

Trade payables and other credit balances are stated at cost.

3-17 Share capital

a) Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity. Income tax relating to transaction costs of an equity transaction are accounted for in accordance with EAS 24 “Income Tax”.

b) Repurchase and reissue of ordinary share

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

c) Dividends

Dividends are recognized as a liability in the period in which they are declared.

3-18 Equity settled share – based payments

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

3-19 Revenue

a) Gas activity revenue

Refundable works

- Refundable revenues generated from executed works for the Egyptian Holding Company for Natural Gas (EGAS) in respect of the two projects at West of Alexandria and Borg Al Arab are recorded in the consolidated income statement using the percentage of completion method, based on the percentage of the actual cost according to the accrual basis up to the date of the consolidated balance sheet date divided by the total estimated cost until completion of the project multiplied by the total contractual value of the two projects.
- Refundable revenue generated from construction contracts are recorded using the percentage of completion method, contract execution costs that could not be estimated in a reliable way its revenues is recognized in the refundable cost limit.

Minimum take commissions

- Minimum commission revenue guaranteed by the agreement with the Egyptian General Petroleum Corporation for selling and piping natural gas is recognized after the first customer in the concession area. This commission is subject to audit and financial adjustments periodically at the end of each year.
- Minimum commission revenue in respect of pushing gas to Al Nubaria electrical station is represented in the company’s minimum revenue included in the agreement concluded with the Egyptian Holding Company for Natural Gas (EGAS) and due at the end of each year of the agreement term.
- Fayum Gas Company receives minimum guaranteed commission from EGPC for operating, managing, and maintaining the gas transmission and distribution grid, annexes and for collecting payments from customers. The commission is calculated based on investment spent by Fayum Gas, with a minimum guaranteed internal rate of return (IRR) of 18%. Minimum commission is recognized in the income statement when it accrues at the higher of the actual commission or minimum commission guaranteed by EGPC. For actual gas sales, Fayum Gas remits the funds it collects to EGPC net of its actual commission, which is calculated as a percentage of gas consumption.

Natural gas sales commission

Revenues from natural gas sales commission are recognized on Al Nubaria electrical station according to the sold quantities and the agreed upon prices.

Commercial sector revenue

Revenues from commercial sector are recognized when the services are rendered to the customers.

Bill of quantities revenue

Bill of quantities revenues are recognized when the services are rendered to the client.

Network operation & gas distribution commission

Revenues from operation of network and gas distribution are recognized in the light of amounts distributed to customers and the agreed upon prices.

Revenues & costs of construction contracts

Revenue from construction contracts is recognized in the income statement according to the percentage of completion through calculating what is actually accomplished from the clauses of the contract.

The contract costs are measured through calculating what is spent from the clauses of contract for the stage in which the revenue is recognized. The contract costs include all direct costs from materials, labor, subcontractors and overheads related to the execution of contract clauses like indirect labor and maintenance expenses as it also includes the general and administrative expenses spent directly on the contracting works.

The provision for estimated losses according to the construction contracts in progress is formed - if any- in the financial period during which those losses are assessed.

b) Communications, geographic maps and agencies activities revenue

- Revenue from sale of geographic maps is recognized in the consolidated income statement when the significant risks and rewards of ownership have been transferred to the buyer.
- Revenue from services of agencies is recognized in the consolidated income statement when the service is rendered.

c) Chemicals and plastic activity revenue

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. For export sales, transfer of risks and rewards of the goods sold occurs according to the shipping terms.

d) Cooling technology by natural gas activity revenue

- Revenues are recognized when goods are delivered to customers. Service revenue is recognized when the service is rendered to customers. No revenue is recognized if there is uncertainty for the consideration or its associated costs.
- Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that is probable that they will result in revenue and can be measured reliably.

As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract which is determined by the Company's technicians. Contract expenses are recognized as incurred unless they create an asset related to future contract activity. The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. A provision for expected loss on a contract- if any- is formed in the financial period during which those losses are assessed.

e) Sale of electricity

Revenue is recognized upon issuance of customers' electricity consumption invoices.

f) Fertilizers activity revenue

Revenue from the sale of goods is recognized when the risks and rewards of ownership have been transferred to the buyer. No revenue is recognized if there is uncertainty for the consideration or its associated costs or any expected sales return or continuation of management involvement with the goods.

g) Gain on sale of investments

Gain on sale of investments in securities is recorded as soon as their ownership is transferred to the buyer and is computed based on the difference between the selling price and the book value on the date of sale.

h) Finance income and finance costs

The Group's finance income and finance costs include:

- Interest income;
- Interest expense;
- The foreign currency gain or loss on financial assets and financial liabilities;
- The gain on the measurement to fair value of any pre-existing interest in an acquiree in a business combination;

Interest income or expense is recognized using the effective interest method. Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

i) Commission income

Commission income is recognized as it accrues in the consolidated income statement.

j) Dividends

Dividends income is recognized in the consolidated income statement on the date the Group's right to receive payments is established.

3-20 Expenses

a) Lease payments

Payments under leases are recognized in the consolidated income statement on a straight-line basis over the terms of the lease.

b) Employees' pension

- The Group contributes to the government social insurance system for the benefit of its personnel in accordance with the social insurance law. Under this law, the employees and the employers contribute into the system on a fixed percentage-of-salaries basis. The Group's liability is confined to the amount of its contribution. Contributions are charged to the consolidated income statement using the accrual basis of accounting.
- Some Companies within the Group contribute to the Group Insurance plan for the benefit of their employees at an insurance Company. According to this plan, employees are granted end of service benefit on retirement, death and full disability during the service period. End of service benefits are repayable by the insurance company. The Companies contribution is confined to the annual insurance premiums. The Group contributions are charged to the consolidated income statement as they are incurred according to accrual basis of accounting.

c) Income tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the period and any adjustment to the tax payable or receivable in respect of previous periods. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for:

- Taxable temporary differences arising on the initial recognition of goodwill
- Temporary differences on the initial recognition of assets or liabilities in a transaction that:
  1. Is not a business combination
  2. Neither affects accounting nor taxable profit or loss.
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

d) General Authority for Investments fees

Companies established under the provisions of the Investment law and according to the Free Zones System are not subject to income tax. However, according to the Investment law, 2% of the total revenues of these companies are due to General Authority for Investments. The said fees are calculated and charged to the consolidated income statement according to the accrual basis of accounting.

3-21 Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group.

When an operation is classified as a discontinued operation, the comparative consolidated income statement and statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

3-22 Earnings per share

Earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

3-23 Segment reporting

A business segment is a group of interrelated assets and operations engaged in providing products or services that are subject to risks and benefits that are different from those of other business segments or engaged in providing products or services within a particular economic environment that is attributed by risks and benefits different from those of segments operating in other economic environments.

4 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk.

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

The Board of Directors of the Parent Company has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board also is responsible for identifying and analyzing the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

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

The Board of Directors of the Parent Company is assisted in its oversight role by the Audit Committee and Internal Audit. Internal Audit undertakes both regular and suddenly reviews of risk management controls and procedures, the result of which are reported to the Board of Directors.

4-1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables.

Trade and other receivables

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

Approximately 6.77% of the Group's sales are attributable to sales transactions with a governmental customer and other sales are attributable to a large group of local customers. However, geographically there is no concentration of credit risk.

The Group Management has established credit policies under which each new customer is analyzed individually for credit worthiness before the Group's standard payment and delivery terms and conditions are offered. Customers that fail to meet the Group's benchmark credit worthiness may transact with the Group only on a prepayment basis. No previous impairment loss was resulted from transactions with trade receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables based on historical data of transactions with them.

Investments

The Group limits its exposure to credit risk by only investing in active and liquid securities. Management does not expect any counterparty to fail to meet its obligations.

Guarantees

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries.

4-2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for an appropriate period including the servicing of financial obligations, this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition, the Group maintains the following lines of credit:

- L.E 266.88 million equivalent to USD 15.05 million as unsecured bank facilities. Interest would be payable at a rate ranging between 19.75% and 20.1%.
- L.E 810.22 million equivalent to USD 45.69 million as bank facilities secured by commercial papers and collateral checks and promissory notes. Interest would be payable at a rate ranging between 0.75% above CORRIDOR rate for Egyptian Pound and 4.5% above LIBOR rate for USD.
- USD 7.81 million as bank facilities secured by promissory notes. Interest would be payable at a rate 2.5% above LIBOR rate for USD.
- L.E 316.057 million equivalent to USD 17.826 million as unsecured bank facilities. Interest would be payable at a rate ranging between 0.75% and 4% above CORRIDOR rate and 6% above LIBOR rate for USD.

4-3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

4-4 Currency risk

The Group is exposed to currency risk on borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Egyptian Pound.

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Group. This provides an economic hedge and no derivatives are entered into.

The Company's investments in other subsidiaries are not hedged as those currency positions are considered to be long-term in nature.

4-5 Interest rate risk

The Group adopts a policy of ensuring that about 10.29% of its exposure to changes in interest rates on borrowings is on fixed rate basis. The Company does not enter into interest rate swap.

4-6 Other market prices risk

Equity price risk arises from available for sale equity securities and management of the Group monitors the equity securities in its investment portfolio based on market indicates.

Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors of the Parent Company.

The primary goal of the Group's investment strategy is to maximize investment returns. Management is assisted by external advisors in this regard.

In accordance with this strategy certain investments are designated as held for trading investments because their performance is actively monitored and they are managed on a fair value basis.

4-7 Capital management

The Group policy is to maintain a strong capital base so as to maintain investors, creditors and market confidence and to sustain future development of the business.

The Board of Directors of the Parent Company monitors the return on capital, which the Company defines as net profit for the year divided by total shareholders' equity, the Board of Directors also monitors the level of dividends to shareholders.

The Board of the Parent Company seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes in the Group's approach to capital management during the year; the Parent Company is not subject to externally imposed capital requirements.

5 Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format of business segments is based on the Group management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

Business segments

The Group comprises the following main business segments:

- Oil & gas sector.
- Fertilizers, chemicals & plastic sector.
- Other operations.

Other operations include the communications, geographical maps, agencies, and cooling technology by natural gas activity, insurance activity and investment activity.

Geographical segments

The oil segment is managed on centralized basis, but is operated in Sudan. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

Sement sector

Business segments

	Oil & gas		Chemicals & fertilizers		Other operations		Less: discontinued operations		Total continuing operations	
	12/31/17	12/31/16	12/31/17	12/31/16	12/31/17	12/31/16	12/31/17	12/31/16	12/31/17	12/31/16
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Revenues										
Total segments revenues	61 702 425	97 096 624	291 438 932	254 014 030	60 588 136	15 392 818	-	354 851	413 729 493	366 148 621
Segment result	**24 398 165**	**42 078 067**	**56 311 570**	**45 974 468**	**332 200**	**(31 866 904)**	**-**	**318 619**	**81 041 935**	**55 867 012**
Interest & financing expenses	1 236 833	672 497	1 727 227	1 992 472	10 091 619	8 684 621	-	-	13 055 679	11 349 590
Interest income	1 157 905	1 451 316	10 127 261	8 043 921	14 533 576	4 051 817	-	-	25 818 742	13 547 054
Share of profits of associates	-	296 494	(1 435 851)	972 702	1 060 023	4 006 747	-	106 784	(375 828)	5 169 159
Net profit (loss) for the year before income tax	**56 477 518**	**33 123 310**	**71 372 233**	**55 990 318**	**30 389 082**	**4 925 114**	**17 256 512**	**(10 624 215)**	**140 982 321**	**104 662 957**
Income tax	(5 903 195)	(10 317 818)	(13 394 927)	(11 827 604)	(430 707)	(49 340)	-	-	(19 728 829)	(22 194 762)
Zakat	-	-	(169 404)	(68 226)	-	-	-	-	(169 404)	(68 226)
(KFAS) Contribution to Kuwait foundation for the advancement of sciences	-	-	(156 933)	(65 875)	-	-	-	-	(156 933)	(65 875)
Profits (Losses)	**50 574 323**	**22 805 492**	**57 650 969**	**44 028 613**	**29 958 375**	**4 875 774**	**17 256 512**	**(10 624 215)**	**120 927 155**	**82 334 094**

Other information

	Oil & gas		Chemicals & fertilizers		Other operations		Less discontinued operations		Total continuing operations	
	12/31/17	3/31/16	12/31/17	3/31/16	12/31/17	3/31/16	12/31/17	3/31/16	12/31/17	3/31/16
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Segment assets	263 791 410	121 515 523	555 456 675	530 443 186	201 878 678	291 426 557	-	-	1 021 126 763	943 385 266
Investment in equity accounted investees	-	-	19 286 251	15 416 035	9 915 177	48 366 328	-	38 368 005	29 201 428	25 414 358
Total assets	**263 791 410**	**121 515 523**	**574 742 926**	**545 859 221**	**211 793 855**	**339 792 885**	**-**	**38 368 005**	**1 050 328 191**	**968 799 624**
Total liabilities	126 996 714	89 590 741	97 937 051	101 474 513	131 749 650	195 534 232	-	4 600	356 683 415	386 594 886
Capital expenditures	(35 700 496)	(62 567 766)	(56 351 378)	(25 820 266)	(68 579 616)	(98 354 208)	-	-	(160 631 490)	(186 742 240)
Depreciation of property, plant and equipment , exploration & development asset depletion and amortization of intangible assets	**1 666 316**	**2 514 149**	**25 174 100**	**25 395 122**	**354 784**	**287 370**	-	-	**27 195 200**	**28 196 641**

6 Equity-accounted investees

Description	Legal form	Ownership	Paid amount of participation	Carrying amount as at 31/12/2017	Carrying amount as at 31/12/2016
		%	%	USD	USD
Quoted investments					
Delta Insurance Co.	S.A.E	32. 02	100	6 320 555	5 460 482
Unquoted investments					
Egyptian Co. for Oil Tankers*	S.A.E under the Private Free Zones System	30	100	-	18 148 175
Building Materials Industries Co.**	S.A.E	38.3249	100	38 986 315	39 222 082
El Sharouk for Melamine & Resins Co.	S.A.E	49.95	100	836 703	628 014
Other Companies	S.A.E	5.1357	100	-	323 610
NSCO Investment Limited Co. ***	Limited Liability Co. at Cayman Islands	40	100	400	-
NSCO Investment Limited Co. ***	Limited Liability Co. at Cayman Islands	40	100	(400)	-
				46 143 573	**63 782 363**
Impairment losses				(16 942 145)	-
				29 201 428	**63 782 363**

- The market value of the Group's investments in associates listed in the Egyptian Exchange (Delta Insurance Co.) amounted to USD 7 230 217 at the consolidated statement of financial position date (2016: USD 2 571 256).

* The Group's investment in Egyptian Company for Oil Tankers was classified as non-current assets held for sale as detailed in note No. (24) below.

** The investment cost in Building Materials Industries Co. amounts to USD 62 491 648. The market value of the Company's investments in Building Materials Industries Co. amounted to USD 31 970 661 according to the last transactions made on these shares in 2012. As a result of the downturn in the performance of Building Materials Industries Company and its incurrence of significant losses, an impairment testing for the investment value was carried out which resulted in the increase in the book value above its recoverable amount according to the study prepared by a specialized consultancy office. Therefore, an impairment loss of USD 16 942 145 was recognized in the consolidated statement of income under other expenses caption.

- The recoverable amount of the associate was based on value in use, estimated using discounted cash flows. The key assumptions used in the estimation of the recoverable amount are set out below:
- The values assigned to the key assumptions represent management's assessment of future trends in the cement industry and have been based on historical data from both external and internal sources.

Average discount rate	16.5%
Terminal value growth rate	4%

- The discount rate was a post – tax measure estimated based on the historical industry average weighted – average cost of capital. The cash flow projections included specific estimates for five years and a terminal growth rate thereafter considering the assumptions that a market participant would make.

*** This investment was transferred to investments in subsidiaries item (see note No. 54).

Investments in associates

December 31, 2017	Equity USD	Current assets USD	Non current assets USD	Total assets USD	Current liabilities USD	Non current liabilities USD	Total liabilities USD	Revenues USD	Expenses USD	Profits (Losses) USD
Delta Insurance Co	17 009 095	30 790 573	54 229 084	85 019 657	66 493 207	1 517 355	68 010 562	9 396 498	2 599 617	6 796 881
El Shorouk for Melamine & Resins Co.	1 557 709	1 881 495	2 043 641	3 925 136	1 633 999	733 428	2 367 427	5 760 348	5 488 518	271 830
Building Material Industries Co. *	41 225 599	12 652 676	104 014 434	116 667 110	44 425 675	31 015 836	75 441 511	22 855 517	24 572 404	(1 716 887)

* The financial information of the above mentioned companies are based on the financial statements for the financial period ended June 30, 2017 since the issuance of financial statements for the financial year ended December 31, 2017 have not been completed yet.

December 31, 2016	Equity USD	Current assets USD	Non current assets USD	Total assets USD	Current liabilities USD	Non current liabilities USD	Total liabilities USD	Revenues USD	Expenses USD	Profits (Losses) USD
Delta Insurance Co	15 564 400	35 064 043	33 732 245	68 796 288	52 959 929	271 959	53 231 888	12 519 627	1 958 607	10 561 020
Egyptian Company for Oil Tankers	58 732 633	37 191 775	97 620 356	134 812 131	43 098 605	32 980 893	76 079 498	44 625 818	44 501 034	124 784
El Shorouk for Melamine & Resins Co.	1 241 809	1 323 640	1 876 145	3 199 785	1 284 541	673 435	1 957 976	6 675 675	6 620 851	54 824
Building Material Industries Co.	39 584 351	10 644 484	95 466 813	106 111 297	36 163 802	30 363 144	66 526 946	92 847 927	89 701 287	3 146 640

7 Available - for - sale investments

Description	Legal form	Ownership	Paid amount of participation	Balance as at 31/12/2017	Balance as at 31/12/2016
		%	%	USD	USD
Investments at fair value					
Portfolios managed by international investment managers	-	-	-	17 819 727	71 435 926
Local companies securities listed in the Egyptian Exchange	S.A.E Companies	-	100	3 293 328	1 540 237
Investments measured at cost					
I Squared Capital Investment Limited*	Limited liability Co. at Cayman Islands	15	100	-	30 000 000
United Arab Chemical Carriers Co.	Limited by Shares Co. in UAE	1.19	100	14 178 197	13 977 185
Other companies **				170 761 304	170 761 304
TOD		28.07	100	2 807	2 807
TOSS ****		-	-	-	2 807
				206 055 363	287 720 266
Impairment losses***				(177 194 796)	(170 761 304)
				28 860 567	**116 958 962**

*On August 15, 2017, an agreement was signed to sell the total shares owned by the Group in I Squared Capital Fund to a third party outside the Group .On October 5, 2017, the sale process was completed ,the matter that resulted in recognizing a gain with an amount of USD 30 million that was recognized in the consolidated income statement for the year under income from investment activity caption.

**This item is represented in the value of investments in unconsolidated subsidiaries due to loss of control over them during 2016 as mentioned in detail in note No. (50).

***This item includes an amount of USD 170 761 304 represents the impairment losses on the value of investments value in unconsolidated subsidiaries due to loss of control over them during 2016 as mentioned in detail in note No. (50).

****During the year, all the shares owned by the Company in Toss Company were sold outside a third party to the Group at its book value.

8 Held to maturity financial assets

	31/12/2017	31/12/2016
	USD	USD
Portfolios *	112 565 707	92 333 158
Portfolios **	85 097 661	-
Governmental bonds	22 184 180	27 454 821
	219 847 548	**119 787 979**
Classified as Follows:-		
Current portion (due within one year)	111 296 293	6 259 781
Long – term portion (due after one year)	**108 551 255**	**113 528 198**

*This balance represents the amortized cost of the portfolios held at a foreign bank and is represented in the value of time deposits of due dates ranging from 1.5 years to 3 years during December, 2019.

**This balance represents the amortized cost of the portfolios managed by international investment managers abroad and is represented in the book value of the investment in Egyptian treasury bills that are due in March and May, 2018 as follows:-

	31/12/2017	31/12/2016
	USD	USD
Treasury bills (due after 3 months)	88 269 465	-
Income from investment in treasury bills (not due yet)	(3 171 804)	-
	85 097 661	-

- The Group's exposure to interest rate risk and foreign currency risk related to cash at the banks and on hand are disclosed in note No. (56).

9 Egyptian General Petroleum Corporation

National Gas Co. "NATGAS" and Fayoum Gas Co. deal with the Egyptian General Petroleum Corporation represented by the Egyptian Holding Company for Natural Gas (EGAS) according to the agreements signed between the two parties. These agreements resulted in the following debit and credit balances:

9-1 Debit balances

	31/12/2017 USD	31/12/2016 USD
National Gas Company (NATGAS)		
Egyptian Holding Company for Natural Gas (EGAS)	833 936	256 715
	833 936	256 715
Fayoum Gas Company		
Egyptian Holding Company for Natural Gas (EGAS)	1 088 094	388 267
Egyptian General Petroleum Corporation	880 232	771 422
	1 968 326	1 159 689
	2 802 262	**1 416 404**
Classified as Follows:-		
Current portion (due within one year)	2 802 262	1 416 404
Long – term portion (due after one year)	-	-

9-2 Credit balances

Represented in the following:

	31/12/2017 USD	31/12/2016 USD
National Gas (NATGAS)		
Egyptian General Petroleum Corporation	23 827 895	23 841 039
	23 827 895	23 841 039
Fayoum Gas Company		
Egyptian Holding Company for Natural Gas (EGAS)	1 134 983	142 379
Egyptian General Petroleum Corporation	7 572 033	-
	8 707 016	142 379
	32 534 911	**23 983 418**
Classified as Follows:-		
Current portion (due within one year)	24 962 878	23 983 418
Long – term portion (due after one year)	**7 572 033**	-

- The Group's exposure to interest rate risk and foreign currency risk related to balances due to and from Egyptian General Petroleum Corporation are disclosed in note No. (56).

10 Property, plant and equipment

	Lands * USD	Buildings & constructions USD	Vehicles USD	Furniture & office equipment USD	Machinery & equipment USD	Tools & supplies USD	Stations & electric transformers USD	Computer, software, hardware & decorations USD	Leasehold improvements USD	Total USD
Cost										
Cost as at 1/1/2016	14 942 088	58 267 081	11 487 486	7 258 153	389 713 888	2 085 820	36 059 450	5 587 387	1 664 527	527 065 880
Additions during the year	509 645	909 733	400 371	463 888	12 438 148	47 169	1 506 689	589 074	-	16 864 717
Disposals during the year	-	-	(257 505)	(61 471)	(2 358 581)	(343)	-	(29 120)	-	(2 707 020)
Cost of assets of discontinued operation**	-	(7 248 356)	(2 136 281)	(1 275 314)	-	(10 220)	-	(2 288 796)	(501 201)	(13 460 168)
Cost as at 31/12/2016	15 451 733	51 928 458	9 494 071	6 385 256	399 793 455	2 122 426	37 566 139	3 858 545	1 163 326	527 763 409
Cost as at 1/1/2017	15 451 733	51 928 458	9 494 071	6 385 256	399 793 455	2 122 426	37 566 139	3 858 545	1 163 326	527 763 409
Additions during the year	1 728 293	973 163	423 489	321 891	1 037 539	56 717	164 897	289 270	28 909	5 024 168
Assets acquired through business combination	-	-	-	-	-	112 210	-	-	-	112 210
Reversal of impairment loss on fixed assets during the year	-	-	-	-	-	-	(267 773)	-	-	(267 773)
Disposals during the year	-	-	(2 916)	(5 732)	(38 545)	-	(38 602)	(97 929)	(23 065)	(206 789)
Cost as at 31/12/2017	17 180 026	52 901 621	9 914 644	6 701 415	400 792 449	2 291 353	37 424 661	4 049 886	1 169 170	532 425 225
Depreciation and impairment										
Accumulated depreciation and impairment as at 1/1/2016	-	19 515 360	9 565 774	6 054 159	176 224 877	1 734 226	6 047 875	4 551 068	1 081 779	224 775 118
Depreciation for the year	-	1 930 734	458 773	201 229	18 523 473	34 765	775 190	302 669	67 008	22 293 841
Accumulated depreciation of disposals	-	-	(257 505)	(60 979)	(1 363 231)	(343)	-	(28 887)	-	(1 710 945)
Accumulated depreciation and impairment of assets of discontinued operation**	-	(2 849 775)	(1 843 759)	(1 189 154)	-	(10 220)	-	(1 966 927)	(501 201)	(8 361 036)
Accumulated depreciation and impairment as at 31/12/2016	-	18 596 319	7 923 283	5 005 255	193 385 119	1 758 428	6 823 065	2 857 923	647 586	236 996 978
Accumulated depreciation and impairment as at 1/1/2017	-	18 596 319	7 923 283	5 005 255	193 385 119	1 758 428	6 823 065	2 857 923	647 586	236 996 978
Depreciation for the year	-	1 835 801	306 759	225 392	18 124 581	24 589	465 345	393 046	42 899	21 418 412
Accumulated depreciation of disposals	-	-	(2 916)	(5 732)	(38 545)	-	(1 422)	(97 929)	-	(146 544)
Accumulated depreciation and impairment as at 31/12/2017	-	20 432 120	8 227 126	5 224 915	211 471 155	1 783 017	7 286 988	3 153 040	690 485	258 268 846
Carrying amount as at 31/12/2017	17 180 026	32 469 501	1 687 518	1 476 500	189 321 294	508 336	30 137 673	896 846	478 685	274 156 379
Effect of foreign exchange	(7 049 762)	(10 385 577)	(992 503)	(815 674)	(26 373 781)	(314 270)	(20 161 127)	(230 795)	(90 978)	(66 414 467)
Carrying amount as at December 31, 2017	**10 130 264**	**22 083 924**	**695 015**	**660 826**	**162 947 513**	**194 066**	**9 976 546**	**666 051**	**387 707**	**207 741 912**
Carrying amount as at 31/12/2016	15 451 733	33 332 139	1 570 788	1 380 001	206 408 336	363 998	30 743 074	1 000 622	515 740	290 766 431
Effect of foreign exchange	(7 248 051)	(10 656 606)	(1 018 208)	(929 262)	(27 198 699)	(318 173)	(21 450 968)	(147 316)	(91 594)	(69 058 877)
Carrying amount as at December 31, 2016	**8 203 682**	**22 675 533**	**552 580**	**450 739**	**179 209 637**	**45 825**	**9 292 106**	**853 306**	**424 146**	**221 707 554**

- Fixed assets include an amount of USD 24 352 296 representing the cost of fully depreciated items as at December 31, 2017.

*Lands item includes an amount of USD 637 thousand representing the value of plots of lands which its transfer of titles in name of the Group of companies are currently undertaken.
**This item is represented in the value of the cost and accumulated depreciation of the assets of an unconsolidated subsidiary because of loss of control over it during 2016 as mentioned in detail in note No.(50).

11 Exploration & development assets

	Exploration of wells USD	Development of wells USD	Producing wells USD	Equipment/field services USD	Pipe lines USD	Under construction USD	Total
Cost							
Cost at 1/1/2016	24 095 854	105 830 089	196 250 837	163 791 243	159 832 556	459 995	650 260 574
Additions during the year	-	-	-	-	-	-	-
Cost of assets of discontinued operation*	(24 095 854)	(105 830 089)	(196 250 837)	(163 791 243)	(159 832 556)	(459 995)	(650 260 574)
Cost at 31/12/2016	-	-	-	-	-	-	-
Cost at 1/1/2017	-	-	-	-	-	-	-
Assets acquired through business combination	-	-	17 828 128	6 763 380	-	-	24 591 508
Additions during the year	-	-	-	-	-	-	-
Cost at 31/12/2017	-	-	17 828 128	6 763 380	-	-	24 591 508
Accumulated depletion, amortization and impairment losses							
Accumulated depletion, amortization and impairment losses as at 1/1/2016	24 095 854	104 780 635	136 438 814	131 070 961	159 819 873	459 995	556 666 132
Depletion for the year	-	-	-	-	-	-	-
Cost of assets of discontinued operation*	(24 095 854)	(104 780 635)	(136 438 814)	(131 070 961)	(159 819 873)	(459 995)	(556 666 132)
Accumulated depletion, amortization and impairment losses as at 31/12/2016	-	-	-	-	-	-	-
Accumulated depletion, amortization and impairment losses as at 1/1/2017	-	-	-	-	-	-	-
Depletion for the year	-	-	-	-	-	-	-
Accumulated depletion, amortization and impairment losses as at 31/12/2017	-	-	-	-	-	-	-
Carrying amount at 1/1/2016	-	**1 049 454**	**59 812 023**	**32 720 282**	**12 683**	-	**93 594 442**
Carrying amount at 31/12/2016	-	-	-	-	-	-	-
Carrying amount at 31/12/2017	-	-	**17 828 128**	**6 763 380**	-	-	**24 591 508**

*This item is represented in the cost and accumulated deprecation and depletion of the assets of the unconsolidated subsidiary due to loss of control over it during 2016 as mentioned in detail in note No (50).

12 Projects under construction

This balance is represented as follows: -

	31/12/2017 USD	31/12/2016 USD
Construction of plant for fertilizers using nitrogen	14 471 667	14 471 667
Advance payments for purchasing of property, plant and equipment	802 543	11 083 582
Electric transformers	22 391 682	-
Others	1 959 842	1 089 796
	39 625 734	26 645 045
Impairment losses	(14 471 667)	(14 471 667)
	25 154 067	**12 173 378**

13 Goodwill

This balance is represented as follows:

	31/12/2017 USD	31/12/2016 USD
The carrying amount of goodwill relating to National Gas Co. (NATGAS)	6 997 929	6 472 263
The carrying amount of goodwill relating to Sprea Co.	9 870 597	9 129 145
The carrying amount of goodwill relating to Fayoum Gas Co.	1 437 917	1 329 903
The carrying amount of goodwill relating to Alex Fert Co.	34 107 324	34 107 324
	52 413 767	**51 038 635**

14 Other intangible assets (net)

This balance is represented as follows:

	Balance as at 1/1/2017 USD	Additions during the year USD	Disposals during the year USD	Amortization for the year USD	Foreign exchange USD	Reversal of impairment losses*** USD	Net as at 31/12/2017 USD
Deferred charges (*)	2 079 949	-	-	(434 475)	166 479	-	**1 811 953**
Right of use (**)	16 125 657	-	-	(5 092 313)	-	-	**11 033 344**
Water rights (***)	3 000 000	-	(3 000 000)	-	-	-	-
Other assets)****)	-	2 000 000	-	(250 000)	-	-	**1 750 000**
	21 205 606	2 000 000	(3 000 000)	(5 776 788)	166 479	-	**14 595 297**
Impairment losses	(3 000 000)	-	-	-	-	3 000 000	-
	18 205 606	**2 000 000**	**(3 000 000)**	**(5 776 788)**	**166 479**	**3 000 000**	**14 595 297**

(*)This item represents the additional actual costs incurred by National Gas Co.- NATGAS for carrying out of the works related to Nubaria Electrical Station that has not recovered from Egyptian Natural Gas (EGAS) including the grant of signing the agreement for Gas sales commission for the station first operation year which will be amortized over 15 years from the agreement term which is 20 years.

(**)The right of use item is represented in the amounts paid to a related party as a right to use of the ammonia export pipeline owned by the related party on exporting the ammonia produced by the Group. According to the settlement contract, the outflow of the future economic benefits is expected to be obtained over ten years.

(***)During the year, the Company sold the water rights in full, and the Group collected an amount of USD 4 million. The impairment loss in the value of intangible assets with an amount of USD 3 million was reversed and the remaining amount was recorded as capital gain.

(****)This item represents the capitalized amount of the expenditures incurred to reach a final agreement of a dispute of a subsidiary within the Group, whereby, it is expected to obtain future economic benefits to the subsidiary as a result of the said agreement for 8 years.

15 Sundry debtors & notes receivable

	31/12/2017 USD	31/12/2016 USD
Property, plant and equipment selling receivables	41 020	63 860
Notes receivable	11 686 912	185 854
	11 727 932	**249 714**

- The Group's exposure to credit and foreign currency risks related to debtors is disclosed in note No. (56).

16 Unrecognized deferred tax assets

	31/12/2017 USD	31/12/2016 USD
Deductible temporary differences	5 157 778	4 006 578
Tax losses	5 567	4 790
	5 163 345	**4 011 368**

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available, against which the Company can utilize the benefits there from

17 Cash at banks & on hand

	31/12/2017 USD	31/12/2016 USD
Cash on hand	340 554	109 977
Bank – current accounts	85 699 697	34 228 326
Bank – time deposits (less than three month)	131 390 323	67 088 080
Bank – time deposits (more than three month)	2 636 932	137 913 432
Checks under collection	4 826 806	2 846 350
	224 894 312	**242 186 165**

For the purpose of preparing the consolidated statement of cash flows, cash & cash equivalents item is represented as follows:

	31/12/2017 USD	31/12/2016 USD
Cash at banks & on hand	224 894 312	242 186 165
Add:		
Investments in treasury bills - less than three months (note No. 18)	2 840 578	-
Less:		
Bank – time deposits (more than three month)	2 636 932	137 913 432
Bank overdraft – Local banks note No. (39)	577 005	590 305
Cash & cash equivalents in the consolidated statement of cash flows	**224 520 953**	**103 682 428**

- The Group's exposure to interest rate risk and foreign currency risk related to cash at banks & on hand are disclosed in note No. (56).

18 Investments in treasury bills

	31/12/2017 USD	31/12/2016 USD
Treasury bills (due in 3 month)	2 840 578	-
Treasury bills (due after 3 month)	24 274 969	12 909 253
Income from investment in treasury bills (not due yet)	(1 226 188)	(555 508)
	25 889 359	**12 353 745**

- The Group's exposure to interest rate risk and foreign currency risk related to cash at banks & on hand are disclosed in note No. (56).

19 Financial assets at fair value through profit and loss

This item is represented in the market value of the portfolios owned by the Group, which consist of Egyptian companies stocks and portfolios managed by investment managers abroad for the purpose of dealing in international stock exchanges. These investments are represented as follows:

	31/12/2017 USD	31/12/2016 USD
Portfolios managed by international investment managers	4 427 594	10 359 108
Egyptian Companies' stocks (listed in the Egyptian Exchange)	635 152	261 974
Investments in direct mutual funds	1 749 442	398
Governmental bonds	8 212 352	4 538 341
Market value of financial assets at fair value through profit & losses	**15 024 540**	**15 159 821**

20 Trade & notes receivable

	31/12/2017 USD	31/12/2016 USD
Local customers	37 995 635	11 834 802
Export customers	4 859 343	4 005 571
	42 854 978	15 840 373
Impairment losses on trade receivables	(130 821)	(96 649)
	42 724 157	15 743 724
Notes receivable	15 776 309	5 533 824
	58 500 466	**21 277 548**

- The Group's exposure to credit and foreign currency risks related to trade receivables is disclosed innote No. (56).

21 Debtors & other debit balances

	31/12/2017 USD	31/12/2016 USD
Tax Authority	3 334 422	1 898 009
Prepaid expenses	2 120 444	866 305
Deposits with others	1 854 577	1 926 799
Imprests & employees advances	109 739	131 257
Uncollected bills	4 402 327	2 909 397
Suppliers - advance payments	5 517 642	3 514 934
Accrued revenues	3 520 190	3 220 263
Due from El Shorouk for Melamine & Resins Co. – an associate	1 377 967	1 219 049
Other debit balances	15 771 912	7 871 668
Due from unconsolidated subsidiaries *	73 347 172	104 432 122
	111 356 392	127 989 803
Impairment losses on debtors & other debit balances **	(73 769 308)	(109 591 345)
	37 587 084	**18 398 458**

*This amount is represented in the value of balances due from an unconsolidated subsidiary at December 31, 2017 due to loss of control over it during 2016 as mentioned in details in note No. (50).

**This item includes an amount of USD 73 347 712 representing the impairment losses on the balances due from an unconsolidated subsidiary as at December 31, 2017 (2016: USD 104 432 122) due to loss of control over it during 2016. During the year, an amount of USD 12 126 583 was collected and an amount of USD 18 958 367 was reversed as an expectation of the collection of these amounts. Therefore, the total amount reversed amounted to USD 31 084 950 of these balances and was recognized under other income caption in the consolidated statement of income.

- The Group's exposure to credit and foreign currency risks related to debtors is disclosed in note No. (56).

22 Inventories

	31/12/2017 USD	31/12/2016 USD
Supplies – held at gas company warehouses	8 514 203	6 186 959
Supplies – subcontractors' warehouses	696 516	862 588
Tools & equipment	160 255	124 793
Basic & secondary raw materials	24 456 057	10 576 578
Goods in transit	94 861	1 057 230
Spare parts & supplies	15 573 001	13 520 143
Packaging materials	273 952	229 624
Work in process	79 096	55 968
Finished goods	4 701 364	7 932 531
Letters of credit	157 288	35 983
Fuel and oil	474 920	456 842
Goods held with others	5 031 075	5 459 279
Seeds	12 842	-
	60 225 430	**46 498 518**

23 Work in progress

This item is represented in the expenditures pertaining to projects of gas customers – commercial and house sector that have not been delivered yet to those customers of National Gas Company (NATGAS) at the consolidated balance sheet date and also to the expenditures of other projects as follows:

	31/12/2017 USD	31/12/2016 USD
Cost of gas customers projects	6 656 065	7 576 290
Cost of other projects	62 147	28 484
	6 718 212	**7 604 774**

24 Non – current assets held for sale

The item is represented as follows:

	31/12/2017 USD	31/12/2016 USD
Non current assets – held for sale (A)	-	38 368 005
Non current assets – held for sale (B)	17 128 175	-
	17 128 175	**38 368 005**
Impairment losses	(12 575 675)	-
	4 552 500	**38 368 005**

A) The assets of a subsidiary within other operating segment was previously presented as non-current assets held for sale as during the financial year ended as at December 31, 2016, an approval on selling offer has been taken with respect to selling the entire number of shares owned by the Group in this company of which it owns 26% of the shares of a company (an associate) to a third party outside the Group. There are no impairment losses in value when measuring the investment at book value or fair value less the selling cost, whichever is less. The sale process was fulfilled during September 2017, and the gain realized amounted to USD 18 276 512 that was recorded in the consolidated statement of income under discontinued operation gains item .

Non-current assets held for sale

	31/12/2017 USD	31/12/2016 USD
Equity-accounted investees	-	37 064 009
Debtors and other debit balances	-	1 303 996
	-	**38 368 005**

Liabilities held for sale

	31/12/2017 USD	31/12/2016 USD
Accrued expenses	-	4 600
	-	**4 600**

B) On July 2, 2017, a conditional sale contract was concluded to the effect of selling the shares owned by the Group in the Egyptian Company for Oil Tankers (an associate) that represent 15% of the Company's shares to a third party outside the Group in the light of the results of the due diligence investigation on the said shares.

On measuring the investment to lower of its carrying amount and its fair value less costs to sell, an impairment loss of USD 12 575 675 was recognized in the consolidated statement of income.

The recoverable amount of the company was determined based on fair value less costs to sell and the fair value was estimated based on observable data from the market of the assets related to this specialized industry.

Non-current assets – held for sale

	31/12/2017 USD	31/12/2016 USD
Equity-accounted investees	4 552 500	-
	4 552 500	**-**

25 Share capital

- The Company's authorized share capital is USD 500 million (Five hundred million USD).
- The issued capital was initially determined amounted to USD 120 million (One hundred & twenty million USD) distributed over 12 million shares at a par value of USD 10 per share. The Founders and subscribers through methods other than public subscription have subscribed to 9 million shares at a value of USD 90 million (Only ninety million USD) 3 million shares at USD 30 million (Only thirty million USD) were offered for public subscription and they were fully underwritten. The issued capital was paid in full. The issued capital has been increased and the share of the Company was split several times to reach an amount of USD 564.5 914 243 distributed over 258 658 975 shares of par value of US Cent 25 each paid in full.
- On June 11, 2015, the extra-ordinary general assembly of the Company unanimously approved the increase of the issued and paid – up capital from USD 243 914 564.5 to USD 256 110 292.5 with an amount of increase of USD 12 195 728 as bonus increase distributed over 48 782 912 bonus share whose nominal value amounts to 25 Cent for the purpose of financing the incentive & bonus plan of the Company's employees and managers and executive board of directors members.
- On June 11, 2015, the ordinary general assembly of the Company unanimously approved to transfer part of the retained earnings of the Company as shown in the consolidated financial statements for the financial year ended at December 31, 2014 that were approved by the shareholder's' ordinary general assembly held on March 22, 2015 to 48 782 912 bonus shares with an amount of USD 12 195 728 for the purpose of financing the incentive & bonus plan of the Company's employees and managers and executive board of directors members, that has been approved by the Egyptian Financial Supervisory Authority on November 12, 2014. Annotation to effect such increase was made on the Company's commercial register on September 13, 2015. Accordingly, the issued capital is USD 256 110 292 distributed over 1 024 441 170 shares with a par value of USD 25 cent each that is paid in full.

26 Legal reserve

According to the Companies' Law and the Parent Company's statue, the Company is required to set aside 5% of the annual net profit to form a legal reserve. The transfer to legal reserve ceases once the reserve reach 50% of the issued share capital. The reserve is not distributable. However, it can be used to increase the share capital or offset losses. The Parent Company is required to resume setting aside 5% of the annual net profit until it reaches 50% of the issued share capital of the Parent Company. If the reserve falls below the defined level (50% of the issued share capital), then the Company is required to resume setting aside 5% of the annual net profit until it reaches 50% of the issued share capital. The legal reserve balance includes an amount of USD 89 528 204 representing the amount credited to the legal reserve according to the provision of Article No. (94) of the executive regulations of law No. 159 of 1981 related to the addition of the share premium to the legal reserve until equal to half of the issued capital out of which an amount of USD 17 045 454 was credited to the legal reserve from the value of capital increase made during 2014.

27 Special reserve – share premium

The balance amounting to USD 57 954 547 is represented in the remaining amount of the share premium collected from the share capital increase of a number of 136 363 636 shares during 2014 after deducting the amounts credited to the legal reserve.

28 General reserve

General reserve item represents the amounts set aside from the Parent Company's profits in previous years according to the resolutions of the General Assembly meeting of shareholders of the Parent Company. This reserve shall be used by a resolution from the General Assembly of shareholders based on a proposal from the Parent Company's board of directors in matters that could be favorable to the Company's interests.

29 Fair value reserve

This item includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognized.

30 Amount set aside for share-based payments transactions

The balance of this item amounting to USD 17 561 848 as at December 31, 2017 is represented in the increase in the equity related to granting and allocating the shares of the incentives and bonus plan as mentioned in details in note No. (53) below.

31 Foreign currency translation differences of foreign operations

The balance shown in the equity section as at December 31, 2017 is represented in the cumulative translation adjustments resulting from translating the financial statements of subsidiaries from foreign currencies to US Dollars for the purpose of consolidating these statements in the consolidated financial statements for the financial year ended at December 31, 2017. In addition, this balance includes a share in the cumulative translation adjustments included in the consolidated equity of associates.

32 Prior period adjustments

During the year, the retained earnings opening balance of was restated by reducing it with an amount of USD 185 028 000 as follows:-

	USD
Decrease of the retained earnings balance by the value of the impairment losses on some available-for-sale financial investments (investment portfolios owned by the Group) which was recorded in 2015 in the fair value reserve instead of being recorded in the consolidated statement of income on that date.	180 262 430
Reduction of net profit for year 2016 by the impairment losses on the debit balance due from a related party during 2016 which was not recorded on that date.	4 765 570
	185 028 000

33 Non-controlling interests

The balance of non - controlling interests of USD 214 716 217 as at December 31, 2017 is represented in their share in subsidiaries' equity as follows:

	Non-controlling interests %	Non-controlling share in subsidiaries profits (losses) for the year USD	Non-controlling share in equity excluding profits (losses) for the year USD	Non-controlling interests as at 31/12/2017 USD	Non-controlling interests as at 31/12/2016 USD
National Gas Co. "NATGAS"	16.025	2 832 699	6 313 942	9 146 641	7 602 370
Globe Telecom Co.	0.07	290	877	1 167	963
Globe for Communications & Information Technology Co.	1	(10)	5 217	5 207	4 825
International Financial Investments Co.	0.01	2 832	23 551	26 383	51 155
Energy Group of companies	0.8	2 156	15 411	17 567	14 225
Cooling Technology by Natural Gas Co.- Gas Chill	14.014	24 410	224 487	248 897	(383 637)
Midor for Logistic Services Co.	0.011	(4)	164	160	158
Fayoum Gas Co.	22.01	312 443	510 426	822 869	509 056
Sprea Misr for Production of Chemicals & Plastics Co.	0.01	2 816	3 882	6 698	4 586
Henosis for Construction & Real-Estate Development Co.	0.012	(1)	89	88	83
Capital Investment Limited Luxembourg	0.01	-	-	-	(2)
Middle East for River Transport Co.	0.01	-	306	306	306
Bawabat Al Kuwait Holding Company	50.25	14 860 975	189 600 994	204 461 969	216 495 618
Arabian Company for Fertilizers	25.28	(474)	(23 824)	(24 298)	(23 470)
Nahood International Limited Co.	0.01	-	2 563	2 563	-
		18 038 132	196 678 085	214 716 217	224 276 236

34 Dividends declared and paid & board of directors remuneration

The board of directors of the Parent Company proposed cash dividends for the financial year ended December 31, 2017 of 5 Cent / share with a total amount of USD 49 856 098 and has not proposed any remunerations for the board of directors. The proposal is subject to the shareholders general assembly meeting of the Parent Company.

The shareholders of the Parent Company approved cash dividends for the financial year ended December 31, 2016 of 3.125 Cent/share with a total amount of USD 31 160 061 and has not approved any remunerations for the board of directors. The approval was made by the shareholders general assembly meeting of the Parent Company held on March 18, 2017.

35 Long-term loans & bank facilities

- This note provides information about the contractual terms of the Group's loans, which are measured at amortized cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risks see note No. (56).

	31/12/2017	31/12/2016
	USD	USD
A- Loans & bank facilities granted to Egypt Kuwait Holding Company		
The value of USD loan granted to the Company from a bank according to the medium-term finance agreement of USD 100 million dated October 6, 2011 for the purpose of financing the industrial investments of the Group. The loan is to be repaid over 4 equal annual installments starting from 30/6/2012 and ending on 30/6/2015, The loan is guaranteed by the pledge of the investment portfolio owned by one of the subsidiaries whose market value amounting to approximately KD 49.9 million as at September 8, 2011. The loan bears an interest rate of 2% above LIBOR for 3 month. During December 2012, the negotiation was made with the bank to increase the loan to USD 125 million and to modify the payment schedule so that the loan is paid over 4 annual installments starting 30/9/2013 and ending 30/9/2016, each installment amounts to USD 25 million except the last installment which will be USD 50 million. During October 2014, it was agreed with the bank to amend the payment schedule so that the loan is paid over 3 annual installments starting from 30/9/2015 and ending on 30/9/2017, each installment amounts to USD 25 million except the last installment which will be USD 50 million. During September 2015. the bank agreed to postpone the accrued installment from 30/9/2015 to 30/6/2016, Negotiations with the bank is currently in process to modify the loan re-payment schedule. On December 6, 2016 , the bank agreed to amend the loan payment schedule in order to settle the loan over 14 quarterly installments starting from 15/12/2016 and ending on 15/12/2020 at a value of USD 2 million each except for the first and the last installments amounting to USD 4 million & USD 62.1 million respectively which are guaranteed by the pledge of the investment portfolio owned by one of the subsidiaries whose market value amounted approximately to KWD 18.613 million on November 24, 2016. An interest rate of 1.75% above LIBOR (London Interbank Offered Rate) is to be computed on the loan for three months and the agreement came into force and the first installment thereof was paid during the month of December 2016. While signing the new agreement by means of the two parties in February 2, 2017.	10 839 328	86 100 000
Represents the balance of the medium - term loan granted to the Company from a bank with an amount of L.E 280 million or the equivalent in foreign currency for the purpose of financing the Company's activities according to the financing contract concluded with the bank during September 2014.The loan is to be repaid over 5 years and the withdrawal duration is 6 month starting from the date of approval. The loan bears an interest rate of the declared CORRIDOR lending rate of 2.7 % with minimum rate of 12% per annum including commission on the highest debit balance on the indebtedness in Egyptian Pound and bears 4% above LIBOR for three month on the indebtedness in foreign currency.	17 000 000	24 600 000
C/F	**27 839 328**	**110 700 000**

	31/12/2017	31/12/2016
	USD	USD
B/F	**27 839 328**	**110 700 000**
Represents the balance of the loan granted to the Company from a bank with an amount of USD 15 million for the purpose of financing the Company's activities according to the financing contract concluded with the bank during December 2017.The loan is to be repaid over 5 years and the withdrawal duration is 6 month starting from the date of approval. The loan shall be settled on semi-annually installments. The loan bears an interest of 5% above LIBOR for three month on the indebtedness in foreign currency.	15 000 000	-
B- Loans & bank facilities granted to NATGAS Company		
The equivalent to the amount used from the loan granted to the Company by a bank with an amount of L.E 20 million at an annual interest rate of 10.5 % to finance the purchase of assets for Borg Al Arab project. The loan shall be settled on ninety six monthly installments starting from 19/11/2010 till 19/11/2018.	162 861	318 696
The equivalent to the amount used from the loan granted to the Company by one of the banks with an amount of L.E 200 million or its equivalent in foreign currency for the purpose of utilizing such amount in financing Borg Al-Arab station. The loan shall be settled on 22 quarterly installments; the first installment shall fall due on 1/2/2018 till 1/5/2023 with an annual interest rate of 1.5 % above the lending rate of the indebtedness in the Egyptian pound; and an annual interest rate of 5 % above the LIBOR of the indebtedness in foreign currencies.	6	9 306 852
C- Loans granted to Alex Fert		
The Company concluded a contract with a bank for a medium-term loan with an amount of USD 50 million. The Company has used an amount of USD 46.9 million from the available loan balance based on the contract with the bank on July 22, 2014. The loan is secured by a first class commercial official mortgage on some of the production assets owned by the Company. The loan is to be repaid according to the schedules in the contract over 10 semiannual installments starting from the date of using the loan. Starting from June 2015, the Company pays the loan on monthly installments and the loan interest rate is variable and is determined in the light of the average LIBOR of six months in addition to a margin.	14 851 667	24 231 667
	57 853 862	144 557 215
Deduct:		
Total current portion of long-term loan (note No. 39)	24 796 867	25 148 051
Balance as at December 31, 2017	**33 056 995**	**119 409 164**

36 Other long-term liabilities

This balance is represented in the following:-

	31/12/2017	31/12/2016
	USD	USD
Customers – advance payments for electricity connection	290 197	360 944
Deferred income	8 796	11 964
	298 993	**372 908**

The Group's exposure to foreign currency and liquidity risks related to long-term liabilities are disclosed in note No. (56).

37 Deferred tax liabilities

Deferred tax liabilities are attributable to the following:-

	31/12/2017	31/12/2016
	USD	USD
Property, plant and equipment & other assets	24 367 095	26 571 939
	24 367 095	**26 571 939**

38 Provisions

Movement on provisions during the year is represented as follows:-

	Balance as at 1/1/2017	Provisions formed during the year	Provisions used during the year	Provisions - no longer required during the year	Foreign exchange differences	Balance as at 31/12/2017
	USD	USD	USD	USD	USD	USD
Provision for technical risks of works	209 030	39 260	(65 189)	-	82 202	265 303
Provision for other liabilities- short term	21 219 092	11 777 978	(361 426)	(115 956)	421 612	32 941 300
Provision for onerous contracts	20 605	-	-	(22 154)	1 549	-
Total	**21 448 727**	**11 817 238**	**(426 615)**	**(138 110)**	**505 363**	**33 206 603**

39 Short – term loan installments, bank facilities & bank-overdraft

This balance shown on the consolidated balance sheet amounting to USD 97 423 850 as atDecember 31, 2017 is represented in the loan installments and bank facilities balance granted to the Group as follows:

	31/12/2017 USD	31/12/2016 USD
Current portion of loans and bank facilities as stated in note No. (35) above.	24 796 867	25 148 051
Credit facilities granted to the Parent Company and International Financial Investments Company (*)	51 518 800	47 552 502
Credit facilities granted to Cooling Technology by Natural Gas Co.	193 828	196 852
Credit facilities granted to Sprea Misr for Production of Chemicals & Plastics Co.(**)	1 769 224	3 155 840
Credit facilities granted to El Fayoum for gas Co.	-	20
Credit facilities granted to NatGas Co. (***)	10 400 791	160 221
The value of the temporary bank facilities granted to the Group which are guaranteed by some of investment portfolios owned by the Group as stated in note No. (19) above.	8 167 335	4 251 284
Bank overdraft from local banks	577 005	590 305
Balance as at December 31, 2017	**97 423 850**	**81 055 075**

(*)The credit facilities balance granted to the Parent Company and International Financial Investments Company as at December 31, 2017 is represented as follows:

	31/12/2017 USD	31/12/2016 USD
The amount used from the bank facility granted from a bank, according to the agreement concluded with the bank on August 15, 2012 with a total amount of L.E 150 million and bears an interest rate of 2.25% above CORRIDOR rate with minimum 10% for Egyptian pound withdrawals and 3.25% above LIBOR rate for 3 month for US dollar withdrawals. On August 31, 2015 it was agreed to renew and increase the facility limit with a total amount of LE 180 million that it's to be used within a maximum amount of USD 13.6 million in dollars and the rest to be used in Egyptian pounds and the facility ends on May 31, 2016. During the year, it was agreed to renew the credit facility to become L.E 180 million and /or within the limit of an amount of USD 3 million at maximum. In addition an annual interest rate of 0.75% above CORRIDOR rate (currently 15.75%) shall be due thereon for Egyptian Pound and 6% for the foreign currency .The term of the facility is one year that shall end on May 31, 2017. During the year, it was agreed to renew the credit facility for one year beginning from October 1, 2017 to September 30, 2018 with an interest rate of 1.25% per annum above the CORRIDOR rate (currently 19.75%) for the Egyptian pound and 6% for foreign currency. This facility is guaranteed by a promissory note of USD 180 and / or within the limit of an amount of USD 3 million as maximum.	10 080 156	7 237 405
Represent the amount used from the bank facility granted from a bank, according to the agreement concluded with the bank on September 17, 2015 it was agreed to grant the facility with a total amount of LE 200 million or it's equivalents in foreign currency that bears an interest rate of 1% above CORRIDOR rate with minimum 11.25% per annum for Egyptian pound indebtedness and 4% in addition to the borrowing rate of the bank indebtedness in foreign currency. On September 13, 2017. it was agreed to renew the credit facility granted to the Company to become within the limit of L.E 364 million or equivalent in foreign currency and it bears an interest rate of 1.25% per annum above CORRIDOR rate (currently 19.75%) for the Egyptian pound and 6% for foreign currency. This facility is guaranteed by a promissory note amounted to USD 180 and / or within the limit of as of USD 3 million as maximum.	18 744 857	17 222 824
Represented in the amount used from the credit facility granted to the Company by one of the banks in accordance with the agreement concluded with the bank on July 1, 2014 based on which an approval to grant the Company credit facilities within the limit of L.E. 350 million or its equivalent in foreign currency, with an interest rate of 1.5 % above the Corridor rate including the commission on the highest debit balance without minimum limit on debit balance with Egyptian Pound and 4% in addition to the lending rate of the bank for the indebtedness in foreign currencies.	4 512 126	5 216 484
C/F	**33 337 139**	**29 676 713**

	31/12/2017 USD	31/12/2016 USD
B/F	**33 337 139**	**29 676 713**
Represent the amount used of the credit facilities granted to the Company and International Financial Investments Company - a subsidiary; which is a credit facility in Egyptian Pound and US Dollar with a total amount of USD 26 million (or equivalent to L.E 173.714 million at maximum) till 30/11/2013, in accordance with the bank agreement obtained on February 2, 2013 for the purpose of financing the working capital requirements including financing the short-term investments. The credit facility bears an interest rate of 0.75% above the corridor mid-rate of the central bank (currently 10.25%) for withdrawals in Egyptian pound and 2.5% above LIBOR for 3 months in return for issuing a promissory note signed by both companies with a total amount of USD 26 million. In accordance with the bank approval on November 10, 2014, the credit facility was renewed for one year period that expired as at November 10, 2015 with a total amount of USD 26 million and L.E 31 818 181. On August 10, 2015, it was agreed to renew the credit facility for one year that ended as at July 31, 2016. Accordingly to the approval of the bank obtained on October 30, 2016, the credit facility was renewed again for another period that ended as at November 30, 2016 with a total amount of USD 26 million (or its equivalent in Egyptian Pound). Negotiations are currently in process with the bank to renew the credit facility for another period while taking into account that the amount used by the International Financial Investments Company amounts to L.E 3 780 571 as at December 31, 2017.	18 181 661	17 875 789
	51 518 800	**47 552 502**

(**)The credit facilities balance granted to Sprea Misr for Production of Chemicals & Plastics Co. as at December 31, 2017 is represented as follows:

	31/12/2017 USD	31/12/2016 USD
The amount used from the bank facilities granted to Sprea Misr for Production of Chemicals & Plastics Co. from a bank with a total amount of L.E 360 million and USD 1 500 000 and bears an interest rate of 0.75% per annum above CORRIDOR rate for Egyptian pound and 4% above LIBOR rate for US Dollar, and guaranteed by promissory note, trust receipt and insurance policy on the assets of the Group against all risks in favor of the bank.	1 769 224	1 577 010
The amount used from the credit facilities granted to the Company from a bank with total amount of L.E 400 million that bears an interest rate of 0.5% per annum above the average CORRIDOR rate for Egyptian Pound and 4.5% above LIBOR rate for U.S Dollar and guaranteed by a corporate guarantee from Plastichem Co. and the insurance against burglary and fire on the assets of Speria Cp. and its subsidiaries in favor of the bank.	-	1 578 830
	1 769 224	**3 155 840**

(***)The credit facilities balance granted to NATGAS as at December 31, 2017 is represented as follows:

	31/12/2017 USD	31/12/2016 USD
Represented in the amount used from the credit facilities granted to the Company by one of the banks with a total amount of L.E. 60 million with an interest rate of 20.10 % and monthly commission on the highest debit balance by 0.05% to finance the Company's projects.	510 813	640
Represented in the amount used from the credit facilities granted to the Company by one of the banks with a total amount of L.E. 300 million with an interest rate of 19.75 %	6 118 142	159 581
Represented in the amount used from the credit facilities granted to the Company by one of the banks with a total amount of L.E. 80 million with an interest rate of 0.75 % above average CORRIDOR rate.	3 771 836	-
	10 400 791	**160 221**

- For more information about the Group's exposure to interest rate, foreign currency, liquidity risks see note No. (56).

40 Suppliers, subcontractors & notes payable

	31/12/2017 USD	31/12/2016 USD
Sundry suppliers	11 716 679	13 561 087
Deferred payments to subcontractors	339 981	323 672
	12 056 660	13 884 759
Notes payable	994 056	365 916
	13 050 716	14 250 675

- The Group's exposure to foreign currency and liquidity risk related to suppliers are disclosed in note No. (56).

41 Creditors & other credit balances

	31/12/2017 USD	31/12/2016 USD
Customers - advance payments	33 900 541	23 688 555
Accrued expenses	27 304 464	23 359 418
Egyptian General Petroleum Corporation	16 964 813	9 670 530
Deposits to others	6 063 140	6 042 649
Income tax payable	-	13 151 242
Income tax for the year	19 884 989	-
Installments under collection	3 628 982	1 366 593
Deferred revenue – current portion	4 155	3 829
Sundry creditors	4 565 770	14 000 000
Other credit balances	9 389 998	7 182 764
	121 706 852	98 465 580

- The Group's exposure to foreign currency and liquidity risks related to creditors are disclosed in note No. (56).

42 Operating revenues

	2017 USD	2016 USD
Gas supplies activity revenues	53 455 750	85 937 583
Communication & geographic maps activity revenue	363 812	187 860
Agencies activity revenue	1 538 078	2 115 550
Chemicals & plastic activity revenue	114 896 518	115 979 237
Cooling technology by natural gas activity revenue	1 495 780	3 237 652
Fertilizers activity revenue	177 011 793	135 621 670
	348 761 731	343 079 552

43 Operating costs

	2017 USD	2016 USD
Gas supplies activity cost	32 754 005	44 150 363
Communication & geographic maps activity cost	98 472	249 285
Agencies activity cost	1 017 301	1 605 422
Chemicals & plastic activity cost	77 709 578	73 548 290
Cooling technology by natural gas activity cost	1 020 344	2 511 232
Fertilizers activity cost	135 538 197	111 968 613
	248 137 897	234 033 205

44 Income from investment activity

	2017 USD	2016 USD
Gain from available for sale investment	49 969 456	541 489
Gain on sale of held for trading investments	41 459	658 529
Income from held for trading investments	12 325	7 228
Unrealized gain on held for trading investments	588 741	865 879
Income from available -for- sale investments	5 616 387	6 864 375
Income from treasury bills	4 293 178	3 536 641
Income from governmental bonds	4 822 045	5 673 837
	65 343 591	18 147 978

45 Other Income

	2017 USD	2016 USD
Provisions no longer required	138 110	85 511
Reversal of impairment loss on debtors and other debit balances *	31 094 062	4 593
Reversal of impairment loss on intangible assets (note No. 14)	3 000 000	-
Reversal of impairment loss on fixed assets note (note No.10)	267 773	-
Capital gains	966 063	71 321
Other	1 898 499	2 956 537
	37 364 507	3 117 962

*This amount includes an amount of USD 31 084 950 representing the value of the reversal of impairment loss on debtors and other debit balances due from a subsidiary of the Group which is working in the energy field because of loss of control over it as mentioned in note No. (21).

46 Selling & distribution expenses

	2017 USD	2016 USD
Cooling technology by natural gas activity's selling & distribution expenses	65 102	163 198
Chemicals & plastic activity's selling & distribution expenses	2 774 265	3 753 556
Phosphate fertilizers activity's selling & distribution expenses	333 227	6 130 829
	3 172 594	10 047 583

47 Other expenses

	2017 USD	2016 USD
Provisions formed	11 817 238	10 706 484
Bad debts	176 494	-
Impairment losses on available -for- sale investments	6 433 492	-
Impairment losses on financial assets at fair value through profit or loss	16 942 145	-
Impairment loss on assets held for sate	12 575 684	-
Impairment loss on debtors	5 558	4 765 570
	47 950 611	15 472 054

48 Net financing income (cost)

	2017 USD	2016 USD
Financing income		
Interest income	25 818 742	13 547 054
Foreign exchange translation differences	-	31 818 427
	25 818 742	**45 365 481**
Financing costs		
Financing expenses	(13 055 679)	(11 349 590)
Foreign exchange translation differences	(1 897 515)	-
	(14 953 194)	**(11 349 590)**
Net financing income	**10 865 548**	**34 015 891**

49 Income tax expense

	2017 USD	2016 USD
Current income tax expense	22 086 093	22 896 905
Deferred income tax benefit	(2 357 264)	(702 143)
	19 728 829	**22 194 762**

Reconciliation of effective tax rate

	2017 USD	2016 USD
Consolidated profit before income tax	157 912 496	93 904 641
Tax rate	% 22.5	22.5%
Expected income tax	**35 530 312**	**21 128 544**
Non – deductible expenses	1 190 267	6 451 708
Tax exemptions	(18 016 148)	(4 652 325)
Effect of provisions	3 563 425	(163 626)
Capital gain / loss	3 278	(24 056)
Fixed assets depreciation & amortization of other assets	(346 289)	837 919
Foreign currency translation differences	303 017	(463 567)
Effects of tax losses	(11 999)	(633 992)
Others	(2 487 034)	(156 480)
Temporary tax adjustments	-	(129 363)
Tax as shown in the consolidated statement of income	**19 728 829**	**22 194 762**
Effective tax rate	**% 12.5**	**23.64%**

50 Discontinued operations

The item of losses from discontinued operation represented as follows:-

	2017 USD	2016 USD
Discontinued operation loss – Drilling & Petroleum Service sector (A)	-	(10 545 673)
Discontinued operation gain (loss) – a Company from other operations sectors (B)	18 276 512	(84 659)
Discontinued operation gain (loss) – a Company from other operations sectors (C)	(1 020 000)	6 711
Profit (loss) from discontinued operations	**17 256 512**	**(10 624 215)**
The Parent Company's share in profit(losses) from discontinued operations	**17 256 512**	**(10 624 215)**
Earning (loss) per basic share from discontinued operations (US cent / Share)	**1.76**	**(1.09)**

A) On February 25, 2016, an agreement was signed whereby the transfer of the shares owned by the Group in a subsidiary working in the energy field was transferred to an investor outside the Group. The Group has assigned all management and voting rights related to the shares owned by the Group in this subsidiary. Accordingly this subsidiary has been accounted for as unconsolidated subsidiary in the consolidated financial statements as at December 31, 2016 and December 31, 2017.

The Company's assets, liabilities, non-controlling interest, and its related items of comprehensive income have been excluded. The resulting losses from loss of control of USD 10 948 951 have been recognized in the income statement during 2016 and any remaining investments in the formerly unconsolidated subsidiary have been recognized at fair value on that date.

Losses from discontinued operation is represented as follows:

	2017 USD	2016 USD
Results of discontinued operation		
Revenues	-	-
Share of gain of associates	-	403 278
Expenses	-	-
Gains from operating activities	-	-
Income tax expense	-	-
Gains from operating activities, net of income tax	**-**	**403 278**
The Parent Company's share in gains from operating activities	-	403 278
The non -controlling interest in gains from operating activities	-	-
Loss on disposal of discontinued operation	-	(10 948 951)
Loss from discontinued operation (net of tax)	**-**	**(10 545 673)**
The Parent Company 'share in loss from discontinued operation (net of tax)	**-**	**(10 545 673)**

B) During the financial year ended December 31, 2016, an approval on selling offer have been taken, with respect to selling the entire number of shares owned by the Group in a subsidiary company of which it owns 26% of the shares of a company (an associate) as mentioned in detail in note No. (24) above.

Gain (losses) from discontinued operation is represented as follows:

	2017 USD	2016 USD
Results of discontinued operation		
Revenues	-	248 067
Share of loss of associates	-	(296 494)
Expenses	-	(36 232)
Losses from operating activities	-	(84 659)
Income tax expense	-	-
Losses from operating activities, net of income tax	-	(84 659)
The Parent Company's share in loss from operating activities	**-**	**(84 659)**
The non-controlling interest share in losses from operating activities	-	-
Gain on disposal of discontinued operations	18 276 512	-
Gain (losses) from discontinued operation (net of tax)	**18 276 512**	**(84 659)**
The Parent Company's share in profits (losses) from discontinued operation (net of tax)	**18 276 512**	**(84 659)**

C) On July 2, 2017, a conditional sale contract was concluded to the effect of selling the shares owned by the Group in the Egyptian Company for Oil Tankers (an associate) that represent 15% of the Company's shares to a third party outside the Group in return for an amount of USD15 million in the light of the results of the due diligence investigation on the said shares as a detailed in the aforementioned Note No. (24) above.

The assets and liabilities of the Company were not discontinued operations and were not classified as non - current assets held for sale as at December 31, 2016. The comparative figures of the consolidated statement of income were re-presented to show the discontinued operation separately from continued operations.

Losses from discontinued operation is represented as follows:

	2017 USD	2016 USD
Results of discontinued operation		
Share of gains (loss) of associates	(1 020 000)	6 117
Gains (loss) from operating activities	(1 020 000)	6 117
Income tax expense	-	-
Gains (losses) from operating activities, net of income tax	(1 020 000)	6 117
The Parent Company' share in profit (loss)from operating activities	**(1 020 000)**	**6 117**
The non -controlling interest in profit (loss) from operating activities	-	-
Profit (loss) on disposal of discontinued operation	-	-
Profit (loss) from discontinued operation (net of tax)	(1 020 000)	6 117
The Parent company' share in profit (loss) from discontinued operation (net of tax)	**(1 020 000)**	**6 117**

51 Earnings per share

The calculation of earnings per share for the financial year ended December 31, 2017 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the year as follows:

Profit attributable to equity holders

	2017 USD	2016 USD
Net profit for the year attributable to equity holders of the Parent Company	120 145 535	57 777 220
Employees' share in profit	(27 100)	(53 925)
Board of directors' emoluments of the Parent Company	-	-
Employees & board of directors' share in profit in subsidiaries and associates	(13 138 032)	(7 880 007)
Shareholders' share in net profit of the year	**106 980 403**	**49 843 288**
Weighted average number of shares outstanding during the year	997 121 957	975 658 258
Earnings per share (US cent / Share)	**10.73**	**5.11**

Earnings per share from continued operations

	2017 USD	2016 USD
Net profit for the year attributable to equity holders of the Parent Company	102 889 023	68 407 552
Employees' share in profit	(27 100)	(53 925)
Board of directors' emoluments of the Parent Company	-	-
Employees & board of directors' share in profit in subsidiaries and associates	(13 138 032)	(7 880 007)
Shareholders' share in net profit of the year	**89 723 891**	**60 473 620**
Weighted average number of shares outstanding during the year	997 121 957	975 658 258
Earnings per share (US cent / share)	**9**	**6.19**

Weighted average number of shares outstanding during the year:-

	2017 USD	2016 USD
Issued shares at the beginning of the year	975 658 258	975 658 258
Effect of issuance of bonus shares to finance the incentive shares	48 782 912	48 782 912
	1 024 441 170	**1 024 441 170**
Effect of issuance of incentive shares	(27 319 213)	(48 782 912)
Weighted average number of shares outstanding during the year	**997 121 975**	**975 658 258**

52 Non- cash transactions

For the purpose of preparing the consolidated statement of cash flows, for the year ended December 31, 2017, an amount of USD14 million was excluded from the investing activities representing the remaining amount of the selling value of Alexandria Fertilizers Co (AlexFert) shares deducted from the other credit balances as it is considered a non-cash transaction.

53 Incentive and bonus plan of the Parent Company's employees and directors

On September 11, 2014, the extra - ordinary general assembly unanimously agreed to approve the incentive & bonus plan of the Company's employees and managers and executive board of directors members, through the allocation of 48 782 912 shares, at a percentage of 5% of its total shares issued till December 31, 2014 to apply the incentive and bonus plan through one of the following:-

Issuance of new shares through capital increase or by transferring from reserve or part thereof or retained earnings to shares by which the value of issued capital is increased.

Transfer of treasury shares to incentive and bonus plan and to be financed from reserves.

On November 12, 2014, the Egyptian Financial Supervisory Authority approved applying the incentive & bonus plan of the Company's employees and board of directors members, which includes granting the Company's shares to the board members, managing directors, sectors 'heads , general managers and the other employees in the Company or its subsidiaries (equity settled share- based payments) according to the level of the Company's or individuals' economic performance pursuant to the shareholders , and the terms and conditions stated in the said plan.

- On June 11, 2015, the ordinary general assembly of the Company approved by the majority of votes to transfer part of the retained earnings as shown in the consolidated financial statements for the financial year ended at December 31, 2014, that were approved by the shareholder's' ordinary general assembly held on March 22, 2015 to 48 782 912 bonus shares with an amount of USD 12 195 728 for the purpose of financing the incentive & bonus plan of the Company's employees and managers and executive board of directors members, that has been approved by the Egyptian Financial Supervisory Authority on November 12, 2014. Annotation to the effect of such increase was made on the Company's commercial register on September 13, 2015.
- On September 16, 2015 the Listing committee of the Egyptian stock exchange approved listing the incentive shares to finance the incentive and bonus plan for employees and board members. On October 5, 2015, the incentive shares were added to the shareholders register labeled as "the incentive and bonus plan for employees of Egypt Kuwait Holding Co."

- On June 9, 2016, the Supervisory Committee on the incentives and bonus plan agreed to grant and allocate all the shares belong to the incentives and bonus plan to the beneficiaries of the plan as well as determining the number of shares allocated to each one of them. The vesting date of such shares was also determined to be December 31, 2016. All the shares were granted to the executive members of the Board of Directors and the senior managers of the Company, a matter that resulted in recognizing an expense for equity-settled share-based payment arrangements in the consolidated income statement with a total amount of USD 17 561 848 and a corresponding increase with the same amount included in the equity caption under the item amount set aside for share-based payments transactions. The beneficiary may dispose of the shares only after the lapse of three years from the date of share transfer to him. During 2016, the beneficiary shall be entitled to receive 100 % of total dividends and exercise the right of voting on the resolutions of the Company.

Details of beneficiaries of the plan and the granting conditions of the shares to them are as follows:

The Allottee	Grant date	Number of shares	Fair value of share at grant date US cent	Exercise Price US cen	Conditions
The executive members of the Board of Directors and the senior managers	June 9, 2016	48 782 912	36	-	• The Company achieves increase in net profit by 15% annually
-					• Increase in the company's share price in the Egyptian Stock Exchange by 15% annually-

- On February 27, 2017, the Supervision Committee of the incentives and bonus plan unanimously agreed to grant 21 463 699 shares to the beneficiaries of the plan while the methods of granting the remaining shares of the incentive plan and who deserve them shall be discussed in its upcoming meetings. On March 29, 2017, the ownership of such shares was transferred to the beneficiaries. Accordingly the available shares pertaining to incentives and bonus plan became 27 319 213 shares. The remaining shares of the plan were not allocated or granted during the year till authorizing these consolidated financial statements for issuance.

54 Controlled entities

Material subsidiaries are represented in the following:

Subsidiary name	Country Of Incorporation	Ownership 31/12/2017 %	Ownership 31/12/2016 %
National Gas Company (NATGAS) S.A.E	Egypt	83.97	83.97
Al Nubaria for Natural Gas Company S.A.E	Egypt	83.97	83.97
Globe Telecom Company S.A.E	Egypt	99.93	99.93
International Financial Investments Company S.A.E under Private Free Zones System	Egypt	99.99	99.99
Ekuity Holding International - Limited by Shares	Cayman Islands	100	100
Al Watania for Electric Technology Company (Kahraba) S.A.E	Egypt	91.95	91.95
Cooling Technology by Natural Gas Company (Gas Chill) S.A.E	Egypt	85.99	85.99
Sprea Misr for Production of Chemicals & Plastics Company S.A.E	Egypt	100	100
Egyptian Company for Petrochemicals S.A.E	Egypt	99.2	99.2
Fayoum Gas Company S.A.E	Egypt	77.99	77.99
Solidarity Group	United Arab of Emirates	100	100
National Energy Co - S.A.E	Egypt	99.99	99.99
Middle East for River Transport Co.- S.A.E under Private Free Zones System	Egypt	99.99	99.99
Alexfert Investments- Limited Liability Co. (***)	Cayman Islands	-	-
Bawabat Al Kuwait Holding Company – S.A.K (*)	Kuwait	49.75	41.67
Alex Fert Co. (Abou Quir) - under the Public Free Zones System	Egypt	42.64	37.81
International Petrochemicals Investments Company - under the private Free Zones System (**)	Egypt	50.02	46.14
International Logistics Company – L.L.C. (**)	Kuwait	49.75	41.67
Magnida Holding LP Co. (**)	Cayman Islands	50.02	46.14
IPIC Global Co. (**)	Cayman Islands	50.02	46.14
EKHO for Agriculture Development Co.	Egypt	100	100
Henosis for Construction & Real-Estate Development Co.	Egypt	99.99	99.99
Capital Investment Limited Luxembourg	Luxembourg	99.99	99.99
EKHO for Industrial Development Co	Egypt	100	100
OGI CAPITAL - Limited Liability Co. at the Jebel Ali Free Zone	UAE	100	100
NSCO INVESTMENT LIMITED ****	Cayman Islands	99.997	-

- The consolidated financial statements as at December 31, 2017 did not include some subsidiaries of the Group which are working in the energy field because of loss of control over them during 2016 as mentioned in detail in note No. (50) above.

* Starting from April 1st, 2012, the investments in Bawabat Al Kuwait Holding Company and its subsidiaries (International Logistics Company, Alex Fert Co. "Abou Quir", International Petrochemicals Investments Company, Magnolia Holding LP Co., IPIC Global Co. Magnolia Energy Infrastructure LP Co. and Magnolia Idaho Nitrogen Co.) have been accounted for as subsidiaries of the Group instead of accounting for them as associates despite the fact that the Group has no more than 50% of their voting powers and this was because the Group has de- facto control over the financial and operating policies of Bawabat Al Kuwait Holding Company by the Group as the Group is the main shareholder in it and has half of the board of directors members of Bawabat Al Kuwait and one of its members works as the vice president and the managing director of Bawabat Al Kuwait, who stated to exercise his executive duties as from April 1st, 2012 and this matter has put the management contract of Bawabat Al Kuwait concluded with one of the Group's companies which is wholly owned by the Parent Company into effect. In addition, the smallness of contributions percentages in equity and the distribution of the non-controlling interests in the share capital significantly.

During the year, the Company acquired additional stake of 8.08% in the share capital of Bawabat Al Kuwait Holding Company K.S.C. with an amount of USD 19 055 040. The resulting loss on acquisition amounted to USD 205 902 and was recognized in equity as the transaction is considered a transaction among shareholders of the Company.

** During year 2012, the Group through, IPIC Global Co. – a subsidiary and its subsidiaries acquired 99 % in the share capital of Magnida Idaho Nitrogen (formerly Southeast Idaho Energy) in the United States of America of an amount of USD 3 million, which owns water rights of an amount of USD 3 million at the acquisition date, for the purpose of constructing a plant for producing fertilizers using Nitrogen extracted from an area near American Falls, Idaho.

On November 6, 2014, the Board of Directors of the subsidiary Company has decided that the fertilizers project is economically infeasible and has decided not to expend any further amounts other than the amounts already paid of USD 38 980 650. This decision was taken as a result of the decrease of the IRR due to the significant change in the investment cost of the project. Accordingly, the impairment testing for this investment was made on that date and it was concluded that the value of investment is impaired in full as follows :-

	Note No.	USD
Impairment losses related to Nitrogen fertilizers project		
Impairment losses on projects under construction	(12)	14 471 667
Impairment losses on intangible assets	(14)	-
Total impairment losses related to Nitrogen fertilizers project		**14 471 667**

During the year, the full water rights were sold, all obligations due from the Company were fulfilled, and all licenses of the project were expired. It was agreed with the General Partner to take all necessary legal procedures for winding down the Company legally. As the Company is a limited partner in this project, there is not any probable obligation expected to be assumed.

*** During 2016 the management of the Group has agreed to the offer to sell the shares owned by it in this company, As a result, Alexfert Investments Co's assets and liabilities were re-classified as non-current assets held for sale as mentioned in detail in note No. (24) & (52).

**** During August, 2017 NSCO Investment Limited was established in partnership with MOG Energy co. with the aim of acquiring a stake of 40% in TONS' Co's capital. This stake was acquired free of charge and this investment was initially classified as investments in associates. During November, 2017 the subscription of the capital increase of NSCO INVESTMENT LIMITED was underwriting and the Company has subscribed to the entire amount of the increase of USD 20 million. On December 18, 2017 the increase was fully paid and registered in the shareholders' register. The carrying amount of the investment did not differ from its fair value on the date of acquisition in accordance with the study made in this regard.

55 Transactions with related parties

Related parties are represented in the Parent Company & subsidiaries' shareholders, and companies in which they own directly shares giving them significant influence or controls over the Group and also board of directors of group's companies. The Group's companies made several transactions with related parties and these transactions have been done in accordance with the terms determined by the Board of Directors of these companies. The conditions of those transactions were equivalent to those prevailing in the free market. Significant transactions are represented in following:-

- The Parent Company rents part of its present premises from Delta Insurance Co. - An associate in which the Parent Company holds 32.02 % of its issued capital by virtue of lease contracts ending on June 30, 2020 and January 31, 2022. In addition, the Company has made Group insurance agreements with Delta Insurance Co.
- The Group has agreed with Abu Qir Fertilizers and Chemical Industries Company on signing rental contracts for a plot of land to construct the factory on it, a contract for a building to use it as a temporary headquarter for the Company's management and a contract for a plot of land to construct the water station. The Company has also agreed on signing a contract for using its sea and land facilities for exporting amounts of the produced ammonia.
- On February 28, 2017, the board of directors of the Parent Company unanimously decided to set an amount of 5% of the annual profits to the chairman and managing director of the Company. The decision is effective from the 2016 results and decided to grant part of the said amount to the employees. The said amount will be set and granted from the board of directors' bonuses of subsidiaries.

56 Financial instruments

56-1 Credit risk

Exposure to credit risk

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

	Note No.	31/12/2017 USD	31/12/2016 USD
Property, plant and equipment selling receivables	(15)	41 020	63 860
Held to maturity financial assets	(8)	219 847 548	119 787 979
Due from Egyptian General Petroleum Corporation	(9)	2 802 262	1 416 404
Investments in treasury bills	(18)	25 889 359	12 353 745
Financial assets at fair value through profit and loss – Governmental bonds	(19)	8 212 352	4 538 341
Trade receivables	(20)	42 854 978	15 840 373
Cash & cash equivalents	(17)	224 553 758	242 076 188
		524 201 277	**369 076 890**

The maximum exposure to credit risk for trade receivables at the consolidated financial statements date according to the type of customer was as follows:

	31/12/2017 USD	31/12/2016 USD
Governmental customers	2 903 393	1 752 130
Retail customers	13 786 989	45 842
End user customers	22 517 325	11 453 234
Export customers	6 449 533	4 005 571
	45 657 240	**17 256 777**

56-2 Impairment losses

The aging of trade receivables at the consolidated financial statements date was as follows:

	31/12/2017		31/12/2016	
	Balance USD	Impairment losses USD	Balance USD	Impairment losses USD
Not past due	-	-	2 646 520	-
Past due 0-30 days	21 454	-	3 752 386	-
Past due 1-3 month	5 159 963	-	5 677 990	-
Past due 3-12 month	32 946 347	-	4 005 256	-
More than one year	7 529 476	130 821	1 174 625	96 649
	45 657 240	**130 821**	**17 256 777**	**96 649**

Impairment loss amounting to USD 130 821 as at December 31, 2017 was basically attributable to chemicals & plastic and telecommunications and gas customers.

56-3 Liquidity risk

The following are the contractual maturities of financial liabilities:

December 31, 2017	Carrying amount	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
	USD	USD	USD	USD	USD	USD
Secured bank loans & facilities	44 165 773	10 678 030	14 880 000	9 607 743	9 000 000	-
Unsecured bank facilities	86 315 072	73 115 072	3 800 000	7 600 000	1 800 000	-
Suppliers & subcontractors	13 050 716	11 130 369	1 920 347	-	-	-
Egyptian General Petroleum Corporation	49 499 724	41 927 691	7 572 033	-	-	-
	193 031 285	**136 851 162**	**28 172 380**	**17 207 743**	**10 800 000**	**-**

December 31, 2016	Carrying amount	6 month or less	6-12 month	1-2 years	2-5 years	More than 5 years
	USD	USD	USD	USD	USD	USD
Secured bank loans & facilities	127 032 596	20 537 703	18 937 396	9 923 379	75 418 201	2 215 917
Unsecured bank facilities	68 590 054	47 790 054	3 800 000	7 600 000	9 400 000	-
Suppliers & subcontractors	14 250 675	13 950 624	300 051	-	-	-
Egyptian General Petroleum Corporation	33 653 948	33 653 948	-	-	-	-
Bank overdraft	4 841 589	4 841 589	-	-	-	-
	248 368 862	**120 773 918**	**23 037 447**	**17 523 379**	**84 818 201**	**2 215 917**

56-4 Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

December 31, 2017	USD	L.E	K.W.D	EURO	GBP
Description					
Cash at banks & on hand	169 397 637	958 528 010	2 439	1 091 861	93 318
Held to maturity financial assets	77 326 039	1 018 124 833	-	-	-
Investment in treasury bills	-	1 967 799 865	-	-	-
Debtors	72 249 155	557 948 046	-	-	-
Due from Egyptian General Petroleum Corporation	-	49 684 111	-	-	-
Trade & notes receivables	22 440 338	622 851 001	-	772 724	7 642
Secured bank loans	(44 002 907)	(2 887 630)	-	-	-
Unsecured bank facilities	(79 931 223)	(113 185 648)	-	-	-
Due to Egyptian General Petroleum Corporation	-	(887 630 107)	-	-	-
Trade payables	(10 153 172)	(51 143 49151)	-	(10 894)	-
Creditors	(38 457 911)	(518 204 142)	(1 970)	(2 645 210)	-
Net exposure	**168 867 956**	**3 611 884 848**	**469**	**(791 519)**	**100 960**

December 31, 2016	USD	L.E	K.W.D	EURO	GBP
Description					
Cash at banks & on hand	211 493 503	567 232 819	-	1 147 683	4 089
Held to maturity financial assets	92 333 158	526 308 919	-	-	-
Investment in treasury bills	-	236 821 292	-	-	-
Debtors	10 089 565	175 413 629	-	139	-
Due from Egyptian General Petroleum Corporation	-	27 152 457	-	-	-
Trade & notes receivables	2 270 123	360 465 597	-	406 646	-
Bank-overdraft	(4 785 212)	-	-	(58 836)	-
Secured bank loans	(121 166 075)	(112 461 200)	-	-	-
Unsecured bank facilities	(53 616 770)	(287 037 852)	-	-	-
Due to Egyptian General Petroleum Corporation	-	(645 146 187)	-	-	-
Trade payables	(11 518 638)	(52 207 152)	-	(9 037)	-
Creditors	(13 015 997)	(549 002 607)	(1 938)	(90 000)	-
Other long-term liabilities	-	(229 353)	-	-	-
Net exposure	**112 083 657**	**247 310 362**	**(1 938)**	**1 396 595**	**4 089**

The following exchange rates applied during the year:

	Average exchange rate during the year ended		Spot rate	
	2017	2016	31/12/2017	31/12/2016
L.E	17.83	14.44	17.73	19.17
K.D	0.30210	0.30352	0.302250	0.30655
EURO	0.8990	0.93695	0.83990	0.9582
GBP	0.77860	0.74695	0.73990	0.8174
AED	3.675	3.6762	3.670	3.68

56-5 Interest rate risk

At the consolidated financial statements the interest rate profile of the Group's interest bearing-financial instruments was:

	Carrying amount	
	31/12/2017	31/12/2016
	USD	USD
Fixed rate instruments		
Financial liabilities	3 965 670	515 568
	3 965 670	**515 568**
Variable rate instruments		
Financial liabilities	117 770 836	195 107 082
	117 770 836	**195 107 082**

The Group does not account for any fixed rate financial assets and liabilities at fair value through consolidated income statement and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the consolidated financial statements date would not impact the consolidated income statement

56-6 Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated statement of financial position are as follow:

	31/12/2017		31/12/2016	
	Carrying Amount	Fair value	Carrying Amount	Fair value
	USD	USD	USD	USD
Available for sale investments	28 860 567	28 860 567	116 958 962	116 958 962
Held to maturity financial assets	219 847 548	219 847 548	119 787 979	119 787 979
Due from Egyptian General Petroleum Corporation	2 802 262	2 802 262	1 416 404	1 416 404
Debtors	29 990 018	29 990 018	14 081 079	14 081 079
Cash and cash equivalents	224 894 312	224 894 312	242 186 165	242 186 165
Investments in treasury bills	25 889 359	25 889 359	12 353 745	12 353 745
Financial assets at fair value through profit or loss	15 024 540	15 024 540	15 159 821	15 159 821
Trade& notes receivable	70 187 378	70 187 378	21 463 402	21 463 402
Secured bank loans	(44 165 773)	(44 165 773)	(131 283 880)	(131 283 880)
Unsecured bank facilities	(86 315 072)	(86 315 072)	(69 180 359)	(69 180 359)
Suppliers & subcontractors	(13 050 716)	(13 050 716)	(14 250 675)	(14 250 675)
Due to Egyptian General Petroleum Corporation	(49 499 724)	(49 499 724)	(33 653 948)	(33 653 948)
Creditors	(43 532 776)	(43 532 776)	(41 743 248)	(41 743 248)
Other long-term liabilities	(290 197)	(290 197)	(360 944)	(360 944)
	380 641 726	380 641 726	252 934 503	252 934 503

The basis for determining fair values is disclosed in note No. (2) above.

57 Capital commitments

Total capital commitments amounted to USD 3.78 million as at December 31, 2017 represented in the amount of contributions in long – term investments which have not been requested to be paid till the consolidated balance sheet date (2016: USD 36 330).

58 Contingent liabilities

In addition to amounts provided for in the consolidated statement of financial position, there are contingent liabilities as at December 31, 2017 totaled USD 17. 15million (2016: USD 16.381 million) represented in the following:

- Uncovered letters of credit amounting to USD 7 075 824 (2016: USD 11 815 209).
- Letters of guarantee issued by banks on the account of the Group and in favor of others amounting to USD 10 077 426 (2016: USD 4 565 957).
- Due to the delay in the execution of the contract concluded between one of the subsidiaries and one of its customers on October 12, 2009 the customer filed a lawsuit against the Company claiming for a compensation due to the said delay and subject matter is still considered before the court. The court issued in ruling to the effect of referring the lawsuit again to the Experts office and a session to consider the said lawsuit was determined to be held on June 18, 2014 then it was postponed several times till March 2018, Based on the legal advisor's opinion, it is probable that the court shall issue its judgment in favor of the Company, in addition the claim of the customer to amend the contract value in proportion with the actual cost of the said project.

59 Tax status

The following is a summary of the tax position of the Company:

Corporate profit tax

- The Company enjoyed a tax exemption for 5 years according to Investment Law No. 8 of 1997 and ended on December 31, 2003.
- Tax inspection for corporate profit tax from inception till 2004 was carried out and the resulting tax differences were settled.
- Years from 2005 till 2008 The Company's records were not requested for inspection within the determined sample by the Tax Authority till authorizing of these financial statements for issuance.
- 2009 is currently inspected.
- Years from 2010 till 2016 The Company's records were not requested for inspection within the determined sample by the Tax Authority till authorizing of these financial statements for issuance.
- The annual tax returns are submitted on due date according to the provisions of Law No. 91 of 2005.

Salary tax

- The tax inspection for salary tax for the period from inception till 2006 was carried out and the final assessment was determined and resulting differences were settled.
- The tax inspection for years from 2007 till 2013 was carried out and the final assessment was made and the Company settled the resulting differences.
- The tax inspection for years 2014 till 2016 was carried out and the company settled the resulting differences and the settlement is currently in process.
- Monthly withheld taxes are settled on due dates.

Stamp tax

- Inspection for the stamp tax for the period from the beginning of activity till 31/7/2006 was carried out and the final assessment was made and the Company settled the resulting differences.
- The due tax are settled on due dates.

Property tax

The survey of the Group's properties has not been carried out by the tax Enumeration and Assessment Committee yet.

60 Comparative figures

Some comparative figures of the consolidated statement of financial position, consolidated income statement and consolidated statement of changes in equity were restated as a result of what have been mentioned in detail in note No. (34). Items affected by restatement are as the follows:

	USD
Consolidated statement of financial position	
Decrease of fair value reserve balance	180 262 430
Decrease of retained earning balance	185 028 000
Decrease of the debtors and other debit balances	4 765 570
Consolidated income statement	
Increase of impairment losses on debtors and other debit balances item	4 765 570
Consolidated statement of changes in equity	
Decrease of retained earning balance	180 262 430
Reduction of the net profit for year 2016	4 765 570

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