

Translation of separate Financial statements
and audit report originally issued in Arabic



**Orascom Telecom Media and
Technology Holding S.A.E.**
Separate Financial Statements
Together with auditor's report
for the year ended December 31, 2017

**The financial year ended
31 December, 2017**



Hazem Hassan

Public Accountants & Consultants

Translation of audit report
originally issued in Arabic

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Auditor's report

To The Shareholders of Orascom Telecom, Media and Technology Holding (S.A.E)

Report on the separate financial statements

We have audited the accompanying Separate statement of financial position of Orascom Telecom,Media and Technology Holding(S.A.E) as of December 31, 2017 and the related separate statements of income, comprehensive income, changes in equity, and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the separate financial statements

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

Auditor's responsibility

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

For the separate financial statements of the Company for the financial year ended 31 December 2016, it was audited by another auditor who issued his report dated May 04, 2017 with a qualified opinion on the separate financial statements.

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



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Opinion

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

Emphasis of matter

With reference to, what was indicated in detail in Note No. (16) of the notes to the financial statements, the United Nations Security Council issued a resolution on September 11, 2017 obliging member states of the United Nations to pass laws prohibiting joint ventures and existing partnerships with the North Korean Republic unless approval is obtained to continue such joint ventures. The management of the Company believes that its investments in North Korea's network for mobile services is a utility and that is similar to the type of project likely to be approved to continue. At the present, the company's management submitted an official request through the Government of the Arab Republic of Egypt in order to be excluded from adhering to the said resolution. In Addition, the company's management also believes that, in the absence of a clear mechanism for implementing the resolution, it is difficult to measure its impact on the recoverable value of the investment.

Report on Other Legal and Regulatory Requirements

The Company maintains proper books of account, which include all that is required by law and by the statutes of the Company to prove it, the separate financial statements are in agreement thereto.

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 within the limits that such information is recorded therein.

KPMG Hazem Hassan
Public accountants and consultants

Cairo, April 29, 2018

ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.
Separate statement of financial position as at

| (In thousand EGP) | <u>Note No.</u> | <u>31 December, 2017</u> | <u>31 December, 2016</u> |
|--|---------------------|--------------------------|--------------------------|
| <u>Non-current assets</u> | | | |
| Property and Equipment | (13) | 49,922 | 49,864 |
| Intangible assets | (14) | 27 | 156 |
| Investments in subsidiaries | (15) | 1,831,012 | 1,879,236 |
| Investments in associates | (16) | 613,632 | 613,632 |
| Due from related parties | (9-B) | 29,774 | 30,317 |
| Other financial assets | (8) | 141,103 | 10,850 |
| Total non-current assets | | 2,665,470 | 2,584,055 |
| <u>Current assets</u> | | | |
| Due from related parties | (9-A) | 1,369,970 | 1,153,532 |
| Other financial assets | (8) | 591,261 | - |
| Other debit balances | (10) | 12,993 | 6,550 |
| Cash and cash equivalents | (7) | 655,870 | 2,120,690 |
| Total current assets | | 2,630,094 | 3,280,772 |
| Total assets | | 5,295,564 | 5,864,827 |
| <u>Equity</u> | | | |
| Issued and paid-up capital | (18) | 2,203,190 | 2,203,190 |
| Legal reserve | | 556,308 | 502,073 |
| Retained earnings/(accumulated losses) | | 120,295 | (341,103) |
| Net profit for the year | | 606,141 | 1,084,694 |
| Total equity | | 3,485,934 | 3,448,854 |
| <u>Non-current liabilities</u> | | | |
| Loans | (17) | 593,799 | 205,467 |
| Deferred tax liability | (6) | 181,835 | 275,817 |
| Total non-current liabilities | | 775,634 | 481,284 |
| <u>Current liabilities</u> | | | |
| Provisions | (19) | 249,425 | 573,621 |
| Current portion of loans | (17) | 1,890 | 558,162 |
| Trade payables | | 1,100 | 265 |
| Other credit balances | (11) | 99,778 | 43,890 |
| Current income tax | (6) | 203,868 | 25,161 |
| Due to related parties | (12) | 477,935 | 733,590 |
| Total current liabilities | | 1,033,996 | 1,934,689 |
| Total Liabilities and Equity | | 5,295,564 | 5,864,827 |

- The accompanying notes from (1) to (26) are an integral part of these separate financial statements and should be read therewith.

Chief Financial Officer



Chief Executive Officer



* Auditor's report attached.

Chairman



ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.

**Separate statement of income for
the financial year ended**

| (In thousand EGP) | Note No. | <u>31 December, 2017</u> | <u>31 December, 2016</u> |
|---|-------------|--------------------------|--------------------------|
| Dividends income | | 620,125 | - |
| Gain on sale of investment in subsidiary | (4) | 104,235 | 65,693 |
| Other income | | 41,629 | 2,428 |
| Total income | | 765,989 | 68,121 |
| (Less) / Add | | | |
| Employees cost & board of directors' remuneration | (5) | (80,725) | (64,459) |
| Consulting and professional services fees | | (51,409) | (34,033) |
| Travelling and transportation expenses | | (47,915) | (12,309) |
| Subscription and membership | | (2,625) | (3,288) |
| Depreciation and amortization | (13-14) | (3,550) | (2,885) |
| Provisions formed | | - | (58,285) |
| Provision no longer required | (19) | 324,196 | - |
| Impairment losses in financial assets | (19) | (95,506) | (64,385) |
| Reversal of impairment losses in financial assets | | - | 685,963 |
| Other expenses | | (18,570) | (30,918) |
| Operating income | | 789,885 | 483,522 |
| Interest income | | 16,462 | 4,123 |
| Finance cost | | (48,499) | (57,413) |
| Foreign currency exchange differences | | (41,821) | 920,958 |
| Total finance (cost) / income | | (73,858) | 867,668 |
| Net profit for the year before tax | | 716,027 | 1,351,190 |
| Income taxes | (6) | (109,886) | (266,496) |
| Net profit or the year | | 606,141 | 1,084,694 |
| Earnings per share (EGP/Share) | | | |
| - Basic and | (20) | 0.12 | 0.21 |
| - Diluted | (20) | 0.12 | 0.21 |

- The accompanying notes from (1) to (26) are an integral part of these separate financial statements and should be read therewith.

Chief Financial Officer



Chief Executive Officer



Chairman



ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.

**Separate statement of comprehensive income for
the financial year ended**

| (In thousand EGP) | <u>31 December, 2017</u> | <u>31, December, 2016</u> |
|--|--------------------------|---------------------------|
| Net profit for the year | 606,141 | 1,084,694 |
| Other comprehensive income | | - |
| Total comprehensive income for the year | 606,141 | 1,084,694 |

- The accompanying notes from (1) to (26) are an integral part of these separate financial statements and should be read therewith.

Chief Financial Officer



Chief Executive Officer



Chairman



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ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.
**Separate statement of changes in equity for
the financial year ended 31 December, 2017**

| (In thousand EGP) | Issued and Paid-up capital | Legal reserve | retained earnings (/Accumulated losses) | Net profit for the year | Total |
|---|-------------------------------|---------------|--|----------------------------|-----------|
| Balance as at 1 January, 2016 | 2,203,190 | 502,073 | (93,755) | (247,348) | 2,364,160 |
| Transferred to accumulated loss | - | - | (247,348) | 247,348 | - |
| Total comprehensive income for the year | - | - | - | 1,084,694 | 1,084,694 |
| Balance as at 31 December, 2016 | 2,203,190 | 502,073 | (341,103) | 1,084,694 | 3,448,854 |
| Balance as at 1 January, 2017 | 2,203,190 | 502,073 | (341,103) | 1,084,694 | 3,448,854 |
| Transferred to accumulated losses | - | - | 1,030,459 | (1,030,459) | - |
| Transferred to legal reserve | - | 54,235 | - | (54,235) | - |
| Dividends | - | - | (569,061) | - | (569,061) |
| Total comprehensive income for the year | - | - | - | 606,141 | 606,141 |
| Balance as at 31 December, 2017 | 2,203,190 | 556,308 | 120,295 | 606,141 | 3,485,934 |

- The accompanying notes from (1) to (26) are an integral part of these separate financial statements and should be read therewith.

Chief Financial Officer



Chief Executive Officer



Chairman



ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.
Separate statement of cash flows for
the Financial year ended

| (In thousand EGP) | <u>Note No.</u> | <u>31 December, 2017</u> | <u>31 December, 2016</u> |
|--|---------------------|--------------------------|--------------------------|
| Net profit of the year before tax | | 716,027 | 1,351,190 |
| Adjustments for: | | | |
| Depreciation and amortization | (14 + 13) | 3,550 | 2,885 |
| Impairment losses in financial assets | (19) | 95,506 | 64,385 |
| Dividends income | | (620,125) | - |
| Foreign currency exchange differences | | 41,821 | (896,697) |
| Interest income | | (16,462) | (4,123) |
| Finance cost | | 48,499 | 57,413 |
| Gain on sale of investment in subsidiary | (4) | (104,235) | (65,693) |
| Operating Income before changes in: | | 164,581 | 509,360 |
| Due from related parties | | (295,498) | (665,096) |
| Other debit balances | | (6,444) | 3,319 |
| Provisions | | (324,196) | 58,285 |
| Trade payables | | 835 | 113 |
| Other credit balances | | 26,106 | 13,075 |
| Due to related parties | | 4,137 | (20,975) |
| Cash flows (used in) operating activities | | (430,479) | (101,919) |
| Income tax paid | | (25,161) | (48,381) |
| Interest received | | 16,462 | 4,123 |
| Employees dividends | | (14,710) | - |
| Net cash flows (used in) operating activities | | (453,888) | (146,177) |
| <u>Cash flows from investing activities</u> | | | |
| Payment to Beltone-financing for buying of investments | | - | (195,360) |
| Payments for purchase of property and equipment | (13) | (3,479) | (7,474) |
| Proceeds from sale of property and equipment | | - | 930 |
| Dividends received | | 330,062 | 260,000 |
| Payments for purchase of investment in subsidiary | (15) | (1,242) | - |
| Proceeds from sale of investment in subsidiary | | 149,325 | 96,276 |
| Increase in time deposit - non current | | (130,253) | (5,250) |
| Net cash flows provided from investing activities | | 344,413 | 149,122 |
| <u>Cash flows from financing activities</u> | | | |
| Interest paid | | (48,499) | (45,337) |
| Dividends paid to shareholders | | (524,569) | - |
| Payments for non-current loans | | (157,456) | (65,586) |
| Increase in other financial assets | | (591,262) | - |
| Proceeds from non-current loans | | - | 5,110 |
| Net cash flows (used in) financing activities | | (1,321,786) | (105,813) |
| Net change in cash and cash equivalents during the year | | (1,431,261) | (102,868) |
| Effect of exchange rate fluctuations on cash held | | (33,559) | 1,023,083 |
| Cash and cash equivalents at beginning of the year | | 2,120,690 | 1,200,475 |
| Cash and cash equivalents at end of the year | (7) | 655,870 | 2,120,690 |

- The accompanying notes from (1) to (26) are an integral part of these separate financial statements and should be read therewith.

Chief Financial Officer



Chief Executive Officer



Chairman



ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.

Notes to the Separate Financial Statements for the financial year ended 31 December, 2017

1. Background

a- Legal form

Orascom Telecom, Media and Technology Holding "the Company" is an Egyptian Joint Stock Company pursuant to provisions of the capital market law No. 95 of 1992 and its executive regulations. The Company was registered at Cairo Commercial Register on 29 November, 2011 under No 394061. The Company's head office is located at Nile City Towers, Ramlet Boulak – Cairo, Egypt. The Company's duration is 25 years starting from 29 November, 2011.

b- Purpose of the Company

The Company's purpose is to participate in incorporating companies that issue securities or to increase the share capital of these companies, and considering the provisions of article 127 of the executive regulations and the regulations of the Capital Market Law. The Company may have interest or participate, by any mean, in companies and other enterprises that have activities similar to those of the Company or those that may assist the Company to achieve its objectives in Egypt or abroad. It may also merge into those companies and enterprises or acquire them pursuant to the provisions of the law and its executive regulations.

c- Brief over the incorporation of the Company

The Company was established by way of legal demerger from Orascom Telecom Holding S.A.E as part of the VimpelCom transaction. In October 2010, VimpelCom Ltd and Wind Telecom announced that both groups had signed a merger agreement, and where Wind Telecom (previously Wind Investment) owns 51.7% of shares of Orascom Telecom Holding SAE – OTH. On April 14, 2011 the demerger plan was concluded, in order to transfer certain assets to the demerged Company that are not intended to form part of the VimpelCom – Wind Telecom group going forward. Those assets represent mainly OTH investment in the Egyptian company for mobile services, CHIO technology in North Korea, Orascom Telecom Ventures SAE, as well as other investments in the media sector including undersea cable assets.

Accordingly, the demerger plan provided that the split of OTH will be executed by way of legal demerger, and the incorporation of Orascom Telecom, Mediadan Technology Holding S.A.E - OTMT (demerged Company), which will acquire the investments excluded from the transaction. The demerger resulted in existing shareholders of OTH holding the same percentage interest in OTMT as they hold in OTH as of the execution date of the demerger.

2. Basis of preparation of the separate financial statements

a- Statement of compliance with the Egyptian Accounting Standards

The separate financial statements have been prepared in accordance with the Egyptian Accounting Standards issued by the Minister of Investment's decision no. 110 for the year 2015, applied from January 1, 2016. And the applicable Egyptian laws and regulations. The Egyptian Accounting Standards require referral to International Financial Reporting Standards "IFRS" for certain types of transactions or events when no Egyptian Accounting Standard or legal requirement exists to address treatment for these transactions or events.

ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.

Notes to the Separate Financial Statements for the financial year ended 31 December, 2017

b- Basis of measurement

These separate financial statements are prepared on the historical cost basis, except for financial Instruments which are stated at fair value or amortized cost.

Investments in subsidiaries and associates are accounted for in the separate financial statements at cost, which represents the Company's direct ownership interest in equity and, not on the results of operations and net assets of the subsidiaries. The consolidated financial statements provide more understanding of the consolidated financial position, results of operations and the consolidated cash flows of the Company and its subsidiaries (The Group).

c- Presentation currency

The Company's functional and reporting currency is the Egyptian Pound. All the financial information presented in Egyptian pound has been rounded to the nearest thousand, except for earnings per share, and unless otherwise stated.

d- Use of estimates and judgments

The preparation of the separate financial statements in conformity with Egyptian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and 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.

The following are the significant accounts where critical judgments and estimates that have been used:

Recognition of current and deferred tax assets and liabilities and their measurement

The Company's profit is subject to income tax, which require using of significant estimates to determine the total income tax liability. As determining the final tax liability for some transactions could be difficult during the period, the Company record current tax liability according to its' best estimate about the taxable treatment of that transactions and the possibility of incurring of additional tax charges that may result from the tax inspection. And when a difference arising between the final tax liability and what is being recorded, such difference is recorded as income tax expense and current tax liability in the current period and to be considered as change in accounting estimates.

For recognition of deferred tax assets, management use assumptions about the availability of sufficient taxable profits allowing use of recognized tax assets in the future. Management also uses assumptions related to determination of the applicable tax rate at the financial statements date at which deferred tax assets and liabilities are expected to be settled in the future.

Provisions and contingent liabilities

Management assess events and circumstances that might led to a commitment on the company's side from performing its normal economic activities management uses in this primary estimates and assumptions to judge the extend on which the provision's recognition conditions have been met at the financial statement date, and analyze information to assume whether past events lead to current liability against the Company and estimate the future cash outflows and timing to settle this obligation in addition to selecting the method which enable the management to measure the value of the commitment reliably.

ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.

Notes to the Separate Financial Statements for the financial year ended 31 December, 2017

Impairment of financial assets

At each financial position date, the management reviews the carrying amounts of its financial assets to determine whether there is any indications that those assets have suffered an impairment loss.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, carrying amount of all financial assets are reduced directly by the impairment losses except for impairment related to amounts expected to be collected from related party balances and some debit balances for which an impairment account is formed for this value.

Estimating the useful lives/salvage value for property, plant and equipment and intangible assets and depreciation and amortization methods and recoverable value for those assets

Management reviews the estimated useful lives of property, plant and equipment and intangible assets at the end of each year, the review process involve assessment of the surrounding circumstances and factors affecting fixed assets' useful lives e.g. developments in technology and change in the pattern those assets are used, if the rates used are determined to be inappropriate, rates of depreciation and amortization are adjusted accordingly.

3. Significant accounting policies applied

A. Foreign currencies translation

The Company's functional and reporting currency is the Egyptian Pound, the currency in which most of the Company's cash flows are usually generated or retained. Transactions in currencies other than the Egyptian Pound are recorded at the exchange rates prevailing at the transactions dates. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are translated to the Egyptian Pound at the rates prevailing at the statement of financial position date.

Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated to Egyptian Pound at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences are recognized in income statement in the period in which they arise in a separate item, except for exchange differences arising on non-monetary asset and liabilities carried at fair value, where translation differences are recognized as part of changes in fair value.

B. Property and equipment

Property and equipment held for use for administrative purposes are stated in the statement of financial position at cost less any accumulated depreciation and accumulated impairment losses.

Properties in the course of construction for administrative purposes or for a currently undetermined future use are carried at cost less any recognized impairment loss. Cost includes professional fees, labour cost and "for qualifying assets" borrowing costs capitalized in accordance with the Company's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation of buildings and equipment as well as furniture and fixtures commences when the assets are ready for their intended use.

Subsequent costs are included in the assets carrying amount or recognized separately, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance expenses are charged to the profit or loss during the financial period in which they are incurred.

ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.

Notes to the Separate Financial Statements for the financial year ended 31 December, 2017

Depreciation is recognized so as to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Depreciation is charged to the income statement over the estimated useful-life of each asset using the straight-line method.

The following are the estimated useful lives, for each class of assets, for depreciation calculation purposes:

| <u>Asset</u> | <u>Years</u> |
|------------------------|--------------|
| Buildings | 50 Years |
| Buildings improvements | 5 Years |
| Furniture and fixtures | 3 Years |
| Computers | 3 Years |
| Vehicles | 5 Years |

C. Investments in subsidiaries

Investments in subsidiaries are accounted for using the cost method in the Company's separate financial statements as investments in subsidiaries at the acquisition cost less impairment. Impairment is estimated for each investment separately and recognized in the income statement. Subsidiaries are companies controlled by the company when all of the following is met for the investor:

- Power over the investee.
- Exposure, or rights, to variable returns from involvement with the investee.
- The ability to use power over the investee to affect the amount of investor return.

The Company should re-assess whether it controls an investee if facts and circumstances indicates that there are changes to one or more of the three elements of control above mentioned.

Regarding subsidiaries "structured entities", no cost shall be recognized in the Company's condensed interim separate financial statements. Therefore, the nature and risks to those subsidiaries "structured entities" are disclosed in the condensed interim separate financial statements as related party companies.

D. Investments in associates

An associate is an entity over which the Company has a significant influence to participate in the financial and operating policy decisions of this entity but doesn't reach to control or joint control over these policies. Investments in Associates are carried at cost, unless classified as non-current investments held-for-sale in which case, they are measured at the lower of the carrying amount or fair value less cost of selling.

The Company does not measure the investment in associates using the equity method in these condensed interim separate financial statements according to paragraph (44) in the Egyptian Accounting Standard no (18).

In case of an objective evidence that an impairment loss has been incurred on investments in associates at the date of the financial statements, the carrying amount of the investment is reduced to the recoverable amount and impairment losses are recognized immediately in the separate income statement.

ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.

Notes to the Separate Financial Statements for the financial year ended 31 December, 2017

E. Non-Current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition without any conditions other than the sales conditions.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Unless the delay is due to events beyond the control of the Company and if there is sufficient evidence that confirms the continuation of the Company in its commitment to sell the asset.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less cost to sell

F. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

- Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

- Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the separate financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the Balance Sheet Liability Method.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax assets or liabilities are not recognised for temporary differences resulting from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

- Current and deferred tax for the year

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized directly in equity, in which case, the current and deferred tax are recognized directly in equity.

ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.

Notes to the Separate Financial Statements for the financial year ended 31 December, 2017

G. Provisions

- Provisions are recognized when the Company has a present obligation (legal or constructive), arising from past event, the settlement of which is expected to result in an outflow of the enterprise resources embodying economic benefits, the cost to settle related obligations are probable and a reliable estimate is made of the amount of the obligation.
- The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the separate balance sheet date, taking into account the risks and uncertainties surrounding the obligation.
- Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognized as finance cost in separate income statement.

H. Cash and cash equivalents

The Company considers all cash on hand, bank current accounts, Treasury bills due in less than 3 months and other short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value with original maturities of three months or less as cash and cash equivalents.

I. Revenue measurement and recognition

- Revenue is measured at the fair value of consideration received or receivable to the Company net of discounts and value added tax.
- Dividends income from its equity investments is recognized when the Company's rights to receive payment have been established.
- Revenue from technical support is recognized in the separate profit or loss over the term of the contracts with subsidiaries and associates according to the accrual basis, when the services have been rendered according to contracts, and that revenue can be estimated reliably, probable economic benefits associated with the transaction will flow to the entity, and revenue associated with the transaction shall be recognized by reference to the stage of completion of the transaction and can be measured reliably.
- Interest income is accrued on a timely basis by reference to the principal outstanding and at the effective interest rate applied until maturity.
- Revenues from sale of financial investment are recognized according to accrual basis at fair value of the consideration received or payable to the Company after deduction of any discounts, expenses, transaction cost, or investment cost.

J. Financial instruments

Financial assets

All financial assets are recognised and derecognised on trade date where the purchase Or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: cash and balances at banks, due from related parties, and other debit balances.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.

Notes to the Separate Financial Statements for the financial year ended 31 December, 2017

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including due from related parties, other debit balances, and others) are measured at amortized cost using the effective interest method, less any impairment.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Derivative financial instruments

When needed, the Company enter in some financial derivatives' Contracts to hedge the risks of fluctuation in exchange rates, in addition to embedded derivatives resulting from contractual terms contained in agreements in which the Company may enter as a party with respect of both financial and non-financial instruments.

Embedded derivatives that meet recognition criteria are recognized separately from the host contract and are measured at fair value through profit or loss in accordance with the accounting requirements. Derivatives are initially recognized at fair value, while attributable transaction costs are recognized in profit or loss when incurred.

Changes in fair value of derivatives during each financial period are charged to the income statement. For the financial derivatives designated as hedging instruments at initial recognition in a documented and effective relationship, the time of recognition of fair value change in the income statement depends on the coverage relationship type and the nature of hedged item

Available for sale investments

Available for sale investments are initially recognized, at acquisition, at fair value plus transaction costs which include fees and commissions paid to agents, advisors, brokers and dealers, taxes levied by regulatory agencies and securities exchanges, and transfer taxes and duties. After initial recognition, AFS investments are subsequently measured at fair value with gains or losses resulting from fair value measurement recognized directly in equity, until the investment is derecognized, at which time the cumulative gain or loss previously recognized in equity are then recognized in profit or loss. In case there is objective evidence that an impairment loss has been incurred on AFS investments at the reporting date, the cumulative loss that had been previously recognized and accumulated in equity are removed from equity and recognized in profit or loss even though the investments have not been derecognized.

Unlisted equity securities classified as available for sale, for which no quoted market price is available in an active market and whose fair value cannot be measured reliably are stated at cost.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL where the interest enters within the net change in fair value.

ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.

Notes to the Separate Financial Statements For the financial year ended 31 December, 2017

Financial liabilities and equity instruments issued by the Company

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received or net value of the transferred assets, net of direct issue costs.

Financial liabilities

The Company has stated all its liabilities as other financial liabilities including accounts payable, due to related parties and other credit balances and they are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities subsequently measured at amortized cost

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest method. Interest expense that is not capitalised as part of costs of an asset is included in the "finance costs" line item.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

K. Impairment of assets

Non-financial assets

At each balance sheet date or whenever needed, the Company reviews the carrying amounts of its tangible and non-financial assets (Like investment in subsidiaries or associates) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount or the cash-generating unit is the fair value less costs to sell or value in use whichever is higher.

In assessing value in use, the estimated future cash flows from use of assets or cash-generating unit are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to be its recoverable amount. An impairment loss is recognized immediately in income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount doesn't exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in separate income statement.

ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.

Notes to the Separate Financial Statements For the financial year ended 31 December, 2017

Financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been if the impairment had not been recognized.

L. Short term employees benefits

Salaries, wages, paid vacations, sick leaves; bonus and other non-cash benefits in favor of employees' services for the Company are recognized according to the accrual basis in the same period these services were rendered.

M. Dividends

Dividends declared to the shareholders, Board of Directors and employees are recognized as a liability in the financial statements in the period in which these dividends have been approved by the Company's shareholders.

N. Borrowing and borrowing costs

Borrowings are recognised initially at fair value, net of transaction cost incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Company has unconditional right to defer settlement of the liability for at least 12 months after the separate reporting date.

Borrowing costs includes the foreign exchange differences relating to borrowings to the extent that they are regarded as an adjustment to interest costs.

The gain and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity borrowed funds in its functional currency and borrowings costs actually incurred on foreign currency borrowings.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.

Notes to the Separate Financial Statements For the financial year ended 31 December, 2017

O. Earnings per share

Basic and diluted earnings per share is calculated based on dividing the profit or loss, according to the separate financial statements, attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

P. Estimation of fair value

Applying the accounting policies stated in note no. (3) Requires from management to use estimates and assumptions for determining the carrying amount for assets and liabilities that cannot be measured reliably from other sources.

The fair value of current financial instruments in the active market depends on the market prices declared as of the financial statements date, while the fair value of non-current financial instruments is determined using valuation methods, which use appropriate inputs and assumptions depending on the market conditions as of the financial statements date, while it could be adjusted as necessary in accordance with the events and circumstances surrounding the Company and its dealings with others.

Q. Legal reserves

In accordance with the articles of association, 5% of the annual net income is required to be transferred to a legal reserve until its balance reaches 50% of issued capital. The Company is required to resume transfer of net profit to the legal reserve once its balance falls below this percentage. This reserve can be used for covering the incurred losses and for the increase of the Company capital subject to the approval of the shareholders in general assembly.

R. Employees' profit share

The Company pays 10% of its cash dividends as profit sharing to its employees to the sum of their annual salaries. Profit sharing is recognized as a dividend distribution through equity and as a liability in the provision which distribution has been approved by shareholders. And since dividends' distribution is the right of the Company's shareholders so the liability is not recognized for the employees' dividends related to profits that are not declared for distribution till the separate financial statements date (retained earnings).

S. Cash flows statement

The separate statement of cash flows is prepared using the indirect method

ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.

Notes to the Separate Financial Statements For the financial year ended 31 December, 2017

4. Gain on sale of investment in subsidiary

On December 20, 2017 the board of directors of Orascom telecom media and technology, Holding agreed to the sale portion of the company's shares in Beltone financial Holding Note (15) and on December 25, 2017, the company collected the full sales value amounted to EGP 150,856 thousands, and gain from sale of investment in subsidiary analyzed as follows:

| <u>(In thousand EGP)</u> | <u>The financial year ended 31 December 2017</u> | <u>The financial year ended 31 December 2016</u> |
|--|--|--|
| Sale price of investment in subsidiaries | 150,856 | 96,919 |
| Deduct: | | |
| Sale transaction cost and commission | (1,531) | (643) |
| Cost of investment in Beltone financial Holding-(Note15) | (45,090) | (30,583) |
| Gain on sale of investment in subsidiary | 104,235 | 65,693 |

5. Employees cost & board of directors' remuneration
(In thousand EGP)

| <u>(In thousand EGP)</u> | <u>The financial year ended 31 December 2017</u> | <u>The financial year ended 31 December 2016</u> |
|---|--|--|
| Employees' cost | 72,942 | 57,735 |
| Board of directors' remuneration and allowances | 7,783 | 6,724 |
| | 80,725 | 64,459 |

6. Income taxes

Income Tax (Separate income statement)
(In thousand EGP)

| <u>(In thousand EGP)</u> | <u>The financial year ended 31 December 2017</u> | <u>The financial year ended 31 December 2016</u> |
|---------------------------------|--|--|
| Current income tax for the year | 203,868 | - |
| Deferred income tax | (93,982) | 266,496 |
| | 109,886 | 266,496 |

Current income tax (Separate statement of financial position)

| <u>(In thousand EGP)</u> | <u>31 December 2017</u> | <u>31 December 2016</u> |
|--------------------------------------|-------------------------|-------------------------|
| Balance at the beginning of the year | 25,161 | 73,542 |
| current income tax for the year | 203,868 | - |
| Income tax paid | (25,161) | (48,381) |
| | 208,868 | 25,161 |

Deferred income tax movement (Separate statement of financial position)

| <u>(In thousand EGP)</u> | <u>31 December 2017</u> | <u>31 December 2016</u> |
|--|-------------------------|-------------------------|
| Balance at the beginning of the year | 275,817 | 9,321 |
| Charged to statement of income during the year | (93,982) | 266,496 |
| Balance at the end of the year | 181,835 | 275,817 |

- The effect of deferred tax is recognized based on the temporary differences between the assets tax basis set by the Egyptian Income Tax Law and its executive regulations, and their reported amounts per the accounting principles used in the preparation of the condensed interim separate financial statements.

ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.

Notes to the Separate Financial Statements For the financial year ended 31 December, 2017

Reconciliation of effective tax rate

(In thousand EGP)

| | <u>The financial year ended 31 December 2017</u> | | <u>The financial year ended 31 December 2016</u> |
|---|---|--------|---|
| Net profit for the year before tax | 716,028 | | 1,351,189 |
| Income tax according to applied tax rate | 22.5% 161,106 | 22.5% | 304,018 |
| Depreciation effect | (208) | | (421) |
| Provisions effect | (49,858) | | (126,741) |
| Non-deductible expenses | 24,321 | | 24,213 |
| Foreign currency exchange differences | 93,536 | | (201,890) |
| Gain on sale of financial assets (listed in the stock market) | (23,453) | | (14,781) |
| | 28.7% 205,444 | (1.2)% | (15,602) |

7. Cash and cash equivalent

(In thousand EGP)

| | <u>31 December 2017</u> | <u>31 December 2016</u> |
|---------------------------------------|--------------------------------|--------------------------------|
| Cash on hand | 1,036 | 1,901 |
| Current accounts - local currency | 20,121 | 315,361 |
| Current accounts - foreign currencies | 413,522 | 1,617,942 |
| Local currency deposits | 185,459 | 19,400 |
| Foreign currency deposits | 35,732 | 100,255 |
| Investments in treasury bills | - | 65,831 |
| | 655,870 | 2,120,690 |

8. Other financial assets

(In thousand EGP)

| | <u>31 December 2017</u> | <u>31 December 2016</u> |
|--|--------------------------------|--------------------------------|
| Cash on banks in North Korea Non-current | 130,253 | - |
| Pledged deposits Non-current | 10,850 | 10,850 |
| Total Non-current | 141,103 | 10,850 |
| Pledged deposits Current | - | - |
| Total current | 591,261 | - |
| Total other financial assets | 591,261 | - |
| | 732,364 | 10,850 |

ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.

Notes to the Separate Financial Statements For the financial year ended 31 December, 2017

9. Due from related parties

a- Current

| (In thousand EGP) | 31 December 2017 | 31 December 2016 |
|--|-------------------------|-------------------------|
| CHEO Technology Joint Venture (Koryolink) | 267,474 | 176,884 |
| Orascom Telecom Lebanon | 2,953 | 13,904 |
| Trans World Associate (Pvt.) Ltd – Pakistan | 25,070 | 25,543 |
| Orascom Telecom Holding (Demerging Company) | 3,848 | 3,848 |
| Middle East and North Africa Submarine Cables – MENA Cable | 777,892 | 712,246 |
| Orascom TMT investments (formerly, Weather Investment) | 1,145 | 1,558 |
| Orascom Telecom mobile infrastructure services | 996 | 996 |
| O Capital for services and contracting | 3,250 | 3,210 |
| Beltone Financial Holdings | 389,190 | 396,000 |
| Victoire investment holding | 143,686 | 1,107 |
| Victoire BV investments | 4,662 | 1,147 |
| Orascom Prisme Entertainment | 23,305 | - |
| Impairment | | |
| Impairment in due from related parties* | (273,501) | (182,911) |
| | 1,369,970 | 1,153,532 |

* The impairment balance in Due from related parties are as follows:

| Impairment in due from related parties (In thousand EGP) | 31 December 2017 | 31 December 2016 |
|---|-------------------------|-------------------------|
| CHEO Technology Joint Venture (Koryolink) | (267,474) | (176,884) |
| Orascom Telecom Lebanon | (1,183) | (1,183) |
| Orascom Telecom mobile infrastructure services | (996) | (996) |
| Orascom Telecom Holding (Demerging Company) | (3,848) | (3,848) |
| | (273,501) | (182,911) |

b- Non-current

| (In thousand EGP) | 31 December 2017 | 31 December 2016 |
|---|-------------------------|-------------------------|
| Oracap Holding ** | 388,331 | 380,715 |
| Trans World Associate (Pvt.) Ltd – Pakistan | 29,774 | 30,317 |
| Impairment | | |
| Impairment in Oracap Holding ** | (388,331) | (380,715) |
| | 29,774 | 30,317 |

- Due from related parties (non-current) is represented in the outstanding balance of the loan granted to Trans World Associate (Pvt.) (a subsidiary company), whereas the Company agreed to grant a long-term loan to the subsidiary company amounting to USD 1,683 thousand.

** These Balances are not re-translated as they are considered as bad debts and the Company in process of completing administrative procedures for writing-off from the company's books.

ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.

Notes to the Separate Financial Statements For the financial year ended 31 December, 2017

10. Other debit balances

(In thousand EGP)

| | 31 December 2017 | 31 December 2016 |
|-----------------------------------|-------------------------|-------------------------|
| Prepaid expenses | 854 | 379 |
| Employees' custodies | 2,421 | 2,161 |
| Accrued revenue | 279 | 257 |
| Others | 9,655 | 3,969 |
| Impairment | | |
| Impairment in other debit balance | (216) | (216) |
| | 12,993 | 6,550 |

11. Other credit balances

(In thousand EGP)

| | 31 December 2017 | 31 December 2016 |
|-----------------------------|-------------------------|-------------------------|
| Accrued expenses | 69,200 | 42,960 |
| Withholding tax | 78 | 82 |
| Social insurance authority | 61 | 51 |
| Salaries tax | 596 | 797 |
| Employees dividends payable | 29,843 | - |
| | 99,778 | 43,890 |

12. Due to related parties

(In thousand EGP)

| | 31 December 2017 | 31 December 2016 |
|---|-------------------------|-------------------------|
| Orascom Telecom Ventures | 470,506 | 470,583 |
| O Capital for Energy | 7,429 | 3,007 |
| CHEO Technology Joint Venture (Koryolink) * | - | 260,000 |
| | 477,935 | 733,590 |

* During 2016 the Company reached an agreement with Korean side regarding the dividends distribution to Koryolink shareholders and as a result of that, OTMT received an amount of 260 Million EGP as advance payment under its portion from dividends distribution regarding its investment in Koryolink.

On 17 January, 2017 Koryolink board of directors approved to distribute part of the dividends amounting to 32 Million Euro for OTMT and the Company received EGP 10 million from the approved dividends during February 2017, this dividends were classified as dividends income in the first quarter of 2017, and the remaining amount was received in the second quarter of 2017.

ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.

Notes to the Separate Financial Statements For the financial year ended 31 December, 2017

13. Property and equipment

| (In thousand EGP) | Buildings | Buildings improvements | Furniture | Computers | Vehicles | Total |
|----------------------------------|-----------|------------------------|-----------|-----------|----------|---------|
| <u>Cost</u> | | | | | | |
| Balance as at 1 January, 2016 | 44,743 | - | 190 | 688 | 4,410 | 50,031 |
| Additions during the year | - | 1,733 | 51 | 433 | 5,257 | 7,474 |
| Disposals during the year | - | - | - | (37) | (1,115) | (1,152) |
| Balance as at 31 December, 2016 | 44,743 | 1,733 | 241 | 1,084 | 8,522 | 56,353 |
| Balance as at 1 January, 2017 | 44,743 | 1,733 | 241 | 1,084 | 8,552 | 56,353 |
| Additions during the year | 1,139 | 1,609 | - | 444 | 287 | 3,479 |
| Balance as at 31 December, 2017 | 45,882 | 3,342 | 241 | 1,528 | 8,839 | 59,832 |
| <u>Accumulated depreciation</u> | | | | | | |
| Balance as at 1 January, 2016 | 3,579 | - | 149 | 333 | 204 | 4,265 |
| Depreciation charge for the year | 895 | 3 | 20 | 241 | 1,287 | 2,446 |
| Disposals depreciation | - | - | - | (18) | (204) | (222) |
| Balance as at 31 December, 2016 | 4,474 | 3 | 169 | 556 | 1,287 | 6,489 |
| Balance as at 1 January, 2017 | 4,474 | 3 | 169 | 556 | 1,287 | 6,489 |
| Depreciation charge for the year | 895 | 407 | 35 | 354 | 1,730 | 3,421 |
| Balance as at 31 December, 2017 | 5,369 | 410 | 204 | 910 | 3,017 | 9,910 |
| <u>Net book value</u> | | | | | | |
| As at 1 January, 2016 | 41,164 | - | 41 | 355 | 4,206 | 45,766 |
| As at 31 December, 2016 | 40,269 | 1,730 | 72 | 528 | 7,265 | 49,864 |
| As at 31 December, 2017 | 40,513 | 2,932 | 37 | 618 | 5,822 | 49,922 |

ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.

Notes to the Separate Financial Statements For the financial year ended 31 December, 2017

14. Intangible assets

(In thousand EGP)

| | <u>Computer's Software 2017</u> | <u>Computer's Software 2016</u> |
|---------------------------------------|-------------------------------------|-------------------------------------|
| Cost at the beginning of the year | 1,994 | 1,994 |
| Cost at the end of the year | 1,994 | 1,994 |
| Accumulated amortization | | |
| Balance at the beginning of the year | 1,838 | 1,399 |
| Amortization for the year | 129 | 439 |
| Balance at the end of the year | 1,967 | 1,838 |
| Net book value at the end of the year | 27 | 156 |

15. Investments in subsidiaries

(In thousand EGP)

| | <u>Country</u> | <u>Percentage of Contribution</u> | <u>31 December 2017</u> | <u>31 December 2016</u> |
|---|----------------|---------------------------------------|-------------------------|-------------------------|
| Middle East and North Africa Submarine Cables – MENA Cables**** | Egypt | 99.82 | 1,688,189 | 1,688,189 |
| Trans World Associate (Pvt.) Ltd | Pakistan | 51 | 60,862 | 60,862 |
| Orascom Telecom Ventures S.A.E | Egypt | 99.99 | 222,802 | 222,802 |
| Orascom Telecom Mobile Infrastructure Services* | Egypt | 99.2 | 63 | 63 |
| Beltone Financial Holding** | Egypt | 70 | 468,912 | 514,003 |
| Victoire investment holding*** | Netherlan | 99.99 | 526,017 | 526,017 |
| O Capital for energy | Egypt | 99.2 | 4,375 | 4,375 |
| Orascom Prisme Entertainment***** | Egypt | 70 | 1,242 | - |
| O Capital for services and construction | Egypt | 99.2 | 63 | 63 |
| Impairment | | | | |
| Middle East and North Africa Submarine Cables - MENA Cables**** | | | (1,137,075) | (1,137,075) |
| O Capital for energy | | | (4,375) | - |
| Orascom Telecom Mobile Infrastructure Services * | | | (63) | (63) |
| | | | 1,831.0 | 1,879,236 |

* The Company is under liquidation according to the extraordinary general assembly meeting's decision, held on 1 September, 2014. The commercial register was amended to notify this change on 27 January 2015 and the tax authority was notified that the company stopped its operation.

** During the fourth quarter of 2015, the Company acquired 132,303, 765 shares of Beltone Financial Holding shares with percentage of contribution of 81.3% as a result of the submitted request on 7 October, 2015 to the Financial Supervision Authority for the acquisition on 100% of Beltone Financial Holding and worth to mention that 58.2% from the value of the transaction have been financed through self-financing and the remaining were financed through syndicated loan, the loan contract was signed with a group of local banks for a total amount of EGP 250 Million , the balance of the loan was early settled during January 2017 - note (17).

ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.

Notes to the Separate Financial Statements For the financial year ended 31 December, 2017

- During 2016 Beltone Financial Holding –subsidiary- distributed 5,100,704 free shares to Orascom Telecom, Media and Technology Holding. During the fourth quarter of 2016 OTMT sold 7,716,518 shares of Beltone Financial holding at a price of 12.56 EGP per share for the Company's contribution portion to become 76.73 percent with net 129, 687, 951 shares. On 21 December 2017, OTMT sold 11,376,766 shares of Beltone Financial Holding at a price of 13.26 per share for the company's contribution portion to become 70 percent with net 118, 311,185 shares and the share price of Beltone Financial Holding amounting to EGP 12.85 per share as at 31 December 2017.
- *** On 22 October, 2015 the Company signed a contract for the purchase of shares of the company that owns seven floors in one of the buildings located in Brazil through Victoire Brazilian companies for a total cost Brazilian Real 263 Million equivalent to USD 66.8 Million and it worth to mention that 50% from the value of the transaction have been financed through self-financing and the remaining were financed through loan, the loan contract was signed with one of foreign banks for a total USD 33 Million - note (17).
- **** On 20 December, 2016 the Company's board of directors decided to sell the entire owned share of Middle East and North Africa (MENA Cables): Direct (99.82%), Indirect (0.18%) which represented in (0.14%) through O Capital For Services and Construction and (0.04%) through Orascom Telecom Ventures and the Company is in the process to fulfill all the mandatory procedures for the completion of this deal from all regulatory authorities.
- *****On 14 August 2017 the initial approval was given by the board of directors to invest in The development and management of the sound and light show in the Pyramids and Sphinx area, the development of the designated show area and management of the activities and services related thereto for 20 years for a total investment of USD 10 million (or its equivalent in EGP) in partnership with Prisme International (a UAE Company) which has been awarded the exclusive right to develop and manage the sound and light show by virtue of the Public Tender (by closed envelopes) accordingly signed the Development and Management Contract of Sound & Light in the Pyramids and Sphinx Area with Misr Company for Sound, Light and Cinema S.A.E. A new company will be established and Orascom shall own 70% of the issued share capital thereof whereby the all the rights and obligations under the Development and Management Contract will be assigned and transferred to the new company. OTMT has signed a preliminary agreement with Prisme Entertainment (an affiliate company of Prisme International) for the production and development of the sound and light show subject to the satisfaction of certain conditions and guarantees.

ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.

Notes to the Separate Financial Statements For the financial year ended 31 December, 2017

16. Investment in associates

| <u>(In thousand EGP)</u> | <u>Countr</u> | <u>%</u> | <u>Shareholding</u> | |
|---|---------------|----------|-------------------------|-------------------------|
| | | | <u>31 December 2017</u> | <u>31 December 2016</u> |
| CHEO Technology Joint Venture (Koryolink) (*) | North Korea | 75 | 613,632 | 613,632 |
| | | | 613,632 | 613,632 |

- * The Group's investments in North Korea for 75% of the voting rights in the local telecom operator Koryolink. The accounting treatment has been modified during the period ended 30 September 2015. Therefore, recognizing it as an investment in associates instead of investment in subsidiaries, Thus in light of the increase of the restrictions, financial and operating difficulties facing Koryolink due to the international sanction imposed by the international community including the United States, the European Union and the United Nations. These sanctions have the effect of restricting financial transactions and the import and export of goods and services, including goods and services required to operate, maintain and develop mobile networks and the absence of a free-floating currency exchange market in North Korea, whereas the Group's management has no exchange rate available other than the official exchange rate announced by the Central Bank of North Korea, other than launching a competing local telecom operator wholly owned by the North Korean Government.

The group's management seeks to find solutions for this situation through negotiations with the Korean side including merging Koryolink with the second local telecom operator, wholly owned by the North Korean Government. According to the Group's management estimates, there is an initial consent from the Korean side regarding the merger. This may lead to the presence of possible future solutions that would remove some of the obstacles.

In light of the change in the results of those negotiations which indicates a disagreement from the Korean side to grant the management the right to control in case of the merger and due to the increase in aforementioned restrictions as referred above during the period ended 30 September, 2015, in the group's management view, the control over the Koryolink's activities was lost according to the requirements of the Egyptian Accounting Standard No. (42), which led to modify the accounting treatment to be accounted for as investment in associates instead of investment in subsidiaries starting from the date that management considered it has lost the control at 30 September, 2015, management believes that through losing of control, it has a significant influence over Koryolink. The investment in CHEO Technology JV (Koryolink) was measured at cost that represents the fair value on the date of loss of control based on independent valuator report.

During the current period and in the light of new international sanctions that the United States administration has decided to impose on the North Korean government and its various departments, the Groups management follows up ongoing activities to make sure that the sanctions are not violated, and the two sides reached some understandings of the organizational and commercial frameworks which works on organizing the work of telecommunications market in North Korea.

These arrangements will guarantee the fair allocation of subscribers between Koryolink and the Government telecom operator "Kang Song NET" and initially handling some other issues faced by Koryolink, such as; the transfer of the cash balances in local currency to Euro using the parallel market rate (parallel market rate: 1 EEuro is equivalent to 8, 650 of the local currency, official rate: 1 Euro is Equivalent to 118 of the local currency). This is conditional that the Korean party will fulfill its obligations. In addition to setting arrangements that will allow the transfer of profits "repatriate funds", in case of the availability of retained earnings and foreign currency balances, needed for the profit distribution process.

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On September 11, 2017 the United Nations Security Council issued a resolution obliging member states of the United Nations to pass laws prohibiting joint ventures and existing partnerships with the North Korean Republic unless approval is obtained to continue such joint ventures. The management of the Company believes that its investments in North Korea's network for mobile services is a utility and that is similar to the type of project likely to be approved to continue. At the present, the company's management submitted an official request through the Government of the Arab Republic of Egypt in order to be excluded from adhering to the said resolution. In Addition, the company's management also believes that, in the absence of a clear mechanism for implementing the resolution, it is difficult to measure its impact on the recoverable value of the investment.

17. Borrowings

| Banks | 31 December, 2017 | | | | | | | |
|--|--------------------------|----------------------------|-------------------|---------------------------------|-----------------|-----------------|---|--------------------------|
| | <u>Current portion</u> | <u>Non-Current portion</u> | <u>Total Loan</u> | <u>Value in issued currency</u> | <u>Currency</u> | <u>Maturity</u> | <u>Interest</u> | <u>Secured/Unsecured</u> |
| | (EGP 000) | (EGP 000) | (EGP 000) | (000) | | | | |
| Syndicated loan (Facility Agent Local bank)* | - | - | - | 154,990 | EGP | June, 2021 | Corridor rate + 2.25% | Secured |
| Loan of Foreign bank** | - | 589,570 | 589,570 | 33,372 | USD | Oct., 2019 | Bank interest + 1% | Secured |
| Loan from Local Bank | 948 | 1,693 | 2,641 | 3,430 | EGP | Dec., 2020 | The interest of certificates + 2% at least 12% annually | Secured |
| Loan from Local Bank | 942 | 2,536 | 3,478 | 4,263 | EGP | Dec., 2021 | The interest of certificates + 1.5% at least 11% annually | Secured |
| Total | 1,890 | 593,799 | 595,689 | | | | | |

| Banks | 31 December, 2016 | | | | | | | |
|---|--------------------------|----------------------------|-------------------|---------------------------------|-----------------|-----------------|---|--------------------------|
| | <u>Current portion</u> | <u>Non-Current portion</u> | <u>Total Loan</u> | <u>Value in issued currency</u> | <u>Currency</u> | <u>Maturity</u> | <u>Interest</u> | <u>Secured/Unsecured</u> |
| | (EGP 000) | (EGP 000) | (EGP 000) | (000) | | | | |
| Syndicated loan (Facility Agent Local bank) | 154,990 | - | 154,990 | 154,990 | EGP | June, 2021 | Corridor rate + 2.25% | Secured |
| Loan of Foreign bank** | 401,282 | 199,215 | 600,497 | 33,423 | USD | Oct., 2018 | Bank interest + 1.25% | Secured |
| Loan from Local Bank | 948 | 2,719 | 3,667 | 3,667 | EGP | Dec., 2020 | The interest of certificates + 2% at least 12% annually | Secured |
| Loan from Local Bank | 942 | 3,533 | 4,475 | 4,475 | EGP | Dec., 2021 | The interest of certificates + 1.5% at least 11% annually | Secured |
| Total | 558,162 | 205,467 | 763,629 | | | | | |

* The major changes in loan balance are represented in the early settlement of the full loan amount in addition to the loan interests at 2 January 2017 amounting to EGP 169 Million.

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A-long-term loan foreign bank

On September 28, 2015 the company got a long-term loan from the subjected bank by a maximum amount USD 35 Million for the sole purpose of financing 50% of the purchase price of seven floors in the "Patio Malzoni Faria Lima Tower A" in Sao Paolo, Brazil through the direct or indirect acquisition of the shares of the following companies incorporated in Brazil: Victoire 2, Victoire 9, Victoire 11, Victoire 13, Victoire 17, Victoire 18, and Victoire 19.

- Finance cost USD 100 Thousand, worth on the date of signing the contract.

Interest rate and interest period

Interest shall be set at a variable rate of US Dollar the subjected bank reference rate +1%, currently set at 7.82% per annum.

The interest shall be calculated based on a year three hundred sixty (360) days and the actual number of days elapsed.

Financial covenants

The loan shall be covered at 200% by the real estate value of the floors during the financing period, and valuation of the floors should occur every 6 months at the borrower's expenses.

In the event the coverage falls at or below 175%, and at the option of the borrower, either the loan will be reduced to maintain the ratio of 200%, or the borrower must grant an additional security acceptable to the lender in order to maintain the coverage ratio at 200%.

Securities

- In favor of the lender of the total acquired shares in the capital of the companies, owning the floors and the borrower shall deliver the certificates of the shares pledged.
- A chattel mortgage on all floors duly registered at the relevant real estate register in Sao Paolo Brazil.
- The borrower pledges to assign in favor of the lender of rental proceeds of the floors. The proceeds will be transferred to the borrower's account with the lender to cover interest and constitute a reserve account covering one interest payment.
- An irrevocable undertaking by the borrower to cover by the second anniversary of the first drawdown, the balance of the loan in principal and interest by a pledge account opened in his name.
- ** On October 18, 2017 the company performed a reschedule agreement with bank Libano Francaise through which the loan amounted USD 33 Million will be a long-term loan as follows:

| Payment Date | Amount (in thousand USD) | Equivalent (in thousand EGP) |
|------------------|--------------------------|------------------------------|
| October 21, 2019 | 10,000 | 176,396 |
| October 21, 2020 | 10,000 | 176,396 |
| October 21, 2021 | 13,423 | 236,778 |
| Total | 33,423 | 589,570 |

B- Non-current loan-Local Bank

The company has signed a credit facility as a medium term loan agreement to finance the purchase of assets related to the company from the Egyptian Bank on July 27,2015 amounted to EGP 5 Million. Available duration is sixty-seven months ending on February 27, 2021.

On August 9, 2015, the company signed an annex to the loan agreement with an increase of EGP 600 thousand.

Withdrawal period: six months from the date of signing the agreement and end on January 23, 2016.

Payment period

The company committed to make payment to the bank the value of each sub-loan used by the company according to the facility limit on equal sixty monthly installments.

Interest and installation period

Interest calculated 2% above interest rate on certificates in the bank paid on monthly installments ad otherwise the interest will not be less than 12% of principle, commission and expenses during the agreement period.

C- Long-term loan – Local Bank

The Company has signed a credit facility as a Medium Term Loan agreement to finance the purchase of assets related to the Company from an Egyptian bank on January 27, 2016 amounted to EGP 2 million. Available duration is sixty-seven months ending on August 26, 2021.

- **Withdrawal period:**

Six months from the date of signing the agreement and end on July 27, 2016.

- **Payment period:**

The Company committed to make payment to the bank the value of each sub-loan used by the Company according to the facility limit on equal sixty monthly installments.

On July 21, 2016, the company signed an annex to the loan agreement with an increase of EGP 3 million.

- **The withdrawal period** was extended by additional six months to be end on January 26, 2017 instead of July 27, 2016.

- **Interest and installation period:**

Interest calculated 1.5% above interest rate on certificates in the bank paid on monthly installments and otherwise the interest will not be less than 11% of principle, commissions and expenses during the agreement period.

18. Capital

The Company's authorized capital amounting to EGP 22 Billion, the issued and paid up capital amounted to EGP 2,203,190,060 distributed among 5,245,690,620 shares of EGP 0.42 par value each, according to the approvals of the General Authority for Investment and the Extraordinary General Assembly of Orascom Telecom Holding(Demerging Company).

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Notes to the Separate Financial Statements For the financial year ended 31 December, 2017

19. Provisions and impairment

| <u>(In thousand EGP)</u> | <u>31 December 2016</u> | <u>Formed</u> | <u>No Longer Required</u> | <u>Forex</u> | <u>31 December 2017</u> |
|-----------------------------|-----------------------------|---------------|-------------------------------|--------------|-----------------------------|
| provisions | | | | | |
| Provisions for claim* | 573,621 | - | (324,196) | - | 249,425 |
| Total provisions | 573,621 | - | (324,196) | - | 249,425 |
| Impairment of assets | | | | | |
| Due from related parties | 563,626 | 91,131 | - | 7,075 | 661,832 |
| Investment in subsidiaries | 1,137,138 | 4,375 | - | - | 1,141,513 |
| Other debit balances | 216 | - | - | - | 216 |
| Total impairment | 1,700,980 | 95,506 | - | 7,075 | 1,803,561 |

- * Provisions are recognised according to the best estimate of the value of the commitments expected at the date of the financial, arising from the exercise of the Company's activities and its contractual relationship with others and the management annually review and settle these provisions according to the latest developments, discussions and agreements with the parties concerned. The required information about these provisions were not disclosed, according to the Egyptian Accounting Standards, because the management of the Company believes that doing so, will strongly affect the final settlement of these provisions for claims.

20. Earnings per share

Earnings per share from net income for the year calculated according to the Egyptian Accounting Modified Standard (22) as follows:

| | <u>The Financial year ended 31 December 2017</u> | <u>The financial year ended 31 December 2016</u> |
|--|--|--|
| Net profit for the year (in thousand EGP) | 606,141 | 1,084,694 |
| Weighted average number of shares outstanding (in thousands of shares) | 5,245,691 | 5,245,691 |
| Earnings per share for the year (EGP) | 0.12 | 0.21 |

Diluted: Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all convertible financial instruments and share options. The net profit is adjusted by omission of the cost of convertible debt instruments taking tax effect into consideration. As for share option the average potential shares to be issued by options is added to the average ordinary shares and deducting from that the average potential shares weighted by the relation between the exercise price and average fair value of the share during period. As there are no debt instruments that are convertible to bonds, so diluted and basic earnings per share are equal.

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Notes to the Separate Financial Statements For the financial year ended 31 December, 2017

21. Significant transactions with related parties

**(In thousand
EGP)**

| <u>Company Name</u> | <u>Nature of the relationship</u> | <u>Nature of the transactions</u> | <u>Volume of Transactions 31-12-2017</u> | <u>Volume of Transactions 31-12-2016</u> | <u>Balance Debit(credit) 31-12-2017</u> | <u>Balance Debit(credit) 31-12-2016</u> |
|---|-----------------------------------|--|--|--|---|---|
| CHEO Technology JV (KoryoLink) | Associate | Expenses paid on behalf of the related party | 14,282 | 4,333 | | |
| | | Expenses paid on behalf of OTMT | - | (4,446) | 267,474 | 176,884 |
| Orascom Telecom Lebanon | Subsidiary | Expenses paid on behalf of the related party | 9,294 | 4,291 | 2,953 | 13,904 |
| Middle East and North Africa Submarine Cable - MENA Cable | Subsidiary | Expenses paid on behalf of the related party | 643 | 352 | 777,893 | 712,246 |
| Trans World Associate (Pvt.) LTD | Subsidiary | Interest on Loans during the year | 1,083 | 420 | 54,842 | 55,837 |
| | | Payment of expense on behalf of the related party | 447 | - | | |
| Orascom Telecom Ventures | Subsidiary | Payment the amount for the purchase of Arab Finance company on behalf of the related party | - | 20,918 | (470,506) | (470,583) |
| | | Payment of expense on behalf of the related party | 284 | - | | |
| Oracap Holding | Subsidiary | Expenses paid on behalf of the related party | 15,485 | 1,736 | 388,331 | 380,715 |
| Beltone Financial Holding | Subsidiary | Payment on Behalf of the related party for purchase of investment | - | 396,000 | 389,889 | 396,000 |
| Orascom TMT investment (formerly, Weather Investment | The Parent | Expenses paid on behalf of the related party | 11,846 | - | 1,145 | 1,558 |
| Victoire investment holding | Subsidiary | Payment on Behalf of the related party for purchase of investment | 141,547 | - | 143,686 | 1,107 |
| Orascom Prisme entertainment | Subsidiary | Expenses paid on behalf of the related party | 23,305 | - | 23,305 | - |

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Notes to the Separate Financial Statements For the financial year ended 31 December, 2017

22. Financial instruments and management of associated risks

The Company's financial instruments are represented in financial assets and liabilities. The financial assets comprise; cash at banks, deposits, due from related parties and certain other debit balances. The financial liabilities comprise; due to related parties, accounts payable and certain other credit balances.

22-1 Financial Risk Management Financial Risk Factors

The company is exposed to a several financial risks (including foreign exchange risk, cash flows, fair market value risk) market risk, liquidity risk and credit risk. Specially that the company is exposed to risks from the fluctuation in foreign exchange rates and interest rates and market prices, as well as, the company's comprehensive risk management program focuses on the unpredictability of the financial markets and seeks to minimize the potential negative impact on the performance of the company.

1- Market Risk:

Foreign Exchange rate risk

The Company may be exposed to foreign exchange risk arising when its trading transactions are in currencies other than the Parent Company's main currency (the Egyptian pound) by repaying such transactions in the major currencies such as the USD, Euro and GBP.

| (In Thousand EGP) | December 31,2017 | December 31,2016 |
|-------------------|------------------|------------------|
| USD | 1,815,405 | 2,290,142 |
| Euro | 113,504 | 4,575 |
| GBP | 5,775 | - |
| CNY | 38,297 | - |

An increase or decrease of 10% of the foreign exchange rate against the Egyptian pound on December 31, 2017 may lead to an increase (decrease) the profits by 197,298 thousand EGP (229,472 EGP at December 31, 2016), in light of the stability of all other variable interest.

2- Cash Flow and Interest Rate Risks:

Interest rate risk arises on the Company through loans granted by banks at variable interest rates. The Company may be exposed to the risk of changes in interest rates which may affect the Company's ability to repay these obligations.

As shown in note (17), the balance of loans as at December 31, 2017 amounted to EGP 595,689 thousand (EGP 763,629 thousand in 2016), which are loans with variable interest rates.

An increase of 1% of interest rates may result in an increase (decrease) of profits of EGP 5,974 thousand (EGP 7,636 thousand as at December 31, 2016).

3- Credit risk

The credit risk is represented in the debtors' inability to pay their debts to the Company. Since the company is a holding company, most of the balances are due from related parties and therefore there is no possibility of the company being exposed to credit risk with respect to trade receivables.

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4- Liquidity risk

Liquidity risk represents that the company's cash in and out flows can't maintain the proper liquidity ratio for the monetary balances, but because the company have significant balance of foreign currency which give it the ability to pay all the liabilities including the interest and any other charges, and the following table analyzes the financial liabilities that are expected to be paid according to their due dates at December 31, 2017:

| (In thousand EGP) | Carrying Amount | Expected cash flow | One year or less | From 1 to 5 years |
|--|----------------------------|-------------------------------|-----------------------------|------------------------------|
| Accounts payable-Non-interest bearing | 1,102 | 1,102 | 1,102 | - |
| Current borrowing-Variable interest rate | 1,890 | 1,890 | 1,890 | - |
| Other Credit Balances-Non-interest bearing | 98,616 | 98,616 | 98,616 | - |
| Non-current borrowing-Variable interest rate | 593,799 | 593,799 | - | 593,799 |
| Due to related parties-Non-interest bearing | 477,935 | 477,935 | 477,935 | - |
| Balance at 31 December 2017 | 1,173,342 | 1,173,342 | 579,543 | 593,799 |
| <hr/> | | | | |
| (In thousand EGP) | Carrying Amount | Expected cash flow | One year or less | From 1 to 5 years |
| Accounts payable-Non-interest bearing | 265 | 265 | 265 | - |
| Current borrowing-Variable interest rate | 558,162 | 558,162 | 558,162 | - |
| Other Credit Balances-Non-interest bearing | 43,890 | 43,890 | 43,890 | - |
| Non-current borrowing-Variable interest rate | 205,467 | 205,467 | - | 205,467 |
| Due to related parties-Non-interest bearing | 733,590 | 733,590 | 733,590 | - |
| Balance at 31 December 2016 | 1,541,374 | 1,541,374 | 1,335,907 | 205,467 |

5- Other risks

Political and economic risks in the developing countries:

The company has investments in different countries, it depends on the market economies of the countries in which the subsidiaries operate. These markets are characterized by economies at different stages of development or undergoing restructuring. The operational results of the Group are therefore affected by current and future economic and political developments in these countries. The results of operations can be adversely affected by changes in political or governmental structures or weaknesses in the local economies of the countries in which they operate. These changes can also have an unfavorable impact on financial performance, performance and business opportunities.

Organizational risks in the developing countries:

According to the legal nature and tax authorities of the developing countries in which the group operates, it is possible that laws and regulations can be amended. Factors such as the current tendency to refrain from taxing the profits of these subsidiaries may include obtaining excessive tax assessments and granting subsidies to certain foreign currency transactions and practices. These factors can have an unfavorable impact on the financial activities of the group and on the ability to receive funds from subsidiaries.

The revenue generated by the majority of the company is disclosed in the local currency of the companies. the company expects to receive most of the revenue from its subsidiaries and it depends on their ability to be able to transfer funds in various countries, such as North Korea (one of the subsidiaries), where there are many restrictions in the payment of interest, dividends and loan repayments credit instruments and bonds denominated in foreign currencies through currency conversion. In addition, in some countries there might be some restrictions imposed on the company that affects its ability to transfer large amounts of foreign exchange due to the regulations of the Central Bank and the central which are likely to modify systems in the future and therefore may change the ability of company to receive funds from its subsidiaries.

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Notes to the Separate Financial Statements For the financial year ended 31 December, 2017

Company's activities in North Korea:

Due to the presence of investments of the company in North Korea, which relate to a percentage of investments 75% in the local telecommunications company (Koryolink) and where North Korea is subject to international sanctions imposed by the European Union and the United States as well as the United Nations. These sanctions entail restricting financial transactions, import and export of goods and services, including goods and services needed to operate and maintain and develop mobile phone networks. However, there is no material impact on Koryolink's operations so far. There is no guarantee that if the international sanctions imposed on North Korea are changed, it will be able to finance its operations and activities as well as its ability to transfer funds to and from the company or operate a network North Korea's mobile phone and a review of what is said, it could adversely affect investments in Korea and the company is unable to continue operating its facilities in North Korea.

In addition, North Korea's cash transfers from local currency to foreign currencies are subject to censorship by government authorities, along with North Korea's local currency is un-exchangeable abroad and accordingly limits the level of profits that can be paid from the associate of the parent company from its operations in North Korea. (Refer to note 16).

22-2 Financial Instruments Categories:

The tables below show the classification of financial assets and liabilities by category:

1- Financial assets, according to the reported statement of financial position:

| In Thousand EGP | <u>2017</u> | <u>2016</u> |
|--|------------------|------------------|
| Cash and cash equivalent | 655,870 | 2,120,690 |
| <u>Borrowings and liabilities</u> | | |
| Due from related parties | 1,399,744 | 1,183,849 |
| Time deposits | 141,103 | 10,850 |
| Other debit balances | 604,254 | 6,171 |
| Total | 2,800,971 | 3,321,560 |

2- Financial liabilities, according to the reported statement of financial position:

| In Thousand EGP | <u>Amortized Cost 2017</u> | <u>Amortized Cost 2016</u> |
|-----------------------|------------------------------------|------------------------------------|
| Accounts payable | 1,100 | 265 |
| Current borrowing | 1,890 | 558,162 |
| Non-current borrowing | 593,799 | 205,467 |
| Other Credit Balances | 99,778 | 43,890 |
| Related parties | 477,935 | 733,590 |
| Total | 1,174,502 | 1,541,374 |

Management considers that the carrying amount of both financial assets and liabilities recognized in the separate financial statements is the approximate value of their fair value.

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Notes to the Separate Financial Statements For the financial year ended 31 December, 2017

23. Contingent liabilities

| <u>Company Name</u> | <u>Guarantee</u> | <u>Maximum level for liability</u> | <u>Outstanding Liability as at 31 December 2017 (In thousand EGP)</u> | <u>Expiry date of the guarantee *</u> |
|------------------------------|--|--|---|---|
| Orascom Telecom Lebanon * | Guarantee of the Company to pay any due amount to participators in case of failure | USD 10 Million | 179.900 | December 2018 |
| Orascom Telecom Lebanon * | Guarantee of the Company to pay any due amount to participators in case of failure | USD 30 Million | 530.700 | December 2018 |

* The validity date of the letter of guarantee provided to Orascom telecom Lebanon, a subsidiary company to Orascom Telecom Ventures, was extended to 31 December, 2018.

- **Middle East and North Africa for cables (MENA for cables) –subsidiary**

There is a guarantee issued to one of the subsidiary company's customers with an amount of USD 82 million as an insurance to the Company's liability to that customer to provide the customer with contracted service.

24. Capital Commitment:

There are capital commitments represented in the remaining amounts of the capital of both O Capital for Energy and O-Capital for construction services amounting to EGP 13.125 million and EGP 189 thousand respectively, to complete the percentage from 25% to 100%.

25. Subsequent events

On 1 January, 2018 the company acquired 57% from Riza Capital shares which is located in Brazil and operates in the field of financial services, the company was acquired through OTMT Brazil a fully owned subsidiary located in Luxemburg and the consideration of the investment amounted to USD 8 million.

26. Approval of the separate financial statements

The separate financial statements of the Company for the year ended 31 December 2017 Were approved by the board of directors on 29 April 2018.

Chief Financial Officer



Chief Executive



Officer Chairman

