

**Orascom Telecom Media and
Technology Holding S.A.E.**

**Subject to the provisions of law no. 95 for year 1992
and its executive regulations**

Consolidated Financial Statements

For the Financial Year Ended on December 31, 2013

Together with the Auditor's Report



Orascom Telecom Media and Technology Holding S.A.E.

Consolidated financial statements and auditor's
report

**December 31, 2013
EGP**



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*Translation of Independent Auditor's
Report Originally Issued in Arabic*

INDEPENDENT AUDITOR'S REPORT

To: The Shareholders' of Orascom Telecom, Media and Technology Holding – S.A.E

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Orascom Telecom, Media and Technology Holding - S.A.E, which comprise the consolidated statement of financial position as of December 31, 2013 and the related consolidated statements of income, changes in equity and cash flows for the year then ended, a the summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Orascom Telecom, Media and Technology Holding - S.A.E. as of December 31, 2013, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the prevailing Egyptian laws and regulations.

Emphasis of matters

We draw attention to note (33) to the accompanying consolidated financial statements which describes in more details that the net assets of Koryolink (subsidiary) equivalent to EGP 4,455 Million of the Group's consolidated net assets amounting to EGP 7.809 Million as of December 31, 2013. Also Koryolink assets include cash balances in North Korean currency equivalent to EGP 3,353 Million and are reported within non-current financial assets in the consolidated financial statements due to the restrictions imposed on cash transfers from the local currency into foreign currency, and the exchange rates in North Korea.

We draw attention to note (20) to the accompanying consolidated financial statements which describes in more details that according to management's best estimate, and in light of the available information, there are no differences between the tax basis and accounting basis of the recognized assets and liabilities related to the Group's subsidiary in North Korea (Koryolink) that might result in the recognition of any deferred tax assets or liabilities at December 31, 2013.

Management believes that in case any additional information has developed in future periods that would give rise to such differences on the assets or liabilities recognized in the financial statements as of December 31, 2013, management would revise its estimates, and recognition of deferred taxes associated with those assets and liabilities might be required.

Our opinion on the accompanying consolidated financial statements as of December 31, 2013 is not qualified in respect to the above paragraphs.

Cairo, March 12, 2014



Kamel Magdy Saleh ACA
F.E.S.A.A. (R.A.A. 8510)
CMA Registration No "69"

**ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013**

| (In Thousand EGP) | Note | 31 December 2013 | 31 December 2012 |
|--|------|------------------|------------------|
| Assets | | | |
| <u>Non-current assets</u> | | | |
| Fixed assets (net) | 16 | 2,579,110 | 2,549,319 |
| Intangible assets (net) | 17 | 437,642 | 486,128 |
| Investments in associates | 13 | 641,807 | 781,996 |
| Other non-current financial assets | 18 | 4,792,328 | 2,855,575 |
| Other assets (net) | 22 | 44,527 | 22,981 |
| Total non-current assets | | 8,495,414 | 6,695,999 |
| <u>Current assets</u> | | | |
| Inventories | | 3,546 | 3,772 |
| Trade receivables | 21 | 459,102 | 357,422 |
| Other current financial assets | 18 | 25,008 | 30,223 |
| Other assets (net) | 22 | 86,613 | 106,532 |
| Cash and cash equivalents | 23 | 866,850 | 1,989,834 |
| Total current assets | | 1,441,119 | 2,487,783 |
| Total Assets | | 9,936,533 | 9,183,782 |
| Equity and Liabilities | | | |
| Share capital | 24 | 2,203,190 | 2,203,190 |
| Reserves | | 1,081,232 | 654,445 |
| Retained earnings | | 3,442,381 | 4,158,551 |
| Equity attributable to shareholders of the parent company | | 6,726,803 | 7,016,186 |
| Non-controlling interests | | 1,082,345 | 612,494 |
| Total equity | | 7,809,148 | 7,628,680 |
| Liabilities | | | |
| <u>Non-current liabilities</u> | | | |
| Non-current borrowings | 25 | 15,955 | 16,260 |
| Other non-current liabilities | 26 | 37,724 | 35,980 |
| Defined benefits obligations | 14 | 15,872 | - |
| Deferred tax liabilities | 20 | 90,979 | 65,524 |
| Total non-current liabilities | | 160,530 | 117,764 |
| <u>Current liabilities</u> | | | |
| Current borrowings | 25 | 44,861 | 53,292 |
| Creditors and other credit balances | 26 | 1,310,498 | 935,997 |
| Tax liabilities – income tax | | 109,871 | 117,910 |
| Provisions | 28 | 501,625 | 330,139 |
| Total current liabilities | | 1,966,855 | 1,437,338 |
| Total Liabilities | | 2,127,385 | 1,555,102 |
| Total Equity and Liabilities | | 9,936,533 | 9,183,782 |

- The accompanying notes form an integral part of these consolidated financial statements and should be read therewith.

Chief financial officer

Auditor's report 'attached'.



Chief executive officer



**ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013**

| | Note | For the Year ended 31 December 2013 | Period from inception date till 31 December 2012 |
|---|-------|---|--|
| (In Thousand EGP) | | | |
| Operating revenues | 6 | 3,036,723 | 2,166,004 |
| Other income | 7 | 48,774 | 950,487 |
| Purchases and services costs | 8 | (820,594) | (736,762) |
| Other expenses | 9, 28 | (210,059) | (356,550) |
| Personnel costs | 10 | (298,876) | (252,714) |
| Depreciation and amortization | 11 | (224,867) | (154,376) |
| Impairment in non-current assets | 12 | (563,568) | (234,145) |
| Profits from sale of associates | | - | 1,547,913 |
| Profits from disposal of subsidiaries | | - | 87,461 |
| Operating income | | 967,533 | 3,017,318 |
| Finance income | 15 | 343,765 | 1,094,751 |
| Finance cost | 15 | (36,882) | (70,252) |
| Foreign exchange (losses) gains | 15 | 81,455 | (97,024) |
| Share of losses in investments in associates | 13 | (48,579) | (96,590) |
| Profit for the year / period before income tax | | 1,307,292 | 3,848,203 |
| Income taxes | 19 | (187,826) | (178,123) |
| Profit for the year / period after income tax | | 1,119,466 | 3,670,080 |
| Attributable to: | | | |
| Shareholders of the parent company | | 723,402 | 3,429,793 |
| Non-controlling interests | | 396,064 | 240,287 |
| | | 1,119,466 | 3,670,080 |
| Earnings per share (basic) – (in EGP) | 27 | 0.14 | 0.65 |

- The accompanying notes form an integral part of these consolidated financial statements and should be read therewith.

Chief financial officer

Chief executive officer

ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

| (In Thousand EGP) | Share Capital | Legal reserve | Translation reserve for foreign subsidiaries | Other reserves | Retained earnings | Equity attributable to shareholders of the parent company | Non-controlling interest | Total equity |
|--|------------------|----------------|--|----------------|-------------------|---|--------------------------|------------------|
| Net book value of the Parent company resulted from the demerger and which was ratified by General Authority For Investment | 2,203,190 | 186,711 | - | (9,595) | 1,741,492 | 4,121,798 | - | 4,121,798 |
| Group's share in subsidiaries' and associates' reserves and combination adjustments at the demerger date | - | - | 52,817 | - | 4,742,626 | 4,795,443 | 351,031 | 5,146,474 |
| Opening consolidated shareholders' equity as at demerger date | 2,203,190 | 186,711 | 52,817 | (9,595) | 6,484,118 | 8,917,241 | 351,031 | 9,268,272 |
| Financial statements translation differences of foreign subsidiaries | - | - | 158,186 | - | - | 158,186 | - | 158,186 |
| Share of non-controlling interests in financial statements translation differences of foreign subsidiaries | - | - | - | - | - | - | 38,098 | 38,098 |
| Effect of reclassification on translation reserve | - | - | 28,941 | - | - | 28,941 | - | 28,941 |
| Share of non-controlling interests in capital increase of subsidiaries | - | - | - | - | - | - | 20,818 | 20,818 |
| Dividends to shareholders' of the Parent company | - | - | - | - | (5,507,975) | (5,507,975) | - | (5,507,975) |
| Employees' dividends | - | - | - | - | (10,000) | (10,000) | - | (10,000) |
| Transfer to legal reserve | - | 227,790 | - | 9,595 | (227,790) | - | - | - |
| Transfer to retained earnings | - | - | - | - | (9,595) | - | - | - |
| Share of non-controlling interests in subsidiaries' dividends declared by Subsidiaries | - | - | - | - | - | - | (37,740) | (37,740) |
| Net profit for the period | - | - | - | - | 3,429,793 | 3,429,793 | 240,287 | 3,670,080 |
| As at 31 December 2012 | 2,203,190 | 414,501 | 239,944 | - | 4,158,551 | 7,016,186 | 612,494 | 7,628,680 |

ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

| (In Thousand EGP) | Share capital | Legal reserve | Translation reserve for foreign subsidiaries | Other reserves | Retained earnings | Equity attributable to shareholders of the parent company | Non-controlling Interests | Total equity |
|---|------------------|----------------|--|----------------|-------------------|---|---------------------------|------------------|
| As at January 1, 2013 | 2,203,190 | 414,501 | 239,944 | - | 4,158,551 | 7,016,186 | 612,494 | 7,628,680 |
| Financial statements translation differences of foreign subsidiaries | - | - | 337,777 | - | - | 337,777 | 69,211 | 406,988 |
| Dividends to shareholders' of the Parent company | - | - | - | - | (1,352,000) | (1,352,000) | - | (1,352,000) |
| Transfer to legal reserve | - | 87,572 | - | - | (87,572) | - | - | - |
| Change in non-controlling interests due to disposal of subsidiaries | - | - | - | - | - | - | 4,576 | 4,576 |
| Group's share in other items of statement of shareholders' equity of associates | - | - | - | 1,438 | - | 1,438 | - | 1,438 |
| Net profit for the year | - | - | - | - | 723,402 | 723,402 | 396,064 | 1,119,466 |
| As at 31 December 2013 | 2,203,190 | 502,073 | 577,721 | 1,438 | 3,442,381 | 6,726,803 | 1,082,345 | 7,809,148 |

- The accompanying notes form an integral part of these consolidated financial statements and should be read therewith.

Chief financial officer

Chief executive officer

**ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013**

| (In Thousand EGP) | For the year ended 31 December 2013 | Period from inception date till 31 December 2012 |
|--|--|---|
| Profit for the year / period before tax | 1,307,292 | 3,848,203 |
| Adjustments by: | | |
| Depreciation, amortization and impairment of non-current assets | 692,387 | 388,521 |
| Profits of revaluation of financial derivatives at fair value | (333,576) | (1,061,159) |
| Finance cost | 11,893 | 14,572 |
| Finance income | (10,189) | (33,592) |
| Foreign exchange differences | (81,455) | (83,279) |
| Impairment of debit balances | 24,989 | 55,680 |
| Impairment of investments | 96,048 | - |
| Gains on sale of investments in associates | - | (1,547,913) |
| Share of losses in investments in associates | 48,579 | 96,590 |
| Change in provisions | 185,005 | 324,329 |
| Gains on disposals of subsidiaries | - | (87,461) |
| Changes in current assets reported in working capital | (35,881) | 18,514 |
| Changes in current liabilities reported in working capital | 227,079 | (113,834) |
| Cash flows generated from operating activities | 2,132,171 | 1,819,171 |
| Income taxes paid | (186,374) | (40,105) |
| Finance cost paid | (11,893) | (14,572) |
| Finance income collected | 10,189 | 33,592 |
| Net Cash flows generated from operating activities | 1,944,093 | 1,798,086 |
| Cash flows from investing activities | | |
| Cash outflows for investments in: | | |
| - Fixed assets | (307,371) | (400,759) |
| - Intangible assets | (20,141) | (80,023) |
| - Investments in associate | - | (56,073) |
| - Non-current financial assets | (1,488,492) | (884,097) |
| Proceeds from disposal of: | | |
| - Fixed assets | 1,450 | 5,224 |
| - Intangible assets | 2,158 | - |
| - Non-current financial assets | 61,086 | - |
| - Investments in subsidiaries | 1,587 | 98,076 |
| - Investments in associate | - | 6,009,135 |
| Net cash flows (used in) generated from investing activities | (1,749,723) | 4,691,483 |
| Cash flows from financing activities | | |
| Net Proceeds (Payments) from non-current borrowings | (19,388) | (6,090) |
| Dividends distribution | (1,352,000) | (5,509,021) |
| Share of non-controlling interests in dividends of subsidiaries | - | (37,740) |
| Net cash flows used in financing activities | (1,371,388) | (5,552,851) |
| Net change in cash and cash equivalent during the year / period | (1,177,018) | 936,718 |
| Effect of change in foreign exchange on cash and cash equivalent | 54,034 | 8,129 |
| Cash and cash equivalents at the beginning of the period | 1,989,834 | 1,044,987 |
| Cash and cash equivalents at the end of the year / period | 866,850 | 1,989,834 |

- The accompanying notes form an integral part of these consolidated financial statements and should be read therewith.

Chief financial officer



Chief executive officer



ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1- General information about Parent of the group

a- Legal Status

Orascom Telecom Media and Technology Holding S.A.E "the Company" is an Egyptian Joint Stock Company pursuant to the provisions of the Capital Market Law No. 95 of 1992 and its executive regulations. The Company was registered at Cairo Commercial Register on November 29, 2011 under No 394061. The Company's Head Office located at Nile City Towers, Ramlet Boulak – Cairo –Egypt. The Company's duration is 25 years starting from November 29, 2011 and the extended period from that date till December 31, 2012 is considered the first financial year.

b- Purpose of the Company

The Company's purpose is to participate in establishing the joint stock and limited liability Companies that issue securities or to increase its 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 purchase them or affiliate them pursuant to the provisions of the law and its executive regulations.

c- Brief over the incorporation of the Company

The Company was established as a result 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 investments in the Egyptian Company for Mobile Services, CHEO Technology in North Korea, Orascom Telecom Ventures SAE, as well as other investments in the media and technology sectors, 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, Media and 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- Statement of compliance

The consolidated financial statements have been prepared in accordance with the Egyptian Accounting Standards issued by the Minister of Investment's decree No. 243 of 2006 and 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.

3- Basis for preparation of consolidated financial statements

As disclosed in Note 1-c, the Company was established as a result of demerger from OTH, the new legal status represents continued economic body starting from the date on which the demerging company acquired or established the subsidiaries and associates and then ownership was transferred to the resulting demerged company.

The management of the Company considers that the substance of the demerger and establishment of the company with the objective of transferring ownership subsidiaries and associates and continuation of its activities under the umbrella of a new legal entity, is considered a common control transaction. The transferred entities pursuant to the demerger plan were under the control of same main shareholders both before and after the demerger and control is not considered temporary, and so transactions under common control is out of scope of the Egyptian Accounting Standard (29) and International Accounting Standard (IFRS 3).

In the absence of a specific guidance in Egyptian Accounting Standards, EAS 5 requires management to select and apply an appropriate accounting policy. Management used its judgement in developing and applying an accounting policy to account for its investments in subsidiaries and associates transferred as part of the demerger as follow:

Although the legal acquisition of subsidiaries was through transfer of shares of equity ownership certificates in application of the demerge decision which was taken in December 2011, the net assets of the company were consolidated through the spin off process as a continuing economic entity under the company's control from the actual date on which the demerger company has acquired the subsidiaries or incorporated them and so the statement of changes in equity includes the retained earnings of these entities during the period from controlling or incorporating these companies by the demerger company.

A) Basis of measurement

The consolidated financial statements are prepared on the historical cost convention, except for financial derivatives that are measured at fair value, and financial instruments at fair value through profit or loss. The historical cost depends mainly on the fair value of the consideration transferred to obtain assets.

B) Presentation currency

These consolidated financial statements are presented in Egyptian pounds, which is the Company's functional currency. All financial information presented in Egyptian pounds has been rounded to the nearest thousand except for earnings per share for the year / period, unless otherwise stated in the consolidated financial statements or notes.

C) Critical accounting judgments and key sources of uncertainty estimates

Preparation of the consolidated financial statements and application of the Group's accounting policies referred to in note (4) below, according to the Egyptian accounting standards, requires management to make judgments, estimates and assumptions about the presentation of these statements and about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

Those estimates and associated assumptions are based on management historical experience and other factors that are considered relevant under current circumstances and conditions in which carrying amounts of assets and liabilities are determined. Actual results may differ from these estimates significantly if surrounding conditions and factors changed. 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 items on which estimates and personal judgements are used:

• **Review the main conditions of contractual agreements**

The management reviews its assumptions and judgements including those used to conclude on the extent of the Group's ability to control, jointly control, or exercise significant influence on its investees whenever a significant event or amendment to the conditions prevailing in its contractual agreements.

• **Valuation of financial assets**

For some financial instruments that are not traded in an active market and included in the financial statements such as financial derivatives, Management estimated its fair value using valuation techniques based on inputs and assumptions, some linked to quoted market prices and other non-linked to market prices but depend on management's estimates. Management used acceptable option valuation models during the period in estimating the fair value of these financial instruments.

• **Impairment of non-current assets excluding goodwill**

Non-current assets are reviewed to determine whether there are any indications that the net carrying amount of these assets may not be recoverable and that they have suffered an impairment loss that needs to be recognized. In order to determine whether any such elements exist it is necessary to make subjective measurements, based on information obtained within the Group and in the market considering the past experience.

When indicators exist that an asset may have become impaired, the Group estimates the impairment loss using suitable valuation techniques. The identification of elements indicating that a potential impairment exists and estimates of the amount of the impairment, depend on factors that may vary in time, affecting management's assessments and estimates.

- **Estimating the useful lives for fixed assets and depreciation method**

Management reviews the estimated useful lives of fixed 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 are adjusted accordingly.

- **Recognition and measurement of current and deferred tax assets and liabilities**

Current and deferred income taxes are determined by each group entities' in accordance with the applicable tax laws to each country in which the Group entities domiciled.

The income tax whether current or deferred is determined by each company of the Group as required by tax law of each country the Group's companies work in.

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 tax inspections. And when a difference arising between the final tax assessment and what have been recorded, such difference is recorded as income tax expense and current tax liability in the current period and is considered as a change in accounting estimates.

For recording deferred tax assets, Management uses assumptions about the availability of sufficient taxable profits allowing use of recognized tax assets in the future.

Management also uses assumptions related to the determination of the applicable tax rates at the financial statements date, at which deferred tax assets and liabilities are expected to be settled in the future.

- **Goodwill**

The impairment test on goodwill is carried out by comparing the carrying amount of cash-generating units and their recoverable amounts. The recoverable amount of a cash-generating unit is the higher of fair value, less costs to sell, and its value in use. This complex valuation process entails the use of methods such as the discounted cash flow method which uses assumptions to estimate future cash flows. The recoverable amount depends significantly on the discount rate used in the discounted cash flow model as well as the expected future cash flows and the growth rate used for the extrapolation.

- **Provisions and contingent liabilities**

Management assess events and circumstances that might led to a commitment on the company's side resulting from performing its normal economic activities, management uses estimates and assumptions to assess whether the provision's recognition conditions have been met at the financial statement date, and analyze information to assess whether past events led to current liability against the company and estimates 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.

4- Significant accounting policies

a. Basis of preparing the consolidated financial statements

The consolidated financial statements of the Group incorporate the financial statements of the Company (Parent) and entities controlled by the company (its Subsidiaries) as of the balance sheet date. Control is achieved where the Group has the power to govern the financial and operating policies of an investee so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

When the Group lose control, or joint control over a subsidiary or a project jointly controlled, while retains a significant influence over it. Then the remaining investment should be recognized as investment in associate and measured at fair value on the date of losing control or joint control. The remaining investment fair value on the date of losing control or joint control represents the cost of investment in associate at initial recognition.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and their share of changes in equity since the date of the combination. Losses applicable to owners of the non-controlling interests in excess of their interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that owners of the non-controlling interests have a binding obligation and are able to make an additional investment to cover the losses.

b. Business combination

Acquisitions of subsidiaries and businesses are accounted for using the purchase method unless the transaction does not constitute an acquisition in form or substance. Application of the purchase method involves the following steps:

- Identifying an acquirer,
- Measuring the cost of the business combination; and
- Allocating, at the acquisition date, the cost of the combination to the assets acquired and liabilities and contingent liabilities assumed.

The cost of the business combination is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

The acquirer recognizes the acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under EAS 29 "Business Combination" at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with EAS 32 "Non-

ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

current Assets Held for Sale and Discontinued Operations", that are recognized and measured at fair value less costs to sell.

Goodwill arising on acquisition date is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

For common control transactions in step acquisitions in which all of the combining entities or businesses ultimately are controlled by the same party or parties both before and after the combination, and that control is not transitory, the Group recognizes the difference between purchase consideration and the fair value of the acquired entities or businesses net assets as an adjustment to the reserve for transactions under common control in equity. This policy is also applied in case of the groups' full or partial acquisition of shares held by the non-controlling interests in a subsidiary or the partial disposition of the Group's interest in a subsidiary while retaining control over that subsidiary.

In this case, fair value for those transactions is determined based on the fair value of net assets, liabilities and contingent liabilities previously recognized by the acquirer at the date on which initial control was obtained, taking into consideration changes in equity components that have occurred during the period from the date of initial control till the date on which the controlling stake has increased.

Since entities or businesses under common control are scoped out of EAS (29) and IFRS (3) Business management applied the requirements of EAS (5) and IAS (8), which allows it to set and implement an appropriate accounting policy that results in relevant information to the needs of the financial statements users and reliable to the economic decisions making, when no standard or interpretation is available to specifically address certain transaction, event or other circumstances.

The non-controlling interest in an acquiree is initially measured at the non-controlling interest proportionate share in the fair value of the assets, liabilities and contingent liabilities recognized.

When a business combination agreement allows for adjustments to the cost of the combination that are contingent on one or more future events. The Group usually estimates the amount of any such adjustment at the time of initially accounting for the combination, even though some uncertainty exists. If the future events do not occur or the estimate needs to be revised, the cost of the business combination is adjusted accordingly.

A business combination agreement may provide for an adjustment to the cost of the combination contingent on future events, the Group includes the amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

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However, when a business combination agreement provides for such an adjustment, that adjustment is not included in the cost of the combination at the time of initially accounting for the combination if it either is not probable or cannot be measured reliably. If that adjustment subsequently becomes probable and can be measured reliably, the additional consideration shall be treated as an adjustment to the cost of the combination.

Orascom Telecom Media and Technology Holding currently holds the following direct and indirect interests in its subsidiaries:

| Entity name | Segment | Country | Direct and indirect interest in entity |
|---|----------------------|------------------------|---|
| Middle East and North Africa for Sea Cables – MENA cables | Marine Cables | Egypt | 100% |
| Orascom Telecom Ventures | Media and Technology | Egypt | 99.99% |
| Orabank NK Ltd | Media and Technology | North Korea | 95% |
| CHEO Technology JV Company | GSM | North Korea | 75% |
| Trans World Associates (Pvt) Ltd | Cable | Pakistan | 51% |
| ARPU for Telecommunication Services S.A.E. | Media and Technology | Egypt | 100% |
| Link Dot Net S.A.E | Media and Technology | Egypt | 100% |
| Connect Ads | Media and Technology | Egypt | 100% |
| Egypt for programming | Media and Technology | Egypt | 51% |
| Intonet | Media and Technology | Egypt | 51% |
| LinkDotNet KSA | Media and Technology | Saudi Arabia | 100% |
| LinkDotNet | Media and Technology | United Arab Emirates | 100% |
| Link Online S.A.E. | Media and Technology | Egypt | 100% |
| Arab Finance Securities | Brokerage | Egypt | 100% |
| Link Development S.A.E. | Media and Technology | Egypt | 99.8% |
| Link for Domain Registration S.A.E. | Media and Technology | Egypt | 100% |
| Mobi Zone Tunisia | Media and Technology | Tunisia | 99% |
| Mobi Zone Italy | Media and Technology | Italy | 100% |
| Mobi Zone Bangladesh | Media and Technology | Bangladesh | 100% |
| Mobi Zone FZ LLC | Media and Technology | UAE | 100% |
| Mobi Zone Saudi Arabia | Media and Technology | Saudi Arabia | 100% |
| Mobi Zone Pakistan (Pvt) Ltd | Media and Technology | Pakistan | 60% |
| Mobi Zone Canada Inc | Media and Technology | Canada | 100% |
| Global Telecom S.A.E. | Media and Technology | Egypt | 95.8% |
| Rosten Investments Ltd | Media and Technology | Morocco | 100% |
| Egypt Call Communications S.A. | Media and Technology | Egypt | 99.98% |
| Palestine Call | Media and Technology | Palestine | 99.5% |
| Arab Call Group Ltd | Media and Technology | British Virgin Islands | 100% |
| Call Pak Pakistan | Media and Technology | Pakistan | 100% |
| Oracap Holding Co. (Free zone) | Media and Technology | Egypt | 99.96% |
| Oracap Far East Limited | Media and Technology | Malta | 100% |
| Orascom Telecom Lebanon S.A.L | Management services | Lebanon | 99.8% |
| Orascom Telecom for Mobile Infrastructure | Stations maintenance | Egypt | 99.2% |
| Genart Medya | Media and Technology | Turkey | 51% |

c. Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Investments classified as held for sale, are accounted for in accordance with EAS 32 Non-current Assets Held for Sale and Discontinued Operations, where they are stated at the lower of their carrying amount or fair value less costs to sell.

Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

On acquisition of the investment, any difference between the cost of the investment and the investor's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is accounted for in accordance with EAS 29 Business Combination, Therefore:

1. Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.
2. Any excess of the group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is excluded from the carrying amount of the investment and is instead recognized immediately in profit or loss in the determination of the group's share of the associate's profit or loss in the period in which the investment was acquired.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred, in which case appropriate provision is made for impairment for that asset.

The following table provides a list of the Group's associates:

| | <u>Direct</u> | <u>Indirect</u> | <u>Total</u> |
|--------------------------------------|---------------|------------------|--------------|
| | | <u>Ownership</u> | |
| Egyptian company for mobile services | 5% | - | 5% |
| MT telecom SCRL | 28.75% | - | 28.75% |

d. **Goodwill**

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. This applies as well on investments in associates, where goodwill is included within the carrying amount of the investment.

The Group's policy for goodwill arising on the acquisition of an associate is described above at "Investments in associates".

e. **Financial instruments**

Financial assets

Investments are recognized and derecognized on the "trade date" where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for 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: financial assets at fair value through profit or loss- financial derivatives, cash at banks, due from related parties, available for sale investments, accounts receivable, 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.

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 or 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 to the carrying amount of the asset on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than financial assets designated as at FVTPL where income is included in net change in its fair value.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL where the financial asset is either held for trading or designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future;
- It is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement mismatch for assets and liabilities or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a Group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the Group is provided internally on that basis.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss.

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 the profit or loss. In case there is objective evidence that an impairment loss has been incurred on AFS investments at the date of the financial statements, the cumulative loss that had been previously recognized 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 AFS, for which no quoted market price is available in an active market and whose fair value cannot be measured reliably are stated at cost.

Financial derivatives

When needed, the Group companies 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 or 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.

Receivables, debtors and due from related parties

Receivables, debtors and due from related parties are initially recognized at fair values and subsequently presented net of any impairment formed for these balances. An impairment is recognized when there are objective evidences that the Company will not collect part or all of the receivable balances according to the original conditions of contract with the client. The impairment represents the difference between the carrying and the recoverable amounts expressed by expected discounted cash flows.

Cash and cash equivalent

Cash and cash equivalent is represented in cash on hand, balances at banks, short-term demand deposits that are readily convertible to known amounts of cash.

Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

Financial instruments are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangement at the date of issuance of these instruments.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the net assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of transaction costs.

Financial liabilities

The group has classified its financial liabilities as trade payables, due to related parties borrowings and other credit balances, which are initially measured at fair value (proceeds received), net of transaction costs and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash

payments through the expected life of the financial liability, or, where appropriate, a shorter period.

f. **Derecognition of financial instruments**

The Group 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.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

g. **Impairment of financial assets**

The group determines at the end of each reporting period whether its financial assets, other than those at FVTPL, are subject to indicators of impairment.

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.

As for the shares listed and unlisted in the stock exchange and which are classified as available for sale investments, the permanent decrease in the fair value of the share represents an objective evidence on impairment in its value.

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. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

If impairment losses have been recognized for financial assets carried at amortized cost, and 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 asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

h. Fixed assets and depreciation

All items of fixed assets are reported in the balance sheet at historical cost, less any accumulated depreciation and impairment losses. Cost of an item of fixed assets includes expenditures that are directly attributable to the acquisition of the item.

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 entity 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 have been incurred.

The gain or loss arising on the disposal or retirement of an item of fixed assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Depreciation of the depreciable assets is based on the straight line method and is charged to income statement over the useful life of each group of assets.

The following are estimated useful lives for fixed assets that are used to calculate depreciation:

| <u>Asset</u> | <u>Years</u> |
|------------------------|--------------|
| Buildings | 50 Years |
| Cellular equipments | 8 – 18 Years |
| Machines | 5 – 10 Years |
| Computer equipments | 3 – 5 Years |
| Furniture and fixtures | 5 – 10 Years |
| Vehicles | 3 – 6 Years |
| Leasehold improvements | 3 – 8 Years |

i. Projects under Construction

Projects under construction are carried at cost, less accumulated impairment, if any. Costs include all costs associated with the acquisition of the asset and bringing it to be ready for its intended use. Projects under construction are transferred to fixed assets when they become ready for their intended use.

j. Intangible assets

Non-monetary assets that don't have physical substance, but can be identified separately, acquired for operating purpose, and expected to generate future economic benefits is treated as intangible assets. Intangible assets (excluding goodwill) include; computer systems, telecom network licenses, right of use, and trademarks. Intangible assets are measured at cost, which represents the cash price at the initial recognition. In case of deferral of payments for periods exceed the normal credit terms, difference between cash price and total amount is recognized as interest. Intangible assets are carried at cost net of amortization and impairment losses, subsequent expenditures on intangible assets are capitalized over the carrying amount of the asset, when and only when, these expenditures increase the future economic benefits of the asset or assets, while other expenditures are charged to income statement.

Intangible assets are amortized on a straight line basis over their useful lives, unless the useful lives of intangible assets are not identified, an impairment test is performed annually.

k. Impairment of tangible and intangible assets excluding goodwill

On annual basis, the Group reviews the carrying amounts of its tangible and intangible assets 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 . Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and those not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset 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 (or cash-generating unit) is reduced to its recoverable amount.

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

l. Non-current assets held for sale (or disposal groups)

A non-current asset Classified (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use .For this to be the case the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable. Management must be committed to a plan to sell the asset (or disposal group) In addition; the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, unless delay results from external events beyond control of the group and that sufficient evidences exist that the group is committed to a sale plan.

Non-current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell.

m. Inventory

Inventories are stated at the lower of cost and net realizable value. Costs are being determined using the weighted average method to price goods sold. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

n. Foreign currencies translation

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

For the purpose of preparing the consolidated financial statements, the results and financial position of each group entity are expressed in Egyptian pound; which is the functional currency of the Group and the presentation currency for the consolidated financial statements.

In preparing the separate financial statements of the individual entities, transactions in currencies other than Egyptian pounds are recorded at the rates of exchange prevailing at the dates of the transactions.

At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated to the Egyptian pound at the rates prevailing at the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are retranslated 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 retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise, except for exchange differences arising on non-monetary assets and liabilities carried at fair value, where translation differences are recognized as part of changes in fair value.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign and local subsidiaries whose reporting currencies are different from the presentation currency of the Group (EGP), are expressed in Egyptian Pound using exchange rates prevailing at the balance sheet date, equity items are expressed in Egyptian Pound using the historical exchange rates at the date of acquisition or incorporation. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and recognized in the Group's foreign currency translation reserve.

o. Taxation

A provision for probable tax claims is generally recognized based on management comprehensive study of prior years' tax assessments and disputes.

An estimated income tax expense is recognized in profit or loss in each reporting period, while actual income tax expense is recognized in profit or loss at year-end.

Deferred tax assets and liabilities are recognized on the temporary differences between the assets and liabilities tax basis set by the Egyptian Tax Law and its executive regulations, and their reported amounts per the accounting principles used in the preparation of the financial statements.

Current tax payable is calculated based upon taxable profit of the year as determined in accordance with applicable local laws and regulations using tax rates enacted on the balance sheet date. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on tax rates and tax laws prevailing at the balance sheet date.

Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax liabilities are generally recognized for all taxable temporary differences while deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Deferred tax assets and liabilities are accounted for using the balance sheet method and are reported in the balance sheet as non-current assets and liabilities.

p. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of past events and that it is probable that an outflow of economic resources will be required to settle the obligation, the costs 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 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 in the profit or loss as finance costs.

q. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at banks, demand deposits and short-term, highly liquid investments, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value of and with a maturity date of three months or less from the acquisition date

r. Revenue recognition

Revenues are measured at fair value of the consideration received or due to the Group till the end of the financial period.

Revenue is recognized when the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognized by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- a) the amount of revenue can be measured reliably; and
- b) it is probable that the economic benefits associated with the transaction will flow to the entity; and

- c) the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

1- Technical support revenue

- Technical support fees are recognized in the profit or loss over the term on which the services are rendered and based on the contracts with subsidiaries and associates according to the accrual basis.

- the Group has chosen not to eliminate any revenues related to technical support services resulted from its agreements with the associate company in the consolidated financial statements, where Egyptian Accounting Standards don't require performing such elimination, taking into consideration that net profits of the Group will not be affected, had the Parent company eliminated these revenues which were recognized against technical support expenses recognized by the associate company when calculating the Group's share in profits and losses of associate companies.

2- Revenues from operating mobile telecommunication networks

Revenue is recognized when service is rendered to clients based on the actual usage of the network from the following activities:

- Revenue related to prepaid cards is recognized based on actual minutes usage. The unused portion of balance is recognized as deferred income and reported in liabilities at financial statements date.

- Monthly subscriptions are recognized using the straight line method over the contract period and conditions.

- Revenue from services related to mobile networks connections are recognized when service is rendered.

3- Revenues of telecom services

Revenues of telecom services comprise of:

- Revenues from selling goods

Revenue is recognized when all risks and rewards related to ownership are transferred to the client.

- Value added services

Revenue is recognized when service is rendered or utilized by the client.

4- Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable until maturity.

5- Dividends income

Dividends income from equity investments other than associates is recognized in the profit and loss when the Group's rights to receive payment have been established; the cost of the investment is reduced by the dividends related to the pre-acquisition period which represents recovery of the acquisition cost.

s. **Employees' benefits**

Short-term employees' benefits

Salaries, wages, paid vacations, sick leave, bonus and other non-cash benefits in favor of employees' services for the Group, are recognized on an accrual basis in the same period these services have been rendered.

Defined benefits obligations

Defined benefits obligations are presented in the consolidated balance sheet as non-current liabilities "employees' benefits obligations" to cover all such liabilities. The defined benefits obligation is assessed regularly by independent actuary using the projected credit unit method. This valuation technique incorporates assumptions about demographics variables, staff turnover, salary growth rate and discount and inflation rates. When these plans are financed from external funds classified as plan assets, the fair value of these funds is deducted from the defined benefit obligations.

Past service cost is recognized immediately to the extent that the benefits have already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested. Annual cost of employees' defined benefits are reported in personnel costs.

t. **Dividends distribution**

Dividends declared to the shareholders of the Parent company, non-controlling interests in subsidiaries, board of directors' remunerations, and employees' share of profits are recognized as a liability in the financial statements in the period in which these dividends have been approved by each Group company's shareholders.

u. **Borrowing costs**

Borrowing costs are recognized immediately in the profit and loss, except for borrowing costs directly attributable to the acquisition, or construction of qualifying assets, which are added to the cost of those assets until such assets are substantially ready for their intended use.

v. **Earnings per share**

Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

w. **Operating segments**

An operating segment is a unique component of the group that engages in providing special goods or services or a group of interrelated goods or services which are subject to risks and rewards differ from those, which other operating segments are exposed to (Operating segment).

A geographical segment is a unique component of the group that engages in providing goods or services in a specific economic environment which are subject to risks and rewards differ from those, which other geographical segments are exposed to (geographical segment).

The main form of the segment reporting is dependent on operating segments.

x. **Estimation of fair value**

Applying the accounting policies stated in Note (4) requires from management to use estimates and assumptions in determining the carrying amount of assets and liabilities that are not readily apparent from other sources.

The fair value of financial instruments quoted in an active market depends on observable market prices at the date of the financial statements, while the fair value of non-quoted financial instruments is determined using valuation techniques based on market conditions available at the financial statements date.

y. **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.

z. **Employees' profit share**

Each company of the Group which operates in Egypt is obliged to pay 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 financial statements date (Retained earnings).

aa. **Statement of cash flows**

The statement of cash flows has been prepared using the indirect method.

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5- Segment reporting

| (In thousand EGP) | GSM | Management Fees | Media & Technology | Cables | Other | Total |
|--|------------------|-----------------|--------------------|----------------|----------------|------------------|
| For the Year ended December 31, 2013 | | | | | | |
| Operating revenues | 2,135,807 | 136,618 | 615,641 | 160,978 | 95,045 | 3,144,089 |
| (Deducted) intercompany revenues | - | - | (21,934) | - | (85,432) | (107,366) |
| Operating revenues from parties outside the group | 2,135,807 | 136,618 | 593,707 | 160,978 | 9,613 | 3,036,723 |
| EBITDA | 1,726,247 | 99,834 | (41,591) | 24,021 | (52,543) | 1,755,968 |
| Unallocated items | | | | | | |
| Depreciation and amortization | | | | | | (224,867) |
| Impairment | | | | | | (563,568) |
| Finance income | | | | | | 343,765 |
| Finance costs | | | | | | (36,882) |
| Foreign exchange gains | | | | | | 81,455 |
| Share of loss of associates | | | | | | (48,579) |
| Profit for the year before income tax | | | | | | 1,307,292 |
| Period from inception date till December 31, 2012 | | | | | | |
| Operating revenues | 1,393,766 | - | 420,754 | 120,154 | 254,392 | 2,189,066 |
| (Deducted) intercompany revenues | - | - | - | - | (23,062) | (23,062) |
| Operating revenues from parties outside the group | 1,393,766 | - | 420,754 | 120,154 | 231,330 | 2,166,004 |
| EBITDA | 1,063,689 | - | (38,296) | (2,287) | 747,359 | 1,770,465 |
| Depreciation and amortization | | | | | | (154,376) |
| Finance costs | (6,127) | (723) | 4,153 | (67,248) | (6,127) | (70,252) |
| Unallocated items | | | | | | |
| Impairment | | | | | | (234,145) |
| Profits on sale of investments in associates | | | | | | 1,547,913 |
| Finance costs | | | | | | 87,461 |
| Finance income | | | | | | 1,094,751 |
| Foreign exchange losses | | | | | | (97,024) |
| Share of losses in investment in associates | | | | | | (96,590) |
| Profit for the period before income tax | | | | | | 3,848,203 |
| Assets | | | | | | |
| (In thousand EGP) | | GSM | Media & Technology | Cables | Other | Total |
| For the Year ended December 31, 2013 | | | | | | |
| Property and equipment | | 1,194,349 | 75,158 | 1,266,055 | 43,548 | 2,579,110 |
| Intangible assets | | 395,539 | 31,897 | 9,071 | 1,135 | 437,642 |
| Period from inception date till December 31, 2012 | | | | | | |
| Property and equipment | | 811,231 | 81,127 | 1,612,321 | 44,640 | 2,549,319 |
| Intangible assets | | 439,789 | 38,260 | 8,079 | - | 486,128 |

Unallocated items are represented in the revenues and costs related to the activities provided centrally from headquarter to subsidiaries, and these activities also include functions of employees with extensive responsibilities within the Group, such as internal audit, financial consultation, legal services, communications and investor relations.

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6- Operating revenues

| (In Thousand EGP) | For the Year ended December 31, 2013 | Period from inception date till December 31, 2012 |
|--------------------------------|---|---|
| Telephony Services | 2,146,576 | 1,481,901 |
| Interconnection traffic tariff | 409,551 | 195,774 |
| Content downloads | 260,388 | 184,636 |
| Management Fees | 146,231 | 231,331 |
| Other services | 73,977 | 72,362 |
| Total | 3,036,723 | 2,166,004 |

7- Other Income

| (In Thousand EGP) | For the Year ended December 31, 2013 | Period from inception date till December 31, 2012 |
|--|---|---|
| Compensation of transfer of general services agreement * | - | 912,638 |
| Others | 48,774 | 37,849 |
| Total | 48,774 | 950,487 |

*Other income, in the comparative period, comprise of EGP 912,638 thousand represents the compensation of transfer of general management services agreement between the Egyptian Company for Mobile Services S.A.E from Orascom Telecom, Media and Technology Holding S.A.E to France Telecom, which pursuant to, France Telecom exercised its right to transfer general services agreement, in which, the company used to provide management services to ECMS.

8- Purchases and services

| (In Thousand EGP) | For the Year ended December 31, 2013 | Period from inception date till December 31, 2012 |
|--|---|---|
| Telecommunications cost | 228,045 | 174,356 |
| Customer acquisition and retention costs | 89,050 | 68,350 |
| Maintenance costs | 52,862 | 32,208 |
| Utilities and energy | 17,882 | 10,412 |
| Advertising and promotional services | 12,438 | 16,445 |
| Miscellaneous lease contracts costs | 49,087 | 124,000 |
| Consulting and professional services | 58,889 | 111,644 |
| Purchases of goods, materials cost and consumables | 216,905 | 132,089 |
| Insurance expenses | 3,789 | 10,610 |
| Other services cost | 86,123 | 52,979 |
| Interconnection traffic | 5,524 | 3,669 |
| Total | 820,594 | 736,762 |

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9- Other expenses

| (In Thousand EGP) | For the Year ended December 31, 2013 | Period from inception date till December 31, 2012 |
|--------------------------|---|---|
| Impairment | 15,464 | 21,487 |
| Provisions * | 192,068 | 302,325 |
| Promotions and gifts | 1,327 | 1,158 |
| Other operating expenses | 1,200 | 31,580 |
| Total | 210,059 | 356,550 |

* Refer to note no. (28)

10- Personnel costs

| (In Thousand EGP) | For the Year ended December 31, 2013 | Period from inception date till December 31, 2012 |
|-----------------------------|---|---|
| Wages and salaries | 186,646 | 180,610 |
| Social security | 37,232 | 26,864 |
| Employees' Defined benefits | 15,872 | - |
| Personnel costs - others | 59,126 | 45,240 |
| Total | 298,876 | 252,714 |

11- Depreciation and amortisation

| (In Thousand EGP) | For the Year ended December 31, 2013 | Period from inception date till December 31, 2012 |
|--|---|---|
| Depreciation of fixed assets | | |
| Buildings | 2,807 | 2,476 |
| Cellular equipment | 158,335 | 120,442 |
| Computers, installations, and office equipment | 13,088 | - |
| Cables equipment | 27,320 | 11,463 |
| Amortization of intangible assets | | |
| Licenses | 21,338 | 19,874 |
| Other | 1,979 | 121 |
| Total | 224,867 | 154,376 |

12- Impairment losses in non-current assets

Impairment losses are represented in the reduction of projects under constructions of Middle East and North Africa for Sea Cables – MENA Cables amounted to EGP 470,520 thousand based on the study prepared by the company which indicates that the recoverable amount is less than carrying amount of the projects under constructions as at December 31, 2013. In addition to the impairment of the group's investment in associates related to the Egyptian Company for Mobile Services amounted to EGP 93,048 thousand based on the study performed by the company to estimate the recoverable amount of the investment.

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13- Investment in associates

| (In Thousand EGP) | Country | % | December 31, 2013 | December 31, 2012 |
|--------------------------------------|---------|-------|-------------------|-------------------|
| MT Telecom SCRL | Belgium | 28.75 | 56,073 | 56,073 |
| Egyptian Company For Mobile Services | Egypt | 5 | 678,782 | 725,923 |
| | | | 734,855 | 781,996 |
| Deduct: impairment (note 12) | | | (93,048) | - |
| | | | 641,807 | 781,996 |

The following table includes the detailed movement on the investments:

| (In Thousand EGP) | December 31, 2013 | December 31, 2012 |
|--|-------------------|-------------------|
| Opening balance / Demerger date | 781,996 | 878,586 |
| Group's share of losses in investments in associates | (48,579) | (96,590) |
| Group's share of reserves of associates | 1,483 | - |
| Deduct: impairment (note 12) | (93,048) | - |
| Ending balance | 641,807 | 781,996 |

14- Defined benefits obligation

| (In Thousand EGP) | December 31, 2013 |
|-------------------------------|-------------------|
| Defined benefits obligation * | 15,872 |
| | 15,872 |

* During the current year the group has introduced defined benefits scheme represented in an end of service plan, According to this plan the group will pay retirement benefits based on the last basic annual salary at retirement or at end of service. During 2013 the group has appointed an independent actuarial to determine the net present value of the liability as at December 31, 2013. The present value of the past service costs is recognized as expenses in the income statement of the current year.

The following amounts were recognized in the balance sheet related to the defined benefits obligation:

| | December 31, 2013 |
|---|-------------------|
| Present value of unfunded liability | 15,872 |
| Fair value of assets | - |
| Total deficit in employees benefits obligation | 15,872 |

The following amounts of defined benefits obligation were recognized in income statement:

| | December 31, 2013 |
|-------------------------------------|-------------------|
| Past service cost | 12,816 |
| Current service cost | 3,056 |
| Interest on liability | - |
| Employees' benefits expenses | 15,872 |

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The following table presents the change in fair value of the defined benefits obligation:

| | December 31, 2013 |
|---|--------------------------|
| Opening balance of defined benefits obligation | |
| Past service cost | 12,816 |
| Current service cost | 3,056 |
| Interest on liability | |
| Benefits paid by the company | |
| Ending balance of defined benefits obligations | 15,872 |

The actuarial assumptions as at balance sheet date are as follows:

| | December 31, 2013 |
|---------------|--------------------------|
| Discount rate | 13.5% |

15- Net finance income (finance cost)

(In Thousand EGP)

| | For the Year ended December 31, 2013 | Period from inception date till December 31, 2012 |
|---|---|--|
| Finance income from: | | |
| Credit interest | 10,189 | 31,319 |
| Other finance income | | 2,273 |
| Change on fair value of financial derivatives | 333,576 | 1,061,159 |
| Finance income | 343,765 | 1,094,751 |
| Finance cost from: | | |
| Debit interest | (9,339) | (9,023) |
| Other finance costs | (2,554) | (5,549) |
| Impairment of other financial assets | (24,989) | (55,680) |
| Finance costs | (36,882) | (70,252) |
| Currency forward deals | | (167,013) |
| Foreign exchange gains | 81,455 | 69,989 |
| Total gains (losses) on foreign exchange | 81,455 | (97,024) |
| Net finance costs | 388,338 | 927,475 |

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16- Fixed assets (net)

| (In Thousand EGP) | Land and Buildings | Cellular equipment | Cables equipment | Computers, installations and other equipment | Projects under construction | Total |
|--|--------------------|--------------------|------------------|--|-----------------------------|------------------|
| Cost as at January 1, 2013 | 84,858 | 1,139,619 | 188,381 | 83,319 | 1,718,702 | 3,214,877 |
| Additions | 1,470 | 341,055 | 6,231 | 33,243 | 102,270 | 484,269 |
| Change in consolidation scope of subsidiaries and joint ventures | 7 | - | - | 569 | - | 576 |
| Disposals | - | (453) | - | (1,677) | (553) | (2,683) |
| Currency translation differences | 3,698 | 108,382 | 12,813 | 6,964 | 143,958 | 275,815 |
| Reclassifications | 171 | (100,228) | - | 108,691 | (8,634) | - |
| Cost as of December 31, 2013 | 90,204 | 1,488,374 | 207,425 | 231,110 | 1,955,741 | 3,972,854 |
| Accumulated depreciation and impairment as at January 1, 2013 | 6,215 | 323,230 | 37,791 | 52,226 | 246,098 | 665,559 |
| Depreciation | 2,807 | 158,335 | 13,088 | 27,320 | - | 201,550 |
| Change in consolidation scope of subsidiaries and joint ventures | - | - | - | 86 | - | 86 |
| Disposals | - | (255) | - | (978) | - | (1,233) |
| Impairment | - | - | - | 10 | 464,710 | 464,720 |
| Currency translation differences | 451 | 31,775 | 2,309 | 3,378 | 25,149 | 63,062 |
| Reclassifications | 153 | (21,636) | - | 21,483 | - | - |
| Accumulated depreciation and impairment as at December 31, 2013 | 9,627 | 491,449 | 53,189 | 103,522 | 735,957 | 1,393,744 |
| Net book value as at December 31, 2013 | 80,577 | 996,925 | 154,236 | 127,588 | 1,219,784 | 2,579,110 |
| Net book value as at December 31, 2012 | 78,642 | 816,388 | 150,589 | 31,097 | 1,472,602 | 2,549,319 |

17- Intangible assets (net)

| (In Thousand EGP) | Operating licenses | Goodwill * | Others | Total |
|--|--------------------|---------------|---------------|----------------|
| Cost as at January 1, 2013 | 463,386 | 42,929 | 65,650 | 571,965 |
| Additions | 4,950 | - | 15,191 | 20,141 |
| Change in consolidation scope of subsidiaries and joint ventures | (638) | 2,496 | (6,849) | (4,992) |
| Disposals | (1,174) | - | (56,834) | (58,008) |
| Currency translation differences | 16,657 | - | 3,989 | 20,646 |
| Cost as at December 31, 2013 | 483,182 | 45,424 | 21,147 | 549,753 |
| Accumulated amortization and impairment as at January 1, 2013 | 67,668 | 15,706 | 2,463 | 85,837 |
| Charge for the year | 21,338 | - | 1,979 | 23,317 |
| Change in scope of consolidation of subsidiaries and joint ventures | (638) | - | (1,787) | (2,425) |
| Impairment loss | - | 2,800 | - | 2,800 |
| Currency translation differences | 2,552 | - | 30 | 2,582 |
| Balance as at December 31, 2013 | 90,920 | 18,506 | 2,685 | 112,111 |
| Net book value as of December 31, 2013 | 392,263 | 26,918 | 18,462 | 437,642 |
| Net book value as of December 31, 2012 | 395,721 | 27,223 | 63,185 | 486,128 |

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* The balance of intangible assets includes goodwill resulted from the Group acquisitions in prior periods in addition to the goodwill resulted from the group acquisition of Genart Medya company during the year by an amount of EGP 2,496 thousand as follows:

| (In Thousand EGP) | December 31, 2013 | December 31, 2012 |
|---|-------------------|-------------------|
| Orascom Telecom Ventures | 8,098 | 8,098 |
| Trans World Associates | 5,011 | 5,011 |
| Companies of Orascom Telecom Venture - subsidiary | 32,315 | 29,819 |
| Total Goodwill | 45,424 | 42,928 |

18- Other financial assets

(In Thousand EGP)

| | December 31, 2013 | | | December 31, 2012 | | |
|--|-------------------|---------------|------------------|-------------------|---------------|------------------|
| | Non-current | Current | Total | Non-current | Current | Total |
| Financial assets | 327 | 3,642 | 3,969 | - | 3,078 | 3,078 |
| Financial instruments and derivatives (18-1) | 1,394,734 | - | 1,394,734 | 1,061,159 | - | 1,061,159 |
| Deposits (18-2) | 3,352,917 | 21,366 | 3,374,283 | 1,750,214 | 27,145 | 1,777,359 |
| Financial assets available for sale (18-3) | 44,350 | - | 44,350 | 44,202 | - | 44,202 |
| | 4,792,328 | 25,008 | 4,817,336 | 2,855,575 | 30,223 | 2,885,798 |

18-1 Financial instruments and derivatives

Represents the fair value of the put option, which entitles the company to sell its direct stake in the Egyptian Company for Mobile Services (associate company), in addition to its indirect voting rights, to France Telecom Company, in accordance with the amended shareholders' agreement dated April 11, 2012. The agreement provides for the Company's option to put 1.67% per annum of the shares of the associate company during January and February of each year starting 2015 till 2017 based on each year accreting prices ranging from EGP 268.5 in 2015 to EGP 296 in 2017 per each share of the shares of ECMS.

The agreement also provides that France Telecom has the option to call all (but not less than all) of the Company's direct stake in Egyptian Company for Mobile Services (ECMS) which is reported in the balance sheet as investments in associates with a percentage of 5% in addition to related voting rights with a percentage of 28.75% on execution of the deal. This option is exercisable by France Telecom during January and February of each year starting from the year ended 2013 till 2017, at an accreting price ranging from EGP 243.5 to EGP 296 per each share of the shares of ECMS.

The Company appointed an independent valuator to estimate the fair value of both call and put options, referred to above, and which resulted in a financial asset to the company amounted to EGP 1 395 Million (December 31, 2012; EGP 1 061 Million) where the fair value was estimated using one of the accepted options' valuation methodologies.

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18-2 Restricted deposits

Deposits as of 31 December 2013 include an amount of EGP 3,353 million relating to cash restricted in North Korea in local currency which is subject to restrictions on use for certain operating and capital expenditures in local currency only. The funds cannot be converted into foreign currency and cannot be repatriated overseas, subject to the laws of North Korea.

18-3 Financial assets available for sale

| (In Thousand EGP) | | | |
|--|--------------------|--------------------------|--------------------------|
| Company name | Ownership % | December 31, 2013 | December 31, 2012 |
| Development and management of smart villages company – Smart Village S.A.E | 10% | 44,202 | 44,202 |
| Others | | 148 | - |
| Total | | 44,350 | 44,202 |

* The above investments are stated at cost as they represent non-listed securities that do not have quoted market prices and their fair value cannot be reliably measured.

19- Income tax expense

| (In Thousand EGP) | For the Year ended December 31, 2013 | Period from inception date till December 31, 2012 |
|------------------------------------|---|--|
| Income Tax for the year / period | 166,079 | 126,258 |
| Deferred tax for the year / period | 21,747 | 51,865 |
| Total income tax | 187,826 | 178,123 |

20- Deferred taxes

Deferred tax assets and liabilities are offset when there is a legally enforceable right to the group to offset current tax assets and liabilities, and when the deferred tax assets and liabilities are settled with the same tax authority in the country, and when the group has the intention to settle the net of these balances or to redeem these tax assets and settle these tax liabilities at the same time.

| (In Thousand EGP) | December 31, 2013 | December 31, 2012 |
|-------------------------------------|--------------------------|--------------------------|
| Total deferred tax liabilities | 90,979 | 65,524 |
| Net deferred tax liabilities | 90,979 | 65,524 |

The movement in the deferred tax liabilities is represented as follows:

| (In Thousand EGP) | December 31, 2013 | December 31, 2012 |
|---|--------------------------|--------------------------|
| Balance at beginning of the period | 65,524 | 14,426 |
| Foreign subsidiaries translation differences | 3,708 | (767) |
| Charged to income statement for the year / period | 21,747 | 51,865 |
| Balance at end of the period | 90,979 | 65,524 |

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The following table includes the nature of items comprising the deferred tax liabilities;

| (In Thousand EGP) | December 31, 2013 | | | December 31, 2012 | | |
|---|-----------------------|---------------|---------------|-----------------------|--------------|---------------|
| | Undistributed profits | Others | Total | Undistributed profits | Others | Total |
| Balance at beginning of the period | 58,902 | 6,622 | 65,524 | 33,428 | 2,003 | 35,431 |
| Charged to income statement for the year/period | 9,354 | 12,393 | 21,747 | 25,473 | 5,387 | 30,860 |
| Foreign subsidiaries translation differences | 3,816 | (108) | 3,708 | - | (767) | (767) |
| Balance at end of the period | 72,072 | 18,907 | 90,979 | 58,901 | 6,623 | 65,524 |

Koryolink, the Group subsidiary in North Korea, enjoys a tax exemption for a period of five years ended in December 2013. After the elapse of exemption period the subsidiary net profits will be subject to tax according to the tax rules applicable to foreign investment in North Korea. During the tax exemption period, the subsidiary is not required to submit its tax returns according to the applicable tax laws.

Management believes that pursuant to the agreement signed with the government of North Korea which organizes shareholders relationship in the operator of mobile phone service, the Company's financial statements prepared in accordance with IFRS will be the base used to determine taxable profits following the tax exemption period.

In the absence of specific legal requirements or information of any adjustments required to net accounting profits for the purposes of calculating the income tax according to tax law on the foreign activities in North Korea, and in the absence of any sources of reliable information in similar situations of other foreign activities, in accordance with the limited information available, Management believes that there are no differences between the tax base and the accounting base of assets and liabilities recorded in the financial statements of the subsidiary at the date of the consolidated financial statements, accordingly no deferred tax assets or liabilities have been recognized.

Should additional information arise in future periods resulting in differences between the tax base and accounting base of recorded assets and liabilities in the financial statements as at 31 December 2013, Management will reassess its estimate in a way that might result in the recognition of deferred taxes related to those assets and liabilities.

21- Accounts receivable (net)

(In Thousand EGP)

| | December 31, 2013 | December 31, 2012 |
|---------------------|-------------------|-------------------|
| Accounts receivable | 509,375 | 396,624 |
| Deduct: impairment | (50,273) | (39,220) |
| Total | 459,102 | 357,424 |

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Movement of the impairment is represented as follows:

(In Thousand EGP)

| | December 31, 2013 | December 31, 2012 |
|---|-------------------|-------------------|
| Balance at beginning of the period | | |
| Foreign exchange differences | 39,220 | 51,306 |
| Formed during the year / period | 1,413 | 200 |
| Reversal resulted from disposal of subsidiaries | 35,168 | 18,188 |
| Used from accumulated impairment | | (23,876) |
| Reversal of impairment | (1,583) | (6,598) |
| | (23,945) | - |
| Balance at end of the period | 50,273 | 39,220 |

22- Other assets (net)

| (In Thousand EGP) | December 31, 2013 | | | December 31, 2012 | | |
|------------------------------|-------------------|---------------|----------------|-------------------|----------------|----------------|
| | Non-current | Current | Total | Non-current | Current | Total |
| Prepaid expenses | 44,527 | 16,599 | 61,126 | 22,981 | 16,478 | 39,468 |
| Advances to suppliers | - | 11,731 | 11,731 | - | 49,973 | 49,973 |
| Amounts due to tax authority | - | 21,631 | 21,631 | - | 13,312 | 13,312 |
| Other receivables | - | 45,557 | 45,557 | - | 33,126 | 33,126 |
| Deduct: Impairment | - | (8,905) | (8,905) | - | (6,366) | (6,366) |
| Total | 44,527 | 86,613 | 131,140 | 22,981 | 106,532 | 129,513 |

The following table shows the movement in the impairment of other assets:

(In Thousand EGP)

| | December 31, 2013 | December 31, 2013 |
|---|-------------------|-------------------|
| Balance at beginning of the period | | |
| Foreign exchange differences | 6,366 | 3,042 |
| Formed during the year / period | (85) | 25 |
| Used | 4,241 | 3,299 |
| | (1,617) | - |
| Balance at end of the period | 8,905 | 6,366 |

23- Cash and cash equivalent

The cash and cash equivalent is represented in current accounts at banks, deposits amounted to EGP 864,138 thousand, and the cash on hand amounted to EGP 2,503 thousand. The amount of restricted deposits as guarantees to loans and letters of guarantee amounted to EGP 209 thousand.

24- Issued and paid up capital

The Company's authorized capital amounted 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 approval of the General Authority for Investment and the Extraordinary General Assembly of Orascom Telecom Holding (Demerging company).

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25- Borrowings

| (In Thousand EGP) | December 31, 2012 | December 31, 2013 |
|--|-------------------|-------------------|
| Installments of long-term loans payable during one year | 41,056 | 45,359 |
| Notes payable during year | 3,805 | 7,933 |
| Total current borrowings | 44,861 | 53,292 |
| Installments of long-term loans payable after more than one year | 15,955 | 16,260 |
| Total | 60,816 | 69,552 |

Borrowings include loans obtained from the shareholders of Trans World associate private by an amount of EGP 45 Million from which EGP 34 Million due within one year and EGP 11 Million due after more than one year with an interest rate 1.58%.

Borrowings also include loans obtained from banks amounted to EGP 14 Million from which EGP 10 Million due within one year and EGP 4 Million due after more than one year these borrowings were obtained by Trans World Associate Private with interest rates ranges between 1% to 13%.

In addition to the above; the balance also includes notes payable by Orascom Telecom Ventures amounted to EGP 3.8 Million as at December 31, 2013.

26- Creditors and other liabilities

| (In Thousand EGP) | December 31, 2013 | | | December 31, 2012 | | |
|--|-------------------|------------------|------------------|-------------------|----------------|----------------|
| | Non-current | Current | Total | Non-current | Current | Total |
| Fixed assets suppliers | - | 236,220 | 236,220 | - | 115,023 | 115,023 |
| Trade payables | - | 325,425 | 325,425 | - | 162,743 | 162,743 |
| Other payables | - | 113,891 | 113,891 | - | 259,226 | 259,226 |
| | - | 675,536 | 675,536 | - | 536,992 | 536,992 |
| Prepaid traffic and deferred revenue * | 12,456 | 500,854 | 513,310 | 13,774 | 303,802 | 317,576 |
| Due to governmental authorities | - | 21,288 | 21,288 | - | 20,036 | 20,036 |
| Personnel accrued expenses | - | 41,519 | 41,519 | - | 42,056 | 42,056 |
| Other credit balances | 25,268 | 71,301 | 96,569 | 22,206 | 33,111 | 55,317 |
| | 37,724 | 634,962 | 672,686 | 35,980 | 399,005 | 434,985 |
| Total | 37,724 | 1,310,498 | 1,348,222 | 35,980 | 935,997 | 971,977 |

* The prepaid traffic and deferred revenues include the value of scratch cards prepaid by the users of CHEO technology JV company (Koryolink) amounted to EGP 497,687 as at December 31, 2013 (EGP 300,063 as at December 31, 2012) and weren't utilized yet.

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27- Earnings per share

Basic: Basic earnings per share is calculated by dividing the net profit attributable to shareholders' of the Parent company by the weighted average number of ordinary shares outstanding during the year.

| | December 31, 2013 | December 31, 2012 |
|--|-------------------|-------------------|
| Net profit of the year / period (In Thousand EGP) | 723,402 | 3,429,793 |
| Employees' dividends | - | (10,000) |
| | 723,402 | 3,419,793 |
| Weighted average number of shares for the year / period (in thousands) | 5,245,690 | 5,245,690 |
| Earnings per share for the year / period (in EGP) | 0.14 | 0.65 |

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.

28- Provisions

| (In Thousand EGP) | December 31, 2012 | Formed | Used | Translation differences | December 31, 2013 |
|--|-------------------|----------------|-----------------|-------------------------|-------------------|
| Provision for claims | 330,139 | 192,068 | (22,527) | 1,944 | 501,624 |
| Total provisions presented separately | 330,139 | 192,068 | (22,527) | 1,944 | 501,624 |

Provisions related to expected claims resulted from the Group companies' ordinary course of business. The required information about these provisions were not disclosed, according to the Egyptian Accounting Standards, because the management of the Group believes that doing so, will strongly affect the final settlement of these provisions for claims.

29- Capital Commitments

The capital commitments as of December 31, 2013 are as follows:

| (In Thousand EGP) | December 31, 2013 | December 31, 2012 |
|-------------------------------------|-------------------|-------------------|
| Commitments related to fixed assets | 61,665 | 2,033 |
| Other commitments | 152,612 | 102,711 |
| Total | 214,277 | 104,744 |

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Other capital commitments arise from the commitment to acquire items of fixed assets related to the marine cables under construction by Middle East and North Africa for Sea Cables Company (subsidiary).

30- Non-distributable earnings

The retained earnings comprise an amount of EGP 177,824 thousand is un-distributable and which represent the legal and special reserves which were held on the subsidiaries' levels as follows:

| (In Thousand EGP) | December 31, 2013 | | | December 31, 2012 | | |
|-------------------------------|-------------------|-----------------|----------------|-------------------|-----------------|----------------|
| | Legal Reserve | General reserve | Total | Legal Reserve | General reserve | Total |
| Cheo Technology JV Company | 90,435 | 78,290 | 168,725 | 71,363 | 55,182 | 126,545 |
| Orascom Telecom Venture S.A.E | 9,099 | - | 9,099 | 10,675 | - | 10,675 |
| Total | 99,534 | 78,290 | 177,824 | 82,038 | 55,182 | 137,220 |

31- Related party transactions

(In Thousand EGP)

| | December 31, 2013 | | | December 31, 2012 | | |
|---|-------------------|------------------------------|--------------------------|-------------------|------------------------------|--------------------------|
| | Investment income | Purchase of services & goods | Sale of goods & services | Investment income | Purchase of services & goods | Sale of goods & services |
| Associate companies | | | | | | |
| Egyptian Company for Mobile Services | - | - | 9,809 | - | - | 102,580 |
| Orascom Telecom Ventures | - | 461 | - | - | - | - |
| Other related parties | | | | | | |
| Summit Technology | - | 882 | - | - | 87 | - |
| Contrack Facility Management | - | - | 14,944 | - | 35 | - |
| Mobilink Group | - | 125 | - | - | - | - |
| Orastar LTD | - | - | - | 368 | - | - |
| Dr. Omar Zawawy (shareholder of a subsidiary) | - | - | - | 92 | - | - |
| Link Dot Net | - | 79 | 3,260 | - | - | - |
| Total | - | 1,547 | 28,013 | 460 | 122 | 108,172 |

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| (In Thousand EGP) | December 31, 2013 | | December 31, 2012 | |
|--|-------------------|----------------|-------------------|--------------|
| | Receivables | Payables | Receivables | Payables |
| <u>Weather Investment group</u> | | | | |
| Wind telecom | - | - | 2,589 | 3,158 |
| <u>Associate companies</u> | | | | |
| Egyptian Company for Mobile Services | 11,829 | - | 13,917 | - |
| Orascom Telecom Ventures | - | - | - | - |
| <u>Other related parties</u> | | | | |
| Korean Post and Telecommunication Company – KPTC | - | 119,218 | - | - |
| Orascom Constructions | - | - | 6 | - |
| Summit Technology | - | - | 4 | 48 |
| Contrack Facility Management | - | 4 | - | - |
| Orastar LTD | - | 33,416 | - | - |
| Dr. Omar Zawawy (shareholder of a subsidiary) | - | 8,568 | - | - |
| Link Dot Net * | - | 5 | 17,722 | 4,987 |
| Link Egypt | 42 | - | - | - |
| Total | 11,871 | 161,211 | 34,238 | 8,193 |

* Link Dot Net balance represents a legacy balance resulted from demerger.

Key management compensation

| (In Thousand EGP) | For the Year ended December 31, 2013 | Period from inception date till December 31, 2012 |
|---|---|---|
| Board of directors' allowances and transportation | 1,132 | 771 |
| | 1,132 | 771 |

32- Contingent liabilities

The contingent liabilities, excluding those related to the Egyptian Company for Mobile Services, are represented in guarantees issued by the holding company and related to the activities of its subsidiaries, as follows:

Orascom Telecom Ventures (previously, In-touch)

- A Letter of guarantee in favour of Lebanon Ministry of Telecommunication to guarantee Orascom Telecom Lebanon in the payment of any amount due by the selected participants amounting to USD 40 Million.

Trans World Associates (subsidiary)

- A bank guarantee issued in favour of Higher Education Commission amounting to Rupees 2,000 thousand which is equivalent to EGP 134 thousand and valid until December 31, 2013.

- A bank guarantee issued in favour of Karachi Electric Supply Company (LTD) amounting to Rupees 2,976 thousand which is equivalent to EGP 187 thousand and valid until December 31, 2013.

Middle East and North Africa for Sea Cables – MENA cables (Subsidiary)

- A guarantee issued to one of the subsidiary's clients amounting to USD 83 Million to guarantee the subsidiary to fulfil its contractual obligations represented in performing the contracted services.

Egyptian Company for Mobile Services (associate)

Telecom Egypt filed a complaint with the National Telecommunication Regulatory Authority (NTRA), with the purpose of changing its interconnect prices with the mobile operators, with which it has existing contracts. ECMS responded to the complaint before the NTRA Dispute Resolution Committee asking to honour the existing effective contract between ECMS and Telecom Egypt. The NTRA issued a ruling on the dispute in favour of Telecom Egypt on September 3, 2008.

On December 31, 2009, the NTRA issued a decision (which was amended by another decision on January 14, 2010) based on the decision issued on September 3, 2008 to add new amendments in the interconnect rates between the different networks, and the amendments are effective retrospectively starting September 1, 2009 which leads the company to file a summary lawsuit in the administrative court under No. 20220 of judicial No. 64 to challenge these decisions.

On June 5, 2010 the administrative court issued its ruling to cease the execution of the NTRA decisions regarding the filed lawsuit by the company as follows:

First ceasing the first challenged decision issued on September 3, 2008 which includes the items two, eight and nine for the determination of interconnect termination rate for the outgoing calls from Telecom Egypt network and terminated on Mobinil's network by Egyptian Piaster 11.3 per minute, and the interconnect termination rate of the outgoing calls from Mobinil and terminated on Telecom Egypt Network by Egyptian Piaster 6.5 per minute and its effects and ordering the second defendant to bear all litigation expenses.

Second ceasing the second challenged decision issued on December 31, 2009 amended by the decision issued on January 14, 2010 which includes the determination of interconnect termination rate of the outgoing calls from Mobile operators networks (Vodafone Egypt and Etisalat Misr) as well as Telecom Egypt network and terminated on Mobinil's network by Egyptian piaster 8.5 per minute, and the interconnect termination rate of the outgoing calls from Mobinil and terminated on Vodafone Egypt network by Egyptian piaster 10 per minute , terminated on Etisalat Misr network by Egyptian piasters 11 per minute and terminated on Telecom Egypt network by Egyptian piaster 6.5 per minute (all with the adoption of seconds as billing unit), and denying the NTRA claimed right of the determination of interconnection rates on a regular- basis and/or whenever needed taking

into consideration all its implications, and ordering the second defendant to bear all litigation expenses.

The administrative court has referred the lawsuit to the state commissioners' authority to prepare a legal opinion concerning the request to nullify both cancellation requests.

The NTRA challenged to cease the decision of the supreme administrative court. The state commissioners' authority presented its advisory report on the challenge filed on December 6, 2010 recommending the cancellation of the decision issued on June 5, 2010 in favor of the company, the supreme administrative court shall decide on the challenge after hearing the parities' response to the said report.

NTRA provided the court with the telecommunication license granted to Telecom Egypt, which was required by the court on 20 October 2012.

In the hearing of May 25, 2013 the supreme administrative court denied the NTRA's challenge to annul the decision issued by the administrative court on the summary ruling to cease NTRA decision issued relating to the determination of interconnect rates.

On October 8, 2013 the administrative court of merits issued its first instance judgment in favor of Vodafone Egypt in the same case of Mobinil regarding the cancellation of the decision issued by NTRA president to determine the interconnect rates.

Based on the above, and in line of winning the summary lawsuit by Mobinil , the administrative court shall decide on the lawsuit for right of NTRA to issue decisions to determine the interconnect rates and its legality or not.

It is expected that the irrevocable ruling given by the supreme administrative court on the summary lawsuit to Mobinil as well as the judgment on the merits issued in favor of Vodafone Egypt on the same case to cancel the decision of NTRA relating to the determination of interconnect rates, will have positive effect on the subject matter for the lawsuit, accordingly it is expected to issue a ruling in favor of Mobinil in this regard.

Though TE appealed the judgment on the merits issued in favor of Vodafone in December 2013, the company and its external legal counsel believe that the company has a strong legal position as the NTRA's decision do not have legal or contractual ground (which was affirmed by the abovementioned judgments), hence we continue to record interconnect revenues and costs with Telecom Egypt and other mobile operators based on the current agreements.

If the Egyptian Company for Mobile Services applies the opinion of the Egyptian Telecommunications Company, this will have a negative impact on the company's share in the affiliate companies in the income statement by the amount of EGP 74.5 million before taxes.

Orascom Telecom Media and Technology Holding

- A guarantee is issued to one of the suppliers of the subsidiary (Koryolink) amounted to USD 25 Million.

33- Financial instruments risk management

The Group's financial instruments comprise of financial assets and liabilities. Financial assets comprise of; financial assets at fair value through profit or loss – financial derivatives, debt instruments represented in treasury bills, cash at banks, due from related parties, available for sale investments, accounts receivable and other debit balances. The financial liabilities comprise of; borrowings, credit facilities, credit to customers, due to related parties and payables. Following are the most significant risks, the Group companies are exposed to when conducting their business activities, financial instruments used and strategies that the Group follows to manage those risks.

The Group is exposed to various financial risks resulted from its ordinary course of business. These risks include market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group is especially exposed to currency risk, interest rate risk, and price risk. The Group's financial risk management function seeks to minimize the effects of these risks mainly through operational and finance continuing activities. The management of the Group is responsible for designing, and monitoring the framework of the risk management function.

Market risk

Foreign currency risk management related to operations

Each of the Group companies is conducting its operating activities using its functional currency. Hence, Companies of the Group are exposed to exchange rate fluctuations risk related to payments, collections, or equity instruments using currencies other than functional currency. These liabilities and equity instruments is usually related to capital expenditures with external suppliers and revenues resulted from services rendered to external customers. The Group monitors the risk of foreign currencies fluctuation risk resulted from its operating activities.

Management estimates that if there is a change either upward or downward in the exchange rate of the Egyptian pound (functional currency) in the range of 10% against the US Dollar, Euro, or the Pakistani rupee with the stability of all other variables, the receivables and payables denominated in foreign currencies will be affected by increase or decrease equivalent to 18,418 thousand Egyptian pounds which affecting the net profit for the year by the same amount.

Price risks

The equity price risk is considered limited as invested equity instruments exposed to this risk are not material from management's point of view.

Interest rate risk

Risk associated with interest rates for the Group is related to borrowings, where Group is exposed to the risk of fluctuations in cash flows resulting from the change in market interest rates for loans with variable interest rates, as the Group is exposed to the risk of change in fair value of loans with fixed interest rates. The Group did not enter into any derivative contracts to hedge the risks associated with possible fluctuations in interest rates, whether to hedge the cash flows or fair value.

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The Group monitors and analyses the interest rate risks on an on-going basis and calculates the impact of movements in market interest rates on the income statement for each currency.

The following table shows the total outstanding loans of the Group on December 31, 2013 and the proportion of each of the loans with fixed or variable interest rates, as well as those that were obtained without interest to total outstanding loans:

| | December 31, 2013 | December 31, 2012 |
|---|-------------------|-------------------|
| Total borrowings | 60,816 | 69,552 |
| of which % is at a fixed interest rate | - | - |
| of which % is at a variable interest rate | 100% | 52% |
| of which % is interest rate free | - | 48% |

Management estimates the impact resulting from the change in the interest rate by 0.1%, leading to an increase or decrease in the finance cost for the current period in the amount of 2,383 thousand Egyptian pounds.

Credit risk

Credit risk of the Group represents the inability of contractual parties to pay their debts, especially; receivables, financial instruments, cash at banks and equivalent. The credit risks which the Group is exposed to can be analyzed for each segment, as follows:

Telecommunication segment

Substantially all customers in North Korea are prepay customers meaning that there is a low credit risk associated with this GSM operation.

Submarine cable segment

In general, cable customers are offered maximum payment terms of 30 days. Customers are checked for credit worthiness before offering credit terms.

Media and Technology segment

Customers credit worthiness is reviewed before credit terms are offered. Accounts receivable are monitored and outstanding balances are followed up until the balance is received.

The Group works to mitigate credit risk by adopting specific control procedures, including assessing the credit worthiness of the counterparty and limiting the exposure to the counterparty.

Total impaired balances of customers and other financial assets recognized in profit or loss during the period amounted to 40 million Egyptian pounds.

Cash balances at banks

The credit risk associated with the balances of cash and cash equivalents risk is very limited as the Group deals with banks with good reputation in the market.

In general the receivables and financial receivables included in financial assets relate to a variety of small amounts due from a wide range of counterparties, therefore, the Group does not consider that it has a significant concentration of credit risk.

Liquidity risk

Liquidity risk represents the factors which may affect the Group's ability to pay part or all of its liabilities, management monitors these liabilities and in case these liabilities have been

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increased, management depends on obtaining dividends from its subsidiaries or through management of excess cash at subsidiaries to mitigate any increase in these liabilities above acceptable levels.

The Group monitors and mitigates liquidity risk arising from the uncertainty of cash inflows and outflows by maintaining sufficient liquidity of cash balances. In general, liquidity risk is monitored at entity level whereby each subsidiary is responsible for managing and monitoring its cash flows and rolling liquidity reserve forecast in order to ensure that it has sufficient committed facilities to meet its liquidity needs and a coordination with the management of the Group exist to manage surplus cash balances, where the Group directs these surpluses to companies that have deficit in their liquidity, so the Group depends mainly on internal transfers between Companies of the Group and on dividends from subsidiaries.

Laws and regulations in certain countries, such as for example North Korea, in which the Group operates limit the conversion of current cash balances into foreign currency. Given the nature of the business, Group companies may have to make payments in foreign currencies (for example capital expenditures), the lack of individual entity foreign currency reserves means that these companies are largely dependent on the Company to make these payments on its behalf.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date:

December 31, 2013

| Liabilities | Carrying amount | Expected cash flows | Less than 1 year | Between 1 and 5 years |
|----------------------|------------------------|----------------------------|-------------------------|------------------------------|
| Borrowing from banks | 13,978 | 15,336 | 11,414 | 3,922 |
| Other borrowings | 45,237 | 47,389 | 35,812 | 11,577 |
| Trade payables | 675,536 | 675,534 | 675,534 | - |
| Others | 1,602 | 1,805 | 781 | 1,024 |
| | 736,353 | 740,064 | 723,541 | 16,523 |

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. Management currently depends mainly on various internal resources to finance its activities and capital expenditures.

Governmental authorisations

Certain future Group activities, including the GSM operations in Lebanon or the cable segment, are dependent on obtaining appropriate government authorisations. Should these authorisations not be obtained or delayed, there could be an adverse impact on the future operations of the Group, such as a decrease in revenues or penalty payments due to contractual counterparties.

Political and economic risk in emerging countries

A significant amount of the Group's operations are conducted in Egypt, North Korea and Pakistan. The operations of the Group depend on the market economies of the countries in which the subsidiaries operate. In particular, these markets are characterised by economies that are in various stages of development or are undergoing restructuring. Therefore the operating results of the Group are affected by the current and future economic and political developments in these countries. In particular, the results of operations could be unfavourably affected by changes in the political or governmental structures or weaknesses in the local economies in the countries where it operates. These changes could also have an unfavourable impact on financial position, performance and future business prospects.

Regulatory risk in emerging countries

Due to the nature of the legal and tax jurisdictions in the emerging countries where the Group operates, it is possible that laws and regulations could be amended. This could include factors such as the current tendency to withhold tax on the dividends of these subsidiaries, receiving excessive tax assessments, granting of relief to certain operations and practices relating to foreign currency exchange. These factors could have an unfavourable effect on the financial activities of the Group and on the ability to receive funds from the subsidiaries.

Revenue generated by the majority of the Group subsidiaries is expressed in local currency. The Group expects to receive most of this revenue from its subsidiaries and therefore it relies on their ability to be able to transfer funds. The regulations in the various countries, such as for example North Korea, where the subsidiaries operate could reduce the ability to pay interest and dividends and to repay loans, credit instruments and securities expressed in foreign currency through the transfer of currency. In addition, in some countries it could be difficult to convert large amounts of foreign currency due to central bank regulations. The central banks may amend regulations in the future and therefore the ability of the Company to receive funds from its subsidiaries may be changed.

Group's activities in North Korea

The Groups operations in North Korea relate primarily to the 75% holding in the local telecom operator Koryolink.

North Korea is subject to international sanctions imposed by the European Union and the United States, among others, as well as by 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.

Whilst these sanctions do not currently have a material impact on the operations of Koryolink, the Company's operating subsidiary in North Korea, as it is a domestic mobile operator with minimal foreign interaction, there can be no assurance that if international sanctions are changed or subject to enhanced enforcement, the Company's operating subsidiary in North Korea will be able to finance its operations, transfer funds to and from the Company or operate its mobile network in North Korea. If the Group becomes unable to continue to operate its business in North Korea, then this could adversely affect the business, financial position and results of operations of the Company.

In addition cash transfers in North Korea from local currency to foreign currencies is subject to control restrictions by the governmental authorities and, in particular, rules surrounding the repatriation of dividends to foreign investors, additionally the local currency of North Korea is not tradable outside the country. Such restrictions limit the level of dividends that can be paid to the Company from its North Korea operations. The Group has interests in a diverse range of business and is not currently dependent on, and does not expect to become dependent on its operations in North Korea to provide cash flow to service its obligations, meet committed CAPEX, obligations or continue its operations. In addition such currency control restrictions do not currently have a material impact on the Group and do not materially impact on the ability of the Group to service its liabilities which are currently outstanding and the Company does not expect the impact of these restrictions on the Group to become material to the Group and the Company does not expect these restrictions to have a material effect on the on-going business of the Group.

The net assets of Koryolink (subsidiary) reached EGP 4,455 Million of the Group's consolidated net assets amounting to EGP 7,809 Million as of December 31, 2013. Also Koryolink assets include cash balances in North Korean currency equivalent to EGP 3,353 Million and are reported within non-current financial assets in the consolidated financial statements due to the restrictions imposed on cash transfers from the local currency into foreign currency in North Korea as referred to in previous paragraphs. The financial statements of the subsidiary were translated using the official exchange rate announced by North Korean banks as at December 31, 2013 and which is determined by Government noting that there is no free floating currency exchange market in North Korea.

34- Non-cash transactions

Significant non-cash transactions are represented in amounts which were eliminated when preparing the consolidated cash flows, as follows:

- Elimination of effect of non-cash transaction related to purchase of fixed assets during the year amounted to EGP 109 Million.
- Elimination of effect of non-cash transaction related to intangible assets during the year amounted to EGP 58 Million.

These amounts were reported in the change in creditors and other credit balances.

35- Subsequent events

Middle East and North Africa for Sea Cables – MENA cables (Subsidiary)

The Company has signed, on January 21, 2014, an indefeasible right of use agreement with Telecom Egypt Company for diversified fiber pair between Zaafarana and Abu-Talat pending on acquiring the mandatory permits, thereby completing the terrestrial infrastructure of the company's cable system extending across Egypt.

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36- Comparative figures

As discussed in further detail in note (1), The Company was legally established on November 29, 2011, therefore, the comparative figures of the consolidated statements of income, change in equity, cash flows are shown from the inception date to December 31, 2012.

The comparative figures of the previous period have been reclassified to match the presentation of the consolidated financial statements for the current year.

Chief financial officer



Chief executive officer

