

**Orascom Telecom, Media
And Technology Holding (S.A.E)**

Subject to the provisions of law no. 95 for year 1992

and its executive regulations

Separate Financial Statements

For the year ended December 31, 2013

together with Auditor's Report

Auditor's Report

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

Introduction

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

Management's Responsibility for the Separate Financial Statements

These separate financial statements are the responsibility of the company's management, Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with the Egyptian Accounting Standards and the prevailing Egyptian laws and regulations. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the separate 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 separate financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and the prevailing Egyptian laws and regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the separate financial position of the entity as of December 31, 2013, and of its separate financial performance and its separate cash flows for the year then ended in accordance with Egyptian Accounting Standards and the related applicable Egyptian laws and regulations.

Report on Legal and other Regulatory Requirements

The Company maintains proper books of accounts which include all that is required by the law and the company's statutes and the separate financial statements are in agreement thereto.

The financial information included in the board of directors' report is prepared in compliance with the Companies' law No. 159 of 1981 and its executive regulations there to and is in agreement with the books of accounts of the company.

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"
Subject to the provisions of law no. 95 for year 1992 and its executive regulations
Separate financial position as of December 31, 2013

| (In thousand EGP) | Note No. | December 31, 2013 | December 31, 2012 |
|---|---------------------|--------------------------|--------------------------|
| <u>Current assets</u> | | | |
| Cash and balances at banks | (9) | 232 360 | 1 455 092 |
| Due from related parties - current (net) | (10 , 23) | 253 399 | 1 054 615 |
| Other debit balances | (11) | 3 110 | 2 207 |
| Total current assets | | 488 869 | 2 511 914 |
| <u>Current liabilities</u> | | | |
| Provisions | (20) | 402 669 | 292 721 |
| Accounts payable | | 1 953 | 263 |
| Other credit balances | (13) | 8 605 | 16 425 |
| Current income tax | (8) | 34 058 | 89 484 |
| Due to related parties | (14 , 23) | 287 996 | 393 415 |
| Total current liabilities | | 735 281 | 792 308 |
| (Increase in current liabilities over current assets) Working capital | | (246 412) | 1 719 606 |
| <u>Non-current assets</u> | | | |
| Fixed assets (net) | (15) | 43 547 | 44 086 |
| Intangible assets (net) | (16) | 1 135 | - |
| Payment to purchase of fixed assets | | - | 553 |
| Investments in subsidiaries (net) | (17) | 1 883 548 | 1 776 101 |
| Investments in associates | (18) | 272 560 | 272 560 |
| Due from related parties - non current | (10) | 19 575 | 37 356 |
| Financial assets at fair value through profit or loss - financial derivatives | (12) | 1 394 734 | 1 061 159 |
| Total non-current assets | | 3 615 099 | 3 191 815 |
| Total investment | | 3 368 687 | 4 911 421 |
| Financed as follows: | | | |
| <u>Shareholders' equity</u> | | | |
| Issued and paid-up capital | (19) | 2 203 190 | 2 203 190 |
| Legal reserve | | 502 073 | 414 501 |
| Retained earnings | | 663 314 | 2 293 377 |
| Total shareholders' equity | | 3 368 577 | 4 911 068 |
| <u>Non-current liabilities</u> | | | |
| Deferred tax liability | (8) | 110 | 353 |
| Total non-current liabilities | | 110 | 353 |
| Total financing of working capital and non-current assets | | 3 368 687 | 4 911 421 |

- The accompanying notes form an integral part of these separate 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"
Subject to the provisions of law no. 95 for year 1992 and its executive regulations
Separate income statement for the year ended December 31, 2013

| <u>(In thousand EGP)</u> | <u>Note</u> | <u>For the year ended</u> | <u>For the period from</u> |
|--|--------------------|----------------------------------|---------------------------------------|
| | <u>No.</u> | <u>December 31, 2013</u> | <u>incorporation date till</u> |
| | | <u>December 31, 2012</u> | |
| Technical support revenue | (4) | 97 728 | 184 897 |
| Dividends revenue from investments | (5) | - | 2 973 438 |
| Other income | (6) | 23 333 | 927 057 |
| Profit on sale of investments in associates | | - | 2 041 482 |
| Total revenues | | 121 061 | 6 126 874 |
| General and administrative expenses | | (45 684) | (94 986) |
| Registration and subscription fees | | - | (19 619) |
| Employees cost & board of directors' remuneration | (7) | (18 774) | (14 502) |
| Depreciation & amortization | (15 , 16) | (1 350) | (930) |
| Other expenses | | - | (7 785) |
| Provisions - formed | (20) | (109 948) | (292 721) |
| Provisions - no longer required | | - | 240 620 |
| Losses resulted from sale of investment in subsidiaries and settlement of due from related parties | | - | (142 544) |
| Impairment losses of investment in subsidiaries | | (445 210) | (256 948) |
| Total expenses | | (620 966) | (589 415) |
| Interest income | | 2 363 | 27 271 |
| Foreign exchange translation differences | | 54 696 | 46 961 |
| Impairment in due from related parties | | (34 926) | (108 754) |
| Gain on revaluation of financial derivatives at fair value | (12) | 333 576 | 894 146 |
| Total finance income | | 355 709 | 859 624 |
| Net (losses) profit before tax | | (144 196) | 6 397 083 |
| Income taxes | (8) | (46 295) | (89 837) |
| Net (losses) profit after tax | | (190 491) | 6 307 246 |
| Earnings per share (EGP/share) | | | |
| Basic | (21) | 0.14 | 1.20 |
| Diluted | (21) | 0.14 | 1.20 |

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

Chief Financial Officer

Chief Executive Officer

Translation of Financial Statements
Originally Issued in Arabic

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

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

Separate statement of changes in shareholders' equity for the year ended December 31, 2013

| (In thousand EGP) | Paid-up capital | Legal reserve | General reserve | Retained earnings | Total |
|--|------------------|----------------|-----------------|-------------------|------------------|
| Balance as of demerger date | 2 203 190 | 186 711 | (9 595) | 1 741 491 | 4 121 797 |
| Transferred to legal reserve | - | 227 790 | - | (227 790) | - |
| General reserve | - | - | 9 595 | (9 595) | - |
| Interim dividends distribution | - | - | - | (5 507 975) | (5 507 975) |
| Employees' dividends | - | - | - | (10 000) | (10 000) |
| Net profit for the period | - | - | - | 6 307 246 | 6 307 246 |
| Balance as of December 31, 2012 | 2 203 190 | 414 501 | - | 2 293 377 | 4 911 068 |
| Balance as of January 1, 2013 | 2 203 190 | 414 501 | - | 2 293 377 | 4 911 068 |
| Transferred to legal reserve | - | 87 572 | - | (87 572) | - |
| Dividends distribution | - | - | - | (1 352 000) | (1 352 000) |
| Net losses for the year | - | - | - | (190 491) | (190 491) |
| Balance as of December 31, 2013 | 2 203 190 | 502 073 | - | 663 314 | 3 368 577 |

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

Chief Financial Officer

Chief Executive Officer




Orascom Telecom, Media and Technology Holding "S.A.E"
Subject to the provisions of law no. 95 for year 1992 and its executive regulations

Separate statement of cash flows for the year ended December 31, 2013

| | <u>For the year ended</u> | <u>For the period from the</u> |
|---|----------------------------------|---------------------------------------|
| | <u>December 31, 2013</u> | <u>incorporation date till</u> |
| | <u>December 31, 2013</u> | <u>December 31, 2012</u> |
| (In thousand EGP) | | |
| Net (losses) profit before tax | (144 196) | 6 397 083 |
| Adjusted by : | | |
| Depreciation & amortization | (15 , 16) 1 350 | 930 |
| Impairment in due from related parties | (10) 34 926 | 108 754 |
| Gain on revaluation of financial derivatives at fair value | (12) (333 576) | (1 061 159) |
| Foreign exchange differences - unrealized | (42 176) | (41 106) |
| Interest income | (2 363) | (27 271) |
| Profit on sale of investments in associates | - | (2 041 482) |
| Dividends revenue from investments | - | (2 973 438) |
| Imparment losses of Investment in subsidires | 445 210 | 256 948 |
| Provisions - no longer required | - | (240 620) |
| Provisions - formed | 109 948 | 292 721 |
| Net operating income before changes in working capital | 69 123 | 671 360 |
| Increase in due from related parties - current | (168 586) | (79 472) |
| Increase in other debit balances | (1 886) | (2 028) |
| Increase in accounts payable | 1 690 | 263 |
| (Decrease) increase in other credit balances | (1 824) | 7 471 |
| Increase in due to related parties | 277 383 | 393 415 |
| Decrease (Increase) in due from related parties - non current | 17 781 | (36 024) |
| Cash flows generated from operating activities | 193 681 | 954 985 |
| Taxes paid | (100 981) | - |
| Net cash flows generated from operating activities | 92 700 | 954 985 |
| <u>Cash flows from investing activities</u> | | |
| Payments for purchase of fixed assets | (15) (101) | (45 569) |
| Payments for purchase of intangible assets | (16) (1 292) | - |
| Payments for investments in subsidiaries | (17 · 26) (36) | (27) |
| Payments for investments in associates | - | (56 073) |
| Proceeds from sale of associates | - | 3 186 419 |
| Dividends received from investments in subsidiaries | - | 2 863 714 |
| Interest received | 1 817 | 19 558 |
| Net cash flows generated from investing activities | 388 | 5 968 022 |
| <u>Cash flows from financing activities</u> | | |
| Dividends distribution | (1 357 996) | (5 509 021) |
| Net cash flows used in financing activities | (1 357 996) | (5 509 021) |
| Effect of change in foreign exchange on cash and cash equivalent | 42 176 | 41 106 |
| Net change in cash and cash equivalent during the year / period | (1 264 908) | 1 413 986 |
| Cash and cash equivalent at the beginning of year / period | 1 455 092 | - |
| Cash and cash equivalent at the end of the year / period | (9) 232 360 | 1 455 092 |

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

Chief Financial Officer

Chief Executive Officer

Orascom Telecom, Media and Technology Holding
Notes to the Separate Financial Statements
For the year ended December 31, 2013

1- General information

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, 2013 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 by way of legal demerger from Orascom Telecom Holding S.A.E as part of the VimpelCom transaction. In October 2010, VimpelCom Ltd and Wind Telecom announced that both groups had signed a merger agreement, and where Wind Telecom (previously Wind Investment) owns 51.7% of shares of Orascom Telecom Holding SAE – OTH. On April 14, 2011 the demerger plan was concluded, in order to transfer certain assets to the demerged Company that are not intended to form part of the VimpelCom – Wind Telecom group going forward. Those assets represent mainly OTH 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- Basis of preparation of separate financial statements

a- Statement of compliance with the Egyptian Accounting Standards

The separate financial statements have been prepared in accordance with the Egyptian Accounting Standards issued by the Minister of Investment's decree No. 243 of 2006 and the applicable Egyptian laws and regulations. The Egyptian Accounting Standards require referral to International Financial Reporting Standards "IFRS" for certain types of transactions or events when no Egyptian Accounting Standard or legal requirement exists to address treatment for these transactions or events.

b- Basis of measurement

These separate 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.

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

c- Functional and presentation currency

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

d- Use of estimates and judgments

According to Egyptian Accounting Standards, in the application of the Company's accounting policies, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on

historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments and estimates that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the separate financial statements:

- **Valuation of financial assets**

Certain financial instruments that are not traded in an active market and included in the financial statements such as financial derivatives, Management estimate 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.

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

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

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

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

- **Provisions and contingent liabilities**

Management assess events and circumstances that might led to a commitment on the company's side from performing its normal economic activities, management uses in this primary estimates and assumptions to judge the extend on which the

provision's recognition conditions have been met at the financial statement date, and analyze information to assess whether past events lead to current liability against the company and estimate the future cash outflows and timing to settle this obligation in addition to selecting the method which enable the management to measure the value of the commitment reliably.

- **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.

3- **Significant accounting policies applied**

a. **Foreign currencies' translation**

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

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

Exchange differences are recognized in profit or loss in the period in which they arise in a separate item, 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.

b. **Fixed assets**

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 Company and the cost of the item can be measured reliably. Repairs and maintenance expenses are charged to the profit or loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with relevant carrying amount, and are included in the income statement.

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

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

| <u>Asset</u> | <u>Years</u> |
|----------------------|--------------|
| Furniture & fixtures | 3-10 Years |
| Buildings | 50 Years |
| Computers | 3 Years |

c. Investments in subsidiaries

A subsidiary company is an entity controlled by another entity (known as the Parent Company). Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Control is presumed to exist if the Parent Company owns directly or indirectly through subsidiaries, more than half of the voting power of the entity invested in, unless in exceptional circumstances, it can be clearly determined that such ownership does not constitute control.

Control is also considered to exist when the Parent Company does not own a majority of the voting rights while there is:

- a. Power over more than half of the voting rights by virtue of an agreement with other investors. or
- b. Power to govern the financial and operating policies of the entities under a statute or agreement. or
- c. Power to appoint or remove the majority of the Board of Directors members, and the control of entity is by that Board. or
- d. Power to direct the majority of votes at the Board of Directors meetings and the control of the entity is by that Board.

Potential voting rights

The Parent Company shall consider the existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity when assessing whether an entity has the power to govern the financial and operating policies of another entity. Potential voting rights are not currently exercisable or convertible when they cannot be exercised or converted until a future date or until the occurrence of a future event.

Investments in subsidiaries are carried at cost, unless classified as non-current investments held-for-sale in which case, they are measured at the lower of the carrying amount or fair value less cost to sell. In case of an objective evidence that an impairment loss has been incurred on investments in subsidiaries at the date of the financial statements, the carrying amount of the investment is reduced to the recoverable amount with impairment losses recognized immediately in income statement.

d. Investments in associates

An associate is an entity over which the Company has a significant influence to participate in the financial and operating policy decisions of this entity but is not control or joint control over these policies.

Investments in Associates are carried at cost, unless classified as non-current investments held-for-sale in which case, they are measured at the lower of the carrying amount or fair value less cost to sell. The Company does not measure the investment in Associates using the equity method in these separate financial statements according to paragraph (13) in the Egyptian Accounting Standard no (18).

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

e. Non-current assets held for sale

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

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

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

f. Taxation

A provision for potential tax claims is generally recognized based on management comprehensive study in light of current tax assessments and disputes.

An estimated income tax expense is recognized in income statement in each reporting period, while actual income tax expense is recognized in profit or loss at year-end. Income tax expense represents the sum of the tax currently payable and deferred tax. 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 income statement, 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.

g. Provisions

Provisions are recognized when the company has a present obligation (legal or constructive), arising from past event, the settlement of which is expected to result in an outflow of the enterprise resources embodying economic benefits, the cost to settle related obligations are probable and a reliable estimate is made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognized as finance cost in income statement.

h. Cash and cash equivalents

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

i. Revenue recognition

Dividends income from its equity investments is recognized when the company'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.

Technical support fees are recognized in the profit or loss over the term of the contracts with subsidiaries and associates according to the accrual basis.

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

j. Financial instruments

Financial assets

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

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL) financial derivatives, debt instrument including investments in treasury bills which represent cash and cash equivalent, due from related parties 'and other debit balances'.

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

Derivative financial instruments

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL where the interest enters within the net change in fair value.

Financial liabilities and equity instruments issued by the Company

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

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

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

k. Impairment of assets

Non-financial assets

At each balance sheet date, the Company reviews the carrying amounts of its non-financial 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 (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

In assessing value in use, the estimated future cash flows from use of assets or cash-generating unit are discounted to their present value using a pre-tax discount rate that reflects current market 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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in income statement.

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

Financial assets

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

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

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

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

i. Short term employees benefits

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

m. Dividends

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

n. Borrowing costs

Borrowing costs are charged in the income statement as expenses during the period in which they incurred.

o. Earnings per share

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

p. Estimation of fair value

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

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

q. Legal reserves

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

r. Employees' profit share

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

s. Cash flows statement

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

4- Technical support revenue

| <u>(in thousand EGP)</u> | <u>For the year ended</u> | <u>For the period from</u> |
|--------------------------------------|---------------------------|--------------------------------|
| | <u>December 31, 2013</u> | <u>incorporation date till</u> |
| | | <u>December 31, 2012</u> |
| Egyptian Company for Mobile services | 9 809 | 102 580 |
| CHEO Technology JV (Koryo Link) | 87 919 | 82 317 |
| | <u>97 728</u> | <u>184 897</u> |

On October 15, 2012 and pursuant to the amended and restated shareholders agreement between the Company and France Telecom dated April 11, 2012. France Telecom exercised its option to call the technical support contract governing the management services provided by the company to ECMS.

5- Dividends income from investments

| <u>(In thousand EGP)</u> | <u>For the year ended</u> | <u>For the period from</u> |
|--------------------------------------|---------------------------|--------------------------------|
| | <u>December 31, 2013</u> | <u>incorporation date till</u> |
| | | <u>December 31, 2012</u> |
| Egyptian Company for Mobile services | -- | 109 724 |
| CHEO Technology JV (KoryoLink) | -- | 41 004 |
| Mobinil Telecommunications | -- | 2 822 710 |
| | <u>--</u> | <u>2 973 438</u> |

The Company did not recognize any dividends income during the year from its investments compared to EGP 2 973 438 thousand during the period from incorporation date till December 31, 2012 as the investees did not declare any dividends during the current year.

6- Other income

| <u>(In thousand EGP)</u> | <u>For the year ended</u> | <u>For the period from</u> |
|---|---------------------------|--------------------------------|
| | <u>December 31, 2013</u> | <u>incorporation date till</u> |
| | | <u>December 31, 2012</u> |
| Compensation of general services transfer * | -- | 912 638 |
| Others | 23 333 | 14 419 |
| | <u>23 333</u> | <u>927 057</u> |

* Other income comprise, in the comparative period, EGP 912 638 thousand represents the compensation of general management services transfer 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, which pursuant to, the company used to provide management services to ECMS.

7- Employees cost & board of directors' remuneration

| <u>(in thousand EGP)</u> | <u>For the year ended</u> | <u>For the period from</u> |
|---|---------------------------|--------------------------------|
| | <u>December 31, 2013</u> | <u>incorporation date till</u> |
| | | <u>December 31, 2012</u> |
| Employees' cost | 17 643 | 9 794 |
| Board of directors' remuneration and allowances | 1 131 | 4 708 |
| | <u>18 774</u> | <u>14 502</u> |

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

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Notes to the separate financial statements

For the year ended December 31, 2013

8- Income tax

| <u>(In thousand EGP)</u> | <u>For the year ended</u> | <u>For the period from</u> |
|--------------------------|---------------------------|--------------------------------|
| | <u>December 31, 2013</u> | <u>incorporation date till</u> |
| | | <u>December 31, 2012</u> |
| Current income tax * | 46 538 | 89 484 |
| Deferred income tax | (243) | 353 |
| | <u>46 295</u> | <u>89 837</u> |

* Current income tax for the year includes an amount of EGP 12 127 thousand which represents differences in the calculation of income tax related to the previous year according to the tax return approved by the management of the company and its tax adviser and which was submitted to the Tax authority on April 16, 2013. Income tax dues have been settled on the date of submitting the tax return.

Adjustments to calculate the effective tax rate

| <u>(In thousand EGP)</u> | <u>For the year ended</u> | <u>For the period from</u> |
|--|---------------------------|--------------------------------|
| | <u>December 31, 2013</u> | <u>incorporation date till</u> |
| | | <u>December 31, 2012</u> |
| Net (losses) profit before tax | (144 196) | 6 397 083 |
| Additions to accounting profit | 24 360 | 1 283 |
| Provisions formed | 590 084 | 658 423 |
| Provisions no longer required | -- | (240 620) |
| Deductions from accounting profit | (333 576) | (1 244 057) |
| Tax exemptions | -- | (5 210 764) |
| Net taxable profit | 136 672 | 361 348 |
| Income tax according to Tax Law * | 34 168 | 89 837 |
| Adjustments of income tax of previous year | 12 127 | -- |
| | <u>46 295</u> | <u>89 837</u> |
| Effective tax rate | <u>23.69%</u> | <u>1.40%</u> |

Income tax of the previous year was calculated according to amendments of income tax law which have been issued in 2011 according to the following tax segments:

| | | |
|---|-----|---------------|
| Till EGP 10 Million from taxable profit | 20% | 2 000 |
| Taxable profit exceeds EGP 10 Million | 25% | 87 837 |
| | | <u>89 837</u> |

These tax segments have been cancelled during 2013 and replaced with a fixed rate of tax base represents 25% of net annual tax profits.

9- Cash and balances at banks

| (In thousand EGP) | <u>December 31, 2013</u> | <u>December 31, 2012</u> |
|--|---------------------------------|---------------------------------|
| Cash on hand | 35 | 59 |
| Banks - local currencies | 795 | 288 |
| Banks - foreign currencies | 91 958 | 234 242 |
| Foreign currency deposits - less than 3 months | 139 572 | 1 220 503 |
| | <u>232 360</u> | <u>1 455 092</u> |

10- Due from related parties

| a- Current (net) | <u>December 31, 2013</u> | <u>December 31, 2012</u> |
|--|---------------------------------|---------------------------------|
| <u>(In thousand EGP)</u> | | |
| CHEO Technology (Koryolink) | 137 825 | 51 813 |
| Link Egypt | 216 | 216 |
| Egyptian Company for Mobile Service | 11 829 | 1 874 |
| Orascom Telecom Lebanon | 8 955 | 4 583 |
| Arpu Communication Services | 4 045 | 3 421 |
| Trans World Associate Ltd – Pakistan | 23 905 | 24 600 |
| Oracap Holding * | 363 654 | 328 728 |
| Link Dot Net | -- | 5 500 |
| Orascom Telecom Holding (Demerging company) | 3 549 | 3 541 |
| Middle East and North Africa Submarine Cables - MENA Cable (note 17) | 62 385 | 959 067 |
| Weather Investment | 690 | -- |
| <u>Impairment</u> | | |
| Oracap Holding * | <u>(363 654)</u> | <u>(328 728)</u> |
| | <u>253 399</u> | <u>1 054 615</u> |

* During the year, the Company recognized impairment losses amounted to EGP 34 Million based on the current estimate of the expected recoverable amount from the amounts transferred to Oracap Holding and according to the surrounding circumstances till financial statements date.

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| | | |
|--------------------------------------|---------------------------------|---------------------------------|
| b- <u>Non-current</u> | <u>December 31, 2013</u> | <u>December 31, 2012</u> |
| (In thousand EGP) | | |
| Arpu Communication Services | -- | 19 338 |
| Trans World Associate Ltd – Pakistan | 19 575 | 18 018 |
| | <u>19 575</u> | <u>37 356</u> |

11- Other debit balances

| | | |
|--------------------------|---------------------------------|---------------------------------|
| (In thousand EGP) | <u>December 31, 2013</u> | <u>December 31, 2012</u> |
| Prepaid expenses | 76 | 30 |
| Employees' custodies | 560 | 402 |
| Accrued interest | -- | 179 |
| Withholding tax | -- | 983 |
| Others | 2 474 | 613 |
| | <u>3 110</u> | <u>2 207</u> |

12- Financial assets at fair value through profit or loss – financial derivatives

Financial derivatives recorded at fair value as of December 31, 2013 are represented in the following :

| | <u>December 31, 2013</u> | | <u>December 31, 2012</u> | |
|--------------------------------------|--------------------------|-------------------------|--------------------------|-------------------------|
| | <u>Fair value</u> | <u>Charged to</u> | <u>Fair value</u> | <u>Charged to</u> |
| | <u>Asset/</u> | <u>income</u> | <u>Asset/</u> | <u>income</u> |
| | <u>(liability)</u> | <u>statement</u> | <u>(liability)</u> | <u>statement</u> |
| | | <u>Gains / (losses)</u> | | <u>Gains / (losses)</u> |
| Fair value of put option * | 1 394 734 | 333 576 | 1 061 159 | 1 061 159 |
| Fair value of currency forward deals | -- | -- | -- | (167 013) |
| | <u>1 394 734</u> | <u>333 576</u> | <u>1 061 159</u> | <u>894 146</u> |

* 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 acceptable options' valuation methodologies.

13- Other credit balances

| <u>(In thousand EGP)</u> | <u>December 31, 2013</u> | <u>December 31, 2012</u> |
|-----------------------------|--------------------------|--------------------------|
| Withholding tax | 8 | 21 |
| Social insurance authority | 164 | 38 |
| Payroll tax | 835 | 127 |
| Accrued expenses | 4 640 | 7 285 |
| Employees dividends payable | 2 958 | 8 954 |
| | <u>8 605</u> | <u>16 425</u> |

14- Due to related parties

| <u>(In thousand EGP)</u> | <u>December 31, 2013</u> | <u>December 31, 2012</u> |
|----------------------------|--------------------------|--------------------------|
| Orascom Telecom Ventures * | 287 996 | 365 290 |
| Weather Investment | — | 28 125 |
| | <u>287 996</u> | <u>393 415</u> |

*The outstanding balance payable the company has been reduced during the year by EGP 382 Million due to the capital reduction of Orascom Telecom Ventures based on the decision of the General Assembly of the subsidiary.

15- Fixed Assets (net)

| <u>(In thousand EGP)</u> | <u>Buildings</u> | <u>Computers</u> | <u>Furniture and Fixture</u> | <u>Vehicles</u> | <u>Total</u> |
|---|------------------|------------------|----------------------------------|-----------------|---------------|
| <u>Cost</u> | | | | | |
| As of December 31, 2012 | 44 743 | 147 | 126 | -- | 45 016 |
| Additions during the year | -- | 90 | 11 | 553 | 654 |
| As of December 31, 2013 | <u>44 743</u> | <u>237</u> | <u>137</u> | <u>553</u> | <u>45 670</u> |
| <u>Accumulated depreciation</u> | | | | | |
| As of December 31, 2012 | 895 | 30 | 5 | -- | 930 |
| Depreciation for the year | 895 | 70 | 44 | 184 | 1 193 |
| As of December 31, 2013 | <u>1 790</u> | <u>100</u> | <u>49</u> | <u>184</u> | <u>2 123</u> |
| Net book value as of December 31, 2013 | <u>42 953</u> | <u>137</u> | <u>88</u> | <u>369</u> | <u>43 547</u> |
| Net book value as of December 31, 2012 | <u>43 848</u> | <u>117</u> | <u>121</u> | <u>--</u> | <u>44 086</u> |

16- Intangible assets (net)

| <u>(In thousand EGP)</u> | <u>Computer's Software</u> | <u>Total</u> |
|--|--------------------------------|--------------|
| <u>Cost</u> | | |
| As of December 31, 2012 | -- | -- |
| Additions during the year | 1 292 | 1 292 |
| As of December 31, 2013 | <u>1 292</u> | <u>1 292</u> |
| <u>Accumulated amortization</u> | | |
| As of December 31, 2012 | -- | -- |
| Amortization for the year | 157 | 157 |
| As of December 31, 2013 | <u>157</u> | <u>157</u> |
| Net book value as of December 31, 2013 | <u>1 135</u> | <u>1 135</u> |
| Net book value as of December 31, 2012 | <u>--</u> | <u>--</u> |

17- Investments in subsidiaries (Net)

| <u>(In thousand EGP)</u> | <u>Country</u> | <u>%</u> | <u>December 31,</u> <u>2013</u> | <u>December 31,</u> <u>2012</u> |
|--|----------------|----------|------------------------------------|------------------------------------|
| CHEO Technology JV (Koryo link) | North Korea | 75 | 613 632 | 613 632 |
| Middle East and North Africa Submarine Cable – MENA Cable * | Egypt | 99.98 | 1 688 206 | 752 766 |
| Trans World Associate Ltd Pakistan | Pakistan | 51 | 60 862 | 60 862 |
| Orascom Telecom Ventures S.A.E * | Egypt | 99.9 | 222 802 | 605 602 |
| Arpu for Telecommunications ** | Egypt | 1 | 160 | 160 |
| Orascom Telecom Infrastructure Mobile Services | Egypt | 99.2 | 63 | 27 |
| <u>Impairment in investment in subsidiaries</u> | | | | |
| Middle East and North Africa | | | (702 177) | (256 948) |
| Submarine Cables - MENA Cable *** | | | | |
| | | | 1 883 548 | 1 776 101 |

* The increase in the investment balance of MENA cables represents the transfer of the outstanding balance due from the related parties of the company amounted to EGP 935 Million (note 10) which represent payments under capital increase according to the company's extraordinary general assembly meeting held in May 26, 2013. The subsidiary is in the process of obtaining necessary regulatory approvals for the capital increase as part of fulfilling the legal requirements and registering this increase in the subsidiary company's commercial register. The decrease in the investment balance of Orascom Telecom Ventures represents capital reduction with an amount of EGP 382 Million, according to the amended commercial register of the subsidiary and the investment was decreased against the outstanding balance due to the subsidiary company (note 14).

** Arpu's investment balance was classified as investment in subsidiaries, although the Company holds 1% direct interest in Arpu for Telecommunications Company, while holding 99% indirect interest through its wholly owned subsidiary Orascom Telecom Ventures with a direct and indirect stake of 100%.

*** Impairment losses are recognized in the income statement during the year amounted to EGP 445 210 thousand based on estimates of the expected recoverable amount of the company's investment in the Middle East and North Africa Submarine Cables - Mena cables as at date of financial statements.

18- Investment in associates

| <u>(In thousand EGP)</u> | <u>Country</u> | <u>%</u> | <u>December 31,</u> <u>2013</u> | <u>December 31,</u> <u>2012</u> |
|--------------------------------------|----------------|----------|------------------------------------|------------------------------------|
| Egyptian Company For Mobile Services | Egypt | 5 | 216 487 | 216 487 |
| MT Telecom SCRL | Belgium | 28.75 | 56 073 | 56 073 |
| | | | <u>272 560</u> | <u>272 560</u> |

19- 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).

20- Provisions

| <u>(In thousand EGP)</u> | <u>December 31,</u> <u>2012</u> | <u>Formed</u> | <u>December 31,</u> <u>2013</u> |
|--------------------------|------------------------------------|----------------|------------------------------------|
| Provisions | 292 721 | 109 948 | 402 669 |
| Total | <u>292 721</u> | <u>109 948</u> | <u>402 669</u> |

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

21- Earnings per share of the net profit for the year / period

Earnings per share calculated based on the consolidated results of the company, according to the Egyptian Accounting Standard (22) and Earning per share presented in the consolidated financial statements of the company.

22- Tax position

Corporate income tax

The profits of the company is subject to the provisions of the Tax Law No. 91 of 2005 and its executive regulations. The company submitted its first tax return for the financial period from November 29, 2011 (incorporation date) to December 31, 2012 (extended financial period) during April 2013. The company's books were not inspected yet.

Payroll tax

The company pays payroll tax to the tax authority on due dates. The company's books were not inspected yet by the tax authority.

Withholding tax

The company pays withholding tax to the tax authority on due dates. The company's books were not inspected yet by the tax authority.

23- Significant transactions with related parties

| <u>(In thousand EGP)</u> | <u>Nature of the relationship</u> | <u>Nature of the transactions</u> | <u>Volume of Transactions</u> | <u>Balance Debit (Credit)</u> |
|---|--|---|-------------------------------|-------------------------------|
| CHEO Technology JV (KoryoLink) | Subsidiary | Payments of expenses on behalf of related party | 5 157 | 137 825 |
| | | Technical support revenue | 87 919 | |
| The Egyptian Company for Mobile Services | Associate | Technical support revenue | 9 809 | 11 829 |
| Orascom Telecom Lebanon | Subsidiary of Orascom Telecom Ventures | Payments of expenses on behalf of related party | 305 | 8 955 |
| Middle East and North Africa Submarine Cable – MENA Cable | Subsidiary | Cash transfer for related party | 24 602 | 62 385 |
| | | Payments of expenses on behalf of related party | 1 818 | |
| TransWorld Associate (private) Ltd-Pakistan | Subsidiary | Payments of expenses on behalf of related party | 399 | 23 905 |
| | | Credit loans interest | 546 | |
| Weather investment | Parent | Cash transfer to related party. | 31 569 | 690 |
| | | Payments of expenses on behalf of company | 439 | |

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Notes to the separate financial statements

For the year ended December 31, 2013

| | | | | |
|--------------------------------|--|---|-----------|-----------|
| Orascom Telecom Ventures | Subsidiary | Cash transfer from related party. | 19 388 | (287 996) |
| | | Payments of expenses on behalf of company | (278 850) | |
| | | Payments of expenses on behalf of related party | 382 800 | |
| Arpu Communication Services | Subsidiary of Orascom Telecom Ventures | Cash transfer from related party | (20 758) | 4 045 |
| Oracap Holding | Subsidiary | Cash transfer to related party. | 34 926 | -- |

24- Financial instruments and management of associated risks

The company's financial instruments comprise financial assets and liabilities and financial assets comprise; cash at banks, financial assets at fair value through profit or loss, due from related parties and certain other debit balances. The financial liabilities comprise; due to related parties and certain other credit balances.

a- Liquidity risk

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

b- Interest rate risk

Interest rate risk represents fluctuations in market interest rates which may affect the company's results of operations and cash flows as the company depends on its own resources and revenues from subsidiaries in financing the activities of the holding company, therefore this risk is considered limited.

c- Foreign currencies' risk

Foreign currencies' risk represents fluctuations in exchange rates of foreign currencies, which affect disbursements and receipts in foreign currencies, as well as the value of assets and liabilities denominated in foreign currencies. Management monitors the foreign currencies positions and banks exchange rates on an ongoing basis and seeks to reduce uncovered positions of foreign currencies in addition to study the possibilities of

engagement in currency forward deals when needed for covering economic risks without the aim of speculation, the matter which may reduce this risk to an acceptable level.

25- Contingent liabilities

| <u>Company Name</u> | | <u>Guarantee</u> | <u>Maximum level for liability</u> | <u>Outstanding Liability till December 31, 2013</u> | <u>Expiry date of the guarantee *</u> |
|---------------------|---------|--|------------------------------------|---|---------------------------------------|
| | | | | <u>EGP</u> | |
| Orascom Lebanon | Telecom | Guarantee of the company to pay any due amount to participators. | USD 10 Million | 69 786 000 | March 2014 |
| Orascom Lebanon | Telecom | Guarantee of the company to pay any due amount to participators. | USD 30 Million | 209 358 000 | March 2014 |

* Based on the Lebanese Council of Minister's decision No. 646/1 dated September 27, 2013, the validity date of the guarantee provided for Orascom telecom Lebanon, a subsidiary company to Orascom telecom ventures has been amended, from December 31, 2013 to March 31, 2014.

26- Non-cash transactions

During the current year, the company eliminated the following non-cash transactions from the investing and financing activities:

- The debit balance transferred from due from related parties to payments of investment in subsidiaries amounted to EGP 935 Million (note 17).
- The credit balance transferred from due to related parties to proceeds from investment in subsidiaries amounted to EGP 382 Million (note 17).

27- Comparative figures

As shown in more details in note (1) the company was incorporated at November 29, 2011, so the comparative figures are presented for the statements of income, changes in shareholders' equity and cash flows for the period from the incorporation date till December 31, 2012.

The comparative figures of the previous period have been reclassified to match the presentation of the separate financial statements for the current year, as follows;

| <u>Description</u> <u>(in Thousand EGP)</u> | <u>Financial</u> <u>statements</u> | <u>Before</u> <u>reclassification</u> | <u>After</u> <u>reclassification</u> | <u>Difference</u> |
|--|---------------------------------------|--|---|-------------------|
| Other credit balances | Financial Position | 105 909 | 16 425 | 89 484 |
| Current income tax | Financial Position | -- | 89 484 | (89 484) |
| Change in other credit balances | Cash flow | (38 366) | (79 472) | 41 106 |
| Effect of foreign exchange on cash and cash equivalent | Cash flow | -- | 41 106 | (41 106) |

Chief Financial Officer



Chief Executive Officer

