

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



**Orascom Investment Holding  
S.A.E.  
Separate Financial Statements  
Together with auditor's report  
For the year ended December 31, 2019**



## **Hazem Hassan**

**Public Accountants & Consultants**

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### **Auditor's report** **To the shareholders of Orascom Investment Holding S.A.E.**

#### ***Report on the separate financial statements***

We have audited the accompanying Separate statement of financial position of Orascom Investment Holding S.A.E. as at December 31, 2019, and the related separate statements of income, comprehensive income, changes in equity, and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

#### ***Management's Responsibility for the separate financial statements***

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

#### ***Auditor's responsibility***

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

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 unconsolidated financial position of Orascom Investment Holding S.A.E. as at December 31, 2019, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these separate financial statements.

***Emphasis of matter***

Without modifying our opinion:

1. As mentioned in details in note (28) from the accompanying notes of the separate financial statements, during the first quarter of 2020, most of countries of the world, including Egypt, were exposed to the outbreak of the novel coronavirus (COVID-19) pandemic, causing disruptions in most commercial and economic activities in general. Therefore, this is likely to have a significant impact on the assets, liabilities and financial performance of the Company's separate financial statements during the following periods, in addition to the potential impact on pre-determined operational plans and future cash flows associated with them, the Company's management is currently taking several measures to address this risk and reduce its impact on its unconsolidated financial position, but in light of the instability and uncertainty of the outcome of the current events, the magnitude of the impact of that event depends mainly on the estimate of the duration of these impacts. The implications and the Company's ability to achieve its plans to address this threat, which is difficult to determine in the present time.
2. In reference to what was mentioned in note (18) from the accompanying notes of the separate financial statements, that the Company has a significant influence in its investee "Koryolink" in North Korea, the investment is amounting to EGP 613.6 million as of December 31, 2019, Which the Company classified as investments in associate. Considering that Koryolink is operating under an international ban, operational and financial restrictions imposed by the international community, which lead to difficulties in transferring profits abroad and repatriate the funds to their home country.

***Report on Other Legal and Regulatory Requirements***

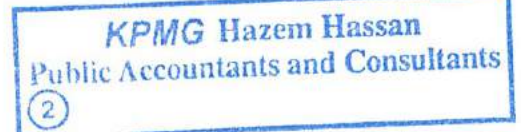
The Company maintains proper books of account, which include all that is required by law and by the statutes of the Company to prove it, the separate financial statements are in agreement thereto.

The financial information included in the Board of Directors' report, prepared in accordance with Law No. 159 of 1981 and its executive regulations, is in agreement with the Company's books of account within the limits that such information is recorded therein.

KPMG Hazem Hassan

  
Public Accountants and Consultants

Cairo, May 5, 2020



KPMG Hazem Hassan  
Public Accountants and Consultants  
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**ORASCOM INVESTMENT HOLDING  
S.A.E.  
Separate statement of financial position as at**

(In thousand EGP)	<u>Note no.</u>	<u>31 December 2019</u>	<u>31 December 2018</u>
<b><u>Non-current assets</u></b>			
Property and equipment	(15)	43,005	47,086
Investments in subsidiaries	(17)	1,490,297	1,278,656
Investments in associates	(18)	2,204,194	2,203,632
Due from related parties	( 11-B)	18,760	30,074
Other financial assets	(10)	114,213	134,840
<b>Total non-current assets</b>		<b>3,870,469</b>	<b>3,694,288</b>
<b><u>Current assets</u></b>			
Due from related parties	(11-A)	177,778	637,546
Other financial assets	(10)	--	1,786,930
Debtors other debit balances	(12)	15,469	72,023
Cash and cash equivalents	(9)	519,736	690,149
<b>Total current assets</b>		<b>712,983</b>	<b>3,186,648</b>
<b>Total assets</b>		<b>4,583,452</b>	<b>6,880,936</b>
<b><u>Equity</u></b>			
Issued and paid-up capital	(20)	2,203,190	2,203,190
Legal reserve		589,555	586,615
Retained earnings		751,983	696,129
Net (loss) / profit for the year		(253,333)	58,794
<b>Total equity</b>		<b>3,291,395</b>	<b>3,544,728</b>
<b><u>Non-current liabilities</u></b>			
Borrowings	(19)	651	419,561
Deferred tax liabilities	(7)	3,017	45,813
<b>Total non-current liabilities</b>		<b>3,668</b>	<b>465,374</b>
<b><u>Current liabilities</u></b>			
Provisions	(21)	242,764	203,311
Borrowings	(19)	376,286	1,782,968
Trade payables		5,201	2,479
Other credit balances	(13)	75,228	38,157
Due to related parties	(14)	588,910	843,919
<b>Total current liabilities</b>		<b>1,288,389</b>	<b>2,870,834</b>
<b>Total liabilities</b>		<b>1,292,057</b>	<b>3,336,208</b>
<b>Total liabilities and equity</b>		<b>4,583,452</b>	<b>6,880,936</b>

- The accompanying notes from (1) to (28) are an integral part of these separate financial statements and should be read therewith.

Chief Financial Officer



Chairman and Managing Director

\* Auditor's report "attached"

**ORASCOM INVESTMENT HOLDING  
S.A.E.  
Separate statement of income  
For the financial year ended**

(In thousand EGP)	<u>Note no.</u>	<u>31 December 2019</u>	<u>31 December 2018</u>
<b><u>Continuing operations</u></b>			
Dividends income	(4)	338,520	--
Other income		230	1,616
<b>Total income</b>		<b>338,750</b>	<b>1,616</b>
<b><u>(Less)</u></b>			
Employees cost and board of directors' remuneration	(5)	(93,049)	(77,576)
Consulting and professional services fees		(50,154)	(60,543)
Travelling and transportation expenses		(2,814)	(2,095)
Subscription expenses		(2,519)	(4,955)
Depreciation and amortization	(15-16)	(3,617)	(3,821)
Provisions formed	(21)	(39,453)	(63,660)
Impairment losses in assets	(21)	(216,436)	(63,477)
Other expenses	(22)	(30,055)	(33,305)
<b>Operating (losses)</b>		<b>(99,347)</b>	<b>(307,816)</b>
Interest income		4,165	46,004
Finance cost		(115,960)	(51,165)
Foreign currency translation differences		(68,987)	8,237
<b>Net financing (cost) / income</b>		<b>(180,782)</b>	<b>3,076</b>
<b>Net (loss) for the year before tax</b>		<b>(280,129)</b>	<b>(304,740)</b>
Income taxes	(7)	26,796	46,742
<b>Net (loss) for the year from continuing operations</b>		<b>(253,333)</b>	<b>(257,998)</b>
<b><u>Discontinuing operations</u></b>			
Gain from discontinuing operations after tax	(8)	--	316,792
<b>Net (loss) / profit for the year</b>		<b>(253,333)</b>	<b>58,794</b>
<b>(Losses) / earnings per share (EGP/share)</b>			
- Basic and diluted	(23)	(0.05)	0.01

- The accompanying notes from (1) to (28) are an integral part of these separate financial statements and should be read therewith.

**Chief Financial Officer**

**Chairman and Managing Director**

**ORASCOM INVESTMENT HOLDING  
S.A.E.  
Separate statement of comprehensive income  
For the financial year ended**

**(In thousand EGP)**

Net (loss) / profit for the year

Other comprehensive income items

**Total comprehensive (loss) / income for the year**

**31 December 2019**

(253,333)

--

**(253,333)**

**31 December 2018**

58,794

--

**58,794**

- The accompanying notes from (1) to (28) are an integral part of these separate financial statements and should be read therewith.

**Chief Financial Officer**



**Chairman and Managing Director**

**ORASCOM INVESTMENT HOLDING**  
S.A.E.

**Separate statement of changes in equity**  
**For the financial year ended 31 December 2019 and 2018**

(In thousand EGP)	Issued and paid-up capital	Legal reserve	Retained earnings	Net (loss)/ profit for the year	Total
<b>Balance as at 1 January 2018</b>	2,203,190	556,308	120,295	606,141	3,485,934
Transferred to retained earnings	--	--	575,834	(575,834)	--
Transferred to legal reserve	--	30,307	--	(30,307)	--
Total comprehensive income	--	--	--	58,794	58,794
<b>Balance as at 31 December 2018</b>	<b>2,203,190</b>	<b>586,615</b>	<b>696,129</b>	<b>58,794</b>	<b>3,544,728</b>
<b>Balance as at 1 January 2019</b>	<b>2,203,190</b>	<b>586,615</b>	<b>696,129</b>	<b>58,794</b>	<b>3,544,728</b>
Transferred to retained earnings	--	--	55,854	(55,854)	--
Transferred to legal reserve	--	2,940	--	(2,940)	--
Total comprehensive (loss)	--	--	--	(253,333)	(253,333)
<b>Balance as at 31 December 2019</b>	<b>2,203,190</b>	<b>589,555</b>	<b>751,983</b>	<b>(253,333)</b>	<b>3,291,395</b>

- The accompanying notes from (1) to (28) are an integral part of these separate financial statements and should be read therewith.

Chief Financial Officer



Chairman and Managing Director

**ORASCOM INVESTMENT HOLDING  
S.A.E.**

**Separate statement of cash flows for the financial year ended**

<b>(In thousand EGP)</b>	<b>Note no.</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Net (loss) for the year before tax		(280,129)	(78,316)
<b><u>Adjustments for:</u></b>			
Dividends income	(4)	(338,520)	--
Depreciation and amortization	(15-16)	3,617	3,821
Impairment losses of investments in subsidiaries	(17)	182,599	3,105
Foreign currency translation differences		68,987	(15,288)
Capital (gain)		(47)	(24)
Interest income		(4,165)	(46,004)
Finance cost		115,960	51,165
Losses from sale of investments in subsidiaries		--	917,702
Reversal of impairment of investments in subsidiaries		--	(1,137,075)
<b>Changes in:</b>		<b>(251,698)</b>	<b>(300,914)</b>
Due from related parties		48,148	741,004
Other debit balances		56,555	(5,150)
Trade payables		2,723	(4,476)
Other credit balances		16,632	(45,835)
Due to related parties		48,281	365,966
Provisions		39,453	63,660
<b>Cash flows (used in) / generated by operating activities</b>		<b>(39,906)</b>	<b>814,255</b>
Income taxes paid		--	(312,368)
Interest received		4,165	46,004
Employees' dividends		(14,057)	(15,784)
<b>Net cash flows (used in) / generated by operating activities</b>		<b>(49,798)</b>	<b>532,107</b>
<b><u>Cash flows from investing activities</u></b>			
Payments for purchase of property and equipment		(189)	(1,135)
Proceeds from sale of property and equipment		700	203
Dividends received		18,520	--
Payments for purchase of investments in subsidiaries	(17)	(1,980)	(1,863)
Proceeds from sale of investments in subsidiaries		--	719,450
Payment for purchase of investments in associates		(562)	(1,590,000)
<b>Net cash flows generated by/ (used in) investing activities</b>		<b>16,489</b>	<b>(873,345)</b>
<b><u>Cash flows from financing activities</u></b>			
Interest paid		(81,465)	(51,165)
Payments for loans		(1,645,889)	(402)
Proceeds from credit facilities		--	1,601,795
Change in other financial assets- pledged deposits		5,583	(1,195,669)
Change in bank deposits- non-current		1,651,780	6,263
<b>Net cash flows (used in) / generated by financing activities</b>		<b>(69,991)</b>	<b>360,822</b>
<b>Net change in cash and cash equivalents during the year</b>		<b>(103,300)</b>	<b>19,584</b>
Effect of exchange rate fluctuations on cash and cash equivalents		(67,113)	14,695
Cash and cash equivalents at beginning of the year		690,149	655,870
<b>Cash and cash equivalents at end of the year</b>	<b>(9)</b>	<b>519,736</b>	<b>690,149</b>

- The accompanying notes from (1) to (28) are an integral part of these separate financial statements and should be read therewith.

**Chief Financial Officer**



**Chairman and Managing Director**



**Orascom Investment Holding S.A.E.**

**Notes to the Separate Financial Statements for the financial year ended 31 December 2019**

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**1. Background**

**a- Legal form**

- Orascom Investment Holding S.A.E. (Formerly Orascom Telecom Media and Technology Holding) "**the Company**" or "**OIH**" is an Egyptian Joint Stock company pursuant to provisions of the capital market law No. 95 of 1992 and its executive regulations. The Company was registered at Cairo Commercial Register on 29 November 2011, under No 394061. The Company's head office is located at Nile City Towers, Ramlet Boulak – Cairo, Egypt. The Company's duration is 25 years starting from 29 November 2011.
- In accordance with the Extraordinary General Assembly Resolution of 5 June 2018, the company's name was changed to Orascom Investment Holding (S.A.E.) instead of Orascom Telecom, Media and Technology Holding (S.A.E.), the commercial register was registered on 3 July 2018.

**b- Purpose of the Company**

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

**c- Brief over the incorporation of the Company**

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

Accordingly, the demerger plan provided that the split of OTH will be executed by way of legal demerger, and the incorporation of Orascom Investment Holding S.A.E. (Formerly Orascom Telecom Media and Technology Holding) "OIH" (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 OIH as they hold in OTH as of the execution date of the demerger.

**2. Basis of preparation of the separate financial statements**

**a- Statement of compliance with the Egyptian Accounting Standards**

- The separate financial statements have been prepared in accordance with the Egyptian Accounting Standards issued by the Minister of Investment's decision no. 110 for the year 2015, applied from 1 January 2016. And the applicable Egyptian laws and regulations. The Egyptian Accounting Standards require referral to International Financial Reporting Standards "IFRS" for certain types of transactions or events when no Egyptian Accounting Standard or legal requirement exists to address treatment for these transactions or events.
- The separate financial statements of the Company for the year ended 31 December 2019, were approved by the board of directors on 5 May 2020.

**Orascom Investment Holding S.A.E.**

**Notes to the Separate Financial Statements for the financial year ended 31 December 2019**

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**b- Basis of measurement**

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

**c- Presentation currency**

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

**d- Use of estimates and judgments**

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

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are readily apparent from other sources. Actual results may significantly differ from these estimates if there is a change in the surrounding circumstances.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

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

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

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

**- Provisions and contingent liabilities**

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

**Orascom Investment Holding S.A.E.**

**Notes to the Separate Financial Statements for the financial year ended 31 December 2019**

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- **Impairment of financial assets**

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

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset.

Carrying amount of all financial assets are reduced directly by the impairment losses except for impairment related to amounts expected to be collected from related party balances and some debit balances for which an impairment account is formed for this value.

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

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

**3. Significant accounting policies applied**

**A. Foreign currencies translation**

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

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

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

**B. Property and equipment**

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

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

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

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

Depreciation is recognized so as to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their estimated useful lives, using the straight-line method.

**Orascom Investment Holding S.A.E.**

**Notes to the Separate Financial Statements for the financial year ended 31 December 2019**

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The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

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

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

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

**C. Investments in subsidiaries**

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

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

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

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

**D. Investments in associates**

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

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

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

**Orascom Investment Holding S.A.E.**

**Notes to the Separate Financial Statements for the financial year ended 31 December 2019**

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**E. Non-current assets held for sale**

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

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

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

**F. Taxation**

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

**- Current tax**

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

**- Deferred tax**

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

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

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

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

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

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

**- Current and deferred tax for the year**

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

**Orascom Investment Holding S.A.E.**

**Notes to the Separate Financial Statements for the financial year ended 31 December 2019**

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**G. Provisions**

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

**H. Cash and cash equivalents**

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

**I. Revenue measurement and recognition**

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

**J. Financial instruments**

**Financial assets**

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

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

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

**Orascom Investment Holding S.A.E.**

**Notes to the Separate Financial Statements for the financial year ended 31 December 2019**

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### **Loans and receivables**

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

### **Derecognition of financial assets**

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

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

### **Derivative financial instruments**

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

Embedded derivatives that meet recognition criteria are recognized separately from the host contract and are measured at fair value through profit or loss in accordance with the accounting requirements.

Derivatives are initially recognized at fair value, while attributable transaction costs are recognized in profit or loss when incurred.

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

### **Available for sale investments**

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

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

### **Effective interest rate method**

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

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

**Orascom Investment Holding S.A.E.**

**Notes to the Separate Financial Statements for the financial year ended 31 December 2019**

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**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 amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

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

**Financial liabilities subsequently measured at amortized cost**

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

**Derecognition of financial liabilities**

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

**K. Impairment of assets**

**Non-financial assets**

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

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

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



**Orascom Investment Holding S.A.E.**

**Notes to the Separate Financial Statements for the financial year ended 31 December 2019**

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

**Financial assets**

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

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

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

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

**L. Short term employees' benefits**

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

**M. Dividends**

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

**N. Borrowings and borrowing costs**

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

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

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

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

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

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

**Orascom Investment Holding S.A.E.**

**Notes to the Separate Financial Statements for the financial year ended 31 December 2019**

**O. Earnings per share**

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

**P. Estimation of fair value**

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

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

**Q. Legal reserves**

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

**R. Employees' profit share**

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

**S. Cash flows statement**

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

**4. Dividends income:**

**(In thousand EGP)**

	<b><u>The financial year ended 31 December 2019</u></b>	<b><u>The financial year ended 31 December 2018</u></b>
Orascom Telecom Ventures (*)	320,000	--
Victoire investment holding (**)	18,520	--
	<b>338,520</b>	<b>--</b>

(\*) On 26 December 2019, the Extraordinary General Assembly of Orascom Telecom Ventures (one of the subsidiaries) approved a dividend with a total amount of EGP 320,000 thousand.

(\*\*) On 10 October 2019, the Board of Directors of Victoire Investment Holding (one of the subsidiaries) approved a dividend of USD 1,142 thousand equivalent to EGP 18,520 thousand.

**Orascom Investment Holding S.A.E.**

**Notes to the Separate Financial Statements for the financial year ended 31 December 2019**

**5. Employees cost & board of directors' remuneration**

<b><u>(In thousand EGP)</u></b>	<b><u>The financial year ended 31 December 2019</u></b>	<b><u>The financial year ended 31 December 2018</u></b>
Employees' cost	(85,587)	(68,556)
Board of directors' remuneration & allowances	(7,462)	(9,020)
	<b>(93,049)</b>	<b>(77,576)</b>

**6. Key management compensation**  
**(In thousand EGP)**

<b><u>(In thousand EGP)</u></b>	<b><u>The financial year ended 31 December 2019</u></b>	<b><u>The financial year ended 31 December 2018</u></b>
Short term payments	27,766	33,067
	<b>27,766</b>	<b>33,067</b>

The key management includes Board of director's members and executive directors of the company.

**7. Income taxes**

**Income tax (Separate statement of income)**  
**(In thousand EGP)**

<b><u>(In thousand EGP)</u></b>	<b><u>The financial year ended 31 December 2019</u></b>	<b><u>The financial year ended 31 December 2018</u></b>
Previous years adjustments	--	1,088
Deferred tax- from continuing operation	42,796	45,654
Taxes on dividends *	(16,000)	--
<b>Current income tax</b>	<b>26,796</b>	<b>46,742</b>

(\* ) The amount represents in taxes on dividends withheld by Orascom Telecom Ventures (one of the subsidiaries) for the dividends during the year as detailed in note no. (4).

**Current income tax (Separate statement of financial position)**

<b><u>(In thousand EGP)</u></b>	<b><u>31 December 2019</u></b>	<b><u>31 December 2018</u></b>
<b>Balance at the beginning of the year</b>	--	203,868
Adjustments	--	(1,275)
Income tax paid	--	(202,593)
<b>Balance at the end of the year</b>	<b>--</b>	<b>--</b>

**Deferred tax movement (Separate statement of financial position)**

<b><u>(In thousand EGP)</u></b>	<b><u>31 December 2019</u></b>	<b><u>31 December 2018</u></b>
<b>Balance at the beginning of the year</b>	45,813	181,835
Charged to the statement of income during the year	(42,796)	(136,022)
<b>Balance at the end of the year</b>	<b>3,017</b>	<b>45,813</b>

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

**Orascom Investment Holding S.A.E.**

**Notes to the Separate Financial Statements for the financial year ended 31 December 2019**

**Reconciliation of effective tax rate**

<b><u>(In thousand EGP)</u></b>		<b><u>2019</u></b>		<b><u>2018</u></b>
Net (loss) for the year before tax		<b>(280,129)</b>		<b>(78,316)</b>
Income tax according to applied tax rate	22.5%	(63,029)	22.5%	(17,621)
Depreciation effect		(17)		(114)
Provisions & impairment losses effect		57,575		(227,236)
Non-deductible expenses		31,359		8,218
Foreign currency translations differences		(422)		90,368
Previous years adjustments		--		(1,088)
Utilization of carried forward losses		(52,262)		--
Tax losses for which no deferred tax assets are recognized		--		100,731
		<b>(26,796)</b>		<b>(46,742)</b>

**Unrecorded deferred tax assets**

The deferred tax assets were not recorded for the following items:

<b><u>(In thousand EGP)</u></b>	<b><u>31 December 2019</u></b>	<b><u>31 December 2018</u></b>
Accumulated tax loss	(48,488)	(100,731)
<b>Balance at the end of the year</b>	<b>(48,488)</b>	<b>(100,731)</b>

Carried forward losses should be utilized within a period of 5 years at maximum. Management of the Company followed a prudent approach and did not recognize deferred tax assets on 31 December 2019. The ability of the Company to settle these tax losses against future taxable profits is not impacted by not recording an asset.

**8. Gains from discontinued operations**

The comparative figures of the separate statement of income have been represented to illustrate the discontinued operations results separately from the continued operations as follows:

<b><u>(In thousand EGP)</u></b>	<b><u>31 December 2019</u></b>	<b><u>31 December 2018</u></b>
Foreign currency exchange	--	7,051
Deferred tax	--	90,368
Losses from sale investments in subsidiaries *	--	(917,702)
Reversal of impairment in investments in subsidiaries	--	1,137,075
	<b>--</b>	<b>316,792</b>

**Orascom Investment Holding S.A.E.**

**Notes to the Separate Financial Statements for the financial year ended 31 December 2019**

**\* Loss from sale of investments in subsidiaries**

On 21 May 2018, Orascom Investment Holding S.A.E. (Formerly Orascom Telecom Media and Technology Holding) announced that it has executed a Sale and Purchase Agreement with Egyptian International Submarine Cables Company, a 50% owned Subsidiary of Telecom Egypt, for the sale of its entire, direct and indirect, shareholding of its subsidiary Middle East and North Africa Submarine Cable ("MENA"). OIH holds a 100% stake in MENA. The company executed the sale on 17 September 2018.

The following illustrate the losses from sale of investments in the subsidiary:

<b><u>(In thousand EGP)</u></b>	<b><u>The financial year ended 31 December 2019</u></b>	<b><u>The financial year ended 31 December 2018</u></b>
Proceeds from sale of investments in subsidiary <b>(Deduct):</b>	--	776,340
Brokerage and taxes expenses	--	(5,853)
Cost of investments in Middle East and North Africa Submarine Cable-MENA Cable	--	(1,688,189)
	<b>--</b>	<b>(917,702)</b>

**9. Cash and cash equivalents**

<b><u>(In thousand EGP)</u></b>	<b><u>31 December 2019</u></b>	<b><u>31 December 2018</u></b>
Cash on hand	810	1,151
Current accounts - local currency	22,985	12,725
Current accounts - foreign currencies	459,331	637,451
Local currency deposits	1,150	1,150
Foreign currency deposits	35,460	37,672
	<b>519,736</b>	<b>690,149</b>

**10. Other financial assets**

<b><u>(In thousand EGP)</u></b>	<b><u>31 December 2019</u></b>	<b><u>31 December 2018</u></b>
Cash in banks in North Korea - Non-current	108,963	123,990
Pledged deposits - Non-current	5,250	10,850
<b>Total Non-current</b>	<b>114,213</b>	<b>134,840</b>
Pledged deposits - Current	--	1,786,930
<b>Total current</b>	<b>--</b>	<b>1,786,930</b>
<b>Total other financial assets</b>	<b>114,213</b>	<b>1,921,770</b>

**Orascom Investment Holding S.A.E.**

**Notes to the Separate Financial Statements for the financial year ended 31 December 2019**

**11. Due from related parties**

**a- Current**

**(In thousand EGP)**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Beltone Financial Holdings	29,639	393,250
CHEO Technology Joint Venture (Koryolink)	274,866	274,228
Victoire investment holding	101,748	205,944
Orascom Prisme Pyramids Entertainment	35,119	27,397
Trans World Associate (Pvt.) Ltd – Pakistan	16,631	24,845
Orascom Prisme Entertainment	20,673	--
Orascom Telecom Lebanon	6,941	5,830
Victoire BV investments	272	5,449
Orascom Telecom Holding (Demerging company)	3,848	3,848
O Capital for services and contracting	2,293	2,297
Orascom Telecom mobile infrastructure services	996	996
Orascom TMT investments (formerly Weather Investment)	763	870
Riza Capital	1,429	244
<b>Impairment</b>		
Impairment in due from related parties*	(317,440)	(307,652)
	<b>177,778</b>	<b>637,546</b>

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

**Impairment in due from related parties**

**(In thousand EGP)**

	<b>31 December 2019</b>	<b>31 December 2018</b>
CHEO Technology Joint Venture (Koryolink)	(274,866)	(274,228)
Orascom Telecom Lebanon	(1,182)	(1,183)
Orascom Telecom mobile infrastructure services	(996)	(996)
Orascom Telecom Holding (Demerging company)	(3,848)	(3,848)
Orascom Prisme Pyramids Entertainment	(35,119)	(27,397)
Riza Capital	(1,429)	--
	<b>(317,440)</b>	<b>(307,652)</b>

**b- Non-current**

**(In thousand EGP)**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Oracap Holding **	435,779	411,730
Trans World Associate (Pvt.) Ltd – Pakistan	18,760	30,074
<b>Impairment</b>		
Impairment in Oracap Holding **	(435,779)	(411,730)
	<b>18,760</b>	<b>30,074</b>

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

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

**Orascom Investment Holding S.A.E.**

**Notes to the Separate Financial Statements for the financial year ended 31 December 2019**

**12. Debtors and other debit balances**

**(In thousand EGP)**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Receivables from sale of investments	---	56,890
Prepaid expenses	2,531	1,435
Employees' custodies	3,512	4,427
Others	12,464	12,309
<b>Impairment</b>		
Impairment in other debit balances	(3,038)	(3,038)
	<b>15,469</b>	<b>72,023</b>

**13. Other credit balances**

**(In thousand EGP)**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Accrued expenses	73,209	22,446
Withholding tax	461	339
Value added tax	346	80
Social insurance authority	195	77
Salaries tax	1,017	1,159
Employees dividends payable	--	14,056
	<b>75,228</b>	<b>38,157</b>

**14. Due to related parties**

**(In thousand EGP)**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Orascom Telecom Ventures	582,624	837,532
O-Capital for Energy	6,286	6,387
	<b>588,910</b>	<b>843,919</b>

Orascom Investment Holding S.A.E.

Notes to the Separate Financial Statements for the financial year ended 31 December 2019

**15. Property and equipment**

	Buildings	Improvements in buildings	Furniture and office equipment	Computers	Vehicles	Total
<b>(In thousand EGP)</b>						
<b>Cost</b>						
Balance as at 1 January, 2018	45,882	3,342	241	1,528	8,839	59,832
Additions during the year	--	--	--	722	413	1,135
Disposals during the year	--	--	--	(68)	(405)	(473)
<b>Balance as at 31 December 2018</b>	<b>45,882</b>	<b>3,342</b>	<b>241</b>	<b>2,182</b>	<b>8,847</b>	<b>60,494</b>
Balance as at 1 January 2019	45,882	3,342	241	2,182	8,847	60,494
Additions during the year	--	--	--	189	--	189
Disposals during the year	--	--	--	(102)	(1,489)	(1,591)
<b>Balance as at 31 December 2019</b>	<b>45,882</b>	<b>3,342</b>	<b>241</b>	<b>2,269</b>	<b>7,358</b>	<b>59,092</b>
<b>Accumulated depreciation</b>						
Balance as at 1 January 2018	5,369	410	204	910	3,017	9,910
Depreciation charge for the year	918	667	21	396	1,792	3,794
Disposals depreciation	--	--	--	(67)	(229)	(296)
<b>Balance as at 31 December 2018</b>	<b>6,287</b>	<b>1,077</b>	<b>225</b>	<b>1,239</b>	<b>4,580</b>	<b>13,408</b>
Balance as at 1 January 2019	6,287	1,077	225	1,239	4,580	13,408
Depreciation charge for the year	918	667	16	450	1,566	3,617
Disposals depreciation	--	--	--	(100)	(838)	(938)
<b>Balance as at 31 December 2019</b>	<b>7,205</b>	<b>1,744</b>	<b>241</b>	<b>1,589</b>	<b>5,308</b>	<b>16,087</b>
<b>Net book value</b>						
As at 1 January 2018	40,513	2,932	37	618	5,822	49,922
<b>As at 31 December 2018</b>	<b>39,595</b>	<b>2,265</b>	<b>16</b>	<b>943</b>	<b>4,267</b>	<b>47,086</b>
As at 1 January 2019	39,595	2,265	16	943	4,267	47,086
<b>As at 31 December 2019</b>	<b>38,677</b>	<b>1,598</b>	<b>--</b>	<b>680</b>	<b>2,050</b>	<b>43,005</b>



**Orascom Investment Holding S.A.E.**

**Notes to the Separate Financial Statements for the financial year ended 31 December 2019**

**16- Intangible assets**

**(In thousand EGP)**

	<b><u>Computer's Software 2019</u></b>	<b><u>Computer's Software 2018</u></b>
<b><u>Cost</u></b>		
Cost at the beginning of the year	1,994	1,994
<b>Cost at the end of the year</b>	<b>1,994</b>	<b>1,994</b>
<b><u>Accumulated amortization</u></b>		
Balance at the beginning of the year	1,994	1,967
Amortization for the year	--	27
<b>Accumulated amortization at the end of the year</b>	<b>1,994</b>	<b>1,994</b>
<b>Net book value at the end of the year</b>	<b>--</b>	<b>--</b>

**17- Investments in subsidiaries**

<b><u>(In thousand EGP)</u></b>	<b><u>Country</u></b>	<b><u>Percentage of Contribution%</u></b>	<b><u>31 December 2019</u></b>	<b><u>31 December 2018</u></b>
Trans World Associate (Pvt.) Ltd	Pakistan	51	60,862	60,862
Orascom Telecom Ventures S.A.E	Egypt	99.99	222,802	222,802
Orascom Telecom Mobile Infrastructure Services (*)	Egypt	99.2	63	63
Beltone Financial Holding (**)	Egypt	70	468,912	468,912
Victoire investment holding (***)	Netherlands	99.99	526,017	526,017
O-Capital for energy	Egypt	99.2	4,375	4,375
Orascom Pyramids Prisme Entertainment (****)	Egypt	70	3,105	3,105
O-Capital for services and Orascom Prisme Entertainment	Egypt	99.2	63	63
		100	1,980	--
Paid under increase of investments in subsidiaries (*****)			392,260	--
<b><u>Impairment</u></b>				
O-Capital for energy			(4,375)	(4,375)
Orascom Telecom Mobile Infrastructure Services (*)			(63)	(63)
Orascom Pyramids Prisme Entertainment			(3,105)	(3,105)
Beltone Financial Holding (**)			(182,599)	--
			<b>1,490,297</b>	<b>1,278,656</b>

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

(\*\*) During the fourth quarter of 2015, the Company acquired 132,303,765 shares of Beltone Financial Holding shares with percentage of contribution of 81.3% as a result of the submitted request on 7 October, 2015, to the Financial Supervision Authority for the acquisition on 100% of Beltone Financial Holding and worth to mention that 58.2% from the value of the transaction have been financed through self-financing and the remaining were financed through syndicated loan.

**Orascom Investment Holding S.A.E.**

**Notes to the Separate Financial Statements for the financial year ended 31 December 2019**

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During 2016, Beltone Financial Holding –subsidiary- distributed 5,100,704 free shares to Orascom Telecom Media and Technology Holding. During the fourth quarter of 2016 OTMT sold 7,716,518 shares of Beltone Financial holding at a price of EGP 12.56 per share for the Company's contribution portion to become 76.73% with net 129, 687, 951 shares. On 21 December 2017, OTMT sold 11,376,766 shares of Beltone Financial Holding at a price of EGP 13.26 per share for the company's contribution portion to become 70% with net 118, 311,185 shares and the share price of Beltone Financial Holding amounting to EGP 2.21 per share as at 31 December 2019

On 31 December 2019, the value of the investment in Beltone Financial holding company was reduced, as it was assessed that the recoverable amount of the investment was lower than its carrying value and the decrease in the investment value is amounting to EGP 182,599 thousand was charged to the statement of income in impairment in assets account.

(\*\*\*) On 22 October 2015, the Company signed a contract for the purchase of shares of the company that owns seven floors in one of the buildings located in Brazil through Victoire Brazilian companies for a total cost Brazilian Real 263 Million equivalent to USD 66.8 Million and it worth to mention that 50% from the value of the transaction have been financed through self-financing and the remaining were financed through loan, the loan contract was signed with one of the banks in Lebanon for a total USD 33 Million - Note No. (19).

(\*\*\*\*) On 25 December 2017, Orascom Pyramids Prisme Entertainment was formed in partnership with Prism International free zone, with percentage of contribution of 70% in favor of Orascom Investment Holding. On 4 June 2018, the contract of transfer of all the rights and obligations arising from the contract to develop and manage the sound and light presentation to Orascom Pyramids Prisme Entertainment and to be the legal representative of the company. And during 2018, some disputes occurred between Egypt for sound and light for Tourism Development company and Prism International, Because of the lack of seriousness of Prism International in the implementation of the project. Egypt for sound and light for Tourism Development company terminate the original contract with Prism International , As well as the contract of transfer of all the rights and obligations dated 4 June 2018.

On 4 March 2019, Orascom Prisme Entertainment agreed with Egypt for Sound and Light for Tourism Development to end the dispute amicably, where Orascom Prisme Entertainment agreed to pay EGP 6 million. After they agreed that the Egypt for Sound and Light for Tourism Development will not prevent Orascom Prisme Entertainment or its subsidiaries or associates to submit to any bidder to the same project or any other project if offered by Egypt for Sound and Light for Tourism Development in the future in direct or indirect way as long as the Company met the requirements.

During year 2019, the Company used a portion of the receivable amounts from Beltone Financial Holding amounting to EGP 392,260 thousand to increase its investment in the subsidiary, after the approval of the extraordinary general assembly of Beltone Financial Holding to increase its issued capital at par value in favor of the old shareholders, either in cash or through the debt to the subscriber before Beltone Financial Holding company, the procedures of registering of the increase in the commercial register are still in process.

**Orascom Investment Holding S.A.E.**

**Notes to the Separate Financial Statements for the financial year ended 31 December 2019**

**18- Investment in associates**

<u>(In thousand EGP)</u>	Country	Shareholding %	31 December 2019	31 December 2018
CHEO Technology Joint Venture (Koryolink) (*)	North Korea	75	613,632	613,632
Sarwa capital holding (**)	Egypt	28.88	1,590,562	1,590,000
			<b>2,204,194</b>	<b>2,203,632</b>

\* The Group's investments in North Korea for 75% of the voting rights in the local telecom operator Koryolink. The accounting treatment has been modified during the period ended 30 September 2015. Therefore, recognizing it as an investment in associates instead of investment in subsidiaries, by ratification from Group management that there is significant influence instead of full control, Thus in light of the increase of the restrictions, financial and operating difficulties facing Koryolink due to the international sanction imposed by the international community including the United States of America, the European Union and the United Nations. These sanctions have the effect of restricting financial transactions and the import and export of goods and services, including goods and services required to operate, maintain and develop mobile networks. In addition to, the restrictions implemented on the company that affect the ability of the associate company to transfer profits to the parent (return of funds to its native) and the absence of a free-floating currency exchange market in North Korea, announced by the Central Bank of North Korea, other than launching a competing local telecom operator wholly owned by the North Korean Government.

On 11 September 2017, the United Nations Security Council issued a resolution obliging member states of the United Nations to pass laws prohibiting joint ventures and existing partnerships with the North Korean Republic unless approval is obtained to continue such joint ventures. At the present, the company's management submitted an official request through the Government of the Arab Republic of Egypt in order to be excluded from adhering to the said resolution.

On 26 December 2018, the request to the Security Council Committee established to follow up the implementation of sanctions on North Korea was approved, with the exception of Koryolink, to ban foreign investment in North Korea and to allow Orascom Investment Holding to continue its activities in North Korea. And Consider the company as a telecommunications infrastructure company offering a public service.

\*\* On 20 December 2018, the company purchased number of 216,032,608 share from shares of sarwa capital, which represents 30% of total equity by price per share 7.36 by total price EGP 1,590 million and it was financed by the contract related to open credit facility with bank Audi by amount of USD 90 million during December 2018.

During 2019, Sarwa Capital issued share based payments for some of the company's employees which reduced the company's share in Sarwa Capital to 28.88% instead of 30%, after the Company bought 172 thousand shares of Sarwa Capital's shares with an amount of EGP 562 Thousand.

**Orascom Investment Holding S.A.E.**

**Notes to the Separate Financial Statements for the financial year ended 31 December 2019**

**19- Borrowings**

**(In thousand EGP)**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Borrowings-current	376,286	1,782,968
Borrowings-non-current	651	419,561

<b>Banks</b>	<b>31 December 2019</b>							
	<b><u>Current portion</u></b>	<b><u>Non-current portion</u></b>	<b><u>Total loan</u></b>	<b><u>Value in issued currency</u></b>	<b><u>Currency</u></b>	<b><u>Maturity</u></b>	<b><u>Interest</u></b>	<b><u>Secured/Unsecured</u></b>
	<b>(EGP 000)</b>	<b>(EGP 000)</b>	<b>(EGP 000)</b>	<b>(000)</b>				
Loan of Foreign bank	374,606	-	<b>374,606</b>	33,372	USD	Oct. 2021	Bank interest + 1.25%	Secured
Loan from Local Bank	738	7	<b>745</b>	4,738	EGP	Dec. 2020	The interest of certificates + 2% at least 12% annually	Secured
Loan from Local Bank	942	644	<b>1,586</b>	4,710	EGP	Dec. 2021	The interest of certificates + 1.5% at least 11% annually	Secured
Credit facilities	--	--	--	90,000	USD	Dec. 2019	2.3%	Secured
<b>Total</b>	<b>376,286</b>	<b>651</b>	<b>376,937</b>					

<b>Banks</b>	<b>31 December 2018</b>							
	<b><u>Current portion</u></b>	<b><u>Non-Current portion</u></b>	<b><u>Total Loan</u></b>	<b><u>Value in issued currency</u></b>	<b><u>Currency</u></b>	<b><u>Maturity</u></b>	<b><u>Interest</u></b>	<b><u>Secured/Unsecured</u></b>
	<b>(EGP 000)</b>	<b>(EGP 000)</b>	<b>(EGP 000)</b>	<b>(000)</b>				
Loan of Foreign bank	178,702	417,222	595,924	33,372	USD	Oct. 2021	Bank interest + 1.25%	Secured
Loan from Local Bank	947	745	1,691	4,738	EGP	Dec. 2020	The interest of certificates + 2% at least 12% annually	Secured
Loan from Local Bank	942	1,594	2,536	4,710	EGP	Dec. 2021	The interest of certificates + 1.5% at least 11% annually	Secured
Credit facilities	1,602,377	--	1,602,377	90,000	USD	Dec. 2019	2.3%	Secured
<b>Total</b>	<b>1,782,968</b>	<b>419,561</b>	<b>2,202,528</b>					

**A-long-term loan foreign bank**

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

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

**Orascom Investment Holding S.A.E.**

**Notes to the Separate Financial Statements for the financial year ended 31 December 2019**

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**Interest rate and interest period**

Interest shall be set at a variable rate of US Dollar the subjected bank reference rate +1%.

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

**Financial covenants**

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

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

**Securities**

- In favor of the lender of the total acquired shares in the capital of the companies, owning the floors and the borrower shall deliver the certificates of the shares pledged.
- A chattel mortgage on all floors duly registered at the relevant real estate register in Sao Paolo Brazil.
- The borrower pledges to assign in favor of the lender of rental proceeds of the floors. The proceeds will be transferred to the borrower's account with the lender to cover interest and constitute a reserve account covering one interest payment.
- An irrevocable undertaking by the borrower to cover by the second anniversary of the first drawdown, the balance of the loan in principal and interest by a pledge account opened in his name.
- On 18 October 2017, the Company performed a reschedule agreement with bank Libano Francaise through which the loan amounted USD 33.4 Million will be a long-term loan as follows:

<b>Payment Date</b>	<b>Amount (in thousand USD)</b>
21 October 2019	10,000
21 October 2020	10,000
21 October 2021	13,423
<b>Total</b>	<b>33,423</b>

**B- Non-current loan-Local bank**

On 27 July 2015, the Company has signed a credit facility as a medium-term loan agreement to finance the purchase of assets related to the Company with one of Egyptian Banks with an amount of EGP 5 Million. Available duration is sixty-seven months ending on 27 February 2021.

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

**Withdrawal period:**

Six months from the date of signing the agreement and end on 23 January 2016.

**Payment period:**

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

**Orascom Investment Holding S.A.E.**

**Notes to the Separate Financial Statements for the financial year ended 31 December 2019**

**Interest and installation period**

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

**C- Non-current loan – Local bank**

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

**Withdrawal period:**

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

**Payment period:**

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

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

**The withdrawal period:**

Was extended by additional six months to be end on 26 January 2017, instead of 27 July 2016.

**Interest and installation period:**

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

**D- Credit facilities**

On 13 December 2018, the Company made an agreement to open credit facility amounted to USD 90,000,000 secured by USD time deposits, where the percentage of finance makes up 90% of the secured time deposits.

On 18 August 2019, the Company paid all the credit facilities mentioned above, from the value of the pledged deposits as a guarantee of the credit facility.

**E- Adjustments on the movement of borrowing to access the net cash (used in) / generated by borrowing activities:**

**(In thousand EGP)**

	<b><u>31 December 2019</u></b>	<b><u>31 December 2018</u></b>
<b>Balance at the beginning of the year</b>	<b>2,202,529</b>	<b>595,689</b>
Borrowings-current	180,591	1,890
Borrowings- non-current	419,561	593,799
Credit facilities	1,602,377	-
Repayment of borrowings	(43,512)	(1,693)
Repayment of credit facilities	(1,602,377)	-
Proceeds from credit facilities	-	1,602,377
foreign currency translation differences	(179,703)	6,156
<b>Balance at the end of the year</b>	<b>376,937</b>	<b>2,202,529</b>
Borrowings-current	376,286	180,591
Borrowings- non-current	651	419,561
Credit facilities	-	1,602,377

**Orascom Investment Holding S.A.E.**

**Notes to the Separate Financial Statements for the financial year ended 31 December 2019**

**20- Capital**

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

**21- Provisions and impairment**

<u>(In thousand EGP)</u>	<u>31 December 2018</u>	<u>Formed</u>	<u>31 December 2019</u>
<b>Provisions</b>			
Provisions for claim*	203,311	39,453	242,764
<b>Total provisions</b>	<b>203,311</b>	<b>39,453</b>	<b>242,764</b>
<b>Impairment of assets</b>			
Due from related parties	719,382	33,837	753,219
Investments in subsidiaries	7,543	182,599	190,142
Other debit balances	3,038	--	3,038
<b>Total impairment of assets</b>	<b>729,963</b>	<b>216,436</b>	<b>946,399</b>

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

**22- Other expenses**

<u>(In thousand EGP)</u>	<u>31 December 2019</u>	<u>31 December 2018</u>
IT management expenses	3,002	4,044
Stamp expenses	2,241	15
Donations	1,000	50
Maintenance expense	2,691	3,019
Car maintenance expense	1,433	1,569
Banking fees	510	6,725
Other	19,178	17,883
	<b>30,055</b>	<b>33,305</b>

**Orascom Investment Holding S.A.E.**

**Notes to the Separate Financial Statements for the financial year ended 31 December 2019**

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**23- (Losses ) / earnings per share**

(Losses) / earnings per share is calculated according to the Egyptian Accounting Modified Standard (22) as follows:

	<u><b>31 December 2019</b></u>	<u><b>31 December 2018</b></u>
Net (loss) / profit for the year (in thousand EGP)	(253,333)	58,794
Weighted average number of shares outstanding (in thousands of shares)	5,245,691	5,245,691
<b>(Losses) / earnings per share for the year (EGP)</b>	<u><b>(0.05)</b></u>	<u><b>0.01</b></u>

**Diluted:** Diluted (losses) / 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 (losses)/ earnings per share are equal.



**Orascom Investment Holding S.A.E.**

**Notes to the Separate Financial Statements for the financial year ended 31 December 2019**

**24- Significant transactions with related parties**

<u>Company Name</u> <u>(In thousand EGP)</u>	<u>Nature of the relationship</u>	<u>Nature of the transactions</u>	<u>Volume of Transactions</u> <u>2019</u>	<u>Volume of Transactions</u> <u>2018</u>	<u>Balance Debit(credit)</u> <u>2019</u>	<u>Balance Debit(credit)</u> <u>2018</u>
CHEO Technology JV (KoryoLink)	Associate	Expenses paid on behalf of the related party	639	6,753	274,866	274,227
Orascom Telecom Lebanon	Subsidiary	Expenses paid on behalf of the related party	9,432	14,816	6,941	5,830
Trans World Associate (Pvt.) LTD	Subsidiary	Interest on loans during the year Expenses paid on behalf of the related party	1,349 97	1,726 421	35,391	54,919
Orascom Telecom Ventures	Subsidiary	Proceeds from related party Expenses paid on behalf of the related party Dividends	62,343 1,184 320,000	367,632 603 --	(582,624)	(837,532)
Oracap Holding	Subsidiary	Expenses paid on behalf of the related party	24,049	23,339	435,779	411,730
Victoire investment holding	Subsidiary	Payment on Behalf of the related party for purchase of investment Proceeds from related party Interest on loans during the year Expenses paid on behalf of the related party	-- 85,982 -- 769	57,115 -- 1,510 2,562	101,748	205,944
Orascom Prisme entertainment	Subsidiary	Expenses paid on behalf of the related party Proceeds from related party	7,720 --	10,992 4,400	35,119	27,399

**25- Financial instruments and management of associated risks**

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

**25-1 Financial Risk Management**

**Financial Risk Factors**

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

**Orascom Investment Holding S.A.E.**

**Notes to the Separate Financial Statements for the financial year ended 31 December 2019**

**1- Market Risk:**

**Foreign currency exchange risks**

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

<b>(In Thousand EGP)</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
USD	152,488	542,687
Euro	121,436	297,060
GBP	519	84
CNY	5	5

An increase or decrease of 10% of the foreign exchange rate against the Egyptian pound on 31 December 2019, may lead to an increase (decrease) the profits by EGP 26,880 thousand (90,996 EGP at 31 December 2018), in light of the stability of all other variable interest.

**Cash flows and interest rate risks:**

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

As shown in note (19), the balance of loans as at 3 December 2019, amounting to EGP 376,937 thousand (EGP 600,152 thousand in 2018), which are loans with variable interest rates.

An increase of 1% of interest rates may result in an increase (decrease) of profits of EGP 3,769 thousand (EGP 6,015 thousand as at 31 December 2018).

**2- Credit risk**

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

**3- Liquidity risk**

Liquidity risk represents that the company's cash in and out flows can't maintain the proper liquidity ratio for the monetary balances, but because the company have significant balance of foreign currency which give it the ability to pay all the liabilities including the interest and any other charges, and the following table analyzes the financial liabilities that are expected to be paid according to their due dates at 31 December 2019:

<b>(In thousand EGP)</b>	<b>Carrying Amount</b>	<b>Expected cash flow</b>	<b>One year or less</b>	<b>From 1 to 5 years</b>
Accounts payable-non-interest bearing	5,201	5,201	5,201	--
Current borrowing-variable interest rate	376,286	380,882	380,882	--
Other Credit Balances-non-interest bearing	75,228	75,228	75,228	--
Non-current borrowing-variable interest rate	651	730	--	730
Due to related parties-non-interest bearing	588,910	588,910	588,910	--
<b>Balance as at 31 December 2019</b>	<b>1,046,276</b>	<b>1,050,951</b>	<b>1,050,221</b>	<b>730</b>

**Orascom Investment Holding S.A.E.**

**Notes to the Separate Financial Statements for the financial year ended 31 December 2019**

<b>(In thousand EGP)</b>	<b><u>Carrying Amount</u></b>	<b><u>Expected cash flow</u></b>	<b><u>One year or less</u></b>	<b><u>From 1 to 5 years</u></b>
Accounts payable-non-interest bearing	2,479	2,479	2,479	--
Current borrowing-variable interest rate	180,591	197,646	197,646	--
Credit facilities- variable interest rate	1,602,377	1,602,377	1,602,377	--
Other Credit Balances-non-interest bearing	38,157	38,157	38,157	--
Non-current borrowing-variable interest	419,561	526,529	--	526,529
Due to related parties-non-interest bearing	843,919	843,919	843,919	--
<b>Balance as at 31 December 2018</b>	<b><u>3,087,084</u></b>	<b><u>3,211,107</u></b>	<b><u>2,684,578</u></b>	<b><u>526,529</u></b>

**4- Other risks**

**Political and economic risks in the developing countries:**

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

**Organizational risks in the developing countries:**

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

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

**Company's activities in North Korea:**

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

In addition, North Korea's cash transfers from local currency to foreign currencies are subject to censorship by government authorities, along with North Korea's local currency is un-exchangeable abroad and accordingly limits the level of profits that can be paid from the associate of the parent company from its operations in North Korea. (Refer to note 18).

Orascom Investment Holding S.A.E.

Notes to the Separate Financial Statements for the financial year ended 31 December 2019

## 25-2 Financial instruments categories:

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

### 1- Financial assets, according as presented in the statement of financial position:

(In thousand EGP)	<u>2019</u>	<u>2018</u>
Cash and cash equivalent	519,736	690,149
<b><u>Borrowings and Liabilities</u></b>		
Due from related parties	196,538	667,620
Other financial assets	114,213	1,921,770
Other debit balances	15,469	72,023
<b>Total</b>	<b>845,956</b>	<b>3,351,562</b>

### 2- Financial liabilities as presented in the statement of financial position:

(In thousand EGP)	<u>Amortized</u> <u>Cost</u> <u>2019</u>	<u>Amortized</u> <u>Cost</u> <u>2018</u>
Accounts payable	5,201	2,479
Current borrowing	376,286	1,782,968
Non-current borrowing	651	419,561
Other Credit Balances	75,228	38,157
Related parties	588,910	843,919
<b>Total</b>	<b>1,046,276</b>	<b>3,087,084</b>

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

## 26- Tax Position

### 26-1 Corporate tax

Tax return is submitted by the company to the tax authority on legal due dates, in accordance with law No. 91 for the year 2005, as amended, its executive regulations and its amendments

#### The period since inception in 2011 to 2014

The company has been notified by model No. 19 tax for that period. The form was appealed on legal dates and the file was referred to the internal committee. The dispute was settled by the internal committee and the Company paid according to form no. 9

#### Years from 2015 to 2018

No inspection has been conducted for these years and the company has received notifications from the Tax Authority for those years, and analyzes and documents are being prepared for that examination

**Orascom Investment Holding S.A.E.**

**Notes to the Separate Financial Statements for the financial year ended 31 December 2019**

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**26-2 Payroll tax**

The Company submits its monthly wages and salaries in the legal dates in accordance with the of Law No. 91 for the year 2005, as amended, its executive regulations and its amendments.

**The period since inception to 2014**

The company was inspected for these years and the company has been notified by form no.38. The form was appealed on legal time frame, the file was referred to the internal committee. The dispute was settled by the internal committee and the Company paid according to form no. 9.

**Years from 2014 to 2018**

The Company has been notified by form no. 32 for the period from 2014 to 2017. The Company was inspected until 2018 and the tax authority has not yet provided us with the results of the examination.

**26-3 Withholding taxes**

**The period since inception in 2011 to 2019**

The Company applies the provisions of Law No. 91 for the year 2005, its amendments, its Executive Regulations and its amendments with respect to the deduction of withholding and collection under the tax account. The Company submit the tax within the legal dates.

**26-4 Stamp Tax**

**The period since inception to 31 December 2013**

The Company was inspected for these years and tax differences were paid by the Company.

**The period from 1 January 2014 till 31 December 2019**

No inspection has been conducted for these years, and the Company did not receive any notification related to those years from tax authority.

**27- Capital Commitment:**

There are capital commitments represented in the remaining amounts of the capital of both O-Capital for Energy and O-Capital for construction services amounting to EGP 13.125 million and EGP 189 thousand and EGP 9.315 million respectively, to complete the percentage from 25% to 100%.

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**Notes to the Separate Financial Statements for the financial year ended 31 December 2019**

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**28- Subsequent events**

- The recent outbreak of the novel coronavirus (COVID-19) continues to impact the global economy and markets. Going forward the COVID-19 outbreak may negatively impact amongst others our supply chain, workforce, operations, demand of our end markets, and liquidity. Accordingly, The Management has set up a COVID-19 taskforce to develop and implement contingency plans, and we are closely and continuously evaluating the developments. We will take all necessary actions to keep our operations running and, most importantly, protect our employees, suppliers, customers and all other stakeholders.

Based on our current knowledge and available information, we do not expect COVID-19 to have an impact on our ability to continue as a going concern in the foreseeable future.

- During January 2020, the Company make an accelerated payment of the loan relating to the direct or indirect acquisition of the shares related to the companies owning the Brazil building, with a balance of EGP 374,606 thousand as at 31 December 2019, and the shares mortgage have been cancelled during January 2020.
  - On 27 February 2020, the board of directors of Sarwa Capital company, proposed cash dividends to the shareholders for the year ended 31 December 2019, by a total amount of EGP 117,759,480, hence, the share of each share will EGP 0.10, in which the share of the Company from these declared dividends will be EGP 34.5 million before tax on dividends.
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