**Orascom Telecom, Media**
**and Technology Holding (S.A.E)**
**Subject to provisions of law no. 95**
**for year 1992 and its executive regulations**
**Consolidated Financial Statements**
**for the year ended**
**December 31, 2017**
**Together with audit Report**

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

Consolidated financial statements and auditor's report

**December 31, 2017**
**US$**

KPMG

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# Auditor's Report
# To The shareholders' of Orascom Telecom, Media and Technology Holding (S.A.E)

## Report on the Financial Statements

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

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

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

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

KPMG

Hazem Hassan

## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Orascom Telecom, Media and Technology Holding (S.A.E) as at December 31, 2017 and of its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with the International Financial Reporting Standards.

## Emphasis of matter

With reference to, what was indicated in detail in note no. (13) of the notes to the financial statements, The United Nations Security Council issued a resolution on September 11, 2017 obliging member states of the United Nations to pass laws prohibiting joint ventures and existing partnerships with the North Korean Republic unless approval is obtained to continue such joint ventures. The management of the Company believes that its investments in North Korea's network for mobile services is a utility and that is similar to the type of project likely to be approved to continue. At the present, the company's management is in the process of submitting an official request through the Government of the Arab Republic of Egypt in order to be excluded from adhering to the said resolution. In Addition, the company's management also believes that, in the absence of a clear mechanism for implementing the resolution, it is difficult to measure its impact on the recoverable value of the investment.

H.Hassan

KPMG Hazem Hassan

Cairo September 20, 2018

KPMG Hazem Hassan
Public Accountants and Consultants
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ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| *(in thousands of US$)* | Note | As of December 31, 2017 | As of December 31, 2016 |
|---|---|---|---|
| **Assets** | | | |
| Property and equipment | 15 | 139,482 | 133,613 |
| Intangible assets | 16 | 48,568 | 34,772 |
| Investment property | 17 | 76,973 | 80,048 |
| Equity-accounted investees | 13 | 34,748 | 34,163 |
| Other financial assets | 18 | 9,544 | 1,431 |
| Other non-financial assets | 21 | 16,421 | 33,704 |
| **Total non-current assets** | | 325,736 | 317,731 |
| Inventories | | 338 | 137 |
| Trade receivables | 20 | 36,275 | 22,662 |
| Other financial assets | 18 | 35,635 | 7,993 |
| Other non- financial assets | 21 | 12,603 | 14,893 |
| Cash and cash equivalents | 22 | 134,142 | 162,863 |
| **Total current assets** | | 218,993 | 208,548 |
| **Total Assets** | | 544,729 | 526,279 |
| **Equity and Liabilities** | | | |
| Share capital | 23 | 366,148 | 366,148 |
| Other reserves | | (110,674) | (118,293) |
| Retained earnings | | 19,716 | 29,672 |
| **Equity attributable to equity holders of the Company** | | 275,190 | 277,527 |
| Non-controlling interest | | 27,528 | 19,232 |
| **Total equity** | | 302,718 | 296,759 |
| **Liabilities** | | | |
| Non-current borrowings | 24 | 64,495 | 49,036 |
| Other non-current liabilities | 25 | 14,781 | 13,512 |
| Deferred tax liabilities | 19 | 23,385 | 28,064 |
| **Total non-current liabilities** | | 102,661 | 90,612 |
| Current borrowings | 24 | 15,087 | 40,911 |
| Trade payables and other current liabilities | 25 | 87,766 | 51,950 |
| Income tax liabilities | | 15,774 | 5,934 |
| Provisions | 26 | 20,723 | 40,113 |
| **Total current liabilities** | | 139,350 | 138,908 |
| **Total Liabilities** | | 242,011 | 229,520 |
| **Total Equity and Liabilities** | | 544,729 | 526,279 |

| **Chief Financial Officer** | **Chief Executive Officer** | **Chairman** |
|---|---|---|
| Khalid Ellaicy | Tamer Mahdi | Naguib Sawiris |

Auditor's report 'attached'

(The notes 1 to 35 are an integral part of these Consolidated Financial Statements)

ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| *(in thousands of US$)* | Note | For the year ended December 31, 2017 | For the year ended December 31, 2016 |
|---|---|---|---|
| **Continued operations** | | | |
| Revenues | 6 | 87,766 | 53,609 |
| Other income | 26 | 24,334 | 1,764 |
| Purchases and services | 7 | (49,201) | (30,836) |
| Other expenses | 8 | (9,845) | (10,305) |
| Personnel costs | 9 | (34,103) | (27,906) |
| Depreciation and amortization | 10 | (13,713) | (11,518) |
| Impairment charges | 11 | - | 5,128 |
| Disposal of non-current assets | | 177 | 1,047 |
| **Operating income / (loss)** | | 5,415 | (19,017) |
| Finance income | 12 | 3,536 | 3,196 |
| Finance costs | 12 | (7,330) | (7,503) |
| Foreign exchange (loss) / gain | 12 | (1,389) | 70,735 |
| Share of profit of equity-accounted investees | 13 | 145,132 | 135,508 |
| Impairment of profit of equity-accounted investees | 13 | (110,294) | (135,503) |
| **Profit before tax** | | 35,070 | 47,416 |
| Income tax expense | 14 | (11,445) | (14,831) |
| **Profit for the year** | | 23,625 | 32,585 |
| **Attributable to:** | | | |
| *Owners of the Company* | | *22,571* | *28,844* |
| *Non-controlling interests* | | *1,054* | *3,741* |
| Earnings per share from continuing operations (basic and diluted) – (in US$) | 27 | 0.004 | 0.01 |
| **Profit for the year** | | 23,625 | 32,585 |
| **Other comprehensive income:** | | | |
| **Items that may be subsequently reclassified to profit or loss, net of tax** | | | |
| Change in fair value of available for sale investment | | 79 | - |
| Equity-accounted investees -share of OCI | | 585 | (44,125) |
| Currency translation differences | | (3,753) | (40,535) |
| **Total comprehensive income for the year** | | 20,536 | (52,075) |
| **Attributable to:** | | | |
| Owners of the Company | | 20,400 | (51,954) |
| Non-controlling interest | | 136 | (121) |

| **Chief Financial Officer** | **Chief Executive Officer** | **Chairman** |
|---|---|---|
| Khalid Ellaicy | Tamer Mahdi | Naguib Sawiris |

(The notes 1 to 35 are an integral part of these Consolidated Financial Statements)

ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

| *(in thousands of US$)* | Share capital | Legal reserves | Translation reserves | Other reserves | Retained earnings | Equity attributable to equity holders of the company | Non- controlling Interest | Total equity |
|---|---|---|---|---|---|---|---|---|
| **As of 1 January 2016** | 366,148 | 81,329 | (122,216) | - | 828 | 326,089 | 18,205 | 344,294 |
| **Total comprehensive income** | - | - | (80,966) | 168 | 28,844 | (51,954) | (121) | (52,075) |
| Change in the scope of consolidation | - | - | - | 3,392 | - | 3,392 | 1,148 | 4,540 |
| **Total transactions with owners** | - | - | - | 3,392 | - | 3,392 | 1,148 | 4,540 |
| **As of 31 December 2016** | 366,148 | 81,329 | (203,182) | 3,560 | 29,672 | 277,527 | 19,232 | 296,759 |

| *(in thousands of US$)* | Share capital | Legal reserves | Translation reserves | Other reserves | Retained earnings | Equity attributable to equity holders of the company | Non- controlling Interest | Total equity |
|---|---|---|---|---|---|---|---|---|
| **As of 1 January 2017** | 366,148 | 81,329 | (203,182) | 3,560 | 29,672 | 277,527 | 19,232 | 296,759 |
| **Total comprehensive income** | - | - | (2,232) | 61 | 22,571 | 20,400 | 136 | 20,536 |
| Transferred to legal reserve | - | 3,044 | - | - | (3,044) | - | - | - |
| Dividends to shareholders | - | - | - | - | (29,483) | (29,483) | - | (29,483) |
| Change in the scope of consolidation-Outgoing | - | - | - | 6,746 | - | 6,746 | 1,466 | 8,212 |
| Change in the scope of consolidation-in coming | - | - | - | - | - | - | 6,694 | 6,694 |
| **Total transactions with owners** | - | 3,044 | - | 6,746 | (32,527) | (22,737) | 8,160 | (14,577) |
| **As of 31 December 2017** | 366,148 | 84,373 | (205,414) | 10,367 | 19,716 | 275,190 | 27,528 | 302,718 |

**Chief Financial Officer**
Khalid Ellaicy

**Chief Executive Officer**
Tamer Mahdi

**Chairman**
Naguib Sawiris

(The notes 1 to 35 are an integral part of these Consolidated Financial Statements

ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.
CONSOLIDATED STATEMENT OF CASH FLOWS

| *(in thousands of US$)* | Note | For the year ended December 31, 2017 | For the year ended December 31, 2016 |
|---|---|---|---|
| **Profit before tax** | | 35,070 | 47,416 |
| *Adjustments for* | | | |
| Depreciation, amortization and impairment charges | 10, 11 | 13,713 | 6,390 |
| Finance costs | 12 | 7,330 | 7,503 |
| Finance income | 12 | (3,536) | (3,196) |
| Foreign exchange loss / (gain) | 12 | 1,389 | (70,735) |
| (Gain)/loss from disposal of assets | | (177) | (1,047) |
| Share of profit of equity-accounted investees | 13 | (145,132) | (135,508) |
| Impairment of profit of equity-accounted investees | 13 | 110,294 | 135,503 |
| Changes in provisions | | (12,202) | 8,775 |
| Changes in other assets | | (18,450) | (7,328) |
| Changes in other liabilities | | 44,626 | 22,017 |
| **Cash flows generated by operating activities** | | **32,925** | **9,790** |
| Income taxes paid | | (5,599) | (8,313) |
| Employee dividends | | (826) | |
| Interest collected | | 3,536 | 3,196 |
| **Net Cash flows generated by operating activities** | | **30,036** | **4,673** |
| ***Cash out flow for investments in*** | | | |
| Property and equipment | | (16,987) | (28,680) |
| Intangible assets | | (2,103) | (67) |
| Investment in new acquisition | | (7,970) | (22,159) |
| Change in Deposits and financial assets | | (7,321) | (12,813) |
| ***Proceeds from :*** | | | |
| Disposal of property and equipment | | 46 | 1,356 |
| Disposal of Intangible assets | | - | 6 |
| Net cash received from new acquisitions | | 22,749 | - |
| Disposal of available for sale investments | | - | 5,453 |
| Disposal of FVTPL investment | | 4,256 | 3,606 |
| Receipts from dividends distribution from associates | | 18,551 | 25,896 |
| **Cash flows generated by / (used in) investing activities** | | **11,221** | **(27,402)** |
| **Cash flows from financing activities** | | | |
| Interest paid | | (8,548) | (5,974) |
| Proceeds from loan and bank facilities | | 4,271 | 25,296 |
| Payments for loans and bank facilities | | (11,886) | (5,823) |
| Cash received from disposal of Beltone stake | | 8,393 | - |
| Dividends distribution to shareholders | | (29,485) | 9,653 |
| Change in restricted time deposit | | (33,835) | - |
| **Cash flows (used in) / generated by financing activities** | | **(71,090)** | **23,152** |
| **Net decrease / increase in cash and cash equivalents** | | **(29,833)** | **423** |
| Effect of movements in exchange rates on cash held | | 1,112 | (40,014) |
| Cash and cash equivalents at the beginning of the year | | 162,863 | 202,454 |
| **Cash and cash equivalents at the end of the year** | 22 | **134,142** | **162,863** |

| **Chief Financial Officer** | **Chief Executive Officer** | **Chairman** |
|---|---|---|
| Khalid Ellaicy | Tamer Mahdi | Naguib Sawiris |

(The notes 1 to 35 are an integral part of these Consolidated Financial Statements)

## 1. General information

Orascom Telecom, Media and Technology Holding S.A.E. ("OTMT" or the "Company") is a joint stock company with its head office in Cairo, Egypt. As part of a larger transaction pursuant to which VimpelCom Ltd had acquired Orascom Telecom Holding, S.A.E. ("OTH"), its shareholders agreed to effect the demerger, whereby, OTH was split into two companies, OTH and the Company and certain telecom, cable and media and technology assets were transferred to the Company.

The Company and its subsidiaries (together the "Group") are business operating in high growth emerging markets in the Middle East and Brazil. The Company is a subsidiary of Orascom TMT Investment S.à.r.l. or the "Parent Company" (formerly Weather Investments II, "Weather Investments").

The Company's shares are listed on the Egyptian Stock Exchange and its GDRs are listed on the London Stock Exchange.

The Company prepares its separate and consolidated financial statements for statutory purposes in accordance with applicable Egyptian laws and regulations and Egyptian Accounting Standards. The IFRS consolidated financial statements are prepared for the convenience of international shareholders and to meet the continuing obligations of the Company's GDR listing on the London Stock Exchange.

The consolidated financial statements as of and for the year ended 31 December 2017 (the "Consolidated Financial Statements") were approved for issue by the Board of Directors of the Company on September 20,2018.

## 2. Significant accounting policies

### *2.1 Basis of preparation*

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations as adopted by the International Accounting Standards Board ("IASB") and all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and all interpretations of the Standing Interpretations Committee ("SIC").

The Consolidated Financial Statements have been prepared under the historical cost basis except for the following:

- Financial instruments at fair value through profit or loss are measured at fair value.
- Financial instruments available for sale measured at fair value.
- Assets and liabilities recognized as a result of the acquisitions in accordance with IFRS 3 (Business combination)

For presentational purposes, the current/non-current distinction has been used for the statement of financial position. The statement of comprehensive income is presented using the one-statement approach, dividing items of comprehensive income between a separate consolidated statement of profit and loss and a separate statement of comprehensive income. Expenses are analysed in the consolidated statement of profit and loss using a classification based on their nature. The indirect method has been selected to present the cash flow statement.

The information presented in this document has been presented in thousands of United States Dollar ("US$"), except earnings per share and unless otherwise stated.

## *2.2 Application of new and revised International Financial Reporting Standards ("IFRSs")*

### 2.2.1 Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for the current year. None of the revised Standards and the new Interpretation has had a material effect on these financial statements. The details of the revised Standards and the new Interpretation are as follows:

IAS 7 — Amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

IAS 12 — Amends IAS 12 Income Taxes to clarify the following aspects:

- Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

### 2.3 Standards and Interpretations in issue but not yet effective

At the date of authorization of these financial statements, the Group has not adopted the following Standards and Interpretations that have been issued but are not yet effective. They will be effective on or after the dates described below.

IFRS 9

(Effective from the annual period beginning on or after January 1, 2018)

As of January 1, 2018, no significant impact has been identified for the classification and measurement except for equity instruments of Beltone Group which classified as available for sale (AFS) currently measured at cost under IAS 39. Under IFRS 9 the cost exemption is no longer allowed therefore those equity instruments should be accounted for at fair value as of January 1, 2018. According to its materiality.

In addition, Beltone will revisit the classification of equity instruments treated as AFS under IAS 39. Management will need to decide if it should be measured at FV through profit and loss or FV OCI. However, this will not have an impact as of January 1, 2018.

***Impairment***
As of January 1, 2018, TWA might be impacted from the implementation of IFRS 9 for the new impairment rules related to the financial assets. The financial assets impacted should be trade receivables. However, considering the limited losses incurred in the past, the impact might not be significant.

***Hedge accounting***
The Group doesn't apply hedge accounting and accordingly it is not applicable at transition date.

| | |
|---|---|
| IFRS 15<br><br>(Effective from the annual period beginning on or after January 1, 2018) | ***TWA Group (Cable segment)***<br>No significant impact has been highlighted during our assessment, except for significant financing component associated with an IRU contract due to upfront fees payment collected. This item does not impact January 1, 2018 financial statements.<br><br>***Beltone (Financial Services segment)***<br>No significant impact has been highlighted during our assessment as of January 1, 2018<br><br>***OT Lebanon (GSM Segment)***<br>No significant impact has been highlighted during our assessment as of January 1, 2018<br><br>***OTMT (Others segment)***<br>No significant impact has been highlighted during our assessment as of January 1, 2018<br><br>***OTV group, O-Capital, Sound and Light Company (Others segment)***<br><br>No significant impact has been highlighted during our assessment as of January 1, 2018 |
| IFRS 16<br><br>(Effective from the annual period beginning on or after January 1, 2019) | ***TWA Group (Cable segment)***<br>Based on the data gathering information and assumptions provided, the preliminary impact quantification of the lease liability amounts to **Pakistan Rupee 228 millions (equivalent to USD 2 M).**<br><br>***Beltone (Financial Services segment)***<br>Based on the data gathering information and assumptions provided, the preliminary impact quantification of the lease liability amounts to **USD 4.1 million.**<br><br>***Victoire (Investment Property segment)***<br>No lease contracts have been identified as of January 1, 2018.<br><br>***OT Lebanon (GSM Segment)***<br>No lease contracts have been identified as of January 1, 2018.<br><br>***OTMT (Others segment)***<br>Based on the data gathering information and assumptions provided, the preliminary impact quantification of the lease liability amounts to **USD 0.2 million.**<br><br>***OTV group, O-Capital, Sound and Light Company (Others segment)***<br><br>No lease contracts have been identified as of January 1, 2018. |
| Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"<br><br>(Effective from the annual period beginning on or after January 1, 2018) | This amendment, published by the IASB on June 20, 2016, clarifies the measurement of cash-settled share-based payments and the accounting treatment for modifications to an incentive plan that changes from cash-settled to equity-settled. The document also introduces an exception to IFRS 2, which will entail that an incentive plan must be entirely accounted for as an equity-settled plan when the employer is bound to pay the tax authority a withholding tax resulting from said plan and charged to the related beneficiary employees. |

| | |
|---|---|
| Amendments to IAS 40 "Transfers of Investment Property"<br><br>(Effective from the annual period beginning on or after January 1, 2018) | These amendments, published by the IASB on December 8, 2016, clarify that transfers to or from investment property must be justified by a change in use of the property. To understand whether a change of use of the investment property has occurred, it must be verified whether the property meets, or ceases to meet, the definition of investment property. This change must be supported by evidence. |
| Annual improvements 2014-2016<br><br>(Effective from the annual period beginning on or after January 1, 2018) | The changes introduced by this document, published by the IASB on December 8, 2016, regard:<br>IFRS 1 "First-time Adoption of International Financial Reporting Standards";<br>IAS 28 "Investments in Associates and Joint Ventures" and IFRS 12 "Disclosure of interests in other companies". |
| IFRIC 22 "Foreign Currency Transactions and Advance Consideration"<br><br>(Effective from the annual period beginning on or after January 1, 2018) | This interpretation, published by the IASB on December 8, 2016, addresses the accounting treatment of transactions denominated in foreign currencies or parts of transactions whose payment is denominated in a foreign currency. The interpretation provides a guide for circumstances in which a single payment/collection is expected, as well as cases in which a number of payments/collections are made. The aim of the interpretation is to reduce non-compliant behavior. |
| IFRIC 23 "Uncertainty over Income Tax Treatments"<br><br>(Effective from the annual period beginning on or after January 1, 2019) | On June 7, 2017, the IASB issued IFRIC 23 "Uncertainty over Income Tax Treatments", containing guidance on the accounting treatment of current and/or deferred tax assets and liabilities when there is uncertainty over a tax treatment. |
| Amendment to IFRS 9 "Prepayment Features with Negative Compensation"<br><br>(Effective from the annual period beginning on or after January 1, 2019) | On October 12, 2017, the IASB issued this amendment to IFRS 9 to deal with certain issues regarding the applicability and classification of IFRS 9 "Financial Instruments" in the case of certain financial assets with prepayment options. In addition, the IASB has clarified certain aspects of accounting for financial liabilities that have been modified. |
| Amendment to IAS 28 "Long-term Interests in Associates and Joint Ventures"<br><br>(Effective from the annual period beginning on or after January 1, 2019) | On October 12, 2017, the IASB issued this amendment to IAS 28 to clarify application of IFRS 9 "Financial Instruments" to long-term interests in subsidiaries or joint ventures included in investments in such entities to which the equity method is not applied. |
| IFRS 17 "Insurance Contracts"<br><br>(Effective from the annual period beginning on or after January 1, 2021) | On May 18, 2017, the IASB issued IFRS 17 "Insurance Contracts", which establishes the criteria to be applied in the recognition, measurement, presentation and disclosure of insurance contracts included in the standard. The aim of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents such contracts, thus enabling the users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. |

***2.3 Summary of main accounting principles and policies***

The main accounting principles and policies adopted in preparing these Consolidated Financial Statements are set our below. These policies have been applied consistently by the Group entities.

***Basis of consolidation***

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Consolidated Financial Statements include the financial statements of the Company and the financial statements of those entities over which the Company has control, both directly or indirectly, from the date on which control is transferred to the Group until the date such control ceases.

The financial statements used in the consolidation process are those prepared by the individual Group entities in accordance with IFRS.

The consolidation procedures used are as follows:

- The assets and liabilities and income and expenses of subsidiaries are included on a line-by-line basis, allocating to non-controlling interests, where applicable, the share of equity and profit or loss for the period that is attributable to them. The resulting balances are presented separately in equity and the consolidated statement of profit and loss; the acquisition method of accounting is used to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets;
- Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity;
- Goodwill represents the excess of the cost of an acquisition over the interest acquired in the net fair value at the acquisition date of the assets and liabilities of the entity or business acquired. Goodwill relating to investments accounted for using the equity method is included in the carrying amount of the investment. Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair values of non-controlling interest over the net identifiable assets acquired and the liabilities assumed. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss;
- Acquisition costs on business combinations are expensed as incurred;
- The purchase of equity holdings from non-controlling holders are accounted for as equity transactions that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration received and the relevant share of the carrying value of net assets of the subsidiary is recorded in equity;
- Unrealised gains and losses on transactions carried out between companies consolidated on a line-by-line basis and the respective tax effects are eliminated if material, as are corresponding balances for receivables and payables, income and expense, and finance income and expense.

***Associates***

Associates are investments in companies where the Group exercises a significant influence, which is presumed to exist when the Group holds voting rights between 20% and 50%. Associates are accounted for using the equity method.

The equity method is as follows:

- The Group's share of the profit or loss of an investee is recognised in the consolidated statement of profit and loss from the date when significant influence begins up to the date when that significant influence ceases or when the investment is classified as held for sale. Investments in associates with negative shareholders' equity are impaired and a provision for its losses is accrued only if the Group has a legal or constructive obligation to cover such losses. Equity changes in investees accounted for using the equity method that do not result from profit or loss are recognised directly in consolidated equity reserves;
- The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value;
- if the ownership interest in an associate is reduced, but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit and loss;
- Unrealised gains and losses generated from transactions between the Company or its subsidiaries and its investees accounted for using the equity method are eliminated on consolidation for the portion pertaining to the Group; unrealised losses are eliminated unless they represent impairment.

Management fees received from associates are included within revenue.

Appendix A includes a list of the entities included in the scope of consolidation.

***Interests in joint operations***

A joint operation is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control that is when the strategic financial and operating policy decisions relating to the activities of the joint operation require the unanimous consent of the parties sharing control.

Joint operation arrangements that involve the establishment of a separate entity in which each venture has an interest are referred to as jointly controlled entities. The Group recognizes its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses., except when the entities are in the incorporation phase or have not started significant operations until the date of the consolidated financial statements. Investments classified as held for sale, are accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, where they are stated at the lower of their carrying amount or fair value less costs to sell.

The Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the corresponding items in the consolidated financial statements on a line-by-line basis.

Where the Group transacts with its jointly controlled entities, unrealized profits and losses are eliminated to the extent of the Group's interest in the joint operation.

The following table provides a list of the jointly controlled entities, in which Beltone Financial Holding holds direct and indirect interests:

| | Interest percentage | | |
|---|---|---|---|
| | Segment | Country | Direct and indirect interest in entity |
| Misr Beltone Asset Management | Mutual funds management | Egypt | 50% |

***Foreign currency translation***

*Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the Company is Egyptian pound. The Consolidated Financial Statements are presented in 'US Dollars' (US$), which is the Group's presentation currency.

*Transactions and balances*

Transactions in foreign currencies are translated into the functional currency of the relevant entity at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated, at the reporting date, into the prevailing exchange rates at that date. Foreign currency exchange differences arising on the settlement of transactions and the translation of the statement of financial position are recognised in the consolidated statement of profit and loss. Gains and losses on long-term financing provided to Group subsidiaries by the parent company, for which settlement is neither planned nor likely to occur, are initially recognised in other comprehensive income and reclassified to the consolidated statement of profit and loss on disposal of the relevant entity.

*Group companies*

The financial statements of the Group entities are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing exchange rate;
- Income and expenses are translated at the average exchange rate for the period;
- All resulting exchange differences are recognised as a separate component of equity in the "translation reserve" until the group loses control of the relevant subsidiary. When the group disposes of a foreign operation the translation reserve, previously recognised in equity, is transferred to the consolidated statement of profit and loss;
- Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing exchange rate; and
- In the preparation of the consolidated cash flow statement, the cash flows of foreign subsidiaries are translated at the average exchange rate for the period.

The exchange rates applied in relation to the US$ are as follows:

| | Average for the year ended December 31, 2017 | Closing rate as of December 31, 2017 | Average for the year ended December 31, 2016 | Closing rate as of December 31, 2016 |
|---|---|---|---|---|
| Egyptian Pound (EGP) | 0.056 | 0.057 | 0.06 | 0.056 |
| Pakistan Rupee (PKR) | 0.010 | 0.009 | 0.010 | 0.010 |
| Euro (EUR) | 1.1296 | 1.1996 | 1.107 | 1.051 |
| DRRK Won (KPW) | 0.009 | 0.010 | 0.009 | 0.009 |

***Property and equipment***

Property and equipment are stated at purchase cost or production cost, net of accumulated depreciation and any impairment losses. Cost includes expenditure directly attributable to bringing the asset to the location and condition necessary for use and any dismantling and removal costs which may be incurred because of contractual obligations, which require the asset to be returned to its original state and condition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit and loss during the financial period in which they are incurred. Each asset is treated separately if it has an autonomously determinable useful life and value. Depreciation is charged at rates calculated to write off the costs over their estimated useful lives on a straight-line basis from the date the asset is available and ready for use.

The useful lives of property and equipment and their residual values are reviewed and updated, where necessary, at least at each year-end. Land is not depreciated. When a depreciable asset is composed of identifiable separate components whose useful lives vary significantly from those of other components of the asset, depreciation is calculated for each component separately, applying the "component approach".

The useful lives estimated by the Group for the various categories of property and equipment are as follows.

| | Number of years |
|---|---|
| *Land and buildings* | |
| Buildings | 50 |
| Leasehold improvements and renovations | 3-8 |
| *Plant and machinery* | 8-15 |
| *Cable system and equipment* | 4-20 |
| *Commercial and other tangible assets* | |
| Tools | 5-10 |
| Computer equipment | 3-5 |
| Furniture and fixtures | 5-10 |
| Vehicles | 3-6 |

Gains or losses arising from the sale or retirement of assets are determined as the difference between the net disposal proceeds and the net carrying amount of the asset sold or retired and are recognised in the consolidated statement of profit and loss in the period incurred under "Disposal of non-current assets".

***Leases***

The Group leases certain property and equipment. Leases of property and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in current borrowings. The interest element of the finance cost is charged to the consolidated statement of profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit and loss on a straight-line basis over the period of the lease.

***Intangible assets***

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

<u>Intangible assets acquired in a business combination</u>

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

<u>Derecognition of intangible assets</u>

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

***Licenses***

Costs for the purchase of telecommunication licenses are capitalised. Amortisation is charged on a straight-line basis such as to write off the cost incurred for the acquisition of a right over the shorter of the period of its expected use and the term of the underlying agreement, starting from the date on which the acquired license may be exercised.

***Software***

Acquired software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Software licenses are amortised on a straight-line basis over their useful life (between 3 to 8 years), while software maintenance costs are expensed in the consolidated statement of profit and loss in the period in which they are incurred.

Costs incurred on development of software products are recognised as intangible assets when the Group has intentions to complete and use or sell the assets arising from the project, considering the existence of a market for the asset, its commercial and technological feasibility, its costs can be measured reliably and there are adequate financial resources to complete the development of the asset. Other development expenditures are recognised in the consolidated statement of profit and loss in the period in which they are incurred.

Directly attributable costs that are capitalised as part of a software product include software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

| | Number of years |
|---|---|
| Rights of use | 17- 20 |
| Trademarks | 20 |
| *Contractual agreements with customers* | 20 |
| *Computer software* | 5 |

***Impairment of non-financial assets***

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. In determining an asset's value in use the estimated future cash flows are discounted using a pre-tax rate that reflects the market's current assessment of the cost of money for the investment period and the specific risk profile of the asset. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units, "CGU"). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

***Investment Property***

Investment properties are property (land or a building or part of a building or both) held by the Group to earn rental income or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in supply of goods or services or for administrative purposes. Investment properties are initially measured at cost. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure.

Directly attributable expenditure includes, for example, professional fees for legal services, property transfer taxes and other transaction costs. Subsequent to initial recognition, the Group has elected to measure investment properties at cost less accumulated depreciation and accumulated impairment losses, if any. Investment property is derecognised upon disposal, when it is permanently withdrawn from use and no future economic benefits expected from its disposal. Gains or losses arising from the retirement or disposal of investment property are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period of the retirement or disposal. Reclassifications to / from investment property are made when, and only when, there is a change of use.

Revenue from operating lease rentals is recognised on a straight-line basis over the relevant term of the lease. The rental income generated by investment properties is recognised within revenue in the consolidated statement of profit and loss.

Depreciation is charged to the consolidated statement of profit and loss on a straight-line basis over the estimated useful lives of each component of the investment properties. The estimated useful lives of leased units is estimated at 50 years.

***Financial instruments***

Financial instruments consist of financial assets and liabilities whose classification is determined on their initial recognition and on the basis of the purpose for which they were purchased. Purchases and sales of financial instruments are recognised at their settlement date.

***Financial assets***

The group may choose to reclassify a non-derivative trading financial asset out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the fair value through profit or loss category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the fair value through profit or loss or available-for-sale categories if the group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

With the exception of derivative financial assets, the Group does not hold any financial assets at fair value through profit or loss; see "Derivative financial instruments" for the accounting policy on derivatives.

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not a fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets are classified in the category of available for sale, held to maturity, financial assets at fair value through profit or loss loans and receivables and subsequently measured as described.

Loans and receivables and held-to maturity investments are subsequently carried at amortised cost using the effective interest method.

Loans and receivables comprise 'trade and other receivables' in the statement of financial position. Loans and receivables are non-derivative financial instruments which are not traded on an active market and which are expected to generate fixed or determinable repayments. They are included as current assets unless they are contractually due more than twelve months after the reporting date in which case they are classified as non-current assets. These assets are measured at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gain or losses arising from changes in the fair value are recognised as follows:

- For "financial assets at fair value through profit or loss"- in profit or loss within other income or other expenses;
- For available-for-sale financial assets that are monetary securities denominated in a foreign currency-translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income.

The Group has investments classified as available for sale. As the fair value cannot be reliably determined, the investment is measured at cost. Cost is adjusted for impairment losses if necessary, as described in the paragraph "Impairment of Financial Assets".

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are recognised in profit or loss as part of financial income from continuing operations when the Group's right to receive payments is established.

Interest income from financial assets are recognised at fair value through profit or loss. Interest on available-for-sale securities, held to maturity investments and loans and receivables calculated using the effective interest method is recognised in the statement of profit or loss as part of financial income from continuing operation.

The classification of an asset as current or non-current is the consequence of strategic decisions regarding the estimated period of ownership of the asset and its effective marketability, with those, which are expected to be realised within twelve months from the reporting date being classified as current assets.

Financial assets are derecognised when the right to receive cash flows from them expires or have been transferred and the Group has effectively transferred all risks and rewards related to the instrument and its control.

***Impairment of financial assets***

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as- available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Assets carried at amortised cost*

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit and loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit and loss.

*Assets classified as available-for-sale*

If there is objective evidence of impairment for available-for sale financial assets, the cumulative loss-measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in profit or loss- is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed though profit or loss in a subsequent period.

In the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

***Interest income***

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash-flow discounted at the original effective interest rate of the instrument, and continues unwiding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

***Financial liabilities and equity instruments***

Debt and equity instruments issued by a Group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

***Equity instruments***

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

***Financial liabilities***

Financial liabilities consisting of borrowings, trade payables and other obligations are measured at amortised cost using the effective interest method. Financial liabilities are classified as current liabilities except where the Group has an unconditional right to defer payment until at least twelve months after the reporting date.

Financial liabilities are derecognised when settled and the Group has transferred all the related costs and risks relating to an instrument.

***Derivative financial instruments and embedded derivatives***

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Fair value gains and losses on all of the Groups derivative financial instruments are recognised in the consolidated statement of profit and loss within finance income and expense.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

***Inventories***

Inventories are stated at the lower of purchase cost or production cost and net realisable value. Cost is based on the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. When necessary, obsolescence allowances are made for slow-moving and obsolete inventories.

***Cash and cash equivalents***

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

***Current and deferred income tax***

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of profit and loss, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the consolidated statement of financial position liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. However, deferred income tax is not accounted for if it arises from initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the near future.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

***Business Combination***

The acquisition method of accounting is used to account for all business combination, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- Fair values of the assets transferred;
- Liabilities incurred to the former owners of the acquired business;
- Equity interests issued by the group;
- Fair value of any asset or liability resulting from a contingent consideration arrangement and;
- Fair value of any pre-existing equity interest in the subsidiary;

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

The excess of the:

- Consideration transferred;
- Amount of any non-controlling interest in the acquired entity, and
- Acquisition date fair value of any previous equity interest in the acquired entity

Over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly on profit or loss as a bargain purchase.

Where the settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

In case that initial treatment of business combination is not complete at the end of financial period consolidated, the group recognizes temporary amounts for accounts and during the measurement period not to exceed one year from the date of acquisition. The adjustment is performed retrospectively for completion of new information (Intangible assets, deferred taxes/provisions and others)

***Provisions***

Provisions are only recognised when the Group has a present legal or constructive obligation arising from past events that will probably result in a future outflow of resources, and the amount has been reliably estimated. Provisions are not recognised for future operating losses. The amount provided represents the best estimate of the present value of the outlay required to meet the obligation. The interest rate used in determining the present value of the liability reflects current market rates and takes into account the specific risk of each liability.

***Revenue recognition***

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, rebates and discounts and after eliminating sales within the Group.

Revenue from the sale of goods is recognised when the Group transfers the risks and rewards of ownership of the goods. Revenue from services is recognised in the consolidated statement of profit and loss by reference to the stage of completion and only when the outcome can be reliably estimated.

More specifically, the criteria followed by the Group in recognising ordinary revenue are as follows:

- Revenue arising from post-paid traffic, interconnection and roaming is recognised on the basis of the actual usage made by each subscriber and telephone operator. Such revenue includes amounts paid for access to and usage of the group network by customers and other domestic and international telephone operators;

- Revenue from the sale of prepaid cards and recharging is recognised on the basis of the prepaid traffic actually used by subscribers during the period. The unused portion of traffic at period end is recognised deferred income;
- One-off revenue from mobile (prepaid or subscription) activation and/or substitution, prepaid recharge fees and the activation of new services and tariff plans is recognised for the full amount at the moment of activation independent of the period in which the actual services are rendered by the Group. In the case of promotions with a cumulative plan still open at the end of the period, the activation fee is recognised on an accruals basis so as to match the revenue with the period in which the service may be used;
- Revenue from bandwidth capacity sales (Cable segment revenue) is recognised over the period of the contract on the basis of usage of bandwidth by the customers. Advances received from customers, for which the service has not yet been provided is disclosed as deferred income.

***Revenue of the financial service section***

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

a) The amount of revenue can be measured reliably; and
b) It is probable that the economic benefits associated with the transaction will flow to the entity; and
c) The stage of completion of the transaction at the end of the reporting period can be measured reliably; and
d) The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

***Operating Revenues***

Operating revenues represent the following types:

*Investment banking revenue*

The activities revenue is recognised that represented in security and investment banking fees for the companies when complete the implementation of the service.

*Management fees of funds and portfolios*

Management fees are recognised as revenue on an accrual basis, as the services are rendered, in accordance with the contractual terms of each fund and portfolio.

Incentive fees are recognised as revenue based on predetermined percentages agreed with clients, calculated by reference to the annual return on each fund or portfolio, but only to the extent that the amount of revenue can be measured reliably and it is probable that economic benefits will flow to the Group.

*Commissions*

Sale commissions: represent commissions on sale of securities for clients in local or global stock exchanges, calculated at specified rates agreed with clients as a percentage of the sale transaction.

Purchase commissions: represent commissions on purchase of securities for clients in local or global stock exchanges, calculated at specified rates agreed with clients as a percentage of the purchase transaction.

*Custodian fees*

Custodian fees are recognised as the difference between fees collected from clients and those incurred or paid to custodians.

They are recognised according to contracts signed with clients on accrual basis.

They are recognised the commissions for collecting coupons for customers, the collection of these coupons are on behalf of the customers.

***Investment property revenue***

Revenue from operating lease rentals is recognised on a straight-line basis over the relevant term of the lease. The rental income generated by investment properties is recognised within revenue in the consolidated statement of profit and loss.

***Interest income***

Interest income is recognised on a time-proportion basis using the effective interest rate method.

***Earnings per share***

*Basic*

Basic earnings per share are calculated by dividing the profit for the period attributable to equity holders of the Company, both from continuing and discontinued operations, by the weighted average number of ordinary shares in issue during the period excluding ordinary shares purchased by the Company and held as treasury shares.

*Diluted*

Diluted earnings per share are calculated by dividing the profit for the period attributable to equity holders of the Company by the weighted average number of ordinary shares of the Company outstanding during the period where, compared to basic earnings per share, the weighted average number of shares outstanding is modified to include the conversion of all dilutive potential shares, while the profit for the period is modified to include the effects of such conversion net of taxation. Diluted earnings per share are not calculated when there are losses as any dilutive effect would improve earnings per share.

***Segment reporting***

Operating segments are reported in a manner which is consistent with the internal reporting information provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors of the Company.

***Non-current assets and liabilities held for sale***

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter the assets and liabilities held for sale (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets and deferred tax assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent losses on re-measurement are recognised in the consolidated statement of profit and loss. Subsequent increase in fair value less costs to sell may be recognised in the consolidated statement of profit and loss only to the extent of the cumulative impairment loss that has been recognised previously.

***Discontinued operations***

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit and loss is re-presented as if the operation had been discontinued from the start of the comparative period.

***Fair value estimation***

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- The fair value of a financial instrument traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active, if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1.

- The fair value of instruments that are not traded in an active market (for example privately negotiated derivatives between two parties) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Specific valuation techniques used to value financial instruments include quoted market prices or dealer and broker quotes for similar instruments and other techniques such as option valuation models and discounted cash flows.

The following table sets forth the Group's financial assets and liabilities that are measured at fair value as of 31 December 2017 and 2016.

| | As of 31 December | |
|---|---|---|
| | **2017** | **2016** |
| *(in thousands of US$)* | *Level 1* | *Level 1* |
| **Assets** | | |
| *Financial assets at fair value through profit or loss* | 61 | 4,307 |
| *Financial assets available for sale at fair value* | 488 | 403 |
| **Total assets** | 549 | 4,710 |

The Group did not measure any financial assets or liabilities as level 3 fair value estimates and there were no transfers between level 1 and 2 during the years ended 31 December 2017 and 2016.

*Financial instruments in level 2*

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives, including put and call options) is determined by using valuation techniques. These valuation techniques maximise the use of observable market date where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include;

- Quoted market prices of shares traded on a stock market;
- Fair value of forward foreign exchange contracts is determined using forward exchange rates at the consolidated statement of financial position date, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flows and a Monte Carlo approach combined with the Longstaff-Schwartz algorithm for the remaining financial instruments.

Particularly investment in financial assets available for sale, and mainly Misr for central clearing depository and registry Company and Guarantee settlement fund, is stated at cost, as it relates to unlisted equity securities that do not have a quoted market price in an active market for an identical instrument and for which fair value cannot be measured reliably. For further details, refer to Note (18) 'Other financial assets'.

The carrying amount of short-term trade and other receivables and payables reasonably approximates fair value as of 31 December 2017 and 31 December 2016.

## 3. Use of estimates and critical judgements

The preparation of the Consolidated Financial Statements requires that the directors apply accounting policies and methodologies that, in some circumstances, are based upon complex and subjective judgments and estimates that are based on historical experience and assumptions that are considered reasonable and realistic at the time, considering the relevant circumstances. The application of such estimates and assumptions affects the amounts recorded in the consolidated statement of financial position, the consolidated statement of profit and loss, the consolidated statement of comprehensive income and cash flows, as well as in the notes. Actual results might differ from such estimates due to the uncertainty surrounding the assumptions and conditions upon which estimates are based. The accounting estimates that require the more subjective judgment of management in making assumptions or estimates regarding the effects of matters that are inherently uncertain and for which changes in conditions may significantly affect the results reported in these Consolidated Financial Statements are summarised below.

*Valuation of financial instruments*

For some financial instruments that are not traded in an active market and included in the financial statements such as financial derivatives, Management estimates fair value using valuation techniques based on inputs and assumptions, some of which are linked to quoted market prices and others on management's estimations. Management applied reasonable option valuation models during the period in estimating the fair value of these financial instruments. Management also conducted a sensitivity analysis for changes in the estimated fair value of these instruments and changes in inputs used for assessing the reasonableness of results reached using the acceptable valuation models.

*Impairment of non-current assets*

Non-current assets are reviewed to determine whether there are any indications that the net carrying amount of these assets may not be recoverable and that they have suffered an impairment loss that needs to be recognised. In order to determine whether any such elements exist, it is necessary to make subjective measurements, based on information obtained within the Group, in the market and on past experience. When indicators are identified that an asset may have become impaired, the Group estimates the impairment loss using suitable valuation techniques. The identification of elements indicating that a potential impairment exists and estimates of the amount of the impairment, depend on factors that may vary in time, affecting management's assessments and estimates.

*Impairment of financial assets*

At the end of each reporting period, the Group reviews the carrying amounts of its financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The Group assesses whether there is an objective evidence that, as a result of one or more events (a "loss event") that occurred after the initial recognition of a financial asset or a group of financial assets, the estimated future cash flows of an asset or a group of assets have been affected.

The Group monitors impairment losses recognised, and where an impairment loss subsequently reverses, the carrying amount of a financial asset or a group of financial assets is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset.

*Intangibles*

Intangible assets constitute a significant part of the Group's total assets and the scheduled amortisation charges from a significant part of the annual operation expenses. The useful economic lives arrived at, on the basis of management's estimates and assumptions, have a major impact on the valuation of intangible assets.

At the end of each reporting period, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the intangible 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, intangible assets are allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

*Depreciation of non-current assets*

The cost of property and equipment is depreciated on a straight-line basis throughout the useful economic life of the relevant asset. The useful economic life is determined by management at the time the asset is acquired and is based upon historical experience for similar assets, market conditions, and forecasts regarding future events that could have an impact on useful life, including changes in technology. Therefore, the actual useful economic life may differ from the estimated useful life. The Group periodically evaluates sector and technology changes in order to update the remaining useful life. Such periodic updates could result in a change during the depreciation period, and therefore also in the depreciation in future periods.

*Taxes*

Income taxes (both current income tax and deferred taxes) are determined in each country where the Group operates in accordance with a prudent interpretation of the applicable tax regulations.

This process results in complex estimates in determining taxable and deductible income and taxable temporary differences between accounting and tax values. In particular, deferred tax assets are recognised when it is probable that there will be future taxable income against which the temporary differences can be utilised. The assessment of the recoverability of deferred tax assets, in relation to tax losses that can be used in future periods and deductible temporary differences, considers the estimated future taxable income on the basis of a prudent tax planning.

*Goodwill*

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

*Provisions and contingent liabilities*

Management assess events and circumstances indicating that the Group may have an obligation resulting in the ordinary course of business, Management applies its judgment in determining whether the recognition criteria have been meet through assessing the probability of the obligation, making assumptions about timing and amounts of future cash outflows expected to settle the obligation.

## 4. Financial risk management

***Financial risk factors***

The Group is exposed to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. In particular, the Group is exposed to risks from movements in exchange rates, interest rates and market prices. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's performance through ongoing operational and finance activities. The management has overall responsibility for the establishment and oversight of the Group's risk management framework.

***Market Risk***

*i) Foreign exchange risk*

The Group operates internationally and is exposed to foreign exchange risk arising when its business transactions are in currencies other than its functional currency. The main currencies to which the Group is exposed are the US dollar ("US$"), the Pakistani Rupee ("PKR"), the Euro ("EUR"), DPRK Won ("KPW") and the Egyptian Pound ("EGP").

The Group is exposed to foreign currency risk arising in two separate ways:

*a)* *Foreign exchange operations risk*

The Group entities predominantly execute their operating activities in their respective functional currencies. Some Group subsidiaries are, however, exposed to foreign currency risks in connection with scheduled payments in currencies that are not their functional currencies. In general, this relates to foreign currency denominated supplier payables due to capital expenditures and receivables. The Group monitors the exposure to foreign currency risk arising from operating activities and in general does not use derivative financial instruments to hedge foreign exchange exposure in relation to ordinary operating activities.

At yearend, major net assets / (net liabilities) foreign currencies positions presented in 'US Dollars' (US$), were as follows:

| (In thousand $US) | 2017 | 2016 |
|---|---|---|
| USD | 82,103 | 73,740 |
| Euro | (4,834) | 841 |
| PKR | (29,785) | (42,595) |
| GBP | 472 | 174 |
| Other | 10,514 | 23,257 |

As of 31 December 2017, if the functional currencies had increased/(decreased) by 10% against the US$, Euro, Egyptian pound, and DPRK Won, with all other variables held constant, the translation of foreign currency receivables and payables would have resulted in an increase/(decrease) of US$ 4,745 thousand of net profit (2016: US$ 13,347 thousand of net profit).

*b)* *Foreign exchange translation risk*

Due to its international presence, the Group's Consolidated Financial Statements are exposed to foreign exchange fluctuations, as these affect the translation of subsidiaries' assets and liabilities denominated in foreign currencies to the US$ (the Group's presentational currency). The currencies concerned are mainly the Egyptian pound, the Pakistani Rupee, DPRK Won and the Euro. This represents a translational risk rather than a financial risk given that these movements are posted directly to equity in the cumulative translation reserve.

*ii)* *Price risk*

The Group has limited exposure to equity instruments of other entities that are publicly traded.

*iii)* *Cash flow and fair value interest rate risk*

The Groups interest rate risk arises from borrowings. Borrowings received at variable interest rates expose the Group to cash flow interest rate risk. Borrowings received at fixed rate expose the group to fair value interest rate risk. The Group has not entered into any derivative financial instruments to hedge its exposure to cash flow interest rate risk.

All borrowings outstanding as of 31 December 2017 and 2016 (US$79,582 thousand; US$89,947 thousand) are carried at amortized cost and are at a fixed interest rate, at a variable interest rate and interest rate free to hedge such risks.

The Group analyses its interest rate exposure on a dynamic basis. The Group calculates the impact on profit or loss of a defined interest rate shift. The same interest rate shift is used for all currencies.

The impact of a 1% interest rate shift would be a maximum increase/decrease in 2017 finance costs of US$ 763 thousands (2016: US$ 900 thousand).

***Credit Risk***

The Group considers that it is not exposed to major concentrations of credit risk in relation to trade receivables. However, credit risk can arise in the event of non-performance of a counterparty, particularly in relation to credit exposures for trade and other receivables, financial instruments and cash and cash equivalents.

The credit risk to which the Group is exposed to be analysed by segment as follows:

i) *Financial Service*
In general, all costumers are relating to the financial services of Beltone financial group as follows: financial segment of Investment Banking, Asset Management, Brokerage and Other financial Services.

*ii)* *Investment property:*
Substantially there is only one significant international client.

*iii)* *GSM*
Substantially all customers in Lebanon are prepaid customers meaning that there is a low credit risk associated with this GSM operation.

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

*v)* *Other (including Media & Technology, classified as assets held for sale in 2015)*
Customers' credit worthiness is reviewed before credit terms are offered. Accounts receivable are monitored and outstanding balances are followed up until the balance is received.

The Group tries to mitigate credit risk by adopting specific control procedures, including assessing the credit worthiness of the counterparty and limiting the exposure to any one counterparty. Accruals to the allowance of doubtful receivables amounted to US$ 9,596 thousand during 2017 (US$ 1,048 thousand for the year ended 31 December 2016). See also Note (20).

Credit risk relating to cash and cash equivalents and financial deposits arises from the risk that the counterparty becomes insolvent and accordingly is unable to return the deposited funds or execute the obligations under the derivative transactions as a result of the insolvency.

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

***Liquidity Risk***

The Group monitors and mitigates liquidity risk arising from the uncertainty of cash inflows and outflows by maintaining sufficient liquidity of cash balances. In general, liquidity risk is monitored at entity level whereby each subsidiary is responsible for managing and monitoring its cash flows and rolling liquidity reserve forecast in order to ensure that it has sufficient committed facilities to meet its liquidity needs.

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

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the tables are the gross contractual, undiscounted cash flows including interest, charges and other fees.

| **As of December 31, 2017** *(in thousands of US$)* | **Carrying amount** | **Expected cash flows (*)** | **Less than 1 year** | **Between 1 and 5 years** | **More than 5 years** |
|---|---|---|---|---|---|
| **Liabilities** | | | | | |
| Liabilities to banks | 76,422 | 84,433 | 13,333 | 71,100 | - |
| Other borrowings and finance lease liabilities | 3,160 | 3,160 | 1,754 | 1,406 | - |
| Trade payables | 75,592 | 75,592 | 75,592 | - | - |
| **As of December 31, 2017** | **155,174** | **163,185** | **90,679** | **72,506** | - |

| **As of December 31, 2016** *(in thousands of US$)* | **Carrying amount** | **Expected cash flows (*)** | **Less than 1 year** | **Between 1 and 5 years** | **More than 5 years** |
|---|---|---|---|---|---|
| **Liabilities** | | | | | |
| Liabilities to banks | 86,962 | 97,740 | 36,460 | 57,415 | 3,865 |
| Other borrowings and finance lease liabilities | 2,985 | 3,049 | 2,955 | 94 | - |
| Trade payables | 42,182 | 42,307 | 28,953 | 13,354 | - |
| **As of December 31, 2016** | **132,129** | **143,096** | **68,368** | **70,863** | **3,865** |

* Expected cash flows are the gross contractual undiscounted cash flows including interest, charges and other fees.

### *Capital risk management*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital.

### *Other risks*

*Governmental authorisations*

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

*Political and economic risk in emerging countries*

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

***Regulatory risk in emerging countries***

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

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

***Government Approvals***

Some of the activities of the Group, including the telecommunications activity in Lebanon and the marine cable business, depend heavily on obtaining the approval of the concerned government authorities. The telecommunications activity in Lebanon is in accordance with the agreement with the Ministry of Telecommunications for the management of Mobile Interim Company One (MIC1) which expired in 31 January, 2013 and are regularly updated.

In the event that such approvals cannot be obtained, this could have a negative effect on the Group's future activities, such as lower revenues or fines by contracting parties.

***Classes of financial instrument***

The tables below present the Groups financial assets and liabilities by category.

| | As of December 31, 2017 | | | As of December 31, 2016 | | |
|---|---|---|---|---|---|---|
| *(in thousands of US$)* | Loans and receivables | Available for sale | Total | Loans and receivables | Available for sale | Total |
| Other financial assets | 43,894 | 1,285 | 45,179 | 8,244 | 1,180 | 9,424 |
| Trade receivables | 36,275 | - | 36,275 | 22,662 | - | 22,662 |
| Other current assets[1] | 1,442 | - | 1,442 | 2,621 | - | 2,621 |
| Cash and cash equivalents | 134,142 | - | 134,142 | 162,863 | - | 162,863 |
| **Total** | **215,753** | **1,285** | **217,038** | **196,390** | **1,180** | **197,570** |

[1] Excludes prepaid expenses, advances to suppliers, employee loans and assets from current tax as these do not meet the definition of a financial asset.

| | As of December 31, 2017 | | As of December 31, 2016 | |
|---|---|---|---|---|
| *(in thousands of US$)* | Other financial liabilities at amortized cost | Total | Other financial liabilities at amortized cost | Total |
| Current/Non-current borrowings | 79,582 | 79,582 | 89,947 | 89,947 |
| Other non-current liabilities[2] | 1,351 | 1,351 | 1,612 | 1,612 |
| Trade payable and other current liabilities[2] | 86,419 | 86,419 | 50,818 | 50,818 |
| **Total** | **167,352** | **167,352** | **142,377** | **142,377** |

[2] Excludes Prepaid traffic and deferred income, as these do not meet the definition of a financial liability.

## 5. Segment reporting

The chief operating decision-maker has been identified as the board of directors of the Company. The board of directors reviews the Group's internal reporting in order to assess its performance and allocate resources, mainly from a geographical perspective, of the mobile telecommunication business.

Pursuant to the decision to dispose of entities previously included in the Media and Technology segment, OTMT management has changed its internal reporting as analysed by the chief operating decision-maker and revised the reportable operating segments as follows:

- *Financial Service*: relating to the financial services of Beltone financial group represented in the group of different financial segment of Investment Banking, Asset Management, Brokerage and Other financial Services.
- *Investment property*: investment properties relate to real estate property the Group owns in Sao Paolo, Brazil
- *GSM – Lebanon*: relating to the management contract of the Lebanese mobile telecommunications operator Alfa, which is owned by the Republic of Lebanon.
- *Cable*: relating to the provision of direct broadband and high-speed connectivity to telecom operators, internet service providers and major corporations through submarine fibre optic cables.
- *Other*: includes Media & Technology (relating mainly to the provision of online advertising and content to corporate customer, mobile value added services and software development and hosting of corporate clients) and the Group's equity investments and income and expenses related to OTMT.

The Group reports on operating segments, which are independently managed. The chief operating decision-maker assesses the performance of such operating segments based on:

- Total revenue;
- EBITDA, defined as profit for the period before income tax expense /(benefit), impairment of associate, share of profit/(loss) of investment in associates, foreign exchange gains /(loss), financial expense, financial income, disposal of non-current assets, impairment charges and depreciation and amortisation; and
- Segment capital expenditure is the total cost incurred during the period to acquire property and equipment and intangible assets other than goodwill.

### *Revenue and EBITDA disclosure per segment*

The following information is regularly provided to the chief operating decision maker and is measured consistently with that of the financial statements.

| | For the year ended December 31, 2017 | | | | For the year ended December 31, 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| *(in thousands of US$)* | Total segment revenue | Inter segment revenue | Revenue from external customers | EBITDA | Total segment revenue | Inter segment revenue | Revenue from external customers | EBITDA |
| Investment Property | 3,914 | - | 3,914 | 2,336 | 3,321 | - | 3,321 | 2,157 |
| GSM Lebanon | 7,205 | - | 7,205 | 4,036 | 7,363 | - | 7,363 | 4,010 |
| Financial Services | 35,799 | - | 35,799 | (249) | 11,364 | - | 11,364 | (2,847) |
| Cable | 40,627 | - | 40,627 | 12,924 | 30,729 | - | 30,729 | 6,681 |
| Other | 1,485 | (1,264) | 221 | (96) | 2,598 | (1,766) | 832 | (23,675) |
| Total | 89,030 | (1,264) | 87,766 | 18,951 | 55,375 | (1,766) | 53,609 | (13,674) |

***Reconciliation of EBITDA to profit before income tax***

| *(in thousands of US$)* | For the year ended December 31, 2017 | For the year ended December 31, 2016 |
|---|---|---|
| **EBITDA** | **18,951** | **(13,674)** |
| Depreciation and amortisation | (13,713) | (11,518) |
| Impairment charges | - | 5,128 |
| Disposal of non-current assets | 177 | 1,047 |
| Financial income | 3,536 | 3,196 |
| Financial expense | (7,330) | (7,503) |
| Foreign exchange differences | (1,389) | 70,735 |
| Share of profit of investment in associates | 145,132 | 135,508 |
| Impairment of associates | (110,294) | (135,503) |
| **Profit before income tax** | **35,070** | **47,416** |

***Assets per segment***

The following table illustrates assets for each reportable segment as they are regularly provided to the board of directors.

| | As of December 31, 2017 | | | | | As of December 31, 2016 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *(in thousands of US$)* | Property and equipment | Intangible assets | Interests in associates | Investment property | Total | Property and equipment | Intangible assets | Interests in associates | Investment property | Total |
| Investment property | - | - | - | 76,973 | 76,973 | - | - | - | 80,048 | 80,048 |
| Financial Service | 7,830 | 34,318 | - | - | 42,148 | 739 | 21,192 | - | - | 21,931 |
| Cable | 128,616 | 13,148 | - | - | 141,764 | 129,337 | 13,567 | - | - | 142,904 |
| Other | 3,036 | 1,102 | 34,748 | - | 38,886 | 3,537 | 13 | 34,163 | - | 37,713 |
| **Total** | **139,482** | **48,568** | **34,748** | **76,973** | **299,771** | **133,613** | **34,772** | **34,163** | **80,048** | **282,596** |

***Reconciliation of assets allocated to total assets***

| (in thousands of US$) | As of December 31, 2017 | As of December 31, 2016 |
|---|---|---|
| **Assets allocated** | **299,771** | **282,596** |
| Other non-current financial assets | 9,544 | 1,431 |
| Other non-current assets | 16,421 | 33,704 |
| Inventories | 338 | 137 |
| Trade receivables | 36,275 | 22,662 |
| Other current financial assets | 35,635 | 7,993 |
| Other current assets | 12,603 | 14,893 |
| Cash and cash equivalents | 134,142 | 162,863 |
| **Total assets** | **544,729** | **526,279** |

***Capital expenditure***

The table below illustrates the capital expenditure incurred by each segment for the year ended 31 December 2017 and the year ended 31 December 2016:

| *(in thousands of US$)* | For the year ended December 31, 2017 | For the year ended December 31, 2016 |
|---|---|---|
| Financial Services | 7,672 | 1,214 |
| Cable | 14,114 | 29,127 |
| Other | 69 | 772 |
| **Total** | **21,855** | **31,113** |

## 6. Revenue

| *(in thousands of US$)* | For the year ended December 31, 2017 | For the year ended December 31, 2016 |
|---|---|---|
| Interconnection traffic | 40,627 | 30,729 |
| Management contract -Fees | 7,205 | 7,363 |
| Revenue form Financial services | 35,799 | 11,364 |
| Investment Property Revenue | 3,914 | 3,321 |
| Other revenues | 221 | 832 |
| **Total** | **87,766** | **53,609** |

## 7. Purchases and services

| *(in thousands of US$)* | For the year ended December 31, 2017 | For the year ended December 31, 2016 |
|---|---|---|
| Rental of local network, technical sites and other leases | 9,858 | 5,995 |
| Brokerage commission | 9,665 | - |
| Purchases of goods and changes in inventories | 554 | 436 |
| Band width cost | 4,740 | 4,101 |
| Maintenance costs | 7,581 | 7,094 |
| Advertising and promotional services | 1,738 | 883 |
| Consulting and professional services | 7,785 | 4,832 |
| Airfare | 2,799 | 1,355 |
| Other service expenses | 4,481 | 6,140 |
| **Total** | **49,201** | **30,836** |

## 8. Other expenses

| *(in thousands of US$)* | (Note) | For the year ended December 31, 2017 | For the year ended December 31, 2016 |
|---|---|---|---|
| Provisions formed | (26) | 168 | 7,725 |
| Allowance for doubtful accounts | (20) | 7,712 | 1,048 |
| Other operating expenses | | 1,965 | 1,532 |
| **Total** | | **9,845** | **10,305** |

## 9. Personnel costs

| *(in thousands of US$)* | For the year ended December 31, 2017 | For the year ended December 31, 2016 |
|---|---|---|
| Wages and salaries | 30,695 | 23,698 |
| Social security | 398 | 451 |
| Pension costs | 552 | 276 |
| Contractual bonuses | 1,330 | 2,158 |
| Other personnel costs | 1,128 | 1,323 |
| **Total** | **34,103** | **27,906** |

## 10. Depreciation and Amortization

| *(in thousands of US$)* | For the year ended December 31, 2017 | For the year ended December 31, 2016 |
|---|---|---|
| **Depreciation of tangible assets** | | |
| Buildings | 309 | 282 |
| Plant and machinery | 6 | 4 |
| Cable system and equipment | 9,652 | 7,402 |
| Commercial and other tangible assets | 877 | 798 |
| **Depreciation of Investment property** | | |
| Buildings | 1,697 | 1,621 |
| **Amortization of intangible assets** | | |
| License | 55 | 89 |
| Right of use | 825 | 807 |
| Customer Base | 220 | 389 |
| Trademark | 70 | 124 |
| Other | 2 | 2 |
| **Total** | **13,713** | **11,518** |

## 11. Impairment charges

Reversal of Impairment charges of US$ 5.1 million in 2016 mainly comprises the partial reversal of the impairment loss of US$ 40.7 million recognised in 2015, relating to the main asset of MENA Cable, a submarine cable. The impairment loss was recorded in 2015 following an appraisal of the asset performed by the company, which indicated that the expected recoverable value was less than the book value as of 31 December 2015. The impairment loss was partially reversed in 2016 as a result of further appraisals by the Company.

## 12. Net finance (costs) / income

| *(in thousands of US$)* | For the year ended December 31, 2017 | For the year ended December 31, 2016 |
|---|---|---|
| Interest income on deposits | 3,536 | 3,196 |
| **Finance income** | **3,536** | **3,196** |
| | | |
| Interest expense on current/non- current borrowings | (6,796) | (6,257) |
| Interest expense on trade and other liabilities | - | (13) |
| Other interest expense and financial charges | (534) | (1,233) |
| **Finance costs** | **(7,330)** | **(7,503)** |
| | | |
| Foreign exchange differences | (1,389) | 70,735 |
| Foreign exchange (loss) / gain | (1,389) | 70,735 |
| **Total net finance (costs) / income** | **(5,183)** | **66,428** |

## 13. Equity-accounted investees

**- Associates**

Investment in associates primarily relate to the investment in the telecommunication operator in North Korea (Cheo Technology Koryolink).

The following table provides a breakdown of investments in associates:

| Company | Country | Ownership | As of December 31, 2017 | As of December 31, 2016 |
|---|---|---|---|---|
| Cheo Technology-Koryolink | DPRK | 75.00% | 235,752 | 122,685 |
| Electronic Fund Administration Services | Egypt | 14.00% | 19 | 30 |
| International Fund Administration Services | Egypt | 14.00% | 42 | 42 |
| Axes Holding company | Egypt | 23.70% | 640 | 630 |
| Impairment | | | (201,705) | (89,224) |
| | | | 34,748 | 34,163 |

The following table illustrates the detailed movement of investments in associates.

| *(in thousands of US$)* | 2017 | 2016 |
|---|---|---|
| **As of January 1** | 34,163 | 78,451 |
| Share of income of associate before impairment | 145,132 | 135,508 |
| Dividends | (34,838) | - |
| Impairment | (145,132) | (135,503) |
| Reversal of impairment | 34,838 | - |
| Exchange differences | 585 | (44,293) |
| **As of December 31** | 34,748 | 34,163 |

### *(13-1) Koryolink*

The tables below sets forth-summary financial information of the associate.

***Summarised consolidated statement of financial position***

| *(in thousands of US$)* | As of December 31, 2017 | As of December 31, 2016 |
|---|---|---|
| Assets | 1,494,150 | 1,229,483 |
| Liabilities | (272,388) | (213,915) |
| Net assets | 1,221,762 | 1,015,568 |

| *(in thousands of US$)* | For the year ended December 31, 2017 | For the year ended December 31, 2016 |
|---|---|---|
| Revenues | 360,964 | 342,092 |
| Total Expense | (167,454) | (161,421) |
| Post tax profit from continuing operations | 193,510 | 180,671 |
| Share of profit of associates | 145,132 | 135,508 |

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

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

In light of the change in the results of those negotiations which indicates a disagreement from the Korean side to grant the management the rights to control in case of the merger and due to the increase in aforementioned restrictions during the period ended September 30, 2015, in the group's management view, the control over the Koryolink's activities was lost according to the requirements of IFRS 10, which led to modify the accounting treatment to be accounted for as investment in associates instead of investment in subsidiaries starting from the date that management considered it has lost the control at September 30, 2015, Management believes that through losing of control, it has a significant influence over Koryolink. The investment in CHEO Technology JV (Koryolink) was measured at cost that represents the fair value on the date of loss control based on independent valuator report.

During the current period and in the light of new international sanctions that the United States administration has decided to impose on the North Korean government and its various departments, the Group's management to follow up ongoing activities to make sure that the sanctions are not violated, and the two sides reached some understandings of the organizational and commercial frameworks which works on organizing the work of telecommunications market in North Korea These arrangements will guarantee the fair allocation of subscribers between Koryolink and the Government telecom operator "Kang Song NET" and initially handling some other issues faced by Koryolink, such as; the transfer of the cash balances in local currency to Euro using the parallel market rate (parallel market rate: 1 Euro is equivalent to 8,650 of the local currency, official rate: 1 Euro is equivalent to 118 of the local currency). This is conditional that the Korean party will fulfill its obligations. In addition the arrangements setting rules allows the transfer of profits "repatriate funds", in case of the availability of retained earnings and foreign currency balances, needed for the profit distribution process.

on September 11, 2017 the United Nations Security Council issued a resolution binding all Member States to prohibit all Joint Ventures or cooperative entities or expanding existing Joint Ventures with Democratic People's Republic of Korea (DPRK) entities or individuals unless an approval by the Security Council Committee is given to the effect of continuing to work as a Joint Venture. The company's management is of the opinion that its investments in North Korea represented in Etisalat Network for Mobile Phone Services is considered as a public utility and this kind of projects is likely to be excluded from this prohibition and allowed to continue in business.

At the present, the company's management is in the process of submitting an official request through the Government of the Arab Republic of Egypt in order to be excluded from adhering to the said resolution. In Addition, the company's management is of the opinion that in the absence of a clear mechanism for implementing the resolution, it is difficult to measure the impact of the said resolution on the recoverable value of the investment.

## 14. Income tax expense

| *(in thousands of US$)* | | For the year ended December 31, 2017 | For the year ended December 31, 2016 |
|---|---|---|---|
| Current tax expense | | 15,851 | 3,257 |
| Deferred tax | (19) | (4,406) | 11,574 |
| **Total Income Tax Expenses** | | **11,445** | **14,831** |

## 15. Property and equipment

| *(in thousands of US$)* | Land and Buildings | Cable system and equipment | Commercial and other tangible assets | Assets under Construction | Total |
|---|---|---|---|---|---|
| *Cost* | *10,540* | *290,985* | *7,852* | *25,826* | *335,203* |
| *Accumulated depreciation and impairment* | *(1,516)* | *(214,317)* | *(4,908)* | *(1,854)* | *(222,595)* |
| **As of January 1, 2016** | **9,024** | **76,668** | **2,944** | **23,972** | **112,608** |
| *Additions* | *228* | *3,554* | *1,444* | *25,048* | ***30,274*** |
| *Disposals* | - | *(58)* | *(278)* | *(1,015)* | ***(1,351)*** |
| *Depreciation* | *(282)* | *(7,402)* | *(802)* | - | ***(8,486)*** |
| *Reversal of impairment* | - | *4,937* | - | - | ***4,937*** |
| *Currency translation differences* | *(3,003)* | - | *(804)* | *(562)* | ***(4,369)*** |
| **Net book value as of December 31, 2016** | **5,967** | **77,699** | **2,504** | **47,443** | **133,613** |
| *Cost* | *7,369* | *294,083* | *6,566* | *49,297* | *357,315* |
| *Accumulated depreciation and impairment* | *(1,402)* | *(216,384)* | *(4,062)* | *(1,854)* | *(223,702)* |

| *(in thousands of US$)* | Land and Buildings | Cable system and equipment | Commercial and other tangible assets | Assets under Construction | Total |
|---|---|---|---|---|---|
| *Cost* | *7,369* | *294,083* | *6,566* | *49,297* | *357,315* |
| *Accumulated depreciation and impairment* | *(1,402)* | *(216,384)* | *(4,062)* | *(1,854)* | *(223,702)* |
| **As of January 1, 2017** | **5,967** | **77,699** | **2,504** | **47,443** | **133,613** |
| *Additions* | 6,786 | 10,833 | 3,124 | 592 | 21,335 |
| *Disposals* | (554) | - | (576) | - | (1,130) |
| *Change in scope of consolidation* | - | - | 171 | 15 | 186 |
| *Depreciation* | (309) | (9,652) | (883) | - | (10,844) |
| *Currency translation differences* | 88 | (3,215) | (166) | (385) | (3,678) |
| *Reclassifications* | - | 44,905 | 889 | (45,794) | - |
| **Net book value as of December 31, 2017** | **11,978** | **120,570** | **5,063** | **1,871** | **139,482** |
| *Cost* | *13,673* | *346,045* | *9,693* | *3,730* | *373,141* |
| *Accumulated depreciation and impairment* | *(1,695)* | *(225,475)* | *(4,630)* | *(1,859)* | *(233,659)* |

The assets include pledged assets of amount of USD 64 Million against credit facilities obtained for the expansion in marine cables SMW5.

## 16. Intangible assets

| *(in thousands of US$)* | License | Goodwill | Right of use | Customer base | Trademark | Others | Total |
|---|---|---|---|---|---|---|---|
| *Cost* | *1,240* | *37,813* | *21,353* | *9,987* | *3,180* | *71* | *73,644* |
| *Accumulated amortization and impairment* | *(715)* | *(1,034)* | *(8,814)* | - | - | *(62)* | *(10,625)* |
| **As of January 1, 2016** | **525** | **36,779** | **12,539** | **9,987** | **3,180** | **9** | **63,019** |
| Additions | 27 | - | 560 | - | - | - | 587 |
| Amortization | (89) | - | (807) | (389) | (124) | (2) | (1,411) |
| Reversal of impairment | - | - | 193 | - | - | - | 193 |
| Disposals | - | - | - | - | - | (6) | (6) |
| Exchange differences | (45) | (20,352) | - | (5,471) | (1,743) | 1 | (27,610) |
| **Net book value as of December 31, 2016** | **418** | **16,427** | **12,485** | **4,127** | **1,313** | **2** | **34,772** |
| *Cost* | *1,113* | *16,877* | *21,914* | *4,344* | *1,383* | *65* | *45,696* |
| *Accumulated amortization and impairment* | *(695)* | *(450)* | *(9,429)* | *(217)* | *(70)* | *(63)* | *(10,924)* |

| *(in thousands of US$)* | License | Goodwill | Right of use | Customer base | Trademark | Other | Total |
|---|---|---|---|---|---|---|---|
| *Cost* | *1,113* | *16,877* | *21,914* | *4,344* | *1,383* | *65* | *45,696* |
| *Accumulated amortization and impairment* | *(695)* | *(450)* | *(9,429)* | *(217)* | *(70)* | *(63)* | *(10,924)* |
| **As of January 1, 2017** | 418 | 16,427 | 12,485 | 4,127 | 1,313 | 2 | 34,772 |
| Additions | 344 | - | 42 | - | - | 134 | 520 |
| Amortization | (55) | - | (825) | (220) | (70) | (2) | (1,172) |
| Change in the scope of consolidation | 1,093 | 13,021 | - | - | - | - | 14,114 |
| Exchange differences | (17) | 260 | - | 72 | 26 | (7) | 334 |
| **Net book value as of December 31, 2017** | 1,783 | 29,708 | 11,702 | 3,979 | 1,269 | 127 | 48,568 |
| *Cost* | *2,502* | *30,166* | *21,956* | *4,421* | *1,409* | *192* | *60,646* |
| *Accumulated amortization and impairment* | *(719)* | *(458)* | *(10,254)* | *(442)* | *(140)* | *(65)* | *(12,078)* |

'Right of use : Relates to an agreement between MenaCable and Telecom Egypt for the use of a fibre cable in Egypt.

The following table provides an analysis of goodwill by segment reporting:

| (in thousands of US$) | 2017 | | | | 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | Media and Technology | Cable | Financial sector | Total | Media and Technology | Cable | Financial sector (Revised) | Total (Revised) |
| *Cost* | *450* | *675* | *15,752* | *16,877* | *1,034* | *640* | 36,137 | *37,811* |
| *Accumulated impairment* | *(450)* | - | - | *(450)* | *(1,034)* | - | - | *(1,034)* |
| Change in scope | - | - | 13,021 | 13,021 | - | - | - | - |
| Exchange differences - cost | 8 | (37) | 297 | 268 | (584) | 35 | (20,385) | (20,934) |
| Exchange difference-Impairment | (8) | - | | (8) | 584 | - | - | 584 |
| **As of December 31** | - | 638 | 29,070 | 29,708 | - | 675 | 15,752 | 16,427 |
| *Cost* | *458* | *638* | *29,070* | *30,166* | *450* | *675* | *15,752* | *16,877* |
| *Accumulated impairment* | *(458)* | - | - | *(458)* | *(450)* | - | - | *(450)* |

## 17. Investment Property

The property investment balance comprises the value of seven floors which are owned by Victoire in Brazil. The property investment is carried at its historical cost.

| *(in thousands of US$)* | For the year ended December 31, 2017 | For the year ended December 31, 2016 |
|---|---|---|
| *Cost* | 83,562 | 70,298 |
| *Accumulated depreciation and impairment* | (3,514) | (312) |
| **As of January 31** | 80,048 | 69,986 |
| Depreciation | (1,697) | (1,621) |
| Exchange differences | (1,378) | 11,683 |
| **As of December 31** | 76,973 | 80,048 |
| *Cost* | 82,067 | 83,562 |
| *Accumulated depreciation and impairment* | (5,094) | (3,514) |

The fair value for the asset on December 31, 2017 amounted to US$ 82 million.

- Investment Property Revenue:

| *(in thousands of US$)* | For the year ended December 31, 2017 | For the year ended December 31, 2016 |
|---|---|---|
| Rental income | 3,914 | 3,321 |
| Direct operating expenses from property that generated rental income | 1,468 | 1,110 |
| Direct operating expenses from property that did not generate rental income | 1,828 | 1,677 |

**Leasing arrangement**

A substantial part of the investment properties are leased to tenants under long-term operating leases with rentals payable (monthly – in advance or in arrears). Minimum lease payments receivable on leases of investment properties are as follows:

| *(in thousands of US$)* | As of December 31, 2017 | As of December 31, 2016 |
|---|---|---|
| Within one year | 4,056 | 4,132 |
| Later than one year but not later than 5 years | 10,211 | 14,563 |

## 18. Other financial assets

| *(in thousands of US$)* | As of December 31, 2017 | | | As of December 31, 2016 | | |
|---|---|---|---|---|---|---|
| | Non-current | Current | Total | Non-current | Current | Total |
| Financial receivables | 226 | 195 | 421 | 198 | 357 | 555 |
| Deposits | 57 | 1,956 | 2,013 | 53 | 3,329 | 3,382 |
| Restricted cash(18-1) | 7,976 | 33,423 | 41,399 | - | - | - |
| Financial assets available for sale -At Cost(18-2) | 797 | - | 797 | 777 | - | 777 |
| Financial assets available for sale -At Fair value(18-3) | 488 | - | 488 | 403 | - | 403 |
| Financial assets at fair value through profit or loss(18-4) | - | 61 | 61 | - | 4,307 | 4,307 |
| **Total other financial assets** | 9,544 | 35,635 | 45,179 | 1,431 | 7,993 | 9,424 |

The following table shows the ageing analysis of financial receivables and long-term deposits:

| *(in thousands of US$)* | As of December 31, 2017 | | As of December 31, 2016 | |
|---|---|---|---|---|
| | Deposits | Financial receivables | Deposits | Financial receivables |
| Not past due | 163 | 152 | 165 | 289 |
| Past due 0-30 days | - | - | - | - |
| Past due 31-120 days | - | - | - | - |
| Past due 121-150 days | - | - | - | - |
| Past due more than 150 days | 1,850 | 269 | 3,217 | 266 |
| | 2,013 | 421 | 3,382 | 555 |

### *18-1 Restricted cash*

| *(in thousands of US$)* | As of December 31, 2017 | | | As of December 31, 2016 | | |
|---|---|---|---|---|---|---|
| | Non-current | Current | Total | Non-current | Current | Total |
| Pledged deposits | 613 | 33,423 | 34,036 | - | - | - |
| Cash on banks in North Korea | 7,363 | - | 7,363 | - | - | - |
| **Total** | 7,976 | 33,423 | 41,399 | - | - | - |

### *18-2 Financial assets available for sale -At Cost*

| *(in thousands of US$)*<br>**Company name** | As of December 31, 2017 | As of December 31, 2016 |
|---|---|---|
| Misr for Central Clearing Depository and Registry | 436 | 429 |
| Guarantee Settlement Fund | 342 | 330 |
| El Arabi for Investment | 11 | 11 |
| MENA Capital | 174 | 174 |
| (Less): Impairment loss of available for sale investments | (166) | (167) |
| | 797 | 777 |

The above investments are stated at cost as they represent unlisted securities that do not have quoted market prices and its fair value cannot be reliably measured.

### *18-3 Financial assets available for sale -At Fair Value*

| *(in thousands of US$)* | As of December 31, 2017 | As of December 31, 2016 |
|---|---|---|
| EGX 30 | 488 | 403 |
| **Total** | 488 | 403 |

***18-4 Financial assets at Fair Value Through profit or Loss***

| *(in thousands of US$)* | As of December 31, 2017 | As of December 31, 2016 |
|---|---|---|
| Investment in cash investment funds | 43 | 115 |
| Investment in investment funds | 18 | - |
| Treasury Bills | - | 4,192 |
| **Total** | 61 | 4,307 |

## 19. Deferred taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred income tax assets and liabilities relate to income taxes due to the same tax authority.

| *(in thousands of US$)* | As of December 31, 2017 | As of December 31, 2016 |
|---|---|---|
| Deferred tax liabilities | (23,630) | (28,064) |
| Deferred tax assets | 245 | - |
| **Total deferred tax liabilities** | (23,385) | (28,064) |

The movement in deferred income tax liabilities is as follows:

| *(in thousands of US$)* | As of December 31, 2017 | As of December 31, 2016 |
|---|---|---|
| **As of January 1,** | (28,064) | (17,139) |
| Credited / (Charged) to the income statement | 4,406 | (11,574) |
| Change in the scope of consolidation | - | 1,421 |
| Exchange differences | 273 | (772) |
| **As of December 31,** | (23,385) | (28,064) |

A breakdown of the movement in deferred tax liabilities is provided in the tables below:

| **Deferred tax liabilities** | Depreciation and amortization | Unremitted earnings | Forex | Carry-forward losses | Total |
|---|---|---|---|---|---|
| *(in thousands of US$)* | | | | | |
| **As of January 1, 2017** | (11,255) | (959) | (15,850) | - | (28,064) |
| (Charged) / Credited to the income statement | (1,461) | - | 5,608 | 259 | 4,406 |
| Exchange differences | 571 | - | (298) | - | 273 |
| **As of December 31, 2017** | (12,145) | (959) | (10,540) | 259 | (23,385) |

| **Deferred tax liabilities** | Depreciation and amortization | Unremitted earnings | Forex | Carry-forward losses | Total |
|---|---|---|---|---|---|
| *(in thousands of US$)* | | | | | |
| **As of January 1, 2016** | (13,602) | (2,167) | (1,370) | - | (17,139) |
| (Charged) to the income statement | (11) | - | (11,563 ) | - | (11,574 ) |
| Change in the scope of consolidation | 1,317 | - | 104 | - | 1,421 |
| Exchange differences | 1,041 | 1,208 | (3,021) | - | (772) |
| **As of December 31, 2016** | (11,255) | (959) | (15,850) | - | (28,064) |

Generally, the Group does not recognise deferred tax assets for temporary differences related to accruals for provisions, due to uncertainties in connection with the tax treatment of such expenses, as they might be challenged by local tax authorities.

No deferred tax liability has been recognised in respect of temporary differences associated with investments in subsidiaries, branches and associates, where the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

Should additional information arise in future periods resulting in differences between the tax base and accounting base of recorded assets and liabilities in the financial statements as at December 31, 2017, Management will reassess its estimate in a way that might result in the recognition of deferred taxes related to those assets and liabilities.

## 20. Trade receivables

| *(in thousands of US$)* | As of December 31, 2017 | As of December 31, 2016 |
|---|---|---|
| Receivables due from customers | 43,393 | 26,185 |
| Receivables due from telephone operators | 20,281 | 14,899 |
| Receivables from investment property | 1,081 | 1,480 |
| Allowance for doubtful receivables | (28,480) | (19,902) |
| **As of 31 December** | **36,275** | **22,662** |

The following table shows the movement in the allowance for doubtful receivables:

| *(in thousands of US$)* | As of December 31, 2017 | As of December 31, 2016 |
|---|---|---|
| At January 1 | 19,902 | 41,833 |
| Additions (allowances recognized as an expense) | 9,596 | 1,048 |
| Used | (36) | (628) |
| Reversal | (1,884) | - |
| Exchange differences | 902 | (22,351) |
| **At December 31,** | **28,480** | **19,902** |

The following table shows the ageing analysis of trade receivables as of 31 December 2017 and 2016, net of the relevant allowance for doubtful receivables:

| *(in thousands of US$)* | As of December 31, 2017 | As of December 31, 2016 |
|---|---|---|
| Not past due | 5,553 | 8,703 |
| Past due 0-30 days | 709 | 416 |
| Past due 31-120 days | 2,715 | 1,800 |
| Past due 121 - 150 days | 720 | 24 |
| Past due more than 150 days | 26,578 | 11,719 |
| **Trade receivables** | **36,275** | **22,662** |

The maximum exposure to credit risk at the reporting date is the carrying value of the receivable. The Group does not hold any collateral as security.

## 21. Other non-financial assets

| *(in thousands of US$)* | As of December 31, 2017 | | | As of December 31, 2016 | | |
|---|---|---|---|---|---|---|
| | Non-current | Current | Total | Non-current | Current | Total |
| Prepaid expenses | 16,421 | 3,214 | 19,635 | 11,545 | 3,781 | 15,326 |
| Advances to suppliers | - | 2,189 | 2,189 | - | 2,408 | 2,408 |
| Receivables due from tax authority | - | 341 | 341 | - | 202 | 202 |
| Advance payment for purchase of investment of group's company* | - | - | - | 22,159 | - | 22,159 |
| Employee loans | - | 458 | 458 | - | 127 | 127 |
| Assets from current tax | - | 5,335 | 5,335 | - | 6,135 | 6,135 |
| Other non trade receivables | - | 1,442 | 1,442 | - | 2,621 | 2,621 |
| Allowance for doubtful current assets | - | (376) | (376) | - | (381) | (381) |
| **Total other non- financial assets** | 16,421 | 12,603 | 29,024 | 33,704 | 14,893 | 48,597 |

(*) This balance is represented in amounts paid on behalf of New Frontier Securities "United States of America" (100% owned Beltone Financial holding company – Subsidiary) to Auerbach Grayson "United States of America" under account of acquisition of 60% amounting to US$ 24 million. An amount of US$ 22 million was settled until the approval from regulatory authorities are obtained .

## 22. Cash and cash equivalent

| *(in thousands of US$)* | As of December 31, 2017 | As of December 31, 2016 |
|---|---|---|
| Bank accounts and Deposits | 134,058 | 158,930 |
| Cash on hand | 84 | 276 |
| Treasury bills – "within 3 Month " | - | 3,657 |
| **Total** | 134,142 | 162,863 |

## 23. Equity attributable to the owners of the Company

### Share capital

On 29 November 2011, the Company was incorporated with an authorised and issued share capital amounting to EGP 2,203,190,060 Million (equivalent to US$ 366,148 thousand at date of transactions) distributed over 5,245,690,620 shares, each with a nominal value of EGP 0.42.

### Non-distributable earnings

Retained earnings include an amount of US$ 1,041 thousand as of December 2017 compared to US$ 506 thousand as of December 2016, which is not available for distribution representing a legal and special reserves at the subsidiaries level.

## 24. Borrowings

| | As of December 31, 2017 | | | As of December 31, 2016 | | |
|---|---|---|---|---|---|---|
| *(in thousands of US$)* | Current | Non-current | Total | Current | Non-current | Total |
| Liabilities to banks | 13,333 | 63,089 | 76,422 | 38,015 | 48,947 | 86,962 |
| Finance lease liability | 325 | 36 | 361 | 60 | 89 | 149 |
| Other borrowings | 1,429 | 1,370 | 2,799 | 2,836 | - | 2,836 |
| **Total** | 15,087 | 64,495 | 79,582 | 40,911 | 49,036 | 89,947 |

**Liabilities due to banks**

Liabilities due to banks are detailed in Appendix B – "Liabilities due to banks".

| *(in thousands of US$)* | within one year | 1-2 years | 2-3 years | 3-4 years | 4-5 years | after 5 years | Total |
|---|---|---|---|---|---|---|---|
| **Liabilities to banks 2017** | **13,333** | **8,531** | **11,435** | **39,919** | **3,204** | **-** | **76,422** |
| Liabilities to banks 2016 | 38,015 | 8,444 | 19,859 | 8,444 | 8,443 | 3,757 | 86,962 |
| **Finance lease liability 2017** | **325** | **36** | **-** | **-** | **-** | **-** | **361** |
| Finance lease liability 2016 | 60 | 60 | 29 | - | - | - | 149 |
| **Other borrowings 2017** | **1,429** | **241** | **245** | **392** | **492** | **-** | **2,799** |
| Other borrowings 2016 | 2,836 | - | - | - | - | - | 2,836 |
| **As Of 31 December 2017** | **15,087** | **8,808** | **11,680** | **40,311** | **3,696** | **-** | **79,582** |
| As Of 31 December 2016 | 40,911 | 8,504 | 19,888 | 8,444 | 8,443 | 3,757 | 89,947 |

**Finance lease liabilities**

| *(in thousands of US$)* | As of December 31, 2017 | As of December 31, 2016 |
|---|---|---|
| Gross finance lease liabilities – minimum lease payments | | |
| Within one year | 52 | 69 |
| Between 1-5 years | 312 | 94 |
| Over 5 years | - | - |
| Future finance charges on finance leases | (3) | (14) |
| **Present value of finance lease liabilities** | **361** | **149** |
| The present value of finance lease liabilities is as follows: | | |
| Within one year | 325 | 60 |
| Between 1-5 years | 36 | 89 |
| Over 5 years | - | - |
| | 361 | 149 |

**Other Borrowings**

Other borrowings mainly include loans from non-controlling shareholders in subsidiaries. The detail of "Other borrowings" is included in Appendix B – "Other borrowings".

**Currency Information of current and non-current borrowings**

The following table provides the breakdown of total borrowings by currency of issue:

| *(in thousands of US$)* | US$ | Egyptian Pound | Pakistan Rupee | Others | Total |
|---|---|---|---|---|---|
| **As of 31 December 2017** | **36,131** | **3,522** | **39,929** | **-** | **79,582** |
| As of 31 December 2016 | 36,201 | 14,596 | 39,150 | - | 89,947 |

The following table illustrate the movements in the borrowings during the period

| *(in thousands of US$)* | As of December 31, 2017 | As of December 31, 2016 |
|---|---|---|
| ***Balance at the beginning of the period*** | **89,947** | **87,556** |
| Current borrowings | 40,911 | 10,530 |
| Non-current borrowings | 49,036 | 77,026 |
| payments of loans | (11,886) | (5,823) |
| Proceeds from loans | 4,271 | 25,296 |
| Accrued interest | 7,330 | 7,505 |
| interest paid | (8,548) | (5,974) |
| Foreign exchange differences | (1,532) | (18,613) |
| ***Balance at the end of the period*** | **79,582** | **89,947** |
| Current borrowings | 15,087 | 40,911 |
| Non-current borrowings | 64,495 | 49,036 |

-Details of borrowings are included in appendix B.

## 25. Trade payables and other liabilities

| (in thousands of US$) | As of December 31, 2017 | | | As of December 31, 2016 | | |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| *Trade Payable* | | | | | | |
| Capital expenditure payables | 5,920 | - | 5,920 | 2,670 | - | 2,670 |
| Trade payables due to suppliers | 10,483 | - | 10,483 | 9,540 | - | 9,540 |
| Customers credit balance | 51,628 | - | 51,628 | 11,300 | - | 11,300 |
| Trade payables – Telecom operator | 818 | - | 818 | 15,633 | - | 15,633 |
| Other trade payables | 6,743 | - | 6,743 | 3,039 | - | 3,039 |
| | 75,592 | - | 75,592 | 42,182 | - | 42,182 |
| *Other liabilities* | | | | | | |
| Prepaid traffic and deferred income | 1,347 | 13,430 | 14,777 | 1,132 | 11,900 | 13,032 |
| Due to local authorities | 4,456 | - | 4,456 | 3,737 | - | 3,737 |
| Personnel payables | 2,791 | - | 2,791 | 628 | - | 628 |
| Subscriber deposits | 42 | - | 42 | 708 | - | 708 |
| Other credit balances | 3,538 | 1,351 | 4,889 | 3,563 | 1,612 | 5,175 |
| | 12,174 | 14,781 | 26,955 | 9,768 | 13,512 | 23,280 |
| **Total** | **87,766** | **14,781** | **102,547** | **51,950** | **13,512** | **65,462** |

## 26. Provisions

| (in thousands of US$) | As of December 31, 2017 | As of December 31, 2016 |
|---|---|---|
| **As of 1 January** | 40,113 | 81,498 |
| Additions | 168 | 7,725 |
| Currency translation differences | 529 | (49,110) |
| Release * | (20,087) | - |
| **As of 31 December** | 20,723 | 40,113 |

(*) This amounted recorded within the other income in the consolidated statement of profit or loss and other comprehensive income

**27. Earnings per share**

*Basic and diluted*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. For the purposes of the earnings per share calculation, it has been assumed that the number of issued shares at the date of incorporation (5,245,690 thousand) had been outstanding during the periods

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. During the period covered by the report, the Company did not have any dilutive potential ordinary shares and as such diluted and basic earnings per share from continuing operations and from discontinued operations are equal.

| | (Note) | Continued operation<br>For the year ended December 31, 2017 | <br>For the year ended December 31, 2016 |
|---|---|---|---|
| Profit attributable to equity holders of the Company (in thousands of US$) | | 22,571 | 28,844 |
| Weighted average number of shares (in thousands of shares) | (23) | 5,245,690 | 5,245,690 |
| **Earnings per share – basic and diluted (in US$)** | | **0.004** | **0.01** |

**28. Business Combination**

**Auerbach Grayson Company**

On September 25, 2016, the Board of Directors of Beltone Financial Holding has approved the acquisition of 60% of Auerbach Grayson Company (AGCO) through one of its subsidiaries (New Frontier Securities - USA) for US$ 24 million. The acquisition contract includes three option rights as follows:

**First option:** The seller is entitled to purchase 9% of (AGCO) shares, which is owned by New Frontier Securities, within one year starting from the contract date, at a specified price and terms stated in the contract.

**Second option:** New Frontier is entitled to buy all or part of the seller's share in (AGCO) starting from the third year of the contract date and at a specified price and terms stated in the contract.

**Third option:** The seller is entitled to sell the rest of his interest (40%) in (AGCO), which is owned by New Frontier Securities starting from the fifth year of the contract date and at a specific price and terms stated in the contract.

On January 30, 2017, regulatory approval was obtained upon securities brokerage activity in the United States of America to acquire a stake in (AGCO). The acquisition procedures were completed on February 1, 2017, so this date to be considered as the date of acquisition.

The provisional value of the identifiable net assets acquired amounting to US$ 18,299 thousand at the acquisition date, resulting in a temporary calculated goodwill of US$ 13,021 thousand.

The Company has determined the initial accounting of the business combination concerning the acquisition of (AGCO) in February 1, 2017 in a temporary manner until the completion of fair value study for assets and liabilities acquired including any acquired intangible assets (If any), provided that the adjustments relating to the provisional value of the assets and liabilities are recognized within 12 months from the date of the acquisition in accordance with IFRS3 (Business Combinations).

**Goodwill**

The Goodwill arise from the business combination is calculated as follows:

| (in thousands of US$) | January 31, 2017 |
|---|---|
| Consideration | 22,000 |
| Liabilities assumed | 2,000 |
| Non-controlling interest | 7,320 |
| Net assets acquired | (18,299) |
| **Goodwill** | **13,021** |

In accordance with the Investment Agreement, an amount of US$ 2 million has been set aside and the Company is entitled to deduct any unrecognized obligations from this amount that may arise (including but not limited to: judicial claims or any other events causing financial damage, customer issues, suppliers etc.).

## 29. Subsidiaries

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the Company do not differ from the proportion of ordinary shares held. The Company does not have any shareholdings in preference share of subsidiaries included in the Group.

*Summarised financial information of non-wholly owned subsidiaries with material non-controlling interests.*

*Summarised consolidated statement of financial position*

| (in thousands of US$) | Trans World Associates (Pvt) Ltd | | Beltone financial management | |
|---|---|---|---|---|
| | As of December 31, | | As of December 31, | |
| | 2017 | 2016 | 2017 | 2016 |
| **Current** | | | | |
| Current assets | 19,159 | 15,991 | 84,417 | 37,621 |
| Current liabilities | (33,004) | (18,928) | (82,339) | (42,747) |
| **Total current net assets** | **(13,845)** | **(2,937)** | **2,078** | **(5,126)** |
| Non-current assets | 85,968 | 78,741 | 12,014 | 26,061 |
| Non-current liabilities | (40,349) | (46,539) | (316) | (864) |
| **Total non-current net assets** | **45,619** | **32,202** | **11,698** | **25,197** |
| **Net assets** | **31,774** | **29,265** | **13,776** | **20,071** |

*Summarised consolidated statement of profit and loss*

| (in thousands of US$) | Trans World Associates (Pvt) Ltd | | Beltone financial management | |
|---|---|---|---|---|
| | For the year ended December 31, 2017 | For the year ended December 31, 2016 | For the year ended December 31, 2017 | For the year ended December 31, 2016 |
| Revenue | 36,367 | 26,838 | 35,799 | 11,364 |
| Profit (loss) before income tax | 7,999 | 8,399 | (268) | 6,716 |
| Income tax expense | (3,678) | (2,337) | (532) | (2,307) |
| **Post tax profit (loss) from continuing operations** | **4,321** | **6,062** | **(801)** | **4,409** |
| Other comprehensive (loss) \ income | (107) | 4,520 | 4 | (3,903) |
| **Total comprehensive income** | **4,214** | **10,582** | **(797)** | **506** |
| Total comprehensive income allocated to non-controlling interests | 2,065 | 5,185 | (186) | 118 |

*Summarised cash flows*

| (in thousands of US$) | Trans World Associates (Pvt) Ltd | | Beltone financial management | |
|---|---|---|---|---|
| | For the year ended December 31, 2017 | For the year ended December 31, 2016 | For the year ended December 31, 2017 | For the year ended December 31, 2016 |
| Cash flows generated from (used in) operating activities | 5,492 | 8,485 | (6,709) | (6,146) |
| Interest paid | - | (2,274) | - | - |
| Income tax paid | - | (2,715) | - | - |
| Net cash generated from (used in) operating activities | 5,492 | 3,496 | (6,709) | (6,146) |
| Net cash used in investing activities | (6,978) | (22,949) | (18,153) | (47,145) |
| Net cash used in financing activities | 2,920 | 19,670 | (1,683) | 56,901 |
| **Net (decrease) / increase in cash and cash equivalents** | **1,434** | **217** | **(26,545)** | **3,610** |
| Cash and cash equivalents at the beginning of the year | 3,896 | 3,622 | 34,952 | 29,239 |
| Exchange gains (losses) on cash and cash equivalents | (283) | 11 | 39,220 | (22,988) |
| **Cash and cash equivalents at the end of the year** | **5,047** | **3,850** | **47,627** | **9,861** |

The above information is the amount before intercompany eliminations.

## 30. Commitments

The commitments as of 31 December 2017 and 2016 are provided in the table below:

| *(in thousands of US$)* | As of 31 December 2017 | As of 31 December 2016 |
|---|---|---|
| Purchase of property and equipment | 12,889 | 13,532 |
| Others | 17,231 | 12,741 |
| **Total** | **30,120** | **26,273** |

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

## 31. Related party transactions

Transactions with subsidiaries, associates, with the Parent Company and its subsidiaries and other related parties are not considered atypical or unusual, as they fall within the Group's normal course of business and are conducted under market conditions that would be performed by independent third parties.

The main related party transactions are summarised as follows:

| (in thousands of US$) | For the year ended December 31, 2017 | | | For the year ended December 31, 2016 | | |
|---|---|---|---|---|---|---|
| | *Revenue* | *Purchase of services and goods* | *Consultancy* | *Revenue* | *Purchase of services and goods* | *Consultancy* |
| **OTMT** | | | | | | |
| CHEO | - | (803) | - | 432 | (443) | - |
| OTMTI | - | - | - | | | |
| WIND | - | - | - | 493 | (62) | -- |
| **Others** | | | | | | |
| -Contrack | - | (5) | - | 104 | (7) | - |
| KPTC | - | - | - | - | | (36) |
| Orastar | - | - | (45) | - | (36) | |
| Omarr Zawawy .Dr | - | - | (11) | - | (9) | (9) |
| **Total** | - | (808) | (56) | 1,029 | (557) | (45) |

| (in thousands of US$) | As of December 31, 2017 | | As of December 31, 2016 | |
|---|---|---|---|---|
| | Receivables | Payables | Receivables | Payables |
| **OTMTI** | | | | |
| Wind | - | - | 11 | - |
| **Others** | | | | |
| KPTC | - | - | - | 12 |
| LDN | - | - | - | 1 |
| Orastar | - | 2,231 | - | 2,261 |
| Omar zawawy | - | 572 | - | 580 |
| E-management services company in the area of investment funds | 38 | - | - | - |
| Belton Mena Equity Fund | 25 | - | 24 | - |
| Beltone for trade and distribution | - | - | 2 | - |
| Misr Beltone | - | 337 | - | - |
| International Fund Management Services | | 133 | - | - |
| Orascom solution | 12 | - | - | - |
| | 75 | 3,273 | 37 | 2,854 |

***Key management compensation***

Key management includes executive and non-executive directors, the chief financial officer and other managing directors considered key personnel.

The compensation paid or payable to key management for employee services amounted to US$ 1,354 thousand and US$ 1,505 thousand respectively for the year ended December 31, 2017 and 2016.

## 32. Contingent assets and liabilities

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

***Orascom Telecom, Media and Technology Holding***

- A Letter of guarantee in favour of Lebanon Ministry of Telecommunication to guarantee Orascom Telecom Lebanon in the payment of any amount due by the selected participants amounting to US$ 40 Million.
- A guarantee issued to one of the subsidiary's clients amounting to US$ 82 Million to guarantee the subsidiary to fulfil its contractual obligations represented in performing the contracted services.

***Trans World Associates (Subsidiary)***

- Bank guarantee issued in favour of Higher Education Commission (HEC) amounting to Rs. 2.2 milion valid till December 31, 2018.
- Bank guarantee issued in favour of Shell Pakistan Limited amounting to Rs. 500,000 valid till September 25, 2018.
- Letter of credit issued in favour of Premier Systems FZE amounting to US$ 285,000 valid till March 31, 2018.
- Letter of credit issued in favour of C-COR Broadband Australia PTY Ltd amounting to US$ 177,396 valid till May 31, 2018.

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

- A bank guarantee issued in favour of EFSA amounting to US$ 40 thousand and valid until December 31, 2017.
- A bank guarantee issued in favour of NTRA amounting to US$ 56 thousand.

**33. Legal Case**

Beltone Financial Holdings (SAE) and its subsidiary Auerbach Grayson & Co LLC (AGCO) were sued for securities trading in the State of New York in the United States of America. Beltone Financial Holding Company, as the major shareholder in AGCO The dispute is still in its preliminary stage and the management of the company still sees its legal position as strong.

Under the investment agreement, which was acquired by Beltone Financial Holding SAE on 60% of the shares of its subsidiary AGCO Securities, an amount of US $ 2 million has been deducted and the Company is entitled to deduct any unencumbered obligations from this. The amount may arise (including but not limited to lawsuits and any events that result in financial damages, problems of clients, suppliers, etc.).

**34. Significant events during the current period**

The Board of Directors of the Company in its meeting held on August 14, 2017 unanimously have initially approved the recommendation of the investment committee to invest in the following projects:

The development and management of the sound and light show in the Pyramids and Sphinx area, the development of the designated show area and management of the activities and services related thereto for 20 years for a total investment of USD 10 million (or its equivalent in EGP) in partnership with Prisme International (a UAE Company) which has been awarded the exclusive right to develop and manage the sound and light show by virtue of the Public Tender (by closed envelopes) accordingly signed the Development and Management Contract of Sound & Light in the Pyramids and Sphinx Area with Misr Company for Sound, Light and Cinema S.A.E. A new company will be established and Orascom shall own 70% of the issued share capital thereof whereby the all the rights and obligations under the Development and Management Contract will be assigned and transferred to the new company. OTMT has signed a preliminary agreement with Prisme Entertainment (an affiliate company of Prisme International) for the production and development of the sound and light show subject to the satisfaction of certain conditions and guarantees.

The investment and subscription in the capital increase of Riza Capital Consultoria de Investimentos S.A., a corporation organized and existing under the laws of Brazil, headquartered in the city of São Paulo providing financial advisory services related to mergers and acquisitions, capital raisings and debt-restructurings for a total investment amounting to USD 15 million against preferred shares representing approximately 52% of the share capital of Riza Capital.

The subscription and investment will be executed on two phases subject to the satisfaction of certain conditions and KPIs and the execution of definitive agreements.

**35. Non-adjusting events after the reporting Period (Subsequent events)**

- In January 2018, the company acquired 57% of Riza Capital based in Brazil, a financial services company. The acquisition was acquired through the wholly-owned Luxembourg-based OMT subsidiary of Luxembourg, with a cash consideration of $ 8 million.
- On May 21, 2018 Orascom Telecom Media and Technology Holding S.A.E. ("OTMT") 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") for a total value of USD 90 million. OTMT holds a 100% stake in MENA.
- In accordance with the Extraordinary General Assembly Resolution of 5 June 2018, the Company's name was changed to Orascom Investment Holding (SAE) instead of Orascom Telecom, Media and Technology Holding (SAE), The commercial register was registered on 3 July 2018.
- In accordance with the Board of director's meetings no. 4 for 2018 dated 20 September 2018, the Board approve on a preliminary basis the Investment Committee's recommendation to acquire 100% of Nile Sugar SAE, as it is in accordance with OIH's strategy.
- Beltone Financial Holding one of the company's subsidiaries is still in the process of completing the final accounting treatment relating to the business combination of Auerbach Grayson & Company which was acquired on 1 February 2017, despite the override of the allowed measurement period as required by the International financial reporting standard No. (3) "Business combinations" which requires a measurement period of no longer than one year from the date of acquisition.

| Chief Financial Officer | Chief Executive Officer | Chairman |
|---|---|---|
| Khalid Ellaicy | Tamer Mahdi | Naguib Sawiris |

ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E



## APPENDIX A - SUBSIDIARIES, ASSOCIATES AND INVESTMENTS AS OF 31 DECEMBER 2017

| Segment | Country of incorporation and place of business | Entity name | Nature of business | Direct Proportion of ordinary shares held by the Company (%) | Ultimate Proportion of ordinary shares held by OTMT Group (%) | Proportion of ordinary shares held by the non-controlling interest (%) | Investment type |
|---|---|---|---|---|---|---|---|
| Media and Technology | North Korea | Orabank NK | Media and Technology | %95 | 95% | 5% | Subsidiary |
| Media and Technology | Pakistan | Trans World Associates (Pvt) Ltd | Media and Technology | 51% | 51% | 49% | Subsidiary |
| Media and Technology | Egypt | Oracap Holding Co. (Free zone) | Media and Technology | 100% | 100% | 0 | Subsidiary |
| Media and Technology | Malta | Oracap Far East Ltd | Media and Technology | 100% | 100% | 0 | Subsidiary |
| Management services | Lebanon | Orascom Telecom Lebanon | Management services | %99,8 | %99,8 | 0.2 | Subsidiary |
| Financial Services | UAE | Beltone Financial – Emirates | Financial services | 100% | 70% | 30% | Subsidiary |
| Financial Services | Egypt | Beltone Securities Brokerage "S.A.E" | Financial services | 100% | 70% | 30% | Subsidiary |
| Financial Services | Libya | International For Securities Company – Libya | Financial services | 49% | 34.3% | 30% | Subsidiary |
| Financial Services | Egypt | Beltone Market Maker "S.A.E" | Financial services | 100% | 70% | 30% | Subsidiary |
| Financial Services | USA | Beltone Financial – USA | Financial services | 100% | 70% | 30% | Subsidiary |
| Financial Services | UK | Beltone Financial – UK | Financial services | 100% | 70% | 30% | Subsidiary |
| Financial Services | Egypt | Beltone Information Technology "S.A.E" | Financial services | 100% | 70% | 30% | Subsidiary |
| Financial Services | Egypt | Beltone Securities Holding "S.A.E" | Financial services | 100% | 70% | 30% | Subsidiary |
| Financial Services | Egypt | Beltone Securities Brokerage "S.A.E" | Financial services | 100% | 70% | 30% | Subsidiary |
| Financial Services | Egypt | Beltone Financial Holding "S.A.E" | Financial services | 100% | %70 | 30% | Subsidiary |
| Financial Services | Egypt | Beltone Investment Funds "S.A.E" | Financial services | 100% | %70 | 30% | Subsidiary |
| Financial Services | Egypt | Beltone Promotion and Underwriting "S.A.E" | Financial services | 100% | %70 | 30% | Subsidiary |
| Financial Services | Egypt | Beltone Investments Holding- free zone "S.A.E" | Financial services | 100% | %70 | 30% | Subsidiary |
| Financial Services | USA | Auerbach Grayson for Securities Brokerage | Financial services | 62% | 43.4% | 56.6% | Subsidiary |
| Other | luxembourg | OTMT – Brazil | other | 100% | 100% | 0 | Subsidiary |

## Appendix A

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Investment Property | Netherlands | Victoire coop Investment Holding | Investment Property | 100.00% | 100.00% | 0.00% | Subsidiary |
| Investment Property | Netherlands | Victoire BV | Investment Property | 100.00% | 100.00% | 0.00% | Subsidiary |
| Investment Property | Brazil | Victoire 2 (Brazil) | Investment Property | 100.00% | 100.00% | 0.00% | Subsidiary |
| Investment Property | Brazil | Victorie 9 (Brazil) | Investment Property | 100.00% | 100.00% | 0.00% | Subsidiary |
| Investment Property | Brazil | Victoire 11 (Brazil) | Investment Property | 100.00% | 100.00% | 0.00% | Subsidiary |
| Investment Property | Brazil | Victoire 13 (Brazil) | Investment Property | 100.00% | 100.00% | 0.00% | Subsidiary |
| Investment Property | Brazil | Victoire 17 (Brazil) | Investment Property | 100.00% | 100.00% | 0.00% | Subsidiary |
| Investment Property | Brazil | Victoire 18 (Brazil) | Investment Property | 100.00% | 100.00% | 0.00% | Subsidiary |
| Investment Property | Brazil | Victoire 19 (Brazil) | Investment Property | 100.00% | 100.00% | 0.00% | Subsidiary |
| Energy | Egypt | O Capital for energy | Energy | %99.2 | %99.2 | 0.8% | Subsidiary |
| Energy | Egypt | O Capital for services and construction | Energy | %99.2 | %99.2 | 0.8% | Subsidiary |
| Cable systems | Egypt | Middle East & North Africa for Marines cables | Marines Cable | %99.96 | %99.96 | 0.4% | Subsidiary |
| Media and Technology | Egypt | Orascom Telecom Venture co. "S.A.E" | Egypt | % 99.99 | % 99.99 | 0.01% | Subsidiary |
| Other | Egypt | Orascom prisme pyramids Entertainment "S.A.E" | Egypt | % 70 | 69% | 30% | Subsidiary |
| GSM North Korea | North Korea | CHEO Technology JV Company | Telecommunication operator | 75.00% | 75.00% | 25.00% | Associate |
| Financial Services | USA | Axes Holding | Information system for financial services | 33.9% | 23.7% | 66.1% | Associate |
| Financial Services | Egypt | Electronic Fund Administration Services | Mutual funds management services | 20% | 14% | 80% | Associate |
| Financial Services | Egypt | International Fund Administration Services | Fund Admin Services | 20% | 14% | 80% | Associate |
| Financial Services | Egypt | Misr Beltone Asset Management | Mutual funds management | 50% | 35% | 50.00% | Joint operation |

## APPENDIX B – LIABILITIES TO BANKS AND OTHER BORROWINGS AS OF DECEMBER 31, 2017

| Description | Current | Non Current | Total | Currency | Nominal | Maturity | Interest Rate | Secured / Unsecured | Assets secured |
|---|---|---|---|---|---|---|---|---|---|
| **OTMT Loans** | | | | | | | | | |
| Foreign Bank loan | - | 33,328 | 33,328 | USD | 33,423 | 31-Oct-21 | LIBOR+1% | Secured | Time Depoits |
| Local bank loan | 54 | 96 | 150 | EGP | 3,430 | 31-Dec-20 | Bank certificate rate of return + 2% max 12% | Secured | Time Depoits |
| Local bank loan | 53 | 143 | 196 | EGP | 4,263 | 31-Dec-21 | Bank certificate rate of return + 15% max 11% | Secured | Time Depoits |
| | 107 | 33,567 | 33,674 | | | | | | |
| **TWA Loans** | | | | | | | | | |
| Long term loan from sponsor's (Orastar) | 128 | 1,074 | 1,202 | USD | 135,014 | 31-Dec-22 | 3M LIBOR+1% | Unsecured | |
| Long term loan from sponsor's (Dr. Omar Zawawi) | 53 | 296 | 349 | USD | 34,619 | 31-Dec-17 | 3M LIBOR+1% | Unsecured | |
| Short term loan-2 from sponsor's (Orastar) | 993 | - | 993 | USD | 86,872 | 23-Dec-18 | 3M LIBOR+1% | Unsecured | |
| Short term loan-2 from sponsor's (Dr. Omar Zawawi) | 255 | - | 255 | USD | 22,272 | 23-Dec-18 | 3M LIBOR+1% | Unsecured | |
| Finance lease liabilities | 98 | 36 | 134 | PKR | 15,604 | 24-Aug-19 | 6M KIBOR+2.50% | Secured | Future Current Liabilities and Fixed Assets (Except Land and Buildings) |
| Long term syndicated finance facility-NIB Bank Ltd | 6,779 | 21,904 | 28,683 | PKR | 3,164,472 | 17-Apr-22 | 6M KIBOR + 2.50% | Secured | |
| Long term syndicated finance facility-Pak Osman Investment Company | 1,830 | 5,921 | 7,751 | PKR | 837,016 | 3-May-22 | 6M KIBOR + 2.50% | Secured | |
| Long term loan finance facility-Habib Bank Limited | 270 | 1,697 | 1,967 | PKR | 203,000 | 26-Apr-22 | 6M KIBOR + 1.50% | Secured | |
| Running Finance Facility-Meezan Bank Limited | 1,443 | - | 1,443 | PKR | 150,001 | 31-Dec-18 | 3M KIBOR + 1.50% | Secured | |
| | 11,849 | 30,928 | 42,777 | | | | | | |
| **Beltone Holding** | | | | | | | | | |
| Credit Facilities | 2,904 | - | 2,904 | EGP | 51,363 | | Market Price | Unsecured | - |
| Finance lease liability | 227 | - | 227 | - | - | | - | - | - |
| | 3,131 | | 3,131 | | | | | | |
| **Total Loans** | 15,087 | 64,495 | 79,582 | | | | | | |