

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

**Combined and consolidated financial statements and
auditor's report**

**Years ended
31 December 2011, 2010 and 2009
US\$**



Hazem Hassan

Public Accountants & Consultants

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Independent Auditor's Report To the board of directors of Orascom Telecom Media and Technology Holding S.A.E.

We have audited the accompanying combined and consolidated financial statements of Orascom Telecom Media and Technology Holding S.A.E, which comprise the combined and consolidated statement of financial position as at December 31, 2011, 2010, 2009, and income statement and statement of comprehensive income, statement of changes in equity and statements of cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Combined and consolidated Financial Statements

Management is responsible for the preparation and presentation of these combined and consolidated financial statements in accordance with the basis set out in note 2 to the combined and consolidated financial statements. The combined and consolidated financial statements contain an aggregation of financial information relating to the Orascom Telecom Media and Technology Holding S.A.E and have been prepared from the books and records maintained by Orascom Telecom Holding S.A.E and its subsidiaries. Management's responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of combined and consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined and consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the combined and consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and presentation of the combined and 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 combined and consolidated financial statements.

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



Hazem Hassan

Opinion

In our opinion, the combined and consolidated financial statements referred to above presented fairly, in all material respects, the financial position of Orascom Telecom Media and Technology Holding S.A.E as at December 31, 2011, 2010 and 2009 and the results of its operations and its cash flows for each of the years in the three years period ended December 31, 2011 in accordance with International Financial Reporting Standards and basis set out in note 2.

Basis of Accounting and Restriction on Distribution

Without modifying our opinion, we draw attention to note 2 to the combined and consolidated financial statements, which describe the basis of preparation. However, had the Orascom Telecom Media and Technology Holding S.A.E actually operated as an independent group, its financial position, results of operations and cash flows may not necessarily have been those set out in the combined and consolidated financial statements. The combined and consolidated financial statements are prepared to assist Orascom Telecom Media and Technology Holding S.A.E to meet the requirements of United Kingdom Listing Authority "UKLA". As a result, the combined and consolidated financial statements may not be suitable for another purpose.

KPMG Hazem Hassan

Cairo, Egypt June 28, 2012

KPMG Hazem Hassan
Public Accountants and Consultants

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ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.
COMBINED AND CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of 31 December 2011, 2010 and 2009


(in thousands of US\$)

	Note	As of 31 December		
		2011	2010	2009
Assets				
Property and equipment	12	381,000	381,445	310,933
Intangible assets	13	77,517	74,538	70,873
Equity investments	10	876,280	1,029,502	407,221
Other non current financial assets	14	133,497	38,527	32,331
Deferred tax assets	15	3,525	2,902	-
Total non-current assets		1,471,819	1,526,914	821,358
Inventories		1,234	667	639
Trade receivables	16	61,040	76,348	54,055
Other current financial assets	14	149,907	1,015	2,072
Current income tax receivables		878	1,070	2,360
Other current assets	17	22,551	16,713	14,092
Cash and cash equivalents	18	173,274	174,848	70,083
Assets held for sale	23	-	-	109,953
Total current assets		408,884	270,661	253,254
Total assets		1,880,703	1,797,575	1,074,612
Equity and liabilities				
Share capital		366,148	-	-
Other reserves		36,022	(64,661)	2,829
Retained earnings		1,235,698	1,644,428	829,590
Equity attributable to the owners of the company	19	1,637,868	1,579,767	832,419
Non-controlling interest		57,913	29,815	9,011
Total equity		1,695,781	1,609,582	841,430
Liabilities				
Non-current borrowings	20	5,293	7,390	12,886
Other non-current liabilities		3,607	2,538	2,479
Non-current provisions		731	602	-
Deferred tax liabilities	15	5,914	2,938	675
Total non-current liabilities		15,545	13,468	16,040
Current borrowings	20	7,559	10,615	13,103
Trade payables	22	125,749	84,003	68,729
Other current liabilities	21	26,543	63,845	78,148
Current income tax liabilities		4,524	10,732	1,285
Current provisions		5,002	5,330	1,331
Liabilities held for sale	23	-	-	54,546
Total current liabilities		169,377	174,525	217,142
Total liabilities		184,922	187,993	233,182
Total equity and liabilities		1,880,703	1,797,575	1,074,612

Chief financial officer
Youssef Shoukry



General manager
Karim Beshara



Auditor's report 'attached'

(The notes 1 to 28 are an integral part of these combined and consolidated financial statements)

ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.
COMBINED AND CONSOLIDATED INCOME STATEMENT AND STATEMENT OF
COMPREHENSIVE INCOME

Year ended 31 December 2011, 2010 and 2009

<i>(in thousands of US\$)</i>	Note	Year ended 31 December		
		2011	2010	2009
Revenue	5	324,873	246,535	163,017
Other income		3,445	1,743	1,273
Purchases and services	6	(125,854)	(116,252)	(99,478)
Other expenses	7	(19,253)	(10,460)	(7,431)
Personnel costs	8	(62,844)	(57,206)	(45,768)
Depreciation and amortisation	12, 13	(19,843)	(14,620)	(13,602)
Impairment charges	12,13	(2,711)	(26,603)	(4,032)
Disposal of non current assets		7,882	(5)	14
Operating income /(loss)		105,695	23,132	(6,007)
Financial income	9	153,149	2,428	3,609
Financial expense	9	(8,745)	(32,722)	(3,699)
Foreign exchange gain /(loss)	9	4,175	942	(1,169)
Share of profit /(loss) of equity investments	10	(43,738)	49,364	125,645
Gain on partial disposal of equity investments	10	-	964,298	-
Profit before income tax		210,536	1,007,442	118,379
Income tax expense	11	(11,239)	(65,933)	(2,228)
Profit from continuing operations		199,297	941,509	116,151
Discontinued operations				
Profit /(loss) from discontinued operation (net of income tax)	23	-	28,906	(2,679)
Profit for the year		199,297	970,415	113,472
Attributable to:				
Owners of the Company		176,345	957,636	112,191
Non-controlling interest		22,952	12,779	1,281
Earnings per share (basic and diluted) – (in US\$)	24	0.034	0.183	0.021
From continuing operations		0.034	0.177	0.022
From discontinued operations		-	0.006	(0.001)

<i>(in thousands of US\$)</i>	Year ended 31 December		
	2011	2010	2009
Profit for the year	199,297	970,415	113,472
Other comprehensive income /(loss):			
Currency translation differences	(54,945)	(68,534)	8,174
Total comprehensive income for the year	144,352	901,881	121,646
Attributable to:			
Owners of the Company	118,499	890,146	119,619
Non-controlling interest	25,853	11,735	2,027

(The notes 1 to 28 are an integral part of these combined and consolidated financial statements)

ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.
COMBINED AND CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
As of and for the year ended 31 December 2011, 2010 and 2009

<i>(in thousands of US\$)</i>	Share Capital	Other reserves	Retained earnings	Total invested capital	Non controlling Interest	Total equity
As of 1 January 2009	-	(4,599)	642,543	637,944	14,996	652,940
Comprehensive income						
Profit for the year	-	-	112,191	112,191	1,281	113,472
Other comprehensive income	-	7,428	-	7,428	746	8,174
Total comprehensive income		7,428	112,191	119,619	2,027	121,646
Transactions with owners						
Invested /(distributed) capital, net	-	-	74,856	74,856	(8,012)	66,844
As of 31 December 2009	-	2,829	829,590	832,419	9,011	841,430
Comprehensive income						
Profit for the year	-	-	957,636	957,636	12,779	970,415
Other comprehensive loss	-	(67,490)	-	(67,490)	(1,044)	(68,534)
Total comprehensive income	-	(67,490)	957,636	890,146	11,735	901,881
Transactions with owners						
Invested /(distributed) capital, net	-	-	(142,798)	(142,798)	9,069	(133,729)
As of 31 December 2010	-	(64,661)	1,644,428	1,579,767	29,815	1,609,582
Comprehensive income						
Profit for the year	-	-	176,345	176,345	22,952	199,297
Other comprehensive income	-	(57,846)	-	(57,846)	2,901	(54,945)
Total comprehensive income	-	(57,846)	176,345	118,499	25,853	144,352
Transactions with owners						
Invested /(distributed) capital, net	-	-	(60,398)	(60,398)	7,542	(52,856)
Dividends	-	-	-	-	(5,297)	(5,297)
Set up of the Company	366,148	158,529	(524,677)	-	-	-
As of 31 December 2011	366,148	36,022	1,235,698	1,637,868	57,913	1,695,781

(The notes 1 to 28 are an integral part of these combined and consolidated financial statements)

ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.
COMBINED AND CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2011, 2010 and 2009

<i>(in thousands of US\$)</i>	Note	Year ended 31 December 31		
		2011	2010	2009
Profit for the year		199,297	970,415	113,472
<i>Adjustments for</i>				
Depreciation, amortisation and impairment charges		22,554	41,223	31,970
Impairment of financial assets		6,747	30,121	-
Fair value gain on derivative instrument		(148,932)	-	-
Foreign exchange (gain) /loss		1,001	(942)	1,169
(Gain) /loss on disposal of non-current assets		(7,882)	5	(14)
Gain from discontinued operations		-	(28,906)	-
Share of profit of equity investments		43,738	(49,364)	(125,645)
Gain on partial disposal of equity investments		-	(964,298)	-
Changes in inventories		(609)	(37)	4,818
Changes in trade receivables and payables		54,426	(39,076)	(25,616)
Changes in other assets and liabilities		7,561	536	32,300
Cash flows generated by /(used in) operating activities		177,901	(40,323)	32,454
<i>Cash out flow for investments in</i>				
Property and equipment	12,22	(74,607)	(115,530)	(117,492)
Intangible assets	13,22	(12,496)	(4,432)	(22,368)
<i>Proceeds from disposal of</i>				
Property and equipment	21	11,901	409	29,977
Intangible assets		-	22	-
Equity investments	10	-	300,000	-
LinkDotNet and LinkEgypt	23	-	97,921	-
Changes in current and non current financial assets		(100,026)	(36,457)	(11,463)
Dividends received	10	72,505	60,034	40,644
Cash flows generated by /(used in) investing activities		(102,723)	301,967	(80,702)
Proceeds from loan and bank facilities		1,045	858	132
Payments for loans and bank facilities		(5,705)	(9,093)	(8,896)
Changes in current financial liabilities		(448)	1,001	(7,866)
Net capital contributions /(distributions)	19	(60,398)	(142,798)	74,856
Cash flows generated by /(used in) financing activities		(65,506)	(150,032)	58,226
Net increase in cash and cash equivalents		9,672	111,612	9,978
Effect of exchange rates on cash and cash equivalents		(11,246)	(6,847)	462
Cash and cash equivalents transferred to assets held for sale	23	-	-	(10,395)
Cash and cash equivalents at the beginning of the year		174,848	70,083	70,038
Cash and cash equivalents at the end of the year		173,274	174,848	70,083
Income tax paid	19	1,766	71,356	1,835
Interest expense paid		1,560	1,512	1,872

(The notes 1 to 28 are an integral part of these combined and consolidated financial statements)

ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.
NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS
As of and for the year ended 31 December 2011, 2010 and 2009

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. The Company was established on 29 November 2011 and until this date the businesses of the Company were performed under various entities which were controlled by Orascom Telecom Holding, S.A.E. ("OTH"). As part of a larger transaction pursuant to which VimpelCom Ltd had acquired OTH, its shareholders agreed to effect the demerger, whereby, OTH was split into two companies, OTH and the Company ("Demerger"). The Demerger resulted in the transfer of certain telecom, cable and media and technology assets (the "OTMT Assets") to the Company. In particular, on the Demerger, ownership of the following OTMT Assets were transferred from OTH to the Company:

- 28.76% ownership stake in Mobinil for Telecommunication S.A.E.
- 20.00% ownership stake in the Egyptian Company for Mobile Services S.A.E.
- 75.00% ownership stake in CHEO Technology Joint Venture Company, together with all other assets and businesses located in North Korea
- 100.00% direct and indirectly held ownership stake in Middle East and North Africa for Sea Cables
- 51.00% ownership stake in Trans World Associate (Private) Limited (Pakistan)
- 100.00% ownership of Med Cable Limited (UK)
- 99.99% ownership stake in OT Ventures S.A.E. (a/k/a Intouch Communications Services Internet portals and other ventures in Egypt including Link Development, ARPU+ and LINKonLine) and
- 1% ownership stake in ARPU for Telecommunications Services S.A.E (direct and indirect holding in ARPU for Telecommunications Services S.A.E is 100%).

The Company and the OTMT Assets (together the "Group") are a mobile telecommunications business operating in high growth emerging markets in the Middle East, Africa and Asia. The Company is a subsidiary of Weather Investments II S.à.r.l. ("Weather Investments" or the "Parent Company"). The Company's shares is listed on the Egyptian Stock Exchange and its GDRs are listed on the London Stock Exchange.

These combined and consolidated financial statements as of and for the years ended 31 December 2011, 2010 and 2009 (the "Combined and Consolidated Financial Statements") which were approved for issue by the board of directors of the Company on 28 June 2012, were prepared solely for the purpose of the Company's GDR listing on the London Stock Exchange, to present the net assets, financial position and results of operations of the companies and net assets which became part of the Group, as if the Group had been operating as a stand-alone group, independent of OTH, during the relevant period. However, it should be highlighted that if the Group had been operating as a stand-alone group during this period, the net assets, financial position and results of operations could have been different from those presented herein. Therefore, the Combined and Consolidated Financial Statements are not necessarily indicative of results that would have occurred if the OTMT Assets had been a separate group during the entire period presented, or of the future results of the Group.

2. Significant accounting policies

2.1 Basis of presentation

The Combined and Consolidated Financial Statements of the Group, as of and for the years ended 31 December 2011, 2010 and 2009 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").

ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.
NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS – (continued)
As of and for the year ended 31 December 2011, 2010 and 2009

The Combined and Consolidated Financial Statements have been prepared by aggregating the financial information relating to the assets and liabilities which entered into the Group's scope of consolidation on the Demerger and which until then were part of OTH. In preparing the Combined and Consolidated Financial Statements, the revenues and costs of the OTMT Assets which were not directly attributable to such business, and in particular those relating to central services performed by the former holding company, were allocated using drivers appropriate to the revenue or cost to be allocated. In particular, in relation to the period considered in these Combined and Consolidated Financial Statements, the following assumptions and allocations of indirect expenses, which are consistent with international practice, were used:

- indirect costs mainly relating to personnel expenses and centralised services, such as accounting and financial reporting, legal, treasury, taxation, investor relation, human resources, information technology and commercial, were allocated based on the capital invested and dividend income allocated to the OTMT Assets, expressed as a total of capital invested and dividend income of OTH subsidiaries and equity investments. These costs were affected by the arrangements that existed in OTH and are not necessarily representative of the expenses that may prevail in the future;
- income tax was calculated as if OTMT was a separate legal entity preparing a tax return at company level;
- trade payables and receivables and income tax payables of OTMT were assumed to have been directly settled or paid immediately through capital distributions and contributions by OTH;
- financial funding of the OTMT Assets was provided by long-term capital accounts with OTH as part of the invested capital of OTH in OTMT Assets. The historical capital structure does not necessarily reflect the future capital structure. In particular financial expense may be different in the future.

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

- derivative financial instruments are measured at fair value;
- financial instruments at fair value through profit or loss are measured at fair value;

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 two statement approach, dividing items of comprehensive income between a separate income statement and a separate statement of comprehensive income. Expenses are analysed in the income statement 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 Change in accounting policy and disclosures

a) New and amended standards adopted by the Group

The Group has adopted the following new and amended IFRSs and IFRIC Interpretations, as of 1 January 2011, with no material impact:

- *IAS 32 (amendment), "Financial instruments: Presentation – Classification of rights issues"*. Amended to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.
- *IAS 24, "Related party disclosures" (revised)*. The revised standard clarifies the definition of a related party and modifies certain related-party disclosure requirements for government-related entities.

ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.
NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS – (continued)
As of and for the year ended 31 December 2011, 2010 and 2009

- *IFRIC 19, "Extinguishing financial liabilities with equity instruments"*. The interpretation clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially.
 - *IFRIC 14 (amendment), "IAS 19 – The limit on a defined benefit assets, minimum funding requirements and their interaction"*. The amendment removes unintended consequences arising from the treatment of pre-payments where there is a minimum funding requirement. Results in pre-payments of contributions in certain circumstances being recognized as an asset rather than an expense.
- b) *New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted.*
- *IAS 19 (amendment), 'Employee benefits'* was amended in June 2011 and will be effective on 1 January 2013. The impact on the Group will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in OCI as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Group is not expecting a significant impact by its adoption.
 - *IFRS 9, 'Financial instruments'*, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The Group is currently assessing the impact of this new standard.
 - *IFRS 7 (amendment), 'Financial instruments : Disclosures'*, effective for annual periods starting on or after 1 July 2011, will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The Group is not expecting a significant impact by its adoption.
 - *IAS 12 (amendment), 'Income taxes'* introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. The amendment will be effective on 1 January 2012 and the Group is not expecting a significant impact by its adoption.
 - *IAS 1 (amendment) 'Financial statement presentation'* will be effective for annual periods starting on or after 1 July 2012. The main changes resulting from these amendment is a requirement for entities to group items presented in "other comprehensive income" on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in other comprehensive income. The Group is currently assessing the impact of this amendment.
 - *IFRS 10, 'Consolidated financial statements'* builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.

- *IFRS 11, 'Joint arrangements'* effective on 1 January 2013 focuses on the rights and obligations of the joint arrangements rather than its legal form. Proportional consolidation of joint ventures is no longer allowed. The Group is not expecting a significant impact by its adoption.
- *IFRS 12, 'Disclosures of interests in other entities'* includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.
- *IFRS 13, 'Fair value measurement'* will be effective on 1 January 2013 and aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The Group is currently assessing the impact of this new standard.
- *IAS 28 'Associated and joint ventures (revised)'* will be effective on 1 January 2013 and includes requirements for joint ventures and associates accounted for using the equity method following the issue of IFRS 11. The Group is currently assessing the impact of this new standard.
- *IAS 32 (amendment), 'Financial instruments: Presentation'* – This amendment updates the application guidance to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. This amendment will be effective for periods beginning on or after 1 January 2014. The Group is currently assessing the impact of this new standard.
- *IAS 1 (amendment), 'Presentation of financial statements'* – This amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet either as required by IAS 8 'Accounting policies, changes in accounting estimates and errors', or voluntary. The amendment will be effective retrospectively for periods beginning on or after 1 January 2013. The Group is not expecting a significant impact on adoption of this amendment. .
- *IAS 16 (amendment), - 'Property, plant and equipment'* – This amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment. The amendment will be effective retrospectively for periods beginning on or after 1 January 2013. The Group is not expecting a significant impact on adoption of this amendment.
- *IAS 32 (amendment), - 'Financial instruments: Presentation'* – This amendment clarifies the treatment of income tax relating to distributions and transaction costs. . The amendment will be effective retrospectively for periods beginning on or after 1 January 2013. The Group is not expecting a significant impact on adoption of this amendment.

2.3 Summary of main accounting principles and policies

The main accounting principles and policies adopted in preparing these Combined and Consolidated Financial Statements are set out below. These policies have been consistently applied to all periods in those Combined and Consolidated Financial Statements, and have been applied consistently by the Group entities.

Basis of combination and consolidation

The Combined and Consolidated Financial Statements include the net assets of the Company and the financial statements of those entities over which the Company has control, both directly or indirectly as if the company had always existed, from the date of acquisition to the date when such control ceases. Control may be exercised through direct or indirect ownership of shares with majority voting rights, or by exercising a dominant influence expressed as the direct or indirect power, based on contractual

ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.
NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS – (continued)
As of and for the year ended 31 December 2011, 2010 and 2009

agreements or statutory provisions, to determine the financial and operational policies of the entity and obtain the related benefits, regardless of any equity relationships. The existence of potential voting rights that are exercisable or convertible at the balance sheet date is also considered when determining whether there is control or not.

The financial statements used in the combination and consolidation process are those prepared by the individual Group entities as of and for the years ended 31 December, 2011, 2010 and 2009 (the reporting date for these Combined and Consolidated Financial Statements) in accordance with IFRS used by the Company in preparing these statements and approved by the respective boards of directors.

The combination and consolidation procedures used are as follows:

- the assets and liabilities and income and expenses of combined 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 year that is attributable to them. The resulting balances are presented separately in combined equity and the combined income statement; 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;
- business combinations in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination are considered business combinations involving entities under common control. In the absence of an accounting standard guiding the accounting treatment of these operations the Group applies IAS 8, consolidating the book values of the entity transferred and reporting any gains arising from the transfer in goodwill;
- 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;
- any options to purchase non-controlling interests outstanding at the end of the year are treated as exercised and are reported as a financial liability or in equity depending on whether the transaction is to be settled in cash or through the exchange of equity instruments;
- unrealised gains and losses on transactions carried out between companies combined 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;
- gains and losses arising from the sale of holdings in combined entities are recognised in the income statement as the difference between the selling price and the corresponding portion of combined equity sold.

Associates & Joint ventures

Associates are investments in companies where the Group exercises a significant influence, which is presumed to exist when the Group holds between 20% and 50%. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and joint ventures 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 income statement from the date when significant influence or joint control begins up to the date when that significant influence or joint control ceases. Investments in associates and joint ventures 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 combined equity reserves;

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- 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.

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

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 Combined and 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 balance sheet 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 income statement.

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 year;
- all resulting exchange differences are recognised as a separate component of equity in the "translation reserve";
- 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 combined cash flow statement, the cash flows of foreign subsidiaries are translated at the average exchange rate for the year.

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

	Average for year ended 31 December			Closing rate as of 31 December		Closing rate as of 1 January	
	2011	2010	2009	2011	2010	2009	2009
Egyptian Pound (LE)	0.1682	0.1774	0.1792	0.1658	0.1722	0.1815	0.1807
Pakistan Rupee (PKR)	0.0116	0.0117	0.0122	0.0111	0.0117	0.0119	0.0126
Euro (EUR)	1.3919	1.3257	1.4134	1.2938	1.3362	1.4551	1.4113

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 as a result 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 income statement during the financial

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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
<i>Land and buildings</i>	
Buildings	50
Leasehold improvements and renovations	3-8
Cell Sites	8-15
Cable system and equipment	4-20
<i>Commercial and other tangible assets</i>	
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 income statement 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 other long-term payables. The interest element of the finance cost is charged to the income statement 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 income statement on a straight-line basis over the period of the lease.

Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance which can be controlled and which are capable of generating future economic benefits. Intangible assets are stated at purchase and/or production cost including any expenses that are directly attributable to preparing the asset for its intended use, net of accumulated amortisation and impairment losses, if applicable.

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

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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 income statement 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 income statement 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.

Goodwill

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.

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 an 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.

Investments

Investments in companies other than those classified as available for sale are measured at fair value with any changes in fair value being recognised in the income statement. If fair value cannot be reliably determined, an investment is measured at cost. Cost is adjusted for impairment losses if necessary, as described in the paragraph "Impairment of Financial Assets". If the reasons for an impairment loss no longer exist, the carrying amount of the investment is increased up to the extent of the loss with the related effect recognised in the income statement. Any risk arising from losses exceeding the carrying amount of the investment is accrued in a specific provision to the extent of the Group's legal or constructive obligations on behalf of the investment.

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 are derecognised when the right to receive cash flows from them ceases and the Group has effectively transferred all risks and rewards related to the instrument and its control.

Financial assets

Financial assets are initially recognised at fair value, classified in the category loans and receivables and subsequently measured as described:

Loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' 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 balance sheet date in which case they are classified as non-current assets. These assets are measured at amortised cost using the effective interest method..

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 balance sheet date being classified as current assets.

Impairment of financial assets carried at amortised cost

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.

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.

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 combined income statement. 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 combined income statement.

Financial liabilities

Financial liabilities consisting of borrowings, trade payables and other obligations are measured at amortised cost using the effective interest method. When there is a change in cash flows which can be reliably estimated, the value of the financial liability is recalculated to reflect such change based on the present value of expected cash flows and the originally determined internal rate of return. Financial

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liabilities are classified as current liabilities except where the Group has an unconditional right to defer payment until at least twelve months after the balance sheet 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

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.

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. Inventories mainly comprise handsets and SIM cards.

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 combined 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 income statement, 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 balance sheet date in the countries where the Group's subsidiaries, associates and joint venture 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 balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Combined and 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 balance sheet 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 foreseeable future.

Additional income taxes that arise from the distribution of dividends are recognised at the same time that the liability to pay the related dividend is recognised.

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

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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.

Provisions

Provisions are only recognised when the Group has a present legal or constructive obligation arising from past events that will result in a future outflow of resources, and when it is probable that this outflow of resources will be required to settle the obligation. 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. Provisions are not recognised for future operating losses.

Employee benefits

Short-term benefits are recognised in the income statement in the year when an employee renders service.

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 income statement 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 year. The unused portion of traffic at period end is recognised deferred income;
- revenue from the sale of mobile phones and related accessories is recognised at the time of sale;
- 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 year, the activation fee is recognised on an accruals basis so as to match the revenue with the year 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.

Dividend income from investments recorded at fair value through profit and loss or at cost is recognised when the right to receive payment is established.

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 year 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 year excluding ordinary shares purchased by the Company and held as treasury shares.

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Diluted

Diluted earnings per share are calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average of the number of ordinary shares of the Company outstanding during the year 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 year 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 remeasurement are recognised in the income statement. Subsequent increase in fair value less costs to sell may be recognised in the income statement 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 income statement is re-presented as if the operation had been discontinued from the start of the comparative period.

Fair value estimation

The fair value of a financial instrument traded in active markets is based on quoted market prices at the balance sheet 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 discounted cash flow.

3. Use of estimates

The preparation of the Combined and 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 to be reasonable and realistic at the time, considering the relevant circumstances. The application of such estimates and assumptions impacts the amounts recorded in the Combined and Consolidated Financial Statements, the combined statement of financial position, the combined income statement, the combined 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 Combined and Consolidated Financial Statements are summarised below.

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 and in the market and also 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.

Depreciation of non-current assets

The cost of plant 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 years.

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 income and deductible 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 years and deductible temporary differences, consider 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.

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") 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. The Group does not use derivative financial instruments to hedge its foreign exchange exposure in relation to investments or cash flows.

As of 31 December 2011, if the functional currencies had strengthened/weakened by 10% against the US\$, Euro, Egyptian pound and Pakistani Rupee, with all other variables held constant, the translation of foreign currency receivables and payables would have resulted in an increase/decrease of US\$ 3,689 thousand, (2010: US\$ 7,556 thousand, 2009: US\$ 720 thousand) of profit for the year. Profit is more sensitive to movement in foreign exchange rates in 2010 than 2011 and 2009, primarily due to the Euro and US\$ denominated cash balances and financial receivables in entities with functional currency EGP during 2010.

b) Foreign exchange translation risk

Due to its international presence, the Group's Combined and 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 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.

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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 interest rates expose the Group to fair value interest rate risk. The Group has not entered into any derivative financial instruments to hedge its exposure to fair value or cash flow interest rate risk.

The following table illustrates the total borrowings outstanding as of 31 December 2011, 2010 and 2009 indicating the percentage of borrowings received at a fixed interest rate, at a variable interest rate and interest rate free.

	2011	2010	2009
Total borrowings	12,852	18,005	25,989
of which % is at a fixed interest rate	3%	9%	22%
of which % is at a variable interest rate	55%	68%	62%
of which % is interest rate free	42%	23%	16%

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

The impact of a 0.1% interest rate shift would be a maximum increase/decrease in finance costs of US\$ 7 thousand (2010: US\$ 12 thousand, 2009: US\$ 16 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 can be analysed by segment as follows:

- i) GSM*
Substantially all customers in North Korea are prepay customers meaning that there is a low credit risk associated with this GSM operation.
- ii) Cable*
In general, cable customers are offered maximum payment terms of 30 days. Customers are checked for credit worthiness before offering credit terms.
- iii) Media & Technology*
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\$ 4,999 thousand for the year ended 31 December 2011 (2010: US\$ 151 thousand, 2009: US\$ 4,771 thousand) mainly related to the Cable segment. See also Note 16.

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.

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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 and capital contributions from OTH. In general, liquidity risk is monitored at entity level whereby each OTMT Asset 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.

In the past, the Group companies have been largely financed through intercompany loans from its previous holding company, OTH. In the future it is likely that the Group companies will continue to be financed largely through intercompany loans provided by the Company given a lack of adequate financing markets in some of the countries in which the Group operates. The Group is also in part financed from dividends received from its equity investment. When this investment does not pay out dividends, this has a negative impact on the liquidity of the Group.

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

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet 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 31 December 2011

	Carrying amount	Contractual cash-flows	Within 1 year	1-5 years	More than 5 years
Liabilities					
Liabilities due to banks	4,718	5,813	2,764	3,049	-
Finance lease liability	342	430	115	315	-
Other borrowings	7,792	8,629	5,447	3,182	-
Trade payables	125,749	125,749	125,749	-	-
	138,601	140,621	134,075	6,546	-

As of 31 December 2010

	Carrying amount	Contractual cash-flows	Within 1 year	1-5 years	More than 5 years
Liabilities					
Liabilities due to banks	9,655	11,602	5,697	5,905	-
Finance lease liability	172	218	61	157	-
Other borrowings	8,178	8,749	6,054	2,695	-
Trade payables	84,003	84,003	84,003	-	-
	102,008	104,572	95,815	8,757	-

As of 31 December 2009

	Carrying amount	Contractual cash-flows	Within 1 year	1-5 years	More than 5 years
Liabilities					
Liabilities due to banks	18,124	21,543	6,453	15,090	-
Finance lease liability	117	148	51	97	-
Other borrowings	7,748	8,223	5,528	2,695	-
Trade payables	68,729	68,729	68,729	-	-
	94,718	98,643	80,761	17,882	-

Capital risk management

In the periods presented the capital of the Group, was managed as part of the capital of OTH group. 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. The historical capital structure does not necessarily reflect the future capital structure of the Group.

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 are conducted in Egypt, North Korea and Pakistan. The operations of the Group depend on the market economies of the countries in which the subsidiaries operate. In particular, these markets are characterised by economies that are in various stages of development or are undergoing restructuring. Therefore the operating results of the Group are affected by the current and future economic and political developments in these countries. In particular, the results of operations could be unfavourably affected by changes in the political or governmental structures or weaknesses in the local economies in the countries where it operates. These changes could also have an unfavourable impact on financial 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, such as for example North Korea, where the subsidiaries operate could reduce the ability to pay interest and dividends and to repay loans, credit instruments and securities expressed in foreign currency through the transfer of currency. In addition, in some countries it could be difficult to convert large amounts of foreign currency due to central bank regulations. The central banks may amend regulations in the future and therefore the ability of the Company to receive funds from its subsidiaries may be changed.

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. OTMT management has determined the reportable operating segments according to the information analysed by the chief operating decision-maker as follows:

- *GSM – North Korea*: relating to the mobile telecommunication operations performed in North Korea through the operator Koryolink.
- *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.

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- *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.
- *Other*: relating to the Group's equity investment and income and expenses allocated to the Group from OTH.

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) (or if applicable profit from continuing operations for the period before income tax expense /(benefit)), gain on partial disposal of equity investments, share of profit of equity investments, 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.

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

	Year ended 31 December		
	2011	2010	2009
Telephony Services	158,581	81,852	32,065
Interconnection traffic - revenue	26,868	25,617	23,382
Other income from services and sale of goods	139,424	139,066	107,570
Total revenue	324,873	246,535	163,017

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Revenue and EBITDA disclosure per segment

	Year ended 31 December 2011				Year ended 31 December 2010				Year ended 31 December 2009			
	Total segment revenue	Inter segment revenue	Revenue from external customers	EBITDA	Total segment revenue	Inter segment revenue	Revenue from external customers	EBITDA	Total segment revenue	Inter segment revenue	Revenue from external customers	EBITDA
GSM North Korea	139,578	-	139,578	101,176	66,402	-	66,402	52,153	25,951	-	25,951	14,047
GSM Lebanon	94,862	-	94,862	18,961	88,401	-	88,401	19,025	63,095	-	63,095	802
Media & Technology	56,897	-	56,897	602	56,110	(1,551)	54,559	5,068	38,186	(1,098)	37,088	(10,284)
Cable	21,896	-	21,896	(4,033)	22,702	-	22,702	(2,950)	21,806	-	21,806	6,747
Other	17,223	(5,583)	11,640	3,661	19,049	(4,578)	14,471	(8,936)	15,077	-	15,077	301
Total	330,456	(5,583)	324,873	120,367	252,664	(6,129)	246,535	64,360	164,115	(1,098)	163,017	11,613

Assets per segment

	As of 31 December 2011			As of 31 December 2010			As of 31 December 2009		
	Property and equipment	Intangible assets	Total	Property and equipment	Intangible assets	Total	Property and equipment	Intangible assets	Total
GSM North Korea	87,805	70,753	158,558	69,785	65,597	135,382	49,570	59,996	109,566
Media & Technology	10,035	5,389	15,424	5,354	7,430	12,784	5,531	9,449	14,980
Cable	283,160	1,375	284,535	305,604	1,511	307,115	254,978	1,428	256,406
Other	-	-	876,280	702	-	1,029,502	854	-	407,221
Total	381,000	77,517	1,334,797	381,445	74,538	1,485,485	310,933	70,873	789,027

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Reconciliation of EBITDA to profit before income tax

	Year ended 31 December		
	2011	2010	2009
EBITDA	120,367	64,360	11,613
Depreciation and amortisation	(19,843)	(14,620)	(13,602)
Impairment charges	(2,711)	(26,603)	(4,032)
Disposal of non current assets	7,882	(5)	14
Financial income	153,149	2,428	3,609
Financial expense	(8,745)	(32,722)	(3,699)
Foreign exchange gain /(loss)	4,175	942	(1,169)
Share of profit (loss) of equity investments	(43,738)	49,364	125,645
Gain on partial disposal of equity investments	-	964,298	-
Profit before income tax	210,536	1,007,442	118,379

Reconciliation of assets allocated to total assets

	As of 31 December		
	2011	2010	2009
Assets allocated	1,334,797	1,485,485	789,027
Other non current financial assets	133,497	38,527	32,331
Deferred tax assets	3,525	2,902	-
Inventories	1,234	667	639
Trade receivables	61,040	76,348	54,055
Other current financial assets	149,907	1,015	2,072
Current income tax receivables	878	1,070	2,360
Other current assets	22,551	16,713	14,092
Cash and cash equivalents	173,274	174,848	70,083
Assets held for sale	-	-	109,953
Total assets	1,880,703	1,797,575	1,074,612

Capital expenditure

The table below illustrates the capital expenditure incurred by each segment for the years ended 31 December 2011, 2010 and 2009:

	Year ended 31 December		
	2011	2010	2009
GSM North Korea	45,578	47,332	35,015
Media & Technology	7,310	1,822	13,576
Cable	43,892	80,993	79,611
Other	-	1	814
Total	96,780	130,148	129,016

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6. Purchases and services

	Year ended 31 December		
	2011	2010	2009
Rental of local network, technical sites and other leases	23,372	17,112	12,546
Customer acquisition costs	18,828	13,051	10,458
Purchases of goods and changes in inventories	16,716	11,087	16,451
Maintenance costs	12,219	15,018	11,480
Telephony cost	11,247	11,382	7,673
Utilities	10,215	9,813	8,628
Interconnection traffic	9,386	10,249	8,888
Advertising and promotional services	6,803	5,210	5,429
Consulting and professional services	6,580	13,705	7,324
Bank and post office charges	1,183	1,099	865
Other service expenses	9,305	8,526	9,736
Total	125,854	116,252	99,478

7. Other expenses

	Year ended 31 December		
	2011	2010	2009
Contributions	11,040	-	-
Accruals for provisions, write downs and penalties	5,379	7,639	4,594
Promotion and gifts	296	881	546
Other operating expenses	2,538	1,940	2,291
Total	19,253	10,460	7,431

Contributions relate to annual contributions for licences due to a new agreement entered into between Koryolink and its local partner.

For the year ended 31 December 2010 accruals for provisions, write downs and penalties include US\$ 4,485 thousand accrued for penalty payable by Middle East and North Africa for Sea Cables ("MenaCable") to Gulf Bridge International related to the fact that MenaCable's cable network was not operational within the agreed timeframe.

8. Personnel costs

	Year ended 31 December		
	2011	2010	2009
Wages and salaries	48,282	41,842	34,222
Social security	3,448	3,301	2,741
Pension costs	1,549	1,153	230
Other personnel costs	9,565	10,910	8,575
Total	62,844	57,206	45,768

Other personnel costs mainly relate to bonus and other on-off payments, including expatriate costs.

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9. Net financing costs

	Year ended 31 December		
	2011	2010	2009
Fair value gain on derivative instrument	148,933	-	-
Interest income on deposits	3,751	1,669	126
Dividend income	-	693	53
Other interest income	465	66	3,430
Financial income	153,149	2,428	3,609
Interest expense on borrowings	(1,560)	(1,955)	(2,614)
Interest expense on trade and other liabilities	-	(443)	(742)
Other interest expense and financial charges	(438)	(204)	(343)
Impairment of financial asset	(6,747)	(30,120)	-
Financial expense	(8,745)	(32,722)	(3,699)
Foreign exchange gain/ (loss)	4,175	942	(1,169)
Total	148,579	(29,352)	(1,259)

Financial expense includes the impairment of a financial asset relating to the Group's investment in North Korea due to uncertainties regarding its recoverability.

10. Equity investments

The equity investments relate to the Egyptian Company for Mobile Services S.A.E. ("ECMS"), a mobile telecommunication operator in Egypt and provides a range of prepaid and postpaid voice and data telecommunication services under the brand name of Mobinil. For the periods covered by these Combined and Consolidated Financial Statements, the Company has an investment of 34.67% in ECMS and the France Telecom group also has an investment of 36.34%. The remaining shareholding is publicly traded on the Cairo and Alexandria Stock Exchange.

In April 2010, France Telecom and OTH entered into a new and comprehensive agreement, which brought to an end all disputes in relation to their joint investment. A revised shareholders' agreement was implemented and became effective on 14 July 2010, as a result of which France Telecom will change its accounting method and will fully consolidate its holding in ECMS in its consolidated financial statements. As a result of the amended shareholders agreement, the OTH ceased to have joint control over ECMS, which became an associate. In consideration for the settlement of all disputes between the parties France Telecom paid a settlement fee of US\$ 300.0 million on 13 July 2010. Such US\$ 300.0 million, together with the gain relating to the re-measurement to fair value of the investment in ECMS, are included in "Gain on partial disposal of equity investments".

OTH also entered into a put option whereby OTH has the option to put its 34.67% interest in ECMS to France Telecom (i) during the period from 15 September to 15 November 2012 (ii) during the period from 15 September through to 15 November 2013 and anytime until 15 November 2013 in a limited number of deadlock situations. The strike price of the put option increases over time from Euro 29.44 to Euro 33.0 as of 31 December 2013. The put option had a fair value (Level 3) of US\$ 146.8 million as of 31 December 2011 (zero as of 31 December 2010).

See also note 14. Other financial assets and note 28. Subsequent events.

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The following table provides the movements in the Group's equity investment in ECMS as of and for the years ended 31 December 2011, 2010 and for 2009:

	2011	2010	2009
As of 1 January	1,029,502	407,221	303,570
Share of profit/(loss) of equity investment	(43,738)	49,364	125,645
Dividend received	(72,505)	(60,034)	(27,669)
Re-measurement to fair value	-	664,298	-
Exchange differences	(36,979)	(31,347)	5,675
As of 31 December	876,280	1,029,502	407,221

The Group's share of the revenues of the equity investment, its aggregated assets (including goodwill) and liabilities are as follows:

	As of and for the year ended 31 December		
	2011	2010	2009
Assets	1,038,058	2,028,416	1,097,931
Liabilities	845,331	998,914	690,710
Revenues	593,633	650,448	671,303
Share of profit/(loss) of equity investments	(43,738)	49,364	125,645

11. Income tax expense

Income tax expense is derived as follows from the theoretical income tax that would have arisen had the weighted average statutory income tax rate of the combined entities been applied to profit before income tax:

	Year ended 31 December		
	2011	2010	2009
Profit before income tax	210,536	1,007,442	118,379
Tax calculated at Company's income tax rate	52,634	201,488	23,676
Different income tax rates in subsidiaries	(21,971)	(9,652)	(1,015)
Theoretical income tax for the year	30,663	191,836	22,661
Income not subject to tax	(37,233)	(132,860)	-
Expenses not deducted for tax purposes	1,899	12,921	2,594
Tax on unremitted earnings	3,311	3,730	24
Share of result in equity investment reported net of tax	10,935	(9,873)	(25,129)
Other	1,664	179	2,078
Income tax expense	11,239	65,933	2,228

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12. Property and equipment

	Land and Buildings	Plant and machinery	Cable system and equipment	Commercial and other tangible assets	Assets under Construction	Total
As of 1 January 2009	1,461	61,897	54,260	13,839	128,741	260,198
<i>Cost</i>	<i>1,807</i>	<i>80,143</i>	<i>61,288</i>	<i>21,488</i>	<i>128,741</i>	<i>293,467</i>
<i>Accumulated depreciation</i>	<i>(346)</i>	<i>(18,246)</i>	<i>(7,028)</i>	<i>(7,649)</i>	-	<i>(33,269)</i>
Year ended 31 December 2009						
Additions	2,507	33,068	548	7,185	83,023	126,331
Disposals	-	(53)	-	(1,181)	-	(1,234)
Depreciation	(169)	(14,225)	(2,819)	(4,238)	-	(21,451)
Impairment charges	-	(1,030)	-	-	-	(1,030)
Exchange differences	(109)	2,717	(670)	399	(73)	2,264
Change in scope of combination	(359)	(3,579)	-	(963)	(1,907)	(6,808)
Transfer to asset held for sale (Note 23)	(11)	(34,936)	-	(9,623)	(2,767)	(47,337)
As of 31 December 2009	3,320	43,859	51,319	5,418	207,017	310,933
<i>Cost</i>	<i>3,615</i>	<i>52,497</i>	<i>61,175</i>	<i>9,334</i>	<i>207,017</i>	<i>333,638</i>
<i>Accumulated depreciation and impairment</i>	<i>(295)</i>	<i>(8,638)</i>	<i>(9,856)</i>	<i>(3,916)</i>	-	<i>(22,705)</i>
Year ended 31 December 2010						
Additions	70	30,871	813	1,355	83,527	116,636
Disposals	(55)	(71)	-	(288)	-	(414)
Depreciation	(155)	(8,073)	(1,763)	(1,517)	-	(11,508)
Impairment charges	-	-	(25,059)	(4)	-	(25,063)
Reclassification	8	-	58	152	(218)	-
Exchange differences	(30)	(5,421)	(2,898)	(374)	(416)	(9,139)
As of 31 December 2010	3,158	61,165	22,470	4,742	289,910	381,445
<i>Cost</i>	<i>3,602</i>	<i>79,334</i>	<i>58,760</i>	<i>10,028</i>	<i>289,910</i>	<i>441,634</i>
<i>Accumulated depreciation and impairment</i>	<i>(444)</i>	<i>(18,169)</i>	<i>(36,290)</i>	<i>(5,286)</i>	-	<i>(60,189)</i>
Year ended 31 December 2011						
Additions	29	38,186	1,474	2,111	42,483	84,283
Disposals	(41)	(3)	-	(182)	(62,254)	(62,480)
Depreciation	(188)	(12,716)	(1,124)	(1,662)	-	(15,690)
Impairment charges	-	(269)	(1,171)	(2)	-	(1,442)
Reclassification	2,712	7,571	129	213	(10,625)	-
Exchange differences	(77)	(3,847)	(1,046)	(204)	58	(5,116)
As of 31 December 2011	5,593	90,087	20,732	5,016	259,572	381,000
<i>Cost</i>	<i>6,210</i>	<i>119,612</i>	<i>57,975</i>	<i>11,768</i>	<i>259,572</i>	<i>455,137</i>
<i>Accumulated depreciation and impairment</i>	<i>(617)</i>	<i>(29,525)</i>	<i>(37,243)</i>	<i>(6,752)</i>	-	<i>(74,137)</i>

Additions to property and equipment mainly relate to cell site investments and assets under construction relating to new base stations in North Korea and cable system and equipment. These investments are mainly driven by the expansion of the business, increased capacity and the change in GSM technology.

Disposals of property and equipment during 2011 mainly relate to MenaCable; the company completed the sale of one fibre pair and indefeasible right of use from Italy to Oman to Gulf Bridge International, recognising a gain of US\$ 7,853 thousand.

Borrowings, primarily of Trans World Associated Private Limited ("TWA"), are secured on property and equipment for the value of US\$ 4.7 million as of 31 December 2011.

In May 2010 Med Cable Ltd main customer had its license suspended by the Algerian government, resulting in the cessation of cable operation and no ongoing revenue or cash inflow for the company. As a

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result its cable assets were impaired by approximately US\$ 1.2 million during the year ended 31 December 2011 (approximately US\$ 25.0 million during the year ended 31 December 2010).

13. Intangible assets

	Licence	Goodwill	Other	Total
As of 1 January 2009	93,670	23,391	1,120	118,181
<i>Cost</i>	<i>103,856</i>	<i>24,248</i>	<i>1,390</i>	<i>129,494</i>
<i>Accumulated amortisation and impairment</i>	<i>(10,186)</i>	<i>(857)</i>	<i>(270)</i>	<i>(11,313)</i>
Additions	2,609	-	76	2,685
Change in the scope of combination	(2,815)	(3,258)	-	(6,073)
Assets held for sale (Note 23)	(22,054)	(8,654)	-	(30,708)
Disposals	(6,147)	-	-	(6,147)
Amortisation	(6,482)	-	(6)	(6,488)
Impairment charges	-	(3,002)	-	(3,002)
Exchange differences	2,213	219	(7)	2,425
As of 31 December 2009	60,994	8,696	1,183	70,873
<i>Cost</i>	<i>63,843</i>	<i>15,626</i>	<i>1,474</i>	<i>80,943</i>
<i>Accumulated amortisation and impairment</i>	<i>(2,849)</i>	<i>(6,930)</i>	<i>(291)</i>	<i>(10,070)</i>
Additions	13,397	-	115	13,512
Disposals	(22)	-	-	(22)
Amortisation	(3,097)	-	(15)	(3,112)
Impairment charges	-	(1,540)	-	(1,540)
Exchange differences	(4,584)	(399)	(190)	(5,173)
As of 31 December 2010	66,688	6,757	1,093	74,538
<i>Cost</i>	<i>72,351</i>	<i>8,507</i>	<i>1,385</i>	<i>82,243</i>
<i>Accumulated amortisation and impairment</i>	<i>(5,663)</i>	<i>(1,750)</i>	<i>(292)</i>	<i>(7,705)</i>
Additions	12,490	-	7	12,497
Amortisation	(4,133)	-	(20)	(4,153)
Impairment charges	-	(1,183)	(86)	(1,269)
Exchange differences	(2,999)	(1,060)	(37)	(4,096)
As of 31 December 2011	72,046	4,514	957	77,517
<i>Cost</i>	<i>81,459</i>	<i>7,118</i>	<i>1,342</i>	<i>89,920</i>
<i>Accumulated amortisation and impairment</i>	<i>(9,413)</i>	<i>(2,604)</i>	<i>(385)</i>	<i>(12,403)</i>

Impairment tests for goodwill

Goodwill is allocated to the individual CGU which reflects the minimum level at which the units are monitored for management control purposes.

The carrying amount as of 31 December 2011, 2010 and 2009 was subject to an impairment test to compare the carrying amount with value in use and the recoverable amount. No evidence of impairment arose. Value in use was determined by discounting the expected cash flows, resulting from the five year business plans approved by the respective board of directors, using the weighted average cost of capital, net of the tax effect, calculated using the capital asset pricing model (WACC). A growth rate of 1% was assumed for the years not covered by the respective business plans.

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The following table provides an analysis of goodwill by segment:

	Media and Technology	Cable	Total
As of 1 January 2009	22,486	905	23,391
<i>Cost</i>	23,343	905	24,248
<i>Accumulated impairment</i>	(857)	-	(857)
Change in scope of combination	(3,258)	-	(3,258)
Transfer to asset held for sale (Note 23)	(8,654)	-	(8,654)
Impairment charges	(3,002)	-	(3,002)
Exchange differences	214	5	219
As of 31 December 2009	7,786	910	8,696
<i>Cost</i>	14,716	910	15,626
<i>Accumulated impairment</i>	(6,930)	-	(6,930)
Impairment charges	(1,540)	-	(1,540)
Exchange differences	(352)	(47)	(399)
As of 31 December 2010	5,894	863	6,757
<i>Cost</i>	7,644	863	8,507
<i>Accumulated impairment</i>	(1,750)	-	(1,750)
Impairment charges	(1,183)	-	(1,183)
Exchange differences	(1,028)	(32)	(1,060)
As of 31 December 2011	3,683	831	4,514
<i>Cost</i>	6,287	831	7,118
<i>Accumulated impairment</i>	(2,604)	-	(2,604)

14. Other financial assets

	2011			As of 31 December 2010			2009		
	<i>Non - current</i>	<i>Current</i>	<i>Total</i>	<i>Non - current</i>	<i>Current</i>	<i>Total</i>	<i>Non - current</i>	<i>Current</i>	<i>Total</i>
Derivative financial instruments	-	146,810	146,810	-	-	-	-	-	-
Deposits	121,916	2,614	124,530	28,987	580	29,567	502	1,904	2,406
Investments	7,335	-	7,335	7,795	-	7,795	8,033	-	8,033
Financial receivables	4,246	483	4,729	1,745	435	2,180	23,796	168	23,964
Total	133,497	149,907	283,404	38,527	1,015	39,542	32,331	2,072	34,403

Deposits

Deposits as of 31 December 2011 also include an amount of US\$ 120,912 thousand (2010: US\$ 28,234 thousand) relating to cash held in North Korea which is subject to restrictions on use for certain operating and capital expenses in local currency only. The funds cannot be converted into Euro and cannot be repatriated overseas.

As of 31 December 2011 deposits with amounts of US\$ 2,671 thousand are pledged or blocked as security against related bank borrowings or others commitments (2010: US\$ 755 thousand, 2009: US\$ 1,151 thousand).

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The following table shows the ageing analysis of financial receivables and long term deposits as of 31 December 2011, 2010 and 2009:

	As of 31 December					
	2011		2010		2009	
	<i>Deposits</i>	<i>Financial receivables</i>	<i>Deposits</i>	<i>Financial receivables</i>	<i>Deposits</i>	<i>Financial receivables</i>
Not past due	124,530	4,703	29,567	2,126	2,406	629
Past due 0-30 days	-	-	-	54	-	-
Past due 31-120 days	-	-	-	-	-	-
Past due 121-150 days	-	-	-	-	-	-
Past due more than 150 days	-	26	-	-	-	23,335
Total	124,530	4,729	29,567	2,180	2,406	23,964

Investments

Company name	% ownership	As of 31 December		
		2011	2010	2009
Smart Village Company	10.5%	7,335	7,795	8,033

Smart Village Company is an Egyptian company with offices in Cairo which establishes and manages a branded chain of technology cluster and business parks located in Cairo as well as variety of other products and services.

15. 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.

	As of 31 December		
	2011	2010	2009
Deferred tax liability	(5,914)	(2,938)	(675)
Deferred tax asset	3,525	2,902	-
Net deferred tax asset /(liability)	(2,389)	(36)	(675)

The movement in the deferred income tax account is as follows:

	As of and for the year ended 31 December		
	2011	2010	2009
As of 1 January	(36)	(675)	(2,585)
(Charged) / credited to the income statement	(2,474)	618	368
Change in scope of combination	-	-	1,376
Exchange differences	121	21	166
As of 31 December	(2,389)	(36)	(675)

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The movement of deferred tax assets and liabilities during the year, without taking into consideration any offsetting is provided in the tables below:

Deferred tax assets

	Depreciation and amortisation	Other	Total
As of 31 December 2009	-	-	-
Credited to the income statement	18	2,971	2,989
Exchange differences	-	(87)	(87)
As of 31 December 2010	18	2,884	2,902
Credited/(charged) to the income statement	(5)	704	699
Reclassification from deferred tax liability	42	-	42
Exchange differences	(1)	(117)	(118)
As of 31 December 2011	54	3,471	3,525

There were no deferred tax asset movements for the year ended 31 December 2009.

Deferred Tax liability

	Depreciation and amortisation	Unremitted earnings	Amortised cost effect	Other	Total
As of 1 January 2009	1,968	206	339	72	2,585
Charged / (credited) to the income statement	(318)	24	(74)	-	(368)
Transfer to assets held for sale (Note 23)	(1,376)	-	-	-	(1,376)
Exchange differences	(149)	1	(19)	1	(166)
As of 31 December 2009	125	231	246	73	675
Charged / (credited) to the income statement	(156)	2,631	(76)	(28)	2,371
Exchange differences	(13)	(87)	(12)	4	(108)
As of 31 December 2010	(44)	2,775	158	49	2,938
Charged / (credited) to the income statement	-	3,253	(80)	-	3,173
Reclassification to deferred tax asset	42	-	-	-	42
Exchange differences	2	(244)	4	(1)	(239)
As of 31 December 2011	-	5,784	82	48	5,914

Unrecognised deferred tax assets on tax losses carry forwards mainly refer to income tax loss carry forwards of the Group's subsidiaries in Orascom Telecom Ventures S.A.E. entities.

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 liability has been recognised in respect of temporary differences associated with investments in subsidiaries, branches and associates and interests in joint ventures, 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.

The following table provides a breakdown by estimated recoverability of recognised deferred tax assets and liabilities.

	As of 31 December		
	2011	2010	2009
Deferred tax liabilities			
Within 1 year	-	117	77
Within 1-5 years	5,914	2,508	427
After 5 years	-	313	171
	5,914	2,938	675

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	As of 31 December		
	2011	2010	2009
<i>Deferred tax assets</i>			
Within 1 year	2,996	-	-
Within 1-5 years	529	-	-
After 5 years	-	2,902	-
	3,525	2,902	-

16. Trade receivable

	As of 31 December		
	2011	2010	2009
Receivables due from customers	24,780	23,348	15,916
Other trade receivables	44,767	54,865	39,040
Allowance for doubtful receivables	(8,507)	(1,865)	(901)
Total	61,040	76,348	54,055

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

	2011	2010	2009
As of 1 January	(1,865)	(901)	(3,242)
Exchange differences	(1,709)	(824)	163
Additions (allowances recognised as an expense)	(4,999)	(3,545)	(7,945)
Use	66	11	135
Reversal	-	3,394	3,174
Change in scope of combination	-	-	1,361
Transfer to assets held for sale (Note 23)	-	-	5,453
As of 31 December 31	(8,507)	(1,865)	(901)

The allowance for doubtful receivables mainly relate to customers of the Cable and Media & Technology segment.

The following table shows the ageing analysis of trade receivables as of 31 December 2011, 2010 and 2009, net of the relevant allowance for doubtful receivables:

	As of 31 December		
	2011	2010	2009
Not past due	26,758	49,809	35,860
Past due 0-30 days	3,110	5,818	8,430
Past due 31-120 days	1,200	7,314	4,653
Past due 121 - 150 days	2,067	2,630	2,713
Past due more than 150 days	27,905	10,777	2,399
Total	61,040	76,348	54,055

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.

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17. Other current assets

	As of 31 December		
	2011	2010	2009
Prepaid expenses	9,593	7,769	6,054
Advances to suppliers	3,420	6,240	2,781
Receivables due from tax authority	503	954	229
Other receivables	9,539	1,999	5,028
Allowance for doubtful current assets	(504)	(249)	-
Total	22,551	16,713	14,092

The following table shows the movement in the allowance for doubtful current assets:

	2011	2010	2009
At 1 January	(249)	-	-
Additions	(266)	(255)	-
Exchange differences	11	6	-
As of 31 December	(504)	(249)	-

18. Cash and cash equivalents

	As of 31 December		
	2011	2010	2009
Bank accounts and Deposits	173,170	173,106	55,131
Cash on hand	104	1,742	14,952
Total	173,274	174,848	70,083

19. Equity attributable to the owners of the Company

Until the date of Demerger the OTMT Assets were a fully integrated business within OTH. Accordingly, the Company did not have its own share capital and reserves and certain financial funding of the OTMT Assets was provided by long term capital contributions from OTH. In preparing the Combined and Consolidated Financial Statements, expenses common to all OTH businesses that have been allocated to OTMT Assets were assumed to be settled directly by OTH. In particular, the major amounts contributed to OTMT Assets by OTH include financing provided and income tax, personnel expenses, consulting and legal fees and other centralised services paid on behalf of OTMT. Major amounts distributed by OTMT Assets to OTH include dividends and management fee payments received from ECMS and the settlement fee received in connection with the disputes with France Telecom.

On 29 November 2011 the Company was incorporated with an authorised and issued share capital amounting to EGP 2,203,190,060 distributed over 5,245,690,620 shares, each with a nominal value of EGP 0.42.

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20. Borrowings

	As of 31 December 2011						Total
	Within one year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	after 5 years	
Liabilities due to banks	2,216	2,502	-	-	-	-	4,718
Finance lease	74	87	92	89	-	-	342
Other borrowings	5,269	2,523	-	-	-	-	7,792
Total	7,559	5,112	92	89	-	-	12,852

	As of 31 December 2010						Total
	Within one year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	after 5 years	
Liabilities due to banks	4,776	2,252	2,627	-	-	-	9,655
Finance lease	34	32	54	30	22	-	172
Other borrowings	5,834	-	2,344	-	-	-	8,178
Total	10,615	2,294	5,044	30	22	-	18,005

	As of 31 December 2009						Total
	Within one year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	after 5 years	
Liabilities due to banks	7,537	5,625	70	4,892	-	-	18,124
Finance lease	38	18	22	28	11	-	117
Other borrowings	5,528	-	2,220	-	-	-	7,748
Total	13,103	5,643	2,312	4,920	11	-	25,989

Liabilities due to banks

Liabilities due to banks are detailed in Appendix B – “Liabilities due to banks”.

Finance lease liabilities

	As of 31 December		
	2011	2010	2009
Gross finance lease liabilities - Minimum lease payments			
Within one year	115	61	51
Between 1-5 years	315	157	97
After 5 years	-	-	-
Future charges on finance leases	(88)	(46)	(31)
Present value of finance lease liability	342	172	117

The present value of finance lease liabilities is as follows:

Within one year	74	34	38
Between 1-5 years	268	138	79
After 5 years	-	-	-
	342	172	117

Other Borrowings

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

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Currency Information of current and non-current borrowings

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

	US\$	Euro	Egyptian Pound	Pakistan Rupee	Total
As of 31 December 2011	6,630	-	1,133	5,089	12,852
As of 31 December 2010	6,587	2,700	1,685	7,033	18,005
As of 31 December 2009	6,659	5,882	5,584	7,864	25,989

Financial liabilities include secured liabilities of US\$ 4,713 thousand as of 31 December 2011, US\$ 9,562 thousand as of 31 December 2010 and US\$13,628 thousand as of 31 December 2009. In general, the financial liabilities are secured on property and equipment of the relevant subsidiary, pledged shares and receivables.

21. Other current liabilities

	As of 31 December		
	2011	2010	2009
Prepaid traffic and deferred income	15,777	40,391	36,036
Due to local authorities	1,502	11,126	36,580
Personnel payables	943	3,350	2,145
Other	8,321	8,978	3,387
Total	26,543	63,845	78,148

Prepaid traffic and deferred income includes advance payments received from Gulf Bridge International in connection with the sale contract of one fibre pair and indefeasible right of use from Italy to Oman amounting to approximately US\$ 29,100 thousand as of 31 December 2010 and 2009. See also note 12. Property and equipment.

22. Trade payables

	As of 31 December		
	2011	2010	2009
Capital expenditure payables	18,297	33,919	34,603
Trade payables due to suppliers	10,064	21,161	11,515
Other trade payables	97,388	28,923	22,611
Total	125,749	84,003	68,729

Trade payables are all due within one year.

23. Non-current assets held for sale and discontinued operations

In 2010, LinkDotNet S.A.E. and Link Egypt for Trade and Services S.A.E. (previously 100% subsidiaries) were sold to ECMS, an equity investment of the Group for a consideration of US\$ 130.0 million. Proceeds of the sale transaction, net of financing previously provided by the Group and transferred to ECMS, amounted to US\$ 97,921 thousand. The date of the sale of the subsidiaries is the date at which control over the entities was passed over to ECMS. The combined income statement for 2010 includes the results of the subsidiaries up to the date at which control was lost over the subsidiaries and the profit or loss arising on the sale. The calculation of the gain or loss on disposal is the difference

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between the carrying amount of the net assets (including goodwill) disposed of and any proceeds received. The calculation of net assets includes the appropriate portion of cumulative exchange differences and any other amounts recognised in other comprehensive income and accumulated in equity. The effects of the sale of these subsidiaries have been detailed below:

	Year ended 31 December	
	2010	2009
Cash generated by operating activities	60,874	15,481
Cash used in investing activities	(6,553)	(9,060)
Cash generated by /(used in) financing activities	(51,429)	(1,353)
Exchange gain (loss) on cash and cash equivalent	(85)	65
Total cash generated	2,807	5,133

a) Assets of the subsidiaries transferred to "Assets held for sale"

	As of 31 December 2009
Property and equipment	47,337
Intangible assets	30,708
Inventories	145
Trade receivables	16,055
Other current financial assets	461
Other current assets	4,852
Cash and cash equivalents	10,395
Total	109,953

b) Liabilities of the subsidiaries transferred to "Assets held for sale"

	As of 31 December 2009
Non-current borrowings	14,183
Deferred tax liabilities	1,376
Current borrowings	9,290
Trade payables	16,040
Other current liabilities	10,600
Provisions current	3,057
Total	54,546

Analysis of the result of discontinued operations and the gain on disposal of discontinued operations:

	Year ended 31 December	
	2010	2009
Revenues	43,548	59,877
Cost	(36,510)	(62,672)
Income tax	(28)	116
Profit /(loss) after tax of discontinued operations	7,010	(2,679)
Gain on disposal	28,065	-
Tax on gain on disposal	(6,169)	-
Profit (loss) from discontinued operation (net of income tax)	28,906	(2,679)

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24. Earnings per share

On 29 November 2011, the Company was incorporated with an authorised and issued share capital amounting to EGP 2,203,190,060 distributed over 5,245,690,620 shares, each with a nominal value of EGP 0.42. For the purposes of calculating earnings per share, the assumption has been made that the Company had the same shares in issue as of and for the years ended 31 December 2011, 2010 and 2009.

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 according to the assumption mentioned above.

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 periods covered by the report, the Company did not have any dilutive potential ordinary shares and as such diluted and basic earnings per share are equal.

	Year ended 31 December		
	2011	2010	2009
Profit attributable to equity holders of the Company	176,345	928,730	114,870
Profit from discontinued operations attributable to equity holders of the Company	-	28,906	(2,679)
Total	176,345	957,636	112,191
Weighted average number of shares (in thousands of shares)	5,245,691	5,245,691	5,245,691
Earnings per share – basic and diluted (in US\$)			
From continuing operations	0.034	0.177	0.022
From discontinued operations	-	0.006	(0.001)
From profit for the year	0.034	0.183	0.021

25. Commitments

The commitments as of 31 December 2011, 2010 and 2009 are provided in the table below:

	As of 31 December		
	2011	2010	2009
Intangible assets	-	19,434	18,540
Property and equipment	17,679	57,533	83,736
Repairs and maintenance	-	7,893	-
Others	15,573	-	-
Total	33,252	84,860	102,276

Commitments for purchase of property and equipment mainly relate to commitments of MenaCable relating to the purchase of marine cables and related equipment.

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26. 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:

	Year ended 31 December		
	2011	2010	2009
	<i>Revenue</i>		
Orascom Telecom Algeria	2,880	4,728	8,300
Pakistan Mobile Communication Limited Group	10,392	6,473	1,982
Wind International Services Group	1,702	-	274
banglalink	1,692	1,012	643
LinkDotNet	963	905	-
Ring Group	-	1,686	636
ECMS	1,163	14,471	16,388
Total	18,792	29,275	28,223

	Year ended 31 December					
	2011	2010	2009	2011	2010	2009
	<i>Purchase of services and goods</i>			<i>Personnel expenses</i>		
Wind International Services Group	(482)	(392)	-	-	-	-
Orascom Telecom Services Europe	-	(1,822)	(1,286)	-	-	-
Minimax Ventures	-	-	-	(4,986)	(5,482)	(3,994)
Ring Group	-	-	(4,728)	-	-	-
Orasinvest Holding Inc.	-	-	-	-	-	-
Pakistan Mobile Communication Limited Group	(289)	-	-	-	-	-
Total	(771)	(2,214)	(6,014)	(4,986)	(5,482)	(3,994)

	As of 31 December					
	2011	2010	2009	2011	2010	2009
	<i>Receivables</i>			<i>Payables</i>		
Orascom Telecom Algeria	11,432	5,918	5,604	-	-	-
banglalink	306	-	-	-	-	-
Pakistan Mobile Communication Limited Group	14,208	20,106	19,921	193	-	-
Ring Group	-	1,227	1,293	-	-	-
Wind International Services Group	769	-	-	316	-	-
Total	26,715	27,251	26,818	509	-	-

Related party revenues mainly related to the sale of content download services. Transactions with Orascom Telecom Algeria and Pakistan Mobile Communication Limited Group also included leased line revenue. Transactions with Wind International Services Group referred to broadband and high-speed connectivity leasing from TWA, furthermore, Wind International Services Group and Orasinvest Holding Inc. have provided maintenance and support services to the Group.

Revenues with ECMS mainly relate to management fees for services rendered by the Company.

Orascom Telecom Services Europe and Minimax Ventures provide consulting and management support, including outsourcing of employees.

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Key management compensation

Key management includes executive and non executive directors, the chief financial officer and other managing directors considered key personnel. Key management compensation has been allocated to the Group based on the capital invested and dividend income allocated to the OTMT Assets, expressed as a total of capital invested and dividend income of OTH subsidiaries and equity investments.

The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December		
	2011	2010	2009
Key management compensation	1,960	2,647	1,929

27. Contingent assets and liabilities

The Group is subject to various legal proceedings and claims which arise in the ordinary course of business due to the nature of the operations of the Group and the nature of the markets where the Group operates.

The Group recognises a provision for losses and liabilities when the existence of an economic outflow is certain or probable. As of 31 December 2011 the Company is a party in a number of legal cases which resulted from carrying out its activities. Based on the legal advice obtained, the Company's management believe that the outcome of these lawsuits, individually or in aggregate, would not be material to the Group's results.

Telecom Egypt Interconnection Prices

Telecom Egypt filed a complaint with the National Telecommunication Regulatory Authority (NTRA), with the purpose of changing its interconnect prices with the mobile operators, with which it has existing contracts. ECMS responded to the complaint before the NTRA Dispute Resolution Committee asking to honour the existing effective contract between ECMS and Telecom Egypt. The NTRA issued a ruling on the dispute in favour of Telecom Egypt on 3 September 2008. Furthermore, on 31 December 2009 NTRA issued a decree making new changes to the interconnect prices among operators to be retroactively applied from 1 September 2009 (subsequently amended on 14 January 2010).

ECMS filed various law suits against the NTRA rulings and decrees in the Administrative Court at the State Counsel asking for staying and nullifying the NTRA decision and decrees.

On 5 June 2010 the Administrative Court accepted the summary request in the lawsuits filed by ECMS against the NTRA decision and decrees and ruled in favour of ECMS, referring the lawsuit also to the State Commissioners' Authority to prepare a legal opinion concerning the request to nullify the said decisions and decrees of NTRA.

The NTRA appealed the ruling of the Administrative Court before the High Administrative Court, which referred it to the State Commissioners' Authority. The State Commissioners' Authority issued its advisory report on 6 December 2010 recommending the ruling against ECMS. The High Administrative Court will hear the parties reply to the State Commissioners' Authority advisory report in April 2012 and its decision is still pending.

ECMS and its external legal counsel believe that it has a strong legal position as the NTRA's decisions do not have legal or contractual ground, hence interconnect revenue and costs continued to be recorded based on the existing agreement with Telecom Egypt and other mobile operators.

If ECMS had applied the NTRA rulings and decrees it would have recorded less interconnect revenue and cost with a net impact on ECMS's profit before income tax of 68,556 thousand for the year ended 31 December 2011 (2010: 67,629 thousand, 2009: US\$ 46,916 thousand).

Letters of credit and guarantee

The Group has provided guarantees and letters of credit in the ordinary course of business of the Group's activities. Guarantees include the following:

- Letter of Guarantee amounting to US\$ 1.0 million in favour of NTRA to guarantee MenaCable execution of its entire obligation related to constructing, operating and renting sea cables networks and its infrastructure for international communications.
- Letters of guarantee in a favour of Lebanon Ministry of Telecommunication (ROL) to guarantee the Company in the payment of any amount due by the selected Participant to ROL, one amounting to US\$ 30.0 million, and the other amounting to US\$10 million.
- Guarantee for the obligation of Mena Cable with Gulf Bridge International Inc. (GBI) under the "The fibre pair and capacity acquisition agreement" amounting to US\$ 82,450,000 as of 31 December 2011

28. Subsequent events

On 12 April 2012 the Company entered into a binding agreement with France Telecom - Orange ("France Telecom") to sell its 29.67% direct and indirect holding in ECMS at a price of EGP 202.5 per share for a total cash consideration of approximately US\$ 953 million and to retain a 5% direct economic interest in ECMS. Additionally, the Company will acquire from France Telecom 28.75% of indirect voting rights in ECMS for a total cash consideration of approximately US\$9 million. The transaction completed on 14 June 2012.

On 10 June 2012 the board of directors of the Company has proposed a dividend distribution of EGP 1.05 per share which is subject to the shareholder's meeting to be held within the end of June 2012.

Furthermore, France Telecom and the Company have amended certain provision under their current shareholders agreement in order to adjust the governance structure to the new shareholding interests and to put in place mechanisms to protect minority shareholder's interest and leave the Company with similar voting rights and board representations as currently in place.

In particular, the Company will remain France Telecom's strategic partner in Egypt and will continue to participate in the management of ECMS, including through its appointment of three out of thirteen directors in the board of directors of ECMS, its participation in the audit committee and in the nomination and compensation committee of ECMS. The chief operating officer of ECMS will be appointed by ECMS's board of directors after consultations with ECMS's nomination and compensation committee. The chief operating officer of ECMS will appoint the other senior management of ECMS, always after consultations with ECMS's nomination and compensation committee. The Company will continue to provide services to ECMS under the general service agreement renewed on 22 March 2012, subject to possible future changes that may be decided by ECMS for that agreement or its assignment to France Telecom, at France Telecom's discretion, against compensation of Euro 110 million.

Furthermore, the Company and France Telecom have agreed to the following put and call options with respect to the Company's direct economic stake in ECMS and indirect voting rights in ECMS.

- In order to grant France Telecom increased flexibility to maintain Egyptian shareholding in ECMS, France Telecom and the Company have agreed to limit the Company's put option for its 5% remaining direct stake in ECMS to 1.67% per annum over a three-year period from 2015 to 2017, subject to the trading rules and the then applicable law. This option is exercisable in January-February of each such year at accreting prices determined based on the date of exercise ranging from EGP 268.5 in 2015 to EGP 296 in 2017 per ECMS share, the last exercise of such put option leading to the sale of the 28.75% indirect voting rights in ECMS. The Company will also have certain agreed exit rights in the event France Telecom involves another local partner in the ECMS business.

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- To give France Telecom additional control over a potential future divestment by the Company, France Telecom will have the option to call all (but not less than all) of the Company's remaining direct stake in ECMS and indirect voting rights. This option is exercisable during a January-February exercise period in each year from 2013 to 2017, at prices accreting at a rate similar to that for the put option granted to the Company and described above, ranging from EGP 243.5 to EGP 296 per ECMS share. The agreement also provides France Telecom with call option rights in certain other circumstances, including upon a change of control of the Company.

The Company will also grant France Telecom a right of first refusal over any sale by the Company of its stake in ECMS. The proposed transaction was approved by the regulatory authorities on 22 April 2012.

In February 2011 the management contract of the mobile telecommunications operator Alfa was extended until January 2012, whereby Orascom Telecom Lebanon S.A.I. received a monthly fee of US\$ 2.5 million and 8.5% of the total revenues of the Lebanese operator. The operating costs were borne by Orascom Telecom Lebanon S.A.I. and capital expenditure was incurred by the operator. In February 2012 Orascom Telecom Lebanon S.A.I.'s management contract for Alfa was renewed for a further year. The terms of the renewal were re-negotiated compared to the previous management contract and Orascom Telecom Lebanon S.A.I. will now receive a monthly fee of US\$ 0.6 million and a percentage of revenues which is variable depending on achieving certain objectives. The percentage of revenues varies from 0.05% to 0.1% per objective with a potential upside if the objective is met before the required date. In addition, under the new contract, all operating costs, including personnel costs will be borne by the operator. The operator will also continue to incur all capital expenditure.

At the beginning of 2012, Orascom Telecom Ventures S.A.E., the regional company in online and mobile technology, acquired 51% in DARE'n'DEAL, the largest and fastest growing group-buying site in Egypt, valued at EGP 20.0 million (approximately US\$ 4.0 million). This deal represents a turning point in the development of the region's e-commerce industry.

During February 2012 Trans World Associates (Pvt) Ltd repaid US\$ 1.0 million of its short term interest free loan due to the minority shareholders.

The OTMT GDRs were approved for trading (i) on unregulated market on the London Stock Exchange as of 12 March 2012 and (ii) on the regulated market on the London Stock Exchange as of 26 June 2012.

On 28 June 2012 at the OTMT shareholders meeting a dividend payment of EGP 1.05 per share was approved.

Appendix A - Subsidiaries, associates and investments as of 31 December 2011

Segment	Country	Entity name	Direct and indirect interest in entity
GSM North Korea	North Korea	CHEO Technology JV Company	75.000%
GSM Lebanon	Lebanon	Orascom Telecom Lebanon S.A.L	99.790%
Cable	Pakistan	Trans World Associates (Pvt) Ltd	51.000%
Cable	Pakistan	Trans World Enterprise Services (Private) Ltd	51.000%
Cable	UK	Medcable Ltd	100.000%
Cable	Italy	Mena Srl	100.000%
Cable	Free Zone II	Middle East and North Africa for Sea Cables	99.630%
Media and Technology	Egypt	Orascom Telecom Ventures S.A.E.	99.990%
Media and Technology	Egypt	Link Development S.A.E.	99.790%
Media and Technology	Egypt	ARPU for Telecommunication Services S.A.E.	99.490%
Media and Technology	Pakistan	Mobi Zone Pakistan (Pvt) Ltd	99.490%
Media and Technology	Tunisia	Mobi Zone Tunisia	98.495%
Media and Technology	Algeria	Mobi Zone Algeria Ltd	99.490%
Media and Technology	Italy	Mobi Zone Italy	98.495%
Media and Technology	UAE	Mobi Zone FZ LLC	99.490%
Media and Technology	Bangladesh	Mobi Zone Bangladesh	99.490%
Media and Technology	Saudi Arabia	Mobi Zone Saudi Arabia	99.490%
Media and Technology	Canada	Mobi Zone Canada Inc	99.490%
Media and Technology	Egypt	Global Telecom S.A.E.	95.361%
Media and Technology	Morocco	Rosten Investments Ltd	99.490%
Media and Technology	Egypt	Egypt Call Communications S.A.	99.470%
Media and Technology	Algeria	Algeria Win Call	99.490%
Media and Technology	Palestine	Palestine Call	99.490%
Media and Technology	British Virgin Islands	Arab Call Group Ltd	99.490%
Media and Technology	Pakistan	Call Pak Pakistan	99.490%
Media and Technology	Egypt	Skill Link	37.496%
Media and Technology	Egypt	Data Tech	33.997%
Media and Technology	Egypt	Intonet	50.995%
Media and Technology	Saudi Arabia	LinkDotNet KSA	94.991%
Media and Technology	UAE	LinkDotNet LLC	99.990%
Media and Technology	Egypt	Link Online S.A.E.	98.990%
Media and Technology	Egypt	Arab Finance Securities	99.870%
Media and Technology	Egypt	Link for Domain Registration S.A.E.	99.968%
Media and Technology	Egypt	Connect Ads	97.990%
Media and Technology	Qatar	Link Dot Net Qatar	48.995%
Media and Technology	Egypt	Into Development ECP	50.995%
Other	Free Zone I	Oracap Holding Co.	99.950%
Other	Malta	Oracap Far East Limited	99.900%
Other	North Korea	Orabank NK Ltd	94.905%
Other	Egypt	Mobinil for Telecommunications S.A.E.	28.755%
Other	Egypt	Egyptian company for Mobile Services S.A.E.	34.674%
Other	Egypt	Smart Village ECDMV	10.459%

Appendix B – Liabilities due to banks
Liabilities due to banks as of 31 December 2011

Entity Bank	US\$		Total	Currency	Denomination currency		Maturity	Interest	Securitized
	Current	Non-current			Nominal	Line of credit			
TransWorld Associates (Private) Ltd									
United Bank Limited	475	537	1,012	PKR	142,272	345,200	27/11/2013	6M KIBOR + 3%	Secured
Habib Bank Limited	347	392	739	PKR	90,756	252,100	27/11/2013	6M KIBOR + 3%	Secured
Allied Bank Limited	275	311	586	PKR	72,000	200,000	27/11/2013	6M KIBOR + 3%	Secured
Askari Bank Limited	237	269	506	PKR	62,136	172,600	27/11/2013	6M KIBOR + 3%	Secured
Standard Chartered Bank Pakistan Limited	237	269	506	PKR	62,136	172,600	27/11/2013	6M KIBOR + 3%	Secured
Pak Oman Investment Company Limited	206	233	439	PKR	54,000	150,000	27/11/2013	6M KIBOR + 3%	Secured
The Bank of Punjab	158	179	337	PKR	41,400	115,000	27/11/2013	6M KIBOR + 3%	Secured
Bank Alfalah Limited	138	156	294	PKR	36,000	100,000	27/11/2013	6M KIBOR + 3%	Secured
Saudi Pak Industrial and Agricultural Investment Company (Private) Limited (SAPICO)	138	156	294	PKR	36,000	100,000	27/11/2013	6M KIBOR + 3%	Secured
Total TWA (Private) Ltd	2,211	2,502	4,713						
Orascom Telecom Ventures group	5	-	5	EGP					
Total Orascom Telecom Ventures group	5	-	5						
Total	2,216	2,502	4,718						

Appendix B – Liabilities due to banks
Liabilities due to banks as of 31 December 2010

Entity	Bank	US\$		Currency	Denomination currency		Maturity	Interest	Securitized
		Current	Non-current		Nominal	Line of credit			
Medcable Ltd	Export Credit Loan Calyon	2,701	-	EUR	2,000	12,157	13/09/2011	0.95%	Guaranteed
Total Medcable Ltd		2,701	-	EUR					
TransWorld Associates (Private) Ltd	United Bank Limited	425	1,049	PKR	124,272	345,200	27/11/2013	6M Kibor+13.35%	Secured
	Habib Bank Limited	311	765	PKR	90,756	252,100	27/11/2013	6M Kibor+13.35%	Secured
	Allied Bank Limited	247	607	PKR	72,000	200,000	27/11/2013	6M Kibor+13.35%	Secured
	Askari Bank Limited	213	524	PKR	62,136	172,600	27/11/2013	6M Kibor+13.35%	Secured
	Standard Chartered Bank Pakistan Limited	213	524	PKR	62,136	172,600	27/11/2013	6M Kibor+13.35%	Secured
	Pak Oman Investment Company Limited	185	455	PKR	54,000	150,000	27/11/2013	6M Kibor+13.35%	Secured
	The Bank of Punjab	142	349	PKR	41,400	115,000	27/11/2013	6M Kibor+13.35%	Secured
	Bank Alfalah Limited	123	303	PKR	36,000	100,000	27/11/2013	6M Kibor+13.35%	Secured
	Saudi Pak Industrial and Agricultural Investment Company (Private) Limited (SAPICO)	123	303	PKR	36,000	100,000	27/11/2013	6M Kibor+13.35%	Secured
Total TWA (Private) Ltd		1,982	4,879						
Orascom Telecom Ventures group		93	-	EGP					
Total Orascom Telecom Ventures group		93	-						
Total		4,776	4,879						

Appendix B – Liabilities due to banks
Liabilities due to banks as of 31 December 2009

Entity	Bank	US\$		Denomination currency				Securitized		
		Current	Non-current	Total	Currency	Nominal	Line of credit		Maturity	Interest
Medcable Ltd	Export Credit Loan Calyon	2,959	2,923	5,882	EUR	6,135	12,157	13/09/2011	0.95%	Guaranteed
Total Medcable Ltd		2,959	2,923	5,882						
TransWorld Associates (Private) Ltd										
United Bank Limited		188	1,476	1,664	PKR	138,080	345,200	27/11/2013	6M Kibor+13.35%	Secured
Habib Bank Limited		137	1,077	1,214	PKR	100,840	252,100	27/11/2013	6M Kibor+13.35%	Secured
Allied Bank Limited		109	855	964	PKR	80,000	200,000	27/11/2013	6M Kibor+13.35%	Secured
Askari Bank Limited		94	738	832	PKR	69,040	172,600	27/11/2013	6M Kibor+13.35%	Secured
Standard Chartered Bank Pakistan Limited		94	738	832	PKR	69,040	172,600	27/11/2013	6M Kibor+13.35%	Secured
Pak Oman Investment Company Limited		82	641	723	PKR	60,000	150,000	27/11/2013	6M Kibor+13.35%	Secured
The Bank of Punjab		63	491	554	PKR	46,000	115,000	27/11/2013	6M Kibor+13.35%	Secured
Bank Alfalah Limited		55	427	482	PKR	40,000	100,000	27/11/2013	6M Kibor+13.35%	Secured
Saudi Pak Industrial and Agricultural Investment Company (Private) Limited (SAPICO)		55	427	482	PKR	40,000	100,000	27/11/2013	6M Kibor+13.35%	Secured
Total TWA (Private) Ltd		877	6,870	7,747						
Orascom Telecom Ventures group										
NBAD		1,588	794	2,382	EGP	35,000	35,000	01/04/2011	11.50%	
Barclays		1,920	-	1,920	EGP	35,000	35,000	01/10/2010	14.50%	
Barclays		119	-	119	EGP	653	653	< 1 year	14.50%	
Barclays		74	-	74	EGP	405	405	01/04/2011	14.50%	
Total Orascom Telecom Ventures group		3,701	794	4,495						
Total		7,537	10,587	18,124						

Appendix C - Other borrowings
Other borrowings as of 31 December 2011

Entity	Counterparty	US\$		Currency	Nominal	Denomination currency	Maturity	Interest	Securitized
		Current	Non-current						
TransWorld Associates (Private) Ltd	Dr. Zawawi & Orastar Ltd	-	2,523	2,523	US\$	2,695	01/01/2013	-	Unsecured
Subordinated (Long Term) interest free loan from minority shareholder	Dr. Zawawi & Orastar Ltd	1,740	-	1,740	US\$	1,740	23/12/2011	-	Unsecured
Short term interest free loan from minority shareholder	Dr. Zawawi & Orastar Ltd	2,400	-	2,400	US\$	2,265	23/12/2011	3M LIBOR + 1%	Unsecured
Short term interest bearing loan from minority shareholder	Dr. Zawawi & Orastar Ltd	4,140	-	4,140					
Total TWA (Private) Ltd			2,523	6,663					
Orascom Telecom Ventures group		1,129	-	1,129	LE	1,129	N/A	N/A	N/A
Notes payable		1,129	-	1,129					
Total Orascom Telecom Ventures group		5,269	2,523	7,792					
Total									

Appendix C - Other borrowings
Other borrowings as of 31 December 2010

Entity	Counterparty	US\$		Currency	Denomination currency		Maturity	Interest	Securitized	
		Current	Non-current		Nominal	Line of credit				
TransWorld Associates (Private) Ltd	Dr. Zawawi & Orastar Ltd	-	2,344	2,344	US\$	2,695	2,695	31/12/2012	-	Unsecured
Subordinated (Long Term) interest free loan from minority shareholder	Dr. Zawawi & Orastar Ltd	1,869	-	1,869	US\$	1,869	1,869	19/06/2011	-	Unsecured
Short term interest free loan from minority shareholder	Dr. Zawawi & Orastar Ltd	2,374	-	2,374	US\$	2,265	2,265	23/12/2011	3M LIBOR	Unsecured
Short term interest bearing loan from minority shareholder	Dr. Zawawi & Orastar Ltd	4,243	2,344	6,587						
Total TWA (Private) Ltd										
Orascom Telecom Ventures group		1,591	-	1,591	LE	1,591	N/A	N/A		
Notes payable		1,591	-	1,591						
Total Orascom Telecom Ventures group		5,834	2,344	8,178						
Total										

Appendix C - Other borrowings
Other borrowings as of 31 December 2009

Entity	Counterparty	US\$		Currency	Denomination currency		Maturity	Interest	Securitized	
		Current	Non-current		Nominal	Line of credit				
TransWorld Associates (Private) Ltd	Dr. Zawawi & Orastar Ltd	-	2,220	2,220	US\$	2,695	2,695	31/12/2012	-	Unsecured
Subordinated (Long Term) interest free loan from minority shareholder	Dr. Zawawi & Orastar Ltd	1,987	-	1,987	US\$	1,987	1,987	19/06/2010	-	Unsecured
Short term interest free loan from minority shareholder	Dr. Zawawi & Orastar Ltd	2,309	-	2,309	US\$	2,265	2,265	23/12/2010	3M LIBOR	Unsecured
Total TWA (Private) Ltd		4,296	2,220	6,516						
Orascom Telecom Ventures group										
Notes payable		443	-	443	LE	443	N/A	N/A	-	-
Shareholder loans from non controlling interest		750	-	750	LE	750	N/A	N/A	-	-
Total Orascom Telecom Ventures group		1,193	-	1,193						
Other		39	-	39						
Total		5,528	2,220	7,748						