

**Orascom Telecom,  
Media and Technology Holding S.A.E.**  
Subject to the provisions of law no. 95 for year 1992 and  
its executive regulations  
**Condensed Consolidated Interim Financial Statements  
For the Six Months Ended June 30, 2014  
Together with Limited Review Report**



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

**Condensed Consolidated Interim  
Financial Statements together with Limited Review  
Report**

**Six Months Ended  
June 30, 2014  
US\$**

## **Report on Review of Interim Financial Information**

*To: The Board of Directors of Orascom Telecom, Media and Technology Holding S.A.E.*

### **Introduction**

We have reviewed the accompanying condensed consolidated interim financial statements of Orascom Telecom, Media and Technology Holding S.A.E. and its subsidiaries (The Group) which comprise the condensed consolidated interim statement of financial position as at June 30, 2014 and the related condensed consolidated interim statements of income & comprehensive income, changes in equity and cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS (34) "Interim Financial Reporting". Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements (2410) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements do not present fairly, in all material respects, the condensed consolidated financial position of Orascom Telecom, Media and Technology Holding S.A.E as at June 30, 2014 and of its financial performance and of its cash flows for the six months period then ended in accordance with IAS (34) "Interim Financial Reporting".

**Emphasis of matters**

- We draw attention to note (21) to the accompanying condensed consolidated interim financial statements which describes in more details that the net assets of Koryolink (a subsidiary) equivalent to USD 508 million of the Group's consolidated net assets amounting to USD 1 213 million as of June 30, 2014. Also Koryolink assets include cash balances in North Korean currency equivalent to USD 518 million and are reported within non-current financial assets in the condensed consolidated interim financial statements due to the restrictions imposed on cash transfers from the local currency into foreign currency, and the exchange rates in North Korea.

- We draw attention to note (10) to the accompanying condensed consolidated interim financial statements which describes in more details that according to management's best estimate, and in light of the available information, there are no differences between the tax basis and accounting basis of the recognized assets and liabilities related to the Group's subsidiary in North Korea (Koryolink) that may result in the recognition of any deferred tax assets or liabilities as at June 30, 2014. Management believes that in case any additional information develops in future periods, that would give rise to any such differences on the assets or liabilities recognized in the financial statements as of June 30, 2014, management would revise its estimates and recognition of deferred taxes associated with those assets and liabilities might be required.

Our conclusion on the accompanying condensed consolidated interim financial statements as of June 30, 2014 is not qualified in respect to the matters referred to in the above paragraphs.

Cairo, August 13, 2014



**Kamel Magdy Safeh, FCA**  
F.E.S.A.A. (R.A.A. 8510)

**ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2014**

<i>(in thousands of US\$)</i>	Note	As of June 30, 2014	As of December 31, 2013
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment	11	377,938	371,175
Intangible assets	11	60,298	62,982
Investments in associates	9	84,956	92,367
Other non-current financial assets	12	688,706	689,695
Other non-current assets		7,847	6,408
<b>Total non-current assets</b>		<b>1,219,745</b>	<b>1,222,627</b>
<b>Current assets</b>			
Inventories		341	511
Trade receivables		63,961	66,070
Other current financial assets	12	54,522	3,598
Other current assets		17,816	12,459
Cash and cash equivalent	13	189,680	124,753
<b>Total current assets</b>		<b>316,320</b>	<b>207,391</b>
<b>Total Assets</b>		<b>1,546,065</b>	<b>1,430,018</b>
<b>Equity</b>			
Share capital	14	366,148	366,148
Other reserves		13,201	20,048
Retained earnings		653,753	581,891
<b>Equity attributable to equity holders of the Company</b>		<b>1,033,102</b>	<b>968,087</b>
Non-controlling interest		179,428	155,771
<b>Total equity</b>		<b>1,212,530</b>	<b>1,123,858</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Non-current borrowings	15	3,216	2,295
Other non-current liabilities	16	7,584	5,429
Defined benefits obligations		2,226	2,284
Deferred tax liabilities		14,391	13,094
<b>Total non-current liabilities</b>		<b>27,417</b>	<b>23,102</b>
<b>Current liabilities</b>			
Current borrowings	15	6,433	6,456
Trade payables and other liabilities	16	197,981	188,599
Current income tax liabilities		17,906	11,345
Provisions	17	83,798	76,658
<b>Total current liabilities</b>		<b>306,118</b>	<b>283,058</b>
<b>Total Liabilities</b>		<b>333,535</b>	<b>306,160</b>
<b>Total Equity and Liabilities</b>		<b>1,546,065</b>	<b>1,430,018</b>

(The notes are an integral part of these Condensed Consolidated Interim Financial Statements)

**Chief Financial Officer**  
Youssef Shoukry

Limited Review report 'attached'

**Chief Executive Officer**  
Karim Beshara

**ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.**  
**CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT AND STATEMENT OF**  
**COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED JUNE 30, 2014**

<i>(in thousands of US\$)</i>	Note	For the period ended June 30, 2014	For the period ended June 30, 2013	Three months ended June 30, 2014	Three months ended June 30, 2013
Revenues	6	229,437	209,866	117,052	104,901
Other income		638	2,068	536	926
Purchases and services	7	(66,942)	(60,042)	(33,015)	(31,129)
Other expenses		(12,173)	(24,260)	(8,145)	(18,847)
Personnel cost		(21,360)	(19,960)	(11,582)	(11,267)
Depreciation and amortization		(19,082)	(15,575)	(9,518)	(7,745)
Capital (losses) gains		(41)	1	(41)	(43)
<b>Operating income</b>		<b>110,477</b>	<b>92,098</b>	<b>55,287</b>	<b>36,796</b>
Finance income	8	21,653	58,670	11,965	37,876
Finance cost	8	(866)	(2,236)	(438)	(1,788)
Foreign exchange gains (losses)	8	625	9,689	159	(2,108)
Group's share of losses of investments in associates	9	(4,808)	(4,061)	(2,612)	(1,918)
<b>Profit before income tax</b>		<b>127,081</b>	<b>154,160</b>	<b>64,361</b>	<b>68,858</b>
Income tax expense	10	(32,523)	(10,188)	(16,406)	(2,349)
<b>Net profit for the period</b>		<b>94,558</b>	<b>143,972</b>	<b>47,955</b>	<b>66,509</b>
<b>Attributable to:</b>					
Owners of the Parent Company		71,862	118,668	36,478	54,035
Non-controlling interests		22,696	25,304	11,477	12,474
		<b>94,558</b>	<b>143,972</b>	<b>47,955</b>	<b>66,509</b>
<b>Earnings per share (basic and diluted) – (in US\$)</b>	18	<b>0.014</b>	<b>0.023</b>	<b>0.00695</b>	<b>0.010</b>

<i>(in thousands of US\$)</i>	For the period ended June 30, 2014	For the period ended June 30, 2013	Three months ended June 30, 2014	Three months ended June 30, 2013
<b>Profit for the period</b>	<b>94,558</b>	<b>143,972</b>	<b>47,955</b>	<b>66,509</b>
<b>Other comprehensive Income / (loss), net of tax:</b>				
Currency translation differences	(5,886)	(49,026)	(2,390)	(16,683)
<b>Total comprehensive income for the period</b>	<b>88,672</b>	<b>94,946</b>	<b>45,565</b>	<b>49,826</b>
<b>Attributable to:</b>				
Owners of the Parent Company	65,015	71,413	32,733	38,811
Non-controlling interests	23,657	23,533	12,832	11,015
	<b>88,672</b>	<b>94,946</b>	<b>45,565</b>	<b>49,826</b>

(The notes are an integral part of these Condensed Consolidated Interim Financial Statements)

**Chief Financial Officer**  
Youssef Shoukry



**Chief Executive Officer**  
Karim Beshara



**ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED JUNE 30, 2014**

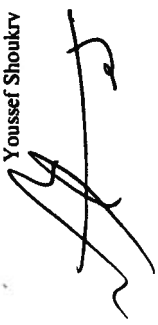
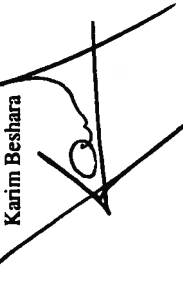
<i>(in thousands of US\$)</i>	Share Capital	Legal reserves	Translation reserves	Other reserves	Retained earnings	Equity attributable to shareholders of the Parent Company	Non-controlling Interests	Total equity
<b>As at January 1, 2013</b>	366,148	68,589	(28,585)	-	686,083	1,092,235	95,349	1,187,584
<b>Comprehensive income</b>								
Profit for the period	-	-	-	-	118,668	118,668	25,304	143,972
Other comprehensive income / (loss), net of tax	-	-	(47,256)	-	-	(47,256)	(1,770)	(49,026)
<b>Total comprehensive income / (loss)</b>	-	-	(47,256)	-	118,668	71,412	23,534	94,946
<b>Transactions with Owners</b>								
Dividends to shareholders	-	-	-	-	(198,320)	(198,320)	-	(198,320)
Transferred to legal reserve	-	12,847	-	-	(12,847)	-	-	-
<b>Total transactions with Owners</b>	-	12,847	-	-	(211,167)	(198,320)	-	(198,320)
<b>As of 30 June 2013</b>	366,148	81,436	(75,841)	-	593,584	965,327	118,883	1,084,210

<i>(in thousands of US\$)</i>	Share capital	Legal reserves	Translation reserves	Other reserves	Retained earnings	Equity attributable to shareholders of the Parent Company	Non-controlling Interests	Total equity
<b>As at January 1, 2014</b>	366,148	81,329	(61,490)	209	581,891	968,087	155,771	1,123,858
<b>Comprehensive income</b>								
Profit for the period	-	-	-	-	71,862	71,862	22,696	94,558
Other comprehensive income / (loss), net of tax	-	-	(6,847)	-	-	(6,847)	961	(5,886)
<b>Total comprehensive income / (loss)</b>	-	-	(6,847)	-	71,862	65,015	23,657	89,672
<b>As of June 30, 2014</b>	366,148	81,329	(68,337)	209	653,753	1,033,102	179,428	1,212,530

(The notes are an integral part of these Condensed Consolidated Interim Financial Statements)

**Chief Financial Officer**  
Youssef Shoukry

**Chief Executive Officer**  
Karim Beshara

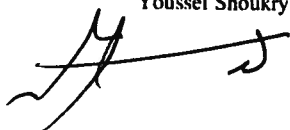



**ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED JUNE 30, 2014**

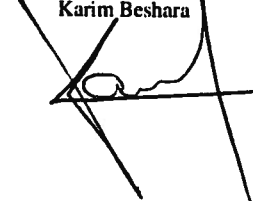
<i>(in thousands of US\$)</i>	Note	For the Period ended June 30, 2014	For the Period ended June 30, 2013
<b>Profit for the period before tax</b>		<b>127,081</b>	<b>154,160</b>
<i>Adjustments for</i>			
Depreciation, amortization and impairment charges		19,082	15,575
Fair value gains on derivative instrument		(21,218)	(57,790)
Interest expense		866	2,236
Investment income		(435)	(880)
Foreign exchange (gains)		(625)	(9,689)
Capital losses (gains)		41	(1)
Impairment of financial assets		-	1,393
Group's share of losses of investments in associates		4,808	4,062
Change in provisions		9,666	23,549
Changes in other assets		(2,533)	(2,005)
Changes in other liabilities		5,657	27,086
<b>Cash flows generated from operating activities</b>		<b>142,390</b>	<b>157,696</b>
Income taxes paid		(25,382)	(22,010)
Interest paid		(866)	(2,236)
Interest collected		435	880
<b>Net cash flows generated from operating activities</b>		<b>116,577</b>	<b>134,330</b>
<b>Cash flows from investing activities</b>			
<i>Cash outflow for investments in</i>			
Property and equipment		(16,347)	(17,392)
Intangible assets		(364)	(3,187)
Change in Deposits and financial assets		(34,546)	(100,381)
<i>Proceeds from disposal of</i>			
Property and equipment		64	258
Intangible assets		-	172
<b>Cash flows used in investing activities</b>		<b>(51,193)</b>	<b>(120,530)</b>
<b>Cash flows from financing activities</b>			
Proceeds from loan and bank facilities		3,389	2,687
Payments for loans and bank facilities		(2,708)	(2,894)
Dividends to shareholders		-	(198,320)
<b>Cash flows generated by (used in) financing activities</b>		<b>681</b>	<b>(198,527)</b>
<b>Net change in cash and cash equivalents</b>		<b>66,065</b>	<b>(184,727)</b>
Effect of foreign exchange on cash and cash equivalents		(1,138)	(19,147)
Cash and cash equivalents at the beginning of the period		124,753	309,764
<b>Cash and cash equivalents at the end of the period</b>	13	<b>189,680</b>	<b>105,890</b>

(The notes are an integral part of these Condensed Consolidated Interim Financial Statements)

**Chief Financial Officer**  
Youssef Shoukry



**Chief Executive Officer**  
Karim Beshara





ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.  
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 June 2014

## 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 (the "inception") 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.

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 Orascom Telecom Media and Technology Investments S.à.r.l. (the "Ultimate Parent Company"). The Company's shares are listed on the Egyptian Stock Exchange and its GDRs are listed on the London Stock Exchange.

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. Statement of compliance

These condensed consolidated interim financial statements as of June 30, 2014 have been prepared in accordance with IAS 34 "Interim Financial Reporting". As permitted by IAS 34, the Company has opted to prepare a condensed version as compared to the consolidated financial statements as of December 31, 2013. The condensed consolidated interim financial statements do not include all of the information required for the full annual financial statements, and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2013, which have been prepared in accordance with IFRSs.

This condensed consolidated interim financial information was approved for issue on August 13, 2014. The financial statements are not the statutory financial statements of the company, as the statutory financial statements are prepared in accordance with the Egyptian Accounting Standards.

## 3. Significant accounting policies

The accounting policies adopted for the preparation of the condensed consolidated interim financial information are consistent with those used in the consolidated financial statements as of and for the period ended December 31, 2013. The accounting policies have been consistently applied to all the periods presented.

### A. Adoption of new and revised International Financial Reporting Standards

#### A.1 Standards and interpretations effective in the current period

The following revised standards are effective for the current period. The adoption of these standards has not led to material changes in the Group's accounting policies.

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#### Revised Standards

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IFRS 10	Consolidated Financial Statements – Amendments for investment entities
IFRS 12	Disclosure of Interests in Other Entities – Amendments for investment entities
IAS 27	Separate Financial Statements (2011) – Amendments for investment entities
IAS 32	Financial Instruments – Offsetting financial assets and liabilities (amendment)
IAS 36	Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (amendment)
IAS 39	Financial Instruments – Recognition and Measurement – Amendments on novation of derivatives

ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.  
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 June 2014

IAS 39	Defined Benefits Plan – Employee Contributions
Various	Investment Entities – Amendments to IFRS 10, IFRS 12, and IAS 27
Various	Amendments resulting from annual improvement project

**New Interpretations**

IFRIC 21	Levies
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**A.2 Standards and interpretations not yet adopted**

At the date of authorization of these condensed consolidated interim financial statements, the Group has not adopted the following standards and interpretations that have been issued but are not yet effective. They will be effective for annual periods beginning on or after the dates described below.

New and Revised Standards		Effective from
IFRS 9	Financial Instruments - Final version including expected loss impairment model	1 January 2018
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
IAS 19	Employee Benefits – Amendments on accounting treatment of contributions	1 January 2015
Various	Amendments resulting from annual improvement project	1 January 2015

The Group is currently assessing whether these changes will impact the consolidated financial statements in the period of initial application.

**4. Use of estimates**

The preparation of the condensed consolidated interim 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 consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income and cash flows, as well as in the notes. Actual results might differ from such estimates due to the uncertainty surrounding the assumptions and conditions upon which estimates are based.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended December 31, 2013.

**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.

ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.  
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 June 2014

- *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.
- *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 accounting investment and income and expenses related to OTMT.

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

- Total revenue
- EBITDA, defined as profit for the period before income tax expense /(benefit) (or if applicable profit from continuing operations for the period before income tax expense /(benefit)), gain on partial disposal of investments in associate, 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 which 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.

**Revenue**

	For the period ended June 30, 2014	For the period ended June 30, 2013
Telephony Services	177,049	146,996
Interconnection traffic - revenue	26,617	26,245
Other income from services and sale of goods	25,771	36,625
<b>Total</b>	<b>229,437</b>	<b>209,866</b>

**Revenue and EBITDA disclosure per segment for the period ended June 30,**

	For the period ended June 30, 2014				For the period ended June 30, 2013			
	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	168,886	-	168,886	130,479	149,400	-	149,400	116,398
GSM Lebanon	3,557	-	3,557	1,344	7,736	-	7,736	5,602
Media & Technology	44,871	(2,120)	42,751	1,641	43,810	(2,143)	41,667	(2,877)
Cable	13,431	-	13,431	2,164	11,063	-	11,063.00	2,112
Other	7,539	(6,727)	812	(5,955)	6,042	(6,042)	-	(13,563)
<b>Total</b>	<b>238,284</b>	<b>(8,847)</b>	<b>229,437</b>	<b>129,673</b>	<b>218,051</b>	<b>(8,185)</b>	<b>209,866</b>	<b>107,672</b>

ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.  
 NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
 FOR THE PERIOD ENDED 30 June 2014

*Assets per segment as of June 30, 2014*

	As of June 30, 2014			
	Property and equipment	Intangible assets	Equity investments	Total
GSM North Korea	178,909	54,443	-	233,352
Media & Technology	9,742	4,386	-	14,128
Cable	183,278	1,240	-	184,518
Other	6,009	229	84,956	91,194
<b>Total</b>	<b>377,938</b>	<b>60,298</b>	<b>84,956</b>	<b>523,192</b>

*Capital expenditure*

The table below illustrates the capital expenditure incurred by each segment in the current and comparative period

	For the period ended June 30, 2014	For the period ended June 30, 2013
GSM North Korea	21,021	28,243
Media & Technology	887	694
Cable	964	724
Other	101	195
<b>Total</b>	<b>22,973</b>	<b>29,856</b>

There are no changes in reportable segments since December 31, 2013.

**6. Revenue**

	For the Period ended 30 June 2014	For the Period ended 30 June 2013
Telephony Services	177,049	146,996
Interconnection traffic	26,617	26,245
Content downloads	12,308	23,075
Management contract – fees	4,369	7,736
Other income from services and sale of goods	9,094	5,814
<b>Total</b>	<b>229,437</b>	<b>209,866</b>

The increase in telephone services revenue is due to the increase in the revenues generated from the telecommunications operator in North Korea "Koryolink" amounting to USD 26,437 thousand which is due to the increase in the numbers of users between the current and comparative period.

ORASCOM TELECOM MEDIA AND TECHNOLOGY HOLDING S.A.E.  
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 June 2014

**7. Purchases and services**

	For the period ended June 30, 2014	For the period ended June 30, 2013
Rental of local network, technical sites and other leases	9,864	10,988
Customer acquisition costs	5,849	6,226
Purchases of goods and changes in inventories	17,924	10,510
Maintenance costs	3,892	3,478
Telephony cost	15,230	16,323
Utilities	1,410	1,335
Interconnection traffic	232	354
Advertising and promotional services	807	651
Consulting and professional services	3,557	5,075
Bank and post office charges	196	134
Insurance	336	-
Other service expenses	7,645	4,968
<b>Total</b>	<b>66,942</b>	<b>60,042</b>

The increase in purchases of goods and consumable materials of Orascom Telecom Ventures amounting to USD 7,265 thousand is due to the increase in the cost of managing electronic sites between the current and comparative period.

**8. Net financing income**

	For the period ended June 30, 2014	For the period ended June 30, 2013
Fair value gains on derivative instrument	21,218	57,790
Interest income on deposits	435	880
<b>Finance income</b>	<b>21,653</b>	<b>58,670</b>
Interest expense on borrowings	(736)	(669)
Interest expense on trade and other liabilities	-	(1)
Other interest expense and financial charges	(130)	(173)
Impairment of financial asset	-	(1,393)
<b>Finance cost</b>	<b>(866)</b>	<b>(2,236)</b>
Foreign exchange gains	625	9,689
<b>Foreign exchange gains</b>	<b>625</b>	<b>9,689</b>
<b>Total</b>	<b>21,412</b>	<b>66,123</b>

The decrease in finance income is due to the decrease in fair value of financial derivatives during the current period amounting to USD 36,572 thousand.

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**9. Investments in associates**

Company	Country	%	June 30, 2014	December 31, 2013
MT Telecom SCRL	Egypt	5	8,048	8,135
Egyptian Company For Mobile Services	Belgium	28.75	76,908	84,232
			<b>84,956</b>	<b>92,367</b>
			June 30, 2014	December 31, 2013
Assets			1,773,971	2,291,666
Liabilities			(1,992,862)	(2,035,849)
<b>Net assets</b>			<b>(218,892)</b>	<b>255,817</b>
			For the period ended June 30, 2014	For the period ended June 30, 2013
Revenues			760,376	771,571
Group's share of losses of investments in associates			(4,808)	(4,061)

**10. Income tax expense**

	For the period ended June 30, 2014	For the period ended June 30, 2013
Current income tax	31,356	10,983
Deferred tax	1,167	(795)
<b>Total income tax expenses</b>	<b>32,523</b>	<b>10,188</b>

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

The Company has paid an amount equivalent to USD 21,324 thousand under tax settlement until preparation of the tax return of the Company for the year ended December 31, 2014 which represents the first fiscal year subject to tax after the elapse of the exemption period.

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

Should additional information arise in future periods resulting in differences between the tax bases and accounting base of recorded assets and liabilities in the financial statements as at June 30, 2014, Management will reassess its estimate in a way that might result in the recognition of deferred taxes related to those assets and liabilities.

**11. Property and equipment and intangible assets**

The details of the property and equipment acquired and disposed of during the current and comparative period are detailed in the following table:

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	Property and equipment	Intangible assets
<b>Balance as of January 1, 2014</b>	<b>371,175</b>	<b>62,982</b>
Additions	22,701	272
Disposals	(64)	-
Depreciation and amortization	(17,153)	(1,929)
Currency translation differences	1,259	(1,007)
Other movements	20	(20)
<b>Balance as of June 30, 2014</b>	<b>377,938</b>	<b>60,298</b>
<b>Balance as of January 1, 2013</b>	<b>396,861</b>	<b>75,676</b>
Additions	26,746	3,110
Disposals	(258)	(8,523)
Depreciation and amortization	(13,428)	(2,147)
Currency translation differences	(2,852)	(3,857)
<b>Balance as of June 30, 2013</b>	<b>407,069</b>	<b>64,250</b>

**Property and equipment**

Additions to Property and equipment are mainly related to investments in cell sites 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.

**12. Other financial assets**

	As of June 30, 2014			As of December 31, 2013		
	Non-current	Current	Total	Non-current	Current	Total
Derivative financial instruments	164,594	51,689	216,283	200,725	-	200,725
Deposits	517,874	2,309	520,183	482,539	3,074	485,613
Financial assets available for sale - at cost	6,192	-	6,192	6,384	-	6,384
Financial receivables	46	524	570	47	524	571
<b>Other financial assets</b>	<b>688,706</b>	<b>54,522</b>	<b>743,228</b>	<b>689,695</b>	<b>3,598</b>	<b>693,293</b>

**Derivatives**

**Call / Put options with France Telecom**

Represents the fair value of the put-option by which the company can sell its stake in the Egyptian Company for Mobile Services (ECMS) including the voting rights to France Telecom.

According to the amended and restated shareholders agreement between the Company and France Telecom dated 11 April 2012, the amended agreement states that the Company has the option to put 1.67% per annum of its direct interest in the ECMS over a three-year period from 2015 to 2017 subject to the trading rules of the Egyptian Stock Exchange - EGX 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 agreement also provides that France Telecom has the option to call all (but not less than all) of the Company's remaining direct stake in Egyptian Company for Mobile Services - ECMS and in MT Telecom, which are reported in the condensed consolidated interim financial statements as investments in associates with direct ownership interest of 5% and 28.75% respectively. This option is exercisable during a January-February exercise period in each year from 2013 to 2017, ranging from EGP 243.5 to EGP 296 per ECMS share.

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The fair value of both the put and call options is determined by an independent appraisal, using one of the valuation techniques acceptable in practice. The appraisal study has resulted in a derivative asset with a fair value of US\$ 216 million at the end of the current reporting period compared to 201 million in December 2013.

During the current period, a portion of the Company's right in exercising the put option referred to above in each of January and February 2015 was classified as a current asset with an amount of US\$ 52 million based on the evaluation performed by the independent valuator.

**Deposits**

Deposits as of June 30, 2014 include an amount of US\$ 518 million relating to cash held in North Korea in local currency 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.

**13. Cash and cash equivalent**

The increase in cash and cash equivalent is represented in the increase in cash balances of the subsidiary company "Koryolink" during the period with an amount of US\$ 79,597 thousand due to the increase in cash collections from customers during the period, where the cash balance as at June 30, 2014 amounted to US\$ 134,215 thousand (December 31, 2013; US\$ 54,618 thousand).

**14. Share capital**

The Company was incorporated On 29 November 2011 with an authorised share capital amounting to EGP 22 billion, of which, the issued amounts to EGP 2,203,190,060 distributed over 5,245,690,620 shares, each with a nominal value of EGP 0.42.

**15. Borrowings**

	For the period ended June 30, 2014	For the period ended June 30, 2013
<b>Opening balance</b>	<b>8,751</b>	<b>10,828</b>
of which non-current portion	2,295	2,533
of which current portion	6,456	8,296
Repayment of borrowings and movements in current borrowings	(2,708)	(2,886)
New borrowings	3,389	2,687
Exchange rate differences	217	366
<b>Balance as of June 30,</b>	<b>9,649</b>	<b>10,995</b>
of which non-current portion	3,216	3,427
of which current portion	6,433	7,568

***Other Borrowings***

Other borrowings mainly include loans from non-controlling shareholders in subsidiaries.

Borrowings include loans obtained from the shareholders of Trans World Associate Private by an amount of US\$ 5 million from which US\$ 3 million due within one year and US\$ 2 million due after more than one year with an interest rate 1.58%.

Borrowings also include loans obtained from banks amounted to US\$ 4 million from which US\$ 2 million due within one year and US\$ 2 million due after more than one year these borrowings were obtained by Trans World Associate Private with interest rates ranges between 14.91% to 19%.

In addition to the above; the balance also includes notes payable by Orascom Telecom Ventures amounted to US\$ 1 million as at June 30, 2014.



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**16. Trade payables and other liabilities**

	As of June 30, 2014			As of December 31, 2013		
	Current	Non-current	Total	Current	Non-current	Total
<b><u>Trade payable</u></b>						
Capital expenditure payables	40,318	-	40,318	33,995	-	33,995
Trade payables due to suppliers	44,157	-	44,157	46,834	-	46,834
Other trade payables	19,572	-	19,572	16,390	-	16,390
<b>Total</b>	<b>104,047</b>	<b>-</b>	<b>104,047</b>	<b>97,219</b>	<b>-</b>	<b>97,219</b>
<b><u>Other payables</u></b>						
Prepaid traffic and deferred income	71,199	1,914	73,113	72,080	1,792	73,872
Due to local authorities	3,181	-	3,181	3,063	-	3,063
Personnel payables	607	-	607	5,976	-	5,976
Other credit balances	18,947	5,670	24,617	10,261	3,637	13,898
<b>Total</b>	<b>93,934</b>	<b>7,584</b>	<b>101,518</b>	<b>91,380</b>	<b>5,429</b>	<b>96,809</b>
<b>Total</b>	<b>197,981</b>	<b>7,584</b>	<b>205,565</b>	<b>188,599</b>	<b>5,429</b>	<b>194,028</b>

**17. Provisions**

Provisions are recognized according to the best estimate of the amount expected to settle the present obligations, at the end of the reporting period, arising as result from the Group's operations and contractual relationships with third parties. Provisions recognized during the period are reported among other expenses in the statement of comprehensive income and are subject to an annual review by management and are revised based on the most recent developments, negotiations and agreements with the relevant counterparties.

	As of June 30, 2014	As of June 30, 2013
<b>Opening balance</b>	<b>76,658</b>	<b>51,394</b>
Additions	9,544	24,016
Currency translation differences	(2,084)	(5,364)
Provision – used	(320)	(467)
<b>As of June 30,</b>	<b>83,798</b>	<b>69,579</b>

**18. Earnings per share**

***Basic and diluted***

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period.

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

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	For the period ended June 30, 2014	For the period ended June 30, 2013
Profit attributable to equity holders of the Parent Company	71,862	118,668
Weighted average number of shares (in thousands of shares)	5,245,690	5,245,690
Earnings per share – basic and diluted (in US\$)	0.014	0.023

#### 19. Commitments

The capital commitments are provided in the table below:

	As of June 30, 2014	As of December 31, 2013
Property and equipment	8,867	8,875
Other	26,267	21,974
<b>Total</b>	<b>35,134</b>	<b>30,849</b>

Commitments for the purchase of property and equipment mainly relate to Mena Cable as a result of the purchase of marine cables and related equipment, while other commitments are mainly related mainly to the maintenance and insurance of the cable asset in Mena Cable.

#### 20. Contingent assets and liabilities

##### Telecom Egypt Interconnection Prices

Telecom Egypt filed a complaint with the National Telecommunication Regulatory Authority (NTRA), for 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 case is still pending and there was no major change compared to what was presented on December 31, 2013.

##### 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:

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

- A Letter of guarantee in favour of Lebanon Ministry of Telecommunication to guarantee Orascom Telecom Lebanon in the payment of any amount due by the selected participants amounting to USD 40 million.
- A guarantee is issued in favour of one of the suppliers of the subsidiary "Koryolink" amounting to USD 25 million.

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

- A bank guarantee issued in favour of one of the subsidiary's clients amounting to Rupees 345 600 to fulfil its contractual obligations represented in performing the contracted services.

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

- A guarantee issued to one of the subsidiary's clients amounting to USD 82 million to guarantee the subsidiary to fulfil its contractual obligations represented in performing the contracted services

#### 21. Group's activities in North Korea

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

North Korea is subject to international sanctions imposed by the European Union and the United States, among others, as well as by the United Nations. These sanctions have the effect of restricting financial transactions and the import and export of goods and services, including goods and services required to operate, maintain and develop mobile networks.

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

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

The net assets of Koryolink (a subsidiary) equivalent to USD 508 million of the Group's consolidated net assets amounting to USD 1,213 million as of June 30, 2014. Also Koryolink assets include cash balances in North Korean currency equivalent to USD 518 million and are reported within non-current financial assets in the condensed consolidated interim financial statements due to the restrictions imposed on cash transfers from the local currency into foreign currency, and the exchange rates in North Korea.

**Chief Financial Officer**  
Youssef Shoukry



**Chief Executive Officer**  
Karim Beshara

