

**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 Nine Months Ended September 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**

**Nine Months Ended  
September 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 September 30, 2014 and the related condensed consolidated interim statements of income & comprehensive income, changes in equity and cash flows for the nine 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 September 30, 2014 and of its financial performance and of its cash flows for the nine months period then ended in accordance with IAS (34) "Interim Financial Reporting".

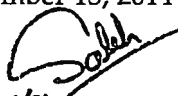
**Emphasis of matters**

- We draw attention to note (22) to the accompanying condensed consolidated interim financial statements which describes in more details that the net assets of Koryolink (a subsidiary) equivalent to USD 745 million of the Group's consolidated net assets amounting to USD 1,168 million as of September 30, 2014. Also Koryolink assets include restricted deposits balances in North Korean currency equivalent to USD 544 million and are reported within non-current financial assets in the condensed consolidated interim financial statements (Note 12) 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 September 30, 2014. Management believes that in case any additional information develops in future periods, that would give rise to such differences on the assets or liabilities recognized in the financial statements as of September 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 September 30, 2014 is not qualified in respect to the matters referred to in the above paragraphs.

Cairo, November 13, 2014



Kamel Magdy Saleh, 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 SEPTEMBER 30, 2014

(in thousands of US\$)	Note	As of September 30, 2014	As of December 31, 2013
<b>Assets</b>			
Property and equipment (net)	11	376,664	371,175
Intangible assets (net)	11	58,236	62,982
Investments in associates (net)	9	83,732	92,367
Other non-current financial assets	12	677,419	689,695
Other Non-current assets		7,761	6,408
<b>Total non-current assets</b>		<b>1,203,812</b>	<b>1,222,627</b>
Inventories		368	511
Trade receivables		62,400	66,070
Other current financial assets	12	41,674	3,598
Other current assets		18,251	12,459
Cash and balances at banks	13	175,710	124,753
<b>Total current assets</b>		<b>298,403</b>	<b>207,391</b>
<b>Total Assets</b>		<b>1,502,215</b>	<b>1,430,018</b>
<b>Equity and Liabilities</b>			
Share capital	14	366,148	366,148
Other reserves		(13,529)	20,048
Retained earnings		633,087	581,891
<b>Equity attributable to equity holders of the Company</b>		<b>985,706</b>	<b>968,087</b>
Non-controlling interest		181,974	155,771
<b>Total equity</b>		<b>1,167,680</b>	<b>1,123,858</b>
<b>Liabilities</b>			
Non-current borrowings	15	3,129	2,295
Other non-current liabilities		6,043	5,429
Defined benefits obligations		2,194	2,284
Deferred tax liabilities		12,960	13,094
<b>Total non-current liabilities</b>		<b>24,326</b>	<b>23,102</b>
Current borrowings	15	5,227	6,456
Trade payables		202,489	188,599
Current income tax liabilities		19,063	11,345
Provisions	17	83,430	76,658
<b>Total current liabilities</b>		<b>310,209</b>	<b>283,058</b>
<b>Total liabilities</b>		<b>334,535</b>	<b>306,160</b>
<b>Total Equity and Liabilities</b>		<b>1,502,215</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'

Chairman & CEO

Naguib Sawiris



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

(in thousands of US\$)	Note	For the period ended September 30, 2014	For the period ended September 30, 2013	Three months ended September 30, 2014	Three months ended September 30, 2013
Revenues	6	344,517	316,021	115,080	106,155
Other income		930	3,813	292	1,745
Purchases and services	7	(98,758)	(92,137)	(31,816)	(32,095)
Other expenses		(13,673)	(24,081)	(1,503)	180
Personnel cost		(31,927)	(29,069)	(10,567)	(9,109)
Depreciation and amortization		(29,012)	(23,417)	(9,930)	(7,842)
Impairment charges		-	(1)	-	(1)
Disposal of non-current assets		(29)	-	-	-
<b>Operating income</b>		<b>172,048</b>	<b>151,130</b>	<b>61,562</b>	<b>59,033</b>
Financial (cost) income	8	(28,378)	39,388	(50,031)	(19,282)
Financial expenses	8	(1,206)	(4,888)	(340)	(2,652)
Foreign exchange (loss) gain	8	(2,764)	12,442	(3,389)	2,753
Share of loss of investment in associates	9	(6,105)	(6,070)	(1,297)	(2,009)
<b>Profit before income tax</b>		<b>133,595</b>	<b>192,002</b>	<b>6,505</b>	<b>37,843</b>
Income tax expense	10	(48,162)	(12,891)	(15,639)	(2,703)
<b>Profit (loss) for the period</b>		<b>85,433</b>	<b>179,111</b>	<b>(9,134)</b>	<b>35,140</b>
<b>Attributable to:</b>					
Owners of the company		51,196	138,584	(20,675)	19,916
Non-controlling interests		34,237	40,537	11,541	15,223
<b>Profit (loss) for the period</b>		<b>85,433</b>	<b>179,111</b>	<b>(9,134)</b>	<b>35,140</b>
Earnings per share (basic and diluted) – (in US\$)	18	0.001	0.026	(0.004)	0.004

(in thousands of US\$)	For the period ended September 30, 2014	For the period ended September 30, 2013	Three months ended September 30, 2014	Three months ended September 30, 2013
<b>Profit (loss) for the period</b>	<b>85,433</b>	179,111	<b>(9,134)</b>	35,149
<b>Other comprehensive (loss)/income :</b>				
Currency translation differences	(41,611)	(33,293)	(38,298)	15,733
<b>Total comprehensive income/(loss) for the period</b>	<b>43,822</b>	145,818	<b>(47,262)</b>	50,872
<b>Attributable to:</b>				
Owners of the Parent Company	17,612	105,262	(62,647)	33,849
Non-controlling interest	26,210	40,556	15,385	17,023
<b>Total comprehensive income/(loss) for the period</b>	<b>43,822</b>	145,818	<b>(47,262)</b>	50,872

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

Chief Financial Officer  
Youssef Shoukry

  
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Chairman & CEO  
Naguib Sawiris



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

(in thousands of US\$)	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>	-	-	-	-	138,584	138,584	40,527	179,111
Profit for the period	-	-	-	-	138,584	138,584	40,527	179,111
Other comprehensive (loss)/income, net of tax	-	-	(33,322)	-	-	(33,322)	29	(33,293)
<b>Total comprehensive (loss)/income</b>	-	-	(33,322)	-	138,584	105,262	40,556	145,818
<b>Transactions with Owners</b>	-	-	-	-	(196,909)	(196,909)	-	(196,909)
Dividends to shareholders	-	-	-	-	(196,909)	(196,909)	-	(196,909)
Transferred to legal reserve	-	12,754	-	-	(12,754)	-	-	-
<b>Total transactions with Owners</b>	-	12,754	-	-	(209,663)	(196,909)	-	(196,909)
<b>As of September 30, 2013</b>	366,148	81,343	(61,907)	-	615,004	1,000,588	135,905	1,136,493

(in thousands of US\$)	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>	-	-	-	-	51,196	51,196	34,237	85,433
Profit for the period	-	-	-	-	51,196	51,196	34,237	85,433
Other comprehensive loss, net of tax	-	-	(33,577)	-	-	(33,577)	(8,034)	(41,611)
<b>Total comprehensive (loss)/income</b>	-	-	(33,577)	-	51,196	17,619	26,203	43,789
<b>As of September 30, 2014</b>	366,148	81,329	(95,067)	209	633,087	985,706	181,974	1,167,680

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

**Chief Financial Officer**  
Youssef Shoukry

**Chairman & CEO**  
Naguib Sawiris

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**ORASCOM TELECOM, MEDIA AND TECHNOLOGY HOLDING S.A.E.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2014**

(in thousands of US\$)

	<b>For the period ended September 30, 2014</b>	<b>For the period ended September 30, 2013</b>
<b>Profit for the period</b>	<b>133,595</b>	<b>192,002</b>
<i>Adjustments for</i>		
Depreciation, amortization and impairment charges	29,012	23,418
Fair value gain/(loss) on derivative instrument	29,158	(38,225)
Interest expense	1,206	1,350
Investment income	(780)	(1,163)
Foreign exchange gain /(loss)	725	(12,442)
Impairment of financial assets	-	3,538
Gain on partial disposal of associate	23	-
Share of profit of associate	6,105	6,070
Change in provisions	9,935	21,924
Changes in other assets	2,864	(554)
Changes in other liabilities	6,867	28,011
<b>Cash flows generated by operating activities</b>	<b>218,710</b>	<b>223,929</b>
Income taxes paid	(41,314)	(26,544)
Interest paid	(1,206)	(1,350)
Interest collected	780	1,163
<b>Net Cash flows generated by operating activities</b>	<b>176,970</b>	<b>197,198</b>
<i>Cash out flow for investments in</i>		
Property and equipment	(26,743)	(29,954)
Intangible assets	(444)	(2,705)
Change in Deposits and financial assets	(88,394)	(145,929)
<i>Proceeds from disposal of</i>		
Property and equipment	429	306
Intangible assets	-	495
<b>Cash flows used in investing activities</b>	<b>(115,152)</b>	<b>(177,787)</b>
Proceeds from loan and bank facilities	2,742	1,969
Payments for loans and bank facilities	(3,154)	(3,973)
Change in Equity	-	(196,909)
<b>Cash flows used in financing activities</b>	<b>(412)</b>	<b>(198,913)</b>
<b>Net change in cash and cash equivalent</b>	<b>61,406</b>	<b>(179,502)</b>
Effect of exchange rates on cash and cash equivalents	(10,449)	(18,749)
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>	<b>175,710</b>	<b>111,513</b>

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

**Chief Financial Officer**  
Youssef Shoukry

**Chairman & CEO**  
Naguib Sawiris



ORASCOM TELECOM, MEDIA AND TECHNOLOGY HOLDING S.A.E.  
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT  
FOR THE PERIOD ENDED SEPTEMBER 30, 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 affect 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 September 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 November 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.

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

**Revised Standards**

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 – Amendments for Offsetting financial assets and liabilities
IAS 36	Impairment of Assets – Amendments for Recoverable Amount Disclosures for Non-Financial Assets
IAS 39	Financial Instruments – Recognition and Measurement – Amendments for novation of derivatives
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.

<b>New and Revised Standards</b>		<b>Effective from</b>
IFRS 9	Financial Instruments - Final version including expected loss impairment model	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2017
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 11	Joint Arrangements - Amendments for Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IAS 27	Consolidated and Separate Financial Statements - (Proposed amendments for Equity Method in Separate Financial Statements	1 January 2016
Various	Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Proposed amendments to IFRS 10 and IAS 28)	1 January 2016
IAS 19	Employee Benefits – Amendments for 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.

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

#### 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.
- *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.

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

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

	For the period ended September 30, 2014	For the period ended September 30, 2013
Telephony Services	270,407	229,794
Interconnection traffic	38,618	37,994
Other income from services and sale of goods	35,492	48,233
<b>Total</b>	<b>344,517</b>	<b>316,021</b>

*Revenue and EBITDA disclosure per segment for the period ended September 30, 2014*

	For the Period ended 30 September 2014				For the Period ended 30 September 2013			
	Total segment revenue	Inter segment revenue	Revenue from external customers	EBITDA	Total segment revenue	Inter segment revenue	Revenue from external customers	EBITD A
GSM North Korea	257,067	-	257,067	200,110	230,443	-	230,443	178,962
GSM Lebanon	5,430	-	5,430	2,237	9,533	-	9,533	5,420
Media & Technology	65,320	(2,799)	62,521	377	61,792	(3,193)	58,599	(7,125)
Cable	18,252	-	18,252	1,987	16,483	-	16,483.00	2,262
Other	11,530	-10,283	1,247	(3,481)	10,181	(9,218)	963	(4,972)
<b>Total</b>	<b>357,599</b>	<b>-13,082</b>	<b>344,517</b>	<b>201,230</b>	<b>328,432</b>	<b>(12,411)</b>	<b>316,021</b>	<b>174,547</b>

*Assets per segment as of September 30, 2014*

	As of September 30, 2014			
	Property and equipment	Intangible assets	Equity investments	Total
GSM North Korea	169,097	52,452	-	221,549
Media & Technology	8,958	4,360	-	13,318
Cable	192,641	1,207	-	193,848
Other	5,968	217	83,732	89,917
<b>Total</b>	<b>376,664</b>	<b>58,236</b>	<b>83,732</b>	<b>518,632</b>

*Capital expenditure*

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

	For the period ended September 30, 2014	For the period ended September 30, 2013
GSM North Korea	27,500	40,931
Media & Technology	1,403	2,111
Cable	11,982	1,144
Other	103	204
<b>Total</b>	<b>40,988</b>	<b>44,390</b>

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

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

**6. Revenues**

	For the period ended September 30, 2014	For the period ended September 30, 2013
Telephony Services	270,407	229,794
Interconnection traffic	38,618	37,994
Content downloads	16,466	29,263
Management contract –Fees	6,677	10,496
Other income from services and sale of goods	12,349	8,474
<b>Total</b>	<b>344,517</b>	<b>316,021</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 37,562 thousand which is due to the increase in the numbers of users between the current and comparative period.

**7. Purchases and services**

	For the period ended September 30, 2014	For the period ended September 30, 2013
Rental of local network, technical sites and other leases	14,920	16,557
Customer acquisition costs	8,133	9,496
Purchases of goods and changes in inventories	27,759	18,125
Maintenance costs	5,302	5,869
Telephony cost	21,662	24,167
Utilities	1,904	1,879
Interconnection traffic	363	588
Advertising and promotional services	1,185	1,017
Consulting and professional services	5,088	5,671
Bank and post office charges	282	168
Insurance	520	385
Other service expenses	11,640	8,215
<b>Total</b>	<b>98,758</b>	<b>92,137</b>

The increase in purchases of goods and consumable materials of Orascom Telecom Ventures amounting to USD 9,634 thousand is due to the increase in the cost of managing electronic sites between the current and comparative period.

**8. Net financing (cost) income**

	For the period ended September 30, 2014	For the period ended September 30, 2013
Fair value (losses) gains on derivative instrument	(29,158)	38,225
Interest income on deposits	780	1,163
<b>Financial (cost) income</b>	<b>(28,378)</b>	<b>39,388</b>
Interest expense on borrowings	(596)	(1,034)
Other interest expense and financial charges	(610)	(316)
Impairment of financial asset	-	(3,538)
<b>Financial expense</b>	<b>(1,206)</b>	<b>(4,888)</b>
Foreign exchange (loss) gain	(2,764)	12,442
<b>Foreign exchange (loss) gain</b>	<b>(2,764)</b>	<b>12,442</b>
<b>Total</b>	<b>(32,348)</b>	<b>46,942</b>

The decrease in finance income is due to the losses recognized in the fair value of financial derivatives during the current period amounting to USD 29,158 thousand.

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**9. Investments in associates (net)**

Company	Country	%	September 30, 2014	December 31, 2013
MT Telecom SCRL	Belgium	28.75	7,842	8,135
Egyptian Company For Mobile Services (ECMS)	Egypt	5	75,890	84,232
			<b>83,732</b>	<b>92,367</b>
			September 30, 2014	December 31, 2013
Assets			2,178,188	2,291,666
Liabilities			(1,983,855)	(2,035,849)
Net assets			<b>194,334</b>	<b>255,817</b>
			For the period ended September 30, 2014	For the period ended September 30, 2013
Revenues			1,145,200	1,146,794
Group's share of losses of investments in associates			(6,105)	(6,070)

**10. Income tax expense**

	For the period ended September 30, 2014	For the period ended September 30, 2013
Current tax expense	47,916	12,193
Deferred tax liabilities	246	698
<b>Total Income tax expenses</b>	<b>48,162</b>	<b>12,891</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 is 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 28,341 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 September 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.

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**11. Property and equipment and intangible assets (net)**

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

	<b>Property and equipment</b>	<b>Intangible assets</b>
<b>Balance as of January 1, 2014</b>	<b>371,175</b>	<b>62,982</b>
Additions	40,639	358
Disposals	(429)	-
Depreciation and amortization	(26,116)	(2,896)
Currency translation differences	(8,622)	(2,190)
Other movements	17	(18)
<b>Balance as of September 30, 2014</b>	<b>376,664</b>	<b>58,236</b>
<b>Balance as of January 1, 2013</b>	<b>396,860</b>	<b>75,679</b>
Additions	41,685	2,705
Disposals	(306)	(8,734)
Depreciation and amortization	(20,900)	(2,517)
Currency translation differences	(526)	(2,806)
Other movements	(60)	-
<b>Balance as of September 30, 2013</b>	<b>416,753</b>	<b>64,327</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**

	<b>As of September 30, 2014</b>			<b>As of December 31, 2013</b>		
	<b>Non-current</b>	<b>Current</b>	<b>Total</b>	<b>Non-current</b>	<b>Current</b>	<b>Total</b>
Derivative financial instruments	127,364	38,904	166,268	200,725	-	200,725
Deposits	543,819	2,178	545,997	482,539	3,074	485,613
Financial assets available for sale - at cost	6,193	-	6,192	6,384	-	6,384
Financial receivables	43	592	635	47	524	571
<b>Other financial assets</b>	<b>677,418</b>	<b>41,674</b>	<b>719,092</b>	<b>689,695</b>	<b>3,598</b>	<b>693,293</b>

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***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.

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\$ 166 million at the end of the current reporting period compared to US\$ 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\$ 39 million based on the evaluation performed by the independent valuator.

**Deposits**

Deposits as of September 30, 2014 include an amount of US\$ 544 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\$ 75,108 thousand due to the increase in cash collections from customers during the period, where the cash balance as at September 30, 2014 amounted to US\$ 175,710 thousand (December 31, 2013; US\$ 124,753 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.



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**15. Borrowings**

	For the period ended September 30, 2014	For the period ended September 30, 2013
<b>Opening Balance</b>	<b>8,751</b>	<b>10,829</b>
of which current portion	6,456	8,296
of which non-current portion	2,295	2,533
Repayment of borrowings and Movements in current borrowings	(3,154)	(3,948)
New borrowings	2,742	1,969
Exchange rate differences	23	953
Others	(5)	477
<b>Ending Balance</b>	<b>8,357</b>	<b>10,280</b>
of which current portion	5,227	7,136
of which non-current portion	3,129	3,144

**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\$ 4 million from which US\$ 2.4 million due within one year and US\$ 1.6 million due after more than one year with an interest rate 1.58%.

Borrowings also include loans obtained from banks amounted to US\$ 3 million from which US\$ 1.5 million due within one year and US\$ 1.5 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 September 30, 2014.

**16. Trade payables and other liabilities**

	As of September 30, 2014			As of December 31, 2013		
	Current	Non-current	Total	Current	Non-current	Total
<b><i>Trade Payable</i></b>						
Capital expenditure payables	45,252	-	45,252	33,995	-	33,995
Trade payables due to suppliers	45,806	-	45,806	46,834	-	46,834
Other trade payables	18,500	-	18,500	16,390	-	16,390
<b>Total Trade Payables</b>	<b>109,558</b>	<b>-</b>	<b>109,558</b>	<b>97,219</b>	<b>-</b>	<b>97,219</b>
<b><i>Other payable</i></b>						
Prepaid traffic and deferred income	70,296	1,840	72,136	72,080	1,792	73,872
Due to local authorities	3,075	-	3,075	3,063	-	3,063
Personnel payables	983	-	983	5,976	-	5,976
Other credit balances	18,577	4,203	22,780	10,261	3,637	13,898
<b>Total other payables</b>	<b>92,931</b>	<b>6,043</b>	<b>98,974</b>	<b>91,380</b>	<b>5,429</b>	<b>96,809</b>
<b>Total</b>	<b>202,489</b>	<b>6,043</b>	<b>208,532</b>	<b>188,599</b>	<b>5,429</b>	<b>194,028</b>

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**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.

	For the period ended September 30, 2014	For the period ended September 30, 2013
Opening Balance	76,658	51,394
Additions	9,289	23,993
Currency translation differences	(2,225)	(3,556)
Reclassifications	(244)	-
Provision – used	(48)	(1,006)
<b>Ending Balance</b>	<b>83,430</b>	<b>70,825</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.

	For the period ended September 30, 2014	For the period ended September 30, 2013
Profit attributable to equity holders of the Parent Company	51,196	138,584
Weighted average number of shares (in thousands of shares)	5,245,690	5,245,690
<b>Earnings per share – basic and diluted (in US\$)</b>	<b>0.001</b>	<b>0.026</b>

**19. Commitments**

The capital commitments are provided in the table below:

	As of September 30, 2014	As of December 31, 2013
Property and equipment	10,848	8,875
Other	37,892	21,974
<b>Total</b>	<b>48,740</b>	<b>30,849</b>

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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. Significant transactions with related parties**

The board of directors of the subsidiary company Koryolink has approved an interest-free loan amounted to US\$ 2.8 million on September 27, 2014 to one of the shareholders of the subsidiary company "Korean Post and Telecommunication Company - KPTC" to improve telecommunication network in North Korea. The loan should be fully repaid within one year.

The subsidiary company Koryolink reserves the right to deduct the outstanding amounts from the foreign currency dues of KPTC with Koryolink, in case of any default or failure of KPTC to fully repay the loan amount within the specified time frame. The loan agreement has been signed between the subsidiary and the shareholder on October 15, 2014 and the whole loan amount was transferred to KPTC on October 17, 2014.

#### **21. 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 guarantees**

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 Private (A subsidiary)**

- A bank guarantee issued in favour of one of the subsidiary's clients amounting to Rupees 5,169,600 to fulfil its contractual obligations represented in performing the contracted services.

- A guarantee issued in favour of one of the subsidiary's clients amounting to USD 1.4 to fulfil its contractual obligations represented in performing the contracted services.

##### **Middle East and North Africa for Sea Cables – MENA cables (A 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.

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- 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.

## 22. 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.

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 Company's management is currently in discussion with the Korean party about the transfer of the realized profits in the North Korean subsidiary into foreign currencies using the exchange rates announced by government and to transfer these profits to the Holding Company given the prevailing circumstances referred to above as well as the restrictions imposed on cash transfers from local Korean currency to foreign currencies and the restrictions on exchange rates in North Korea.

The net assets of Koryolink (a subsidiary) equivalent to US\$ 745 million of the Group's consolidated net assets amounting to US\$ 1,168 million as of September 30, 2014. Also Koryolink assets include cash balances in North Korean currency equivalent to US\$ 544 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. The interim financial statements of the subsidiary were translated using the official exchange rate announced by North Korean banks as at September 30, 2014 and which is determined by Government noting that there is no free floating currency exchange market in North Korea.

**Chief Financial Officer**  
Youssef Shoukry

**Chairman & CEO**  
Naguib Sawiris