

# **ORASCOM CONSTRUCTION LIMITED**

## Interim Consolidated Financial Statements

For the nine month period ended 30 September 2016

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KPMG LLP  
Unit No. 819, Liberty House  
DIFC, Dubai, UAE  
Tel. +971 (4) 403 0300, Fax +971 (4) 330 1515

## **Independent Auditors' Report on Review of Interim Financial Statements**

The Shareholders  
Orascom Construction Limited

### **Introduction**

We have reviewed the accompanying 30 September 2016 condensed consolidated interim financial statements of Orascom Construction Limited ("the Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 September 2016;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three month and nine month periods ended 30 September 2016;
- the condensed consolidated interim statement of changes in equity for the nine month period ended 30 September 2016;
- the condensed consolidated statement of cash flows for the nine month period ended 30 September 2016; and
- notes to the consolidated interim financial information.

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 the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements 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.



**Orascom Construction Limited**  
*Independent Auditors' Report on  
Review of Interim Financial Statements  
30 September 2016*

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2016 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

**KPMG LLP**

KPMG LLP  
Dubai, United Arab Emirates



Freddie Edward Cloete  
Partner

Date: 21 November 2016

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

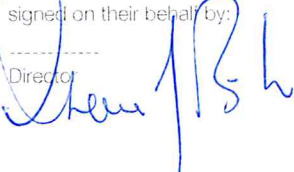
As at

\$ millions	Note	30 September 2016	31 December 2015
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	(6)	284.1	280.2
Goodwill	(7)	13.8	13.8
Trade and other receivables	(8)	31.2	33.0
Equity accounted investees	(9)	372.2	339.4
Deferred tax assets	(10)	94.8	102.0
<b>Total non-current assets</b>		<b>796.1</b>	<b>768.4</b>
<b>Current assets</b>			
Inventories	(11)	234.5	203.4
Trade and other receivables	(8)	1,433.2	1,194.9
Contracts work in progress	(12)	817.6	485.4
Current income tax receivables		4.8	8.9
Cash and cash equivalents	(13)	518.9	574.9
<b>Total current assets</b>		<b>3,009.0</b>	<b>2,467.5</b>
<b>Total assets</b>		<b>3,805.1</b>	<b>3,235.9</b>
<b>Equity</b>			
Share capital	(14)	117.8	118.0
Share premium		768.7	772.8
Reserves	(15)	(117.5)	(81.2)
(Accumulated losses) retained earnings		(254.7)	(325.2)
<b>Equity attributable to owners of the Company</b>		<b>514.3</b>	<b>484.4</b>
Non-controlling interest	(16)	65.9	76.1
<b>Total equity</b>		<b>580.2</b>	<b>560.5</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans and borrowings	(17)	66.5	26.3
Trade and other payables	(18)	10.2	13.8
Deferred tax liabilities	(10)	7.0	7.3
<b>Total non-current liabilities</b>		<b>83.7</b>	<b>47.4</b>
<b>Current liabilities</b>			
Loans and borrowings	(17)	216.0	413.1
Trade and other payables	(18)	1,064.3	1,075.2
Advanced payments from construction contracts		792.2	598.4
Billing in excess of construction contracts	(12)	911.4	278.4
Provisions	(19)	120.0	210.3
Income tax payables		37.3	52.6
<b>Total current liabilities</b>		<b>3,141.2</b>	<b>2,628.0</b>
<b>Total liabilities</b>		<b>3,224.9</b>	<b>2,675.4</b>
<b>Total equity and liabilities</b>		<b>3,805.1</b>	<b>3,235.9</b>

The notes on pages 7 to 29 are an integral part of these interim consolidated financial statements.

The interim consolidated financial statements were approved by the Board of Directors and authorized for issue on 21 November 2016 and signed on their behalf by:

Director



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the nine month period ended

\$ millions	Note	the nine month ended 30 September 2016	the three month ended 30 September 2016	the nine month ended 30 September 2015	the three month ended 30 September 2015
Revenue	(24)	2,959.1	962.1	3,019.6	1,145.2
Cost of sales	(20)	(2,740.8)	(896.3)	(2,788.2)	(1,054.4)
<b>Gross profit</b>		<b>218.3</b>	<b>65.8</b>	<b>231.4</b>	<b>90.8</b>
Other income	(21)	5.2	0.9	14.2	8.5
Selling, general and administrative expenses	(20)	(126.4)	(40.8)	(124.8)	(50.7)
<b>Operating profit</b>		<b>97.1</b>	<b>25.9</b>	<b>120.8</b>	<b>48.6</b>
Finance income	(22)	34.9	4.2	20.5	12.8
Finance cost	(22)	(43.5)	(0.1)	(48.0)	(20.5)
<b>Net finance cost</b>		<b>(8.6)</b>	<b>4.1</b>	<b>(27.5)</b>	<b>(7.7)</b>
Net loss arising from a business combination		-	-	(12.2)	-
Income from equity accounted investees	(9)	30.7	16.6	17.6	1.1
<b>Profit before income tax</b>		<b>119.2</b>	<b>46.6</b>	<b>98.7</b>	<b>42.0</b>
Income tax	(10)	(41.5)	(17.4)	(28.7)	(16.7)
<b>Total net profit</b>		<b>77.7</b>	<b>29.2</b>	<b>70.0</b>	<b>25.3</b>
<b>Other comprehensive income:</b>					
<b>Items that are or may be reclassified to profit or loss</b>					
Change in fair value cash flow hedges		2.1	4.8	(0.6)	(1.6)
Foreign currency translation differences		(49.9)	6.9	(71.8)	(13.0)
<b>Other comprehensive income, net of tax</b>		<b>(47.8)</b>	<b>11.7</b>	<b>(72.4)</b>	<b>(14.6)</b>
<b>Total comprehensive income</b>		<b>29.9</b>	<b>40.9</b>	<b>(2.4)</b>	<b>10.7</b>
<b>Profit attributable to:</b>					
Owners of the Company		75.4	26.0	64.3	24.5
Non-controlling interest		2.3	3.2	5.7	0.8
<b>Net profit</b>		<b>77.7</b>	<b>29.2</b>	<b>70.0</b>	<b>25.3</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		34.8	37.3	(4.7)	10.8
Non-controlling interest		(4.9)	3.6	2.3	(0.1)
<b>Total comprehensive loss</b>		<b>29.9</b>	<b>40.9</b>	<b>(2.4)</b>	<b>10.7</b>
<b>Earnings per share (in USD)</b>					
Basic earnings per share	(23)	0.64	0.22	0.55	0.21

The notes on pages 7 to 29 are an integral part of these interim consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the nine month period ended

\$ millions	Note	Share capital (14)	Share premium	Reserves (15)	(Accumulated losses) retained earnings	Equity attributable to owners of the Company	Non-controlling interest (16)	Total equity
<b>Balance at 1 January 2015</b>		-	-	(17.0)	744.7	727.7	76.7	804.4
Net profit / (loss)		-	-	-	64.3	64.3	5.7	70.0
Other comprehensive income		-	-	(69.0)	-	(69.0)	(3.4)	(72.4)
<b>Total comprehensive income</b>		-	-	(69.0)	64.3	(4.7)	2.3	(2.4)
Establishment of the Company	(14)	0.1	-	-	-	0.1	-	0.1
Capital in kind reduction of OCI N.V.	(14)	105.0	617.1	-	(722.1)	-	-	-
Dividends		-	-	-	-	-	(5.5)	(5.5)
Change in non-controlling interest		-	-	-	-	-	(0.8)	(0.8)
New shares issued	(14)	12.9	172.4	-	-	185.3	-	185.3
Treasury shares acquired	(15)	-	-	(3.0)	-	(3.0)	-	(3.0)
Transaction costs		-	(16.7)	-	-	(16.7)	-	(16.7)
<b>Balance at 30 September 2015</b>		118.0	772.8	(89.0)	86.9	888.7	72.7	961.4
<b>Balance at 1 January 2016</b>		118.0	772.8	(81.2)	(325.2)	484.4	76.1	560.5
Net profit / (loss)		-	-	-	75.4	75.4	2.3	77.7
Other comprehensive income		-	-	(40.6)	-	(40.6)	(7.2)	(47.8)
<b>Total comprehensive income</b>		-	-	(40.6)	75.4	34.8	(4.9)	29.9
Dividends		-	-	-	-	-	(1.9)	(1.9)
Change in non-controlling interest		-	-	-	-	-	(3.4)	(3.4)
Other		-	-	-	(4.9)	(4.9)	-	(4.9)
Shares reduction		(0.2)	(4.1)	4.3	-	-	-	-
<b>Balance at 30 September 2016</b>		117.8	768.7	(117.5)	(254.7)	514.3	65.9	580.2

The notes on pages 7 to 29 are an integral part of these interim consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the nine month period ended

\$ millions	Note	30 September 2016	30 September 2015
<b>Net profit</b>		<b>77.7</b>	<b>70.0</b>
<b>Adjustments for:</b>			
Depreciation	(6)	42.2	42.3
Interest income (including gains on derivatives)	(22)	(23.1)	(10.2)
Interest expense (including losses on derivatives)	(22)	30.0	28.6
Foreign exchange gain / (loss) and others		1.7	9.1
Share in income of equity accounted investees	(9)	(30.7)	(17.6)
Loss from acquisition of a subsidiary		-	12.2
Gain on sale of property, plant and equipment		(0.9)	(3.4)
Income tax expense	(10)	41.5	28.7
<b>Changes in:</b>			
Inventories	(11)	(31.1)	(10.6)
Trade and other receivables	(8)	(189.2)	(379.9)
Contract work in progress	(12)	(332.2)	(105.3)
Trade and other payables	(18)	(52.8)	265.7
Advanced payments construction contracts		193.8	187.3
Billing in excess of construction contracts	(12)	633.0	98.1
Provisions	(19)	(90.3)	(13.8)
<b>Cash flows:</b>			
Interest paid	(22)	(19.7)	(28.6)
Interest received	(22)	23.1	10.2
Income taxes paid		(49.9)	(15.7)
<b>Cash flow from operating activities</b>		<b>223.1</b>	<b>167.1</b>
Investment in subsidiary, net of cash acquired		-	(2.7)
Investments in property, plant and equipment	(6)	(78.1)	(53.6)
Proceeds from sale of property, plant and equipment		4.6	9.2
<b>Cash flow used in investing activities</b>		<b>(73.5)</b>	<b>(47.1)</b>
Proceeds from borrowings	(17)	125.5	399.8
Repayment of borrowings	(17)	(282.4)	(494.9)
Other long term liabilities		(3.6)	(7.2)
Issue of new shares (net of transaction costs)		-	168.7
Purchase of treasury shares	(15)	-	(3.0)
Dividends paid to non-controlling interest		(1.9)	(5.5)
<b>Cash flows (used in) from financing activities</b>		<b>(162.4)</b>	<b>57.9</b>
<b>Net increase in cash and cash equivalents</b>		<b>(12.8)</b>	<b>177.9</b>
Cash and cash equivalents at 1 January	(13)	574.9	368.9
Currency translation adjustments		(43.2)	(23.3)
<b>Cash and cash equivalents at 30 September</b>	(13)	<b>518.9</b>	<b>523.5</b>

The notes on pages 7 to 29 are an integral part of these interim consolidated financial statements.



# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 1. General

Orascom Construction Limited ('OCL') is a company limited by shares, incorporated with registered number 1752 in the Dubai International Financial Center (DIFC) on 18 January 2015 with its head office located at Gate Village-Building 3, DIFC, Dubai, UAE. OCL is dual listed on the NASDAQ Dubai and the Egyptian Stock Exchange. The interim consolidated financial statements for the nine month period ended 30 September 2016 comprise the financial statements of OCL, its subsidiaries and joint operations (together referred to as the 'Group') and the Group's interests in associates and joint ventures.

OCL is primarily engaged as an international engineering and construction contractor focused on large-scale infrastructure, complex industrial and high-end commercial projects in the United States, Middle East, Africa and Central Asia for public and private clients.

## 2. Basis of preparation

### 2.1 General

The interim consolidated financial statements for the nine month period ended 30 September 2016 have been prepared in accordance with IAS 34 'Interim Financial Reporting' and do not include all the information and disclosures required in the annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since 1 January 2016.

The interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the period ended 31 December 2015. The accounting principles used are the same as those used in the consolidated financial statements for the period ended 31 December 2015.

The consolidated financial statements have been prepared on the historical cost basis, except when otherwise indicated.

The financial year of OCL commences on 1 January and ends on 31 December.

These consolidated financial statements are presented in US dollars ('USD'), which is OCL's presentation currency. All values are rounded to the nearest tenth million ("in millions of USD"), except when stated otherwise.

The consolidated financial statements have been authorised for issue by the Company's Board of Directors on 21 November 2016.

## 3. New accounting standards and policies

On a regular basis, the IASB issues new accounting standards, amendments and revisions to existing standards and interpretations. No new standards became effective to Orascom Construction Limited during the nine month period ended 30 September 2016.

## 4. Critical accounting judgement, estimates and assumptions

There were no significant changes in critical accounting judgement, estimates and assumptions compared to the interim consolidated financial statements for the period ended 31 December 2015.

## 5. Financial risk and capital management

### Overview

The Group has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

These risks arise from exposures that occur in the normal course of business and are managed on a consolidated company basis. This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## Risk management framework

Senior management has an overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by the Internal Audit Department. The Internal Audit Department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

### 5.1 Exposure to credit risk

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures. The carrying amount of financial assets represents the maximum credit exposure. With respect to transactions with financial institutions, the group sets limits to the credit worthiness rating of the counterparty. The maximum credit risk is the carrying amount of financial instruments, for an overview reference is made to the tables financial instruments by category.

The major exposure to credit risk at the reporting date was as follows:

\$ millions	Note	30 September 2016	31 December 2015
Trade and other receivables (excluding prepayments)	(8)	<b>1,436.6</b>	1,214.7
Contract work in progress	(12)	<b>817.6</b>	485.4
Cash and cash equivalents	(13)	<b>518.9</b>	574.9
<b>Total</b>		<b>2,773.1</b>	<b>2,275.0</b>

The major exposure to credit risk for trade and other receivables by geographic region was as follows:

\$ millions	30 September 2016	31 December 2015
Middle East and Africa	<b>937.8</b>	811.0
Asia and Oceania	<b>174.5</b>	63.5
Europe and United States	<b>324.3</b>	340.2
<b>Total</b>	<b>1,436.6</b>	<b>1,214.7</b>

### 5.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. This is also safeguarded by using multiple financial institutions in order to mitigate any concentration of liquidity risk.

The availability of cash is monitored internally at Group level, on an ongoing basis by the corporate treasury department. In addition management prepared at closing date a cash flow projection to assess the ability of the Group to meet its obligations.

The following are the contractual maturities of financial liabilities, including estimated interest payments and exclude the impact of netting arrangements.

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015 \$ millions	Note	Carrying amount	Contractual cash flow	6 months or less	6–12 months	1–5 years
<b>Financial liabilities</b>						
Loans and borrowings	(17)	439.4	447.4	279.3	141.0	27.1
Trade and other payables	(18)	1,089.0	1,089.0	1,075.2	-	13.8
Advanced payments from construction contracts		598.4	598.4	598.4	-	-
<b>Total</b>		<b>2,126.8</b>	<b>2,134.8</b>	<b>1,952.9</b>	<b>141.0</b>	<b>40.9</b>

At 30 September 2016 \$ millions	Note	Carrying amount	Contractual cash flow	6 months or less	6–12 months	1–5 years
<b>Financial liabilities</b>						
Loans and borrowings	(17)	282.5	288.7	131.1	89.3	68.3
Trade and other payables	(18)	1,074.5	1,074.5	1,064.3	-	10.2
Advanced payments from construction contracts		792.2	792.2	792.2	-	-
<b>Total</b>		<b>2,149.2</b>	<b>2,155.4</b>	<b>1,987.6</b>	<b>89.3</b>	<b>78.5</b>

The interest on floating rate loans and borrowings is based on forward interest rates at period-end. This interest rate may change as the market interest rate changes.

## 5.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

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

### Foreign exchange translation exposure

Due to the Group's international presence, OCL's Financial Statements are exposed to foreign exchange fluctuations as these affect the translation of the subsidiaries' assets and liabilities presented in foreign currencies to the US dollar (the Group's presentation currency). The currencies concerned are mainly the Egyptian pound, the Algerian dinar and the Euro. Foreign exchange translation exposure is considered a part of doing business on an international level; this risk is not actively managed, nor is it hedged.

OCL is not exposed to the Saudi riyal, UAE dirham and the Qatar riyal. These currencies are pegged to the US dollar.

On 3 November 2016, the Central Bank of Egypt floated the pound to EGP 15.00 per USD 1.00. The EGP will initially be allowed to fluctuate in a 10% up/down band. If this devaluation would have taken place on 30 September 2016 the translation result in respect of the group entities with a reporting currency in EGP and permanent loans in EGP in group entities with a reporting currency in USD would have resulted in a direct charge into group equity in the range of USD 127 million.

### Foreign exchange transaction exposure

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

The Group is exposed to foreign exchange transaction exposure to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of Group companies. The functional currencies of Group companies are primarily Euro, US Dollar, Egyptian Pound, Saudi Riyal, Algerian Dinar and Arab Emirate Dirham.

The Group uses foreign exchange contracts to manage its foreign exchange transaction exposure. No hedge accounting is applied; therefore

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

all fair value changes are recognised in profit and loss.

The summary of quantitative data about the Group's exposure to foreign exchange transaction exposure provided to management of the Group based on its risk management policy for the main currencies was as follows:

At 31 December 2015 \$ millions	EUR	EGP
Cash and cash equivalents (including loans and borrowing)	(86.8)	9.7
Trade and other receivables	51.3	38.1
Trade and other payables	(18.0)	(48.2)

At 30 September 2016 \$ millions	EUR	EGP
Cash and cash equivalents (including loans and borrowing)	(84.6)	(16.4)
Trade and other receivables	196.1	172.2
Trade and other payables	(24.8)	(33.1)

## Significant rates

The following significant exchange rates applied during the nine month period ended 30 September 2016:

	Average 2016	Closing 30 September 2016	Opening 1 January 2016
Egyptian pound	0.1166	0.1126	0.1275
Saudi riyal	0.2666	0.2664	0.2661
Arabic Emirates Dirham	0.2723	0.2723	0.2723
Algerian Dinar	0.0091	0.0091	0.0093
Euro	1.1142	1.1242	1.0845

The following tables demonstrate the sensitivity to a reasonably possible change in EUR and EGP exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities, including inter company positions. The Group's exposure to foreign currency changes for all other currencies is not material.

As of 30 September 2016, if the functional currencies had strengthened/weakened by 10 percent against the Euro and 10 percent against the Egyptian Pound with all other variables held constant, the translation of foreign currency receivables, payables and loans and borrowings that would have resulted in an increase/decrease of USD 21.0 million of the profit of the nine month period ended 30 September 2016 (31 December 2015: USD 5.34 million)

31 December 2015 \$ millions	Change in FX rate*	Effect on profit before tax**	Effect on equity**
EUR - USD	10%	(5.30)	28.98
EGP - USD	10%	(0.04)	-

30 September 2016 \$ millions	Change in FX rate*	Effect on profit before tax**	Effect on equity**
EUR - USD	10%	8.7	31.8
EGP - USD	10%	12.3	-

\* Determined based on the volatility of last year for the respective currencies

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

\*\* Effects are displayed in absolute amounts

## Interest rate risk

The Group's cash flow interest rate risks arise from the exposure to variability in future cash flows of floating rate financial instruments. The Group reviews its exposure in light of global interest rate environment after consulting with a consortium of global banks.

The Group calculates the impact on profit or loss of a defined interest rate shift. The same interest rate shift is used for all currencies. The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of borrowings affected, after the impact of hedge accounting. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

\$ millions	In basis points	30 September 2016	31 December 2015
Effect on profit before tax for the coming year	+100 bps	(0.6)	(1.5)
	- 100 bps	0.6	1.5

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly lower volatility than in prior years.

## Categories of financial instruments

		30 September 2016		31 December 2015	
	Note	Loans and receivables at amortized cost	Derivatives at fair value	Loans and receivables at amortized cost	Derivatives at fair value
Assets					
Trade and other receivables	(8)	1,464.4	-	1,226.4	1.5
Cash and cash equivalents	(13)	518.9	-	574.9	-
Total		1,983.3	-	1,801.3	1.5
Liabilities					
Loans and borrowings	(17)	282.5	-	439.4	-
Trade and other payables	(18)	1,067.1	7.4	1,088.8	0.2
Advanced payments construction contracts		792.2	-	598.4	-
Total		2,141.8	7.4	2,126.6	0.2

All financial instruments are in the fair value hierarchy category level 2, there were no transfers between the fair value hierarchy categories.

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 5.4 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, retained earnings and non-controlling interest of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders. The Group's net debt to equity ratio at the reporting date was as follows:

\$ millions	Note	30 September 2016	31 December 2015
Loans and borrowings	(17)	282.5	439.4
Less: cash and cash equivalents	(13)	518.9	574.9
<b>Net debt</b>		<b>(236.4)</b>	<b>(135.5)</b>
Total equity		580.2	560.5
<b>Net debt to equity ratio</b>		<b>(0.41)</b>	<b>(0.24)</b>

## 6. Property, plant and equipment

\$ millions	Land	Buildings	Equipment	Fixtures and fittings	Under construction	Total
Cost	14.6	127.0	396.4	138.4	13.1	689.5
Accumulated depreciation	-	(32.6)	(274.4)	(102.3)	-	(409.3)
<b>At 1 January 2016</b>	<b>14.6</b>	<b>94.4</b>	<b>122.0</b>	<b>36.1</b>	<b>13.1</b>	<b>280.2</b>
<b>Movements in the carrying amount:</b>						
Additions purchased during the period	-	1.3	44.2	20.2	12.4	78.1
Disposals	-	-	(2.5)	(1.2)	-	(3.7)
Depreciation	-	(3.1)	(28.1)	(11.0)	-	(42.2)
Transfers	-	1.4	1.3	0.9	(3.6)	-
Effect of movement in exchange rates	(2.0)	(10.0)	(11.4)	(3.3)	(1.6)	(28.3)
<b>At 30 September 2016</b>	<b>(2.0)</b>	<b>(10.4)</b>	<b>3.5</b>	<b>5.6</b>	<b>7.2</b>	<b>3.9</b>
Cost	12.6	117.3	394.4	142.4	20.3	687.0
Accumulated depreciation	-	(33.3)	(268.9)	(100.7)	-	(402.9)
<b>At 30 September 2016</b>	<b>12.6</b>	<b>84.0</b>	<b>125.5</b>	<b>41.7</b>	<b>20.3</b>	<b>284.1</b>

## 7. Goodwill

\$ millions	Goodwill
Cost	13.8
<b>At 1 January 2016</b>	<b>13.8</b>
<b>Movements in the carrying amount:</b>	
Additions	-
Impairment	-
<b>At 30 September 2016</b>	<b>-</b>
Cost	13.8
Impairment	-
<b>At 30 September 2016</b>	<b>13.8</b>

On 31 July 2012, the Group acquired the Weitz Company LLC, a United States general contractor based in Des Moines, Iowa, resulting in USD 12.4 million of goodwill. The transaction was completed on 12 December 2012. On 2 April 2015, the Group acquired Alico resulting in USD 1.4 million of goodwill.

Goodwill is tested for impairment in the fourth quarter of the year.

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 8. Trade and other receivables

\$ millions	30 September 2016	31 December 2015
Trade receivables (gross)	737.0	536.2
Allowance for trade receivables	(37.1)	(37.3)
<b>Trade receivables (net)</b>	<b>699.9</b>	<b>498.9</b>
Trade receivables due from related parties (Note 27)	68.7	176.5
Prepayments	27.8	13.2
Derivative financial instruments	-	1.5
Other tax receivable	33.6	37.4
Supplier advanced payments	172.4	116.5
Other investments	11.6	12.5
Retentions	304.1	277.5
Other receivables	146.3	93.9
<b>Total</b>	<b>1,464.4</b>	<b>1,227.9</b>
Non-current	31.2	33.0
Current	1,433.2	1,194.9
<b>Total</b>	<b>1,464.4</b>	<b>1,227.9</b>

The carrying amount of 'Trade and other receivables' as at 30 September 2016 approximates its fair value.

Prepayments relate for the largest part to the amounts prepaid to sub-contractors, retentions related for the largest part to amounts withheld by customers resulting from contractual clauses.

The aging of gross trade receivables at the reporting date that were as follows:

\$ millions	30 September 2016	31 December 2015
Neither past due nor impaired	548.8	322.6
Past due 1 - 30 days	17.8	84.6
Past due 31 - 90 days	31.4	53.4
Past due 91 - 360 days	112.3	52.9
More than 360 days	26.7	22.7
<b>Total</b>	<b>737.0</b>	<b>536.2</b>

Management believes that the unimpaired amounts that are past due by more than 30 days are collectible in full, based on historic payment behavior and extensive analysis of customer credit risk, including underlying customers' credit ratings if they are available.

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The movement in the allowance for impairment in respect of trade receivables during the nine month period ended 30 September 2016 was as follows:

\$ millions	2016	2015
At 1 January	(37.3)	(32.3)
Unused amounts reversed	0.8	3.7
Used amounts	-	-
Amounts formed	(1.1)	(1.9)
Exchange rates differences	0.5	(1.6)
<b>At 30 September</b>	<b>(37.1)</b>	<b>(32.1)</b>

## 9. Equity accounted investees

The following table shows the movement in the carrying amount of the Group's associates and joint ventures:

\$ millions	2016	2015
At 1 January	339.4	389.4
Share in results	30.7	5.0
Investment / divestment	-	1.3
Dividends	-	(23.1)
Effect of movement in exchange rates	2.1	(33.2)
<b>At 30 September / 31 December</b>	<b>372.2</b>	<b>339.4</b>

The entity disclosed under 'Equity accounted investees' that is significant to the Group is BESIX.

### BESIX Group (BESIX)

Established in 1909 in Belgium, BESIX is a global multi-service group offering engineering, procurement and construction (EPC) services. BESIX operates in the construction, real estate and concession sectors in 15 countries focusing on Europe, Africa, the Middle East and Australia. Their core construction competencies include buildings, infrastructure and environmental projects, industrial civil engineering, maritime and port works and real estate development. In addition to EPC services, BESIX is active in real estate development and holds concessions in several Public Private Partnerships (PPP) and design, build, finance and maintain/operate (DBFM) contracts, through which it develops, operates and maintains projects.

The below table summarizes the financial information of BESIX based on the percentage of interest the Group has in it:

BESIX Group 50% \$ millions	2016	2015
Assets	1,298.9	1,159.5
Liabilities	(981.2)	(873.7)
<b>Net assets at 30 September / 31 December</b>	<b>317.7</b>	<b>285.8</b>
Construction revenue	975.1	903.2
Construction cost	(950.1)	(890.6)
<b>Net profit at 30 September</b>	<b>25.0</b>	<b>12.6</b>



# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The Group has interests in a number of equity accounted investees including the following:

Name	Parent	Country	Participation %
BESIX Group	OC IHC3 B.V.	Belgium	50.0
Medrail Ltd.	Orascom Construction Holding Cyprus	UAE	50.0
Egyptian Gypsum Company	UHC	Egypt	28.3
Sidra Medical Center (see note 25)	Contrack Cyprus	Cyprus	45.0
URS Contrack Pacer Forge IV	Contrack Int.	USA	45.0
Watts - Webcor Obayashi	Contrack Int.	USA	34.0
RW Constructors LLC	The Weitz Group	USA	50.0
Alexander - Weitz	The Weitz Group	USA	49.0
National Pipe Company	OCI Construction Egypt OCI Egypt	Egypt	40.0
El Yamama	OCI Construction	KSA	50.0
Orasqualia, Orasqualia for Construction S.A.E. and Orasqualia for Maintenance	OCI Egypt	Egypt	50.0

The following table summarizes the financial information of the Orascom Construction Group's significant associates including BESIX, El Yamama, National Pipe Company, all of Weitz's associates, Egyptian Gypsum Company and Sidra Medical Centre:

\$ millions	2016	2015
Assets	1,395.7	1,265.3
Liabilities	(1,023.5)	(925.9)
<b>Net assets at 30 September / 31 December</b>	<b>372.2</b>	<b>339.4</b>
Income	990.2	916.2
Expenses	(959.5)	(901.1)
<b>Net profit at 30 September</b>	<b>30.7</b>	<b>15.1</b>

## Transaction between Group entities and associates / joint ventures

There are no significant transactions between entities of the group and the associates / joint ventures, except for the investments in and the dividends received from these associates and joint ventures.

## 10. Income taxes

### 10.1 Income tax in the statement of profit or loss

The income tax on profit before income tax amounts to USD 41.5 million (30 September 2015: USD 28.7 million) expense and can be summarized as follows:

\$ millions	the nine month ended 30 September 2016	the three month ended 30 September 2016	the nine month ended 30 September 2015	the three month ended 30 September 2015
Current tax	(35.3)	(14.3)	(28.6)	(15.9)
Deferred tax	(6.2)	(3.1)	(0.1)	(0.8)
<b>Total income tax in profit or loss</b>	<b>(41.5)</b>	<b>(17.4)</b>	<b>(28.7)</b>	<b>(16.7)</b>

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 10.2 Reconciliation of effective tax rate

OCL's operations are subject to income taxes in various foreign jurisdictions, the statutory income tax rates vary from 0.0% to 40.0%.

Reconciliation of the effective tax rate can be summarized as follows:

\$ millions	September 2016	%	September 2015	%
Profit / (loss) before income tax	119.2		98.7	
Tax calculated at weighted average group tax rate	(34.7)	29.1	(17.3)	17.5
<b>Unrecognized tax losses</b>	<b>(11.5)</b>	<b>9.6</b>	<b>(29.5)</b>	<b>29.8</b>
Recognition of previously unrecognized tax losses	4.4	(3.7)	13.2	(13.4)
Expenses non-deductible	(3.5)	2.9	(1.9)	1.9
Other	3.8	(3.2)	6.7	(6.8)
<b>Total income tax in profit or loss</b>	<b>(41.5)</b>	<b>34.8</b>	<b>(28.7)</b>	<b>29.0</b>

## 10.3 Deferred income tax assets and liabilities

The majority of the deferred tax assets "net" of USD 87.8 million relate to carried forward tax losses. The carried forward losses recognized in the statement of financial position are expected to be realized in the period 2016-2019.

## 11. Inventory

\$ millions	30 September 2016	31 December 2015
Finished goods	2.4	1.7
Raw materials and consumables	205.5	176.5
Fuels and others	20.1	18.0
Real estate	6.5	7.2
<b>Total</b>	<b>234.5</b>	<b>203.4</b>

During the nine month period ended 30 September 2016 the total write-downs amount to USD 2.1 million, which all related to raw materials. The real estate relates to the land owned by Suez Industrial Development Company in Egypt, which owns and develops an industrial park.

## 12. Contracts work in progress / billing in excess of construction contracts

\$ millions	30 September 2016	31 December 2015
Costs incurred on incomplete contracts (including estimated earnings)	14,014.7	13,572.8
Less: billings to date (Net)	(14,108.5)	(13,365.8)
<b>Total</b>	<b>(93.8)</b>	<b>207.0</b>

### Presented in the consolidated statements of financial position as follows:

Construction contracts in progress - current assets	817.6	485.4
Billing in excess on construction contracts - current liabilities	(911.4)	(278.4)
<b>Total</b>	<b>(93.8)</b>	<b>207.0</b>

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 13. Cash and cash equivalents

\$ millions	30 September 2016	31 December 2015
Cash on hand	3.3	1.0
Bank balances	475.5	523.6
Restricted funds	7.2	8.0
Restricted cash	32.9	42.3
<b>Total</b>	<b>518.9</b>	<b>574.9</b>

### Restricted funds

The restricted amounts mostly relate to letters of credits of Orascom E&C (USD 4.7 million) and Alico (USD 0.3 million) and to letters of guarantee of OCI (USD 0.7 million), UHC (USD 0.4 million), National Steel Fabrication (USD 0.7 million) and other Group entities (USD 0.4 million).

### Restricted cash

Restricted cash relates to amounts withheld in relation to amounts restricted of Weitz for an amount of USD 6.5 million and USD 26.4 million pledged as collateral against loans.

## 14. Share capital

The movements in the number of shares (nominal value USD 1 per share) can be summarized as follows:

	2016	2015
<b>At 1 January</b>	<b>118,041,492</b>	-
Establishment of Company on 18 January 2015	-	50,000
Number of issued shares as a result of the capital in kind reduction of OCI N.V. on 9 March 2015	-	105,006,927
New issued shares on 11 March 2015	-	12,984,565
Shares reduction	(280,113)	-
<b>At 30 September / 31 December - fully paid</b>	<b>117,761,379</b>	<b>118,041,492</b>
<b>At 30 September / 31 December (in millions of USD)</b>	<b>117.8</b>	<b>118.0</b>

## 15. Reserves

\$ millions	Hedge reserve	Currency translation	Treasury shares	Total
<b>At 1 January 2015</b>	-	(17.0)	-	(17.0)
Currency translation differences	-	(61.8)	-	(61.8)
Treasury shares acquired	-	-	(2.4)	(2.4)
<b>At 31 December 2015</b>	-	<b>(78.8)</b>	<b>(2.4)</b>	<b>(81.2)</b>

\$ millions	Hedge reserve	Currency translation	Treasury shares	Total
<b>At 1 January 2016</b>	-	<b>(78.8)</b>	<b>(2.4)</b>	<b>(81.2)</b>
Change in cash flow hedge	2.1	-	-	2.1
Shares reduction	-	1.9	2.4	4.3
Currency translation differences	-	(42.7)	-	(42.7)
<b>At 30 September 2016</b>	<b>2.1</b>	<b>(119.6)</b>	-	<b>(117.5)</b>

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## Treasury shares

During 2015, the Company has acquired 280,113 shares.

	2015
Number of shares acquired	280,113
Cost of acquiring the shares (in millions of USD)	4.2
<b>Average cost per share (EGP)</b>	<b>108.71</b>

On 30 June 2016, OCL canceled the 280,113 treasury shares and reduced the capital of the Company accordingly.

On 28 September 2016, the Extraordinary General Meeting of the Company has approved a share buyback of 1,000,000 shares of the Company's shares. During October 2016, the Company has acquired 1,000,000 shares at a cost amounting to USD 8.4 million (average cost per share EGP 74.16)

## 16. Non-controlling interest

\$ million	United Holding Company	Orascom Saudi	Suez Industrial Development	Other individual insignificant entities	Total
Non-controlling interest percentage	43.5%	40.0%	39.5%	-	
Non-current assets	7.5	12.4	11.5	6.8	38.2
Current assets	27.1	104.8	20.6	4.4	156.9
Non-current liabilities	-	(2.2)	-	(0.3)	(2.5)
Current liabilities	(7.9)	(93.8)	(12.4)	(2.4)	(116.5)
<b>Net assets as of 31 December 2015</b>	<b>26.7</b>	<b>21.2</b>	<b>19.7</b>	<b>8.5</b>	<b>76.1</b>
Revenues	18.2	56.8	0.9	1.4	77.3
Profit	2.8	(1.0)	-	3.9	5.7
Other comprehensive income	(1.5)	-	(1.5)	(0.4)	(3.4)
<b>Total comprehensive income as of 30 September 2015</b>	<b>1.3</b>	<b>(1.0)</b>	<b>(1.5)</b>	<b>3.5</b>	<b>2.3</b>

30 September 2016 \$ million	United Holding Company	Orascom Saudi	Suez Industrial Development	Other individual insignificant entities	Total
Non-controlling interest percentage	43.5%	40.0%	39.5%	-	
Non-current assets	6.5	4.9	10.8	7.9	30.1
Current assets	35.9	110.4	15.0	4.8	166.1
Non-current liabilities	-	(17.7)	-	(0.2)	(17.9)
Current liabilities	(17.3)	(83.9)	(7.9)	(3.3)	(112.4)
<b>Net assets</b>	<b>25.1</b>	<b>13.7</b>	<b>17.9</b>	<b>9.2</b>	<b>65.9</b>
Revenues	28.3	24.0	0.7	2.4	55.4
Profit	8.3	(7.5)	0.4	1.1	2.3
Other comprehensive income	(4.7)	-	(2.2)	(0.3)	(7.2)
<b>Total comprehensive income</b>	<b>3.6</b>	<b>(7.5)</b>	<b>(1.8)</b>	<b>0.8</b>	<b>(4.9)</b>

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 17. Loans and borrowings

Borrowing Company	Type of loan	Interest rate	Date of maturity	Long term portion	Short term portion	Bank facilities	Total
Orascom Construction	Secured	USD: LIBOR + 2.28 - 4.00% EUR: LIBOR + 2.21 - 5.00% EGP: Corridor 9.75 - 12.95%	Annual	-	-	114.9	114.9
Orascom Saudi	Secured	Saibor + 2.75%	Annual	-	5.9	-	5.9
	Secured	Saibor + 2.00%	Annual	-	-	78.7	78.7
Orascom Construction Industries- Algeria	Secured	Variable 6.5%	03/2016	-	27.9	-	27.9
Orascom Construction Limited	Unsecured	LIBOR+3.25% per annum.		-	134.4	-	134.4
The Weitz Group, LLC	Unsecured	Multiple rates	03/2018	26.3	5.4	-	31.7
Orascom Road Construction	Unsecured	Corridor 9.75 - 12.15%	Annual	-	-	44.0	44.0
Other	-	Multiple rates	-	-	0.4	1.5	1.9
<b>Total as per 31 December 2015</b>				<b>26.3</b>	<b>174.0</b>	<b>239.1</b>	<b>439.4</b>

Borrowing Company	Type of loan	Interest rate	Date of maturity	Long term portion	Short term portion	Bank facilities	Total
Orascom Construction	Secured	USD: LIBOR + 2.28 - 4.00% EUR: LIBOR + 2.21 - 5.00% EGP: Corridor 9.75 - 12.95%	Annual	-	-	150.0	150.0
Orascom Saudi	Secured	Saibor + 3.00%	Annual	42.1	0.1	-	42.2
	Secured	Saibor + 2.00%	Annual	-	-	28.1	28.1
Orascom Construction Industries- Algeria	Secured	6.67%	04/2017	-	20.3	-	20.3
The Weitz Group, LLC	Unsecured	Multiple rates	Multipile	24.2	3.7	-	27.9
Contrack International	Unsecured	LIBOR + 2.5%	Annual	-	-	12.7	12.7
Other	-	Multiple rates	-	0.2	-	1.1	1.3
<b>Total as per 30 September 2016</b>				<b>66.5</b>	<b>24.1</b>	<b>191.9</b>	<b>282.5</b>

Information about the Group's exposure to interest rate, foreign currency and liquidity risk is disclosed in the financial risk and capital management paragraph in Note 5. The fair value of loans and borrowings approximates the carrying amount.

Certain covenants apply to the aforementioned borrowings.

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 18. Trade and other payables

\$ millions	30 September 2016	31 December 2015
Trade payables	582.5	661.2
Trade payables due to related party (Note 27)	23.4	31.8
Other payables	60.6	62.8
Accrued expenses	242.0	181.9
Deferred revenues	3.0	3.0
Other tax payables	9.8	4.7
Derivative financial instruments	7.4	0.2
Retentions payables	144.0	141.2
Employee benefit payables	1.8	2.2
<b>Total</b>	<b>1,074.5</b>	<b>1,089.0</b>
Non-current	10.2	13.8
Current	1,064.3	1,075.2
<b>Total</b>	<b>1,074.5</b>	<b>1,089.0</b>

Information about the Group's exposure to currency and liquidity risk is included in Note 5. The carrying amount of 'Trade and other payables' approximated the fair value.

Retentions payable relate to amounts withheld from sub-contractors.

Derivative financial instruments include the following:

### Foreign exchange contracts

The group entered into forward exchange contracts to hedge its currency risk exposure to the Japanese Yen in certain projects. As at 30 September 2016 the remaining notional amounts of these contracts are USD 42.6 million related to the YEN. The foreign exchange contracts have a fair value of USD 4.6 million. The Group does not apply hedge accounting, therefore all fair value changes related to these financial instruments are recognized in profit and loss.

## 19. Provisions

\$ millions	Warranties	Onerous contracts	Other (including claims)	Total
<b>At 1 January 2015</b>	<b>14.7</b>	<b>29.3</b>	<b>58.7</b>	<b>102.7</b>
Provision formed	8.3	136.0	14.4	158.7
Provision used	-	(21.4)	(17.4)	(38.8)
Provision no longer required	(1.5)	(0.9)	(1.5)	(3.9)
Others	(0.2)	(0.2)	3.6	3.2
Effect of movement in exchange rates	(0.9)	(2.9)	(7.8)	(11.6)
<b>At 31 December 2015</b>	<b>20.4</b>	<b>139.9</b>	<b>50.0</b>	<b>210.3</b>

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

\$ millions	Warranties	Onerous contracts	Other (including claims)	Total
<b>At 1 January 2016</b>	<b>20.4</b>	<b>139.9</b>	<b>50.0</b>	<b>210.3</b>
Provision formed	1.2	33.4	2.0	36.6
Provision used	-	(106.5)	(0.4)	(106.9)
Provision no longer required	(0.4)	(11.4)	(3.2)	(15.0)
Others	-	-	2.9	2.9
Effect of movement in exchange rates	(1.8)	(3.6)	(2.5)	(7.9)
<b>At 30 September 2016</b>	<b>19.4</b>	<b>51.8</b>	<b>48.8</b>	<b>120.0</b>

## Warranties

The warranties are based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

## Other (including claims)

The Group is involved in various litigations and project related disputes. In cases where it is probable that the outcome of the proceedings will be unfavorable, and the financial outcome can be measured reliably, a provision has been recognized. Reference is made to Note 25 for detailed information with respect to major ongoing litigations and claims.

## 20. Cost of sales and selling, general and administrative expenses

### i. Expenses by nature

\$ millions	the nine month ended 30 September 2016	the three month ended 30 September 2016	the nine month ended 30 September 2015	the three month ended 30 September 2015
Changes in raw materials and consumables, finished goods and work in progress	2,365.4	802.2	2,326.8	869.6
Employee benefit expenses (ii)	401.8	103.7	464.0	183.7
Depreciation and amortization	42.2	14.3	42.3	13.1
Maintenance and repairs	15.6	5.0	22.1	6.8
Consultancy expenses	4.0	1.4	3.8	1.0
Other	38.2	10.5	54.0	30.9
<b>Total</b>	<b>2,867.2</b>	<b>937.1</b>	<b>2,913.0</b>	<b>1,105.1</b>

The expenses by nature comprise 'cost of sales' and 'selling, general and administrative expenses'.

### ii. Employee benefit expenses

\$ millions	the nine month ended 30 September 2016	the three month ended 30 September 2016	the nine month ended 30 September 2015	the three month ended 30 September 2015
Wages and salaries	349.2	89.8	405.9	137.2
Social securities	6.1	0.6	27.5	20.3
Employee profit sharing	4.8	3.3	1.3	-
Pension cost	5.6	1.6	5.0	2.7
Other employee expenses	36.1	8.4	24.3	23.5
<b>Total</b>	<b>401.8</b>	<b>103.7</b>	<b>464.0</b>	<b>183.7</b>

During the nine month period ended 30 September 2016, the average number of staff employed in the Group converted into 22,791 permanent employees and 43,245 temporary employees.

A Long-Term Incentive Plan ("LTIP") to attract, motivate and retain key employees in the organization by providing market competitive

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

compensation packages has been put in place in June 2016. Under the plan target awards will be granted annually to executives and senior management and employees in critical positions or high performers. These awards will carry a 3-year vesting period. They will be focused on EBITDA, cash flow from operations and share performance. The plan is cash-settled; no transfer of equity instruments will take place under this plan.

## 21. Other income

\$ millions	the nine month ended 30 September 2016	the three month ended 30 September 2016	the nine month ended 30 September 2015	the three month ended 30 September 2015
Net gain on sale of property, plant and equipment	0.9	1.2	3.4	1.2
Scrap and other	4.3	(0.3)	10.8	7.3
<b>Total</b>	<b>5.2</b>	<b>0.9</b>	<b>14.2</b>	<b>8.5</b>

## 22. Net finance cost

\$ millions	the nine month ended 30 September 2016	the three month ended 30 September 2016	the nine month ended 30 September 2015	the three month ended 30 September 2015
Interest income on loans and receivables	23.1	9.7	10.2	8.2
Fair value gain on derivatives	-	-	-	(0.2)
Foreign exchange gain	11.8	(5.5)	10.3	4.8
<b>Finance income</b>	<b>34.9</b>	<b>4.2</b>	<b>20.5</b>	<b>12.8</b>
Interest expense on financial liabilities measured at amortized cost	(19.7)	(4.1)	(28.6)	(11.5)
Fair value loss on derivatives	(10.3)	6.5	-	-
Foreign exchange loss	(13.5)	(2.5)	(19.4)	(9.0)
<b>Finance cost</b>	<b>(43.5)</b>	<b>(0.1)</b>	<b>(48.0)</b>	<b>(20.5)</b>
<b>Net finance cost recognized in profit or loss</b>	<b>(8.6)</b>	<b>4.1</b>	<b>(27.5)</b>	<b>(7.7)</b>

The above finance income and finance costs include the following interest income and expense in respect of assets (liabilities) not measured at fair value through profit or loss:

\$ millions	the nine month ended 30 September 2016	the three month ended 30 September 2016	the nine month ended 30 September 2015	the three month ended 30 September 2015
Total interest income on financial assets	23.1	9.7	10.2	8.2
Total interest expenses on financial liabilities	(19.7)	(4.1)	(28.6)	(11.5)

## 23. Earnings per share

### i. Basic

	the nine month ended 30 September 2016	the three month ended 30 September 2016	the nine month ended 30 September 2015	the three month ended 30 September 2015
Net Profit attributable to shareholders (in USD million)	75.4	26.0	64.3	24.5
Number of ordinary share in million (Basic)	117.8	117.8	117.8	117.8
<b>Basic earnings per ordinary share</b>	<b>0.64</b>	<b>0.22</b>	<b>0.55</b>	<b>0.21</b>



# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## ii. Weighted average number of ordinary shares calculation

shares	
Issued ordinary shares as at 9 March 2015	105,056,927
Effect of treasury shares held	(280,113)
Effect of new shares issued at 11 March 2015	12,984,565
<b>Number of ordinary shares outstanding at 31 December 2015</b>	<b>117,761,379</b>
<b>Number of ordinary shares outstanding at 30 September 2016</b>	<b>117,761,379</b>

As Orascom Construction Limited received the Construction Business as a capital in kind contribution from OCI N.V. as at 9 March 2015, the number of shares at this date have been used in the calculation of the weighted average number of ordinary shares instead of the number of ordinary shares as at 1 January 2015 (which were nil).

## 24. Segment reporting

The Group determines and presents operating segments on the information that internally is provided to the Chief Executive Officer during the period. The Group has three reportable segments, as described below. Each of the segments is managed separately because they require different operating strategies and use their own assets and employees. Factors used to identify the Group's reportable segments, are a combination of factors and whether operating segments have been aggregated and types of products and services from which each reportable segment derives its revenues.

### Business information for the periods ended 30 September / 31 December 2015

\$ millions	MENA	USA	Besix	Total
<b>Total revenue</b>	<b>1,470.1</b>	<b>1,549.5</b>	<b>-</b>	<b>3,019.6</b>
Share in profit of associates	2.5	2.5	12.6	17.6
Depreciation and amortization	(39.8)	(2.5)	-	(42.3)
Interest income (including gains /(losses) on derivatives)	10.1	0.1	-	10.2
Interest expense	(27.3)	(1.3)	-	(28.6)
<b>Profit before tax as of 30 September 2015</b>	<b>119.2</b>	<b>(33.1)</b>	<b>12.6</b>	<b>98.7</b>
Investment in PP&E as of 31 December 2015	86.5	1.9	-	88.4
<b>Non-current assets as of 31 December 2015</b>	<b>364.9</b>	<b>117.7</b>	<b>285.8</b>	<b>768.4</b>
<b>Total assets as of 31 December 2015</b>	<b>2,553.9</b>	<b>396.2</b>	<b>285.8</b>	<b>3,235.9</b>
<b>Total liabilities as of 31 December 2015</b>	<b>1,695.3</b>	<b>980.1</b>	<b>-</b>	<b>2,675.4</b>

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Business information for the nine month ended 30 September 2016

\$ millions	MENA	USA	Besix	Total
<b>Total revenue</b>	<b>1,491.0</b>	<b>1,468.1</b>	<b>-</b>	<b>2,959.1</b>
Share in profit of associates	6.2	(0.5)	25.0	30.7
Depreciation and amortization	(38.9)	(3.3)	-	(42.2)
Interest income (including gains on derivatives)	23.1	-	-	23.1
Interest expense (including losses on derivatives)	(29.2)	(0.8)	-	(30.0)
<b>Profit before tax</b>	<b>112.9</b>	<b>(18.7)</b>	<b>25.0</b>	<b>119.2</b>
Investment in PP&E	73.2	4.9	-	78.1
<b>Non-current assets</b>	<b>364.4</b>	<b>114.0</b>	<b>317.7</b>	<b>796.1</b>
<b>Total assets</b>	<b>2,694.6</b>	<b>792.8</b>	<b>317.7</b>	<b>3,805.1</b>
<b>Total liabilities</b>	<b>2,217.1</b>	<b>1,007.8</b>	<b>-</b>	<b>3,224.9</b>

Segment revenues have been presented based on the location of the entity which is managing the contracts.

BESIX is presented as part of 'Associates', therefore in the above schedule only the income from associates and the asset value are reflected. For further information with respect to liabilities, revenues and cost, reference is made to note 9.

The geographic information above analyses the Group's revenue and non-current assets by the Company where the activities are being operated. The Orascom Construction Group has customers that represent 10 percent or more of revenues:

Percentage	30 September 2016	30 September 2015
Egyptian Government	32.3%	30.7%
OCI N.V. Group	18.7%	27.3%

## 25. Contingencies

### 25.1 Letters of guarantee / letters of credit

Letters of guarantee issued by banks in favor of others as at 30 September 2016 amount to USD 1,600.1 million (31 December 2015: USD 1,265.3 million). Outstanding letters of credit as at 30 September 2016 (uncovered portion) amount to USD 32.2 million (31 December 2015: USD 26.2 million).

Certain of our sub-holdings have put general performance guarantees for the execution of more significant projects by our subsidiaries.

As of 31 December 2015, mechanic liens have been received in respect of one of our US projects for a total of USD 131.2 million, as at 30 September 2016 USD 61.6 million.

### 25.2 Litigations and claims

In the normal course of business, the Group entities and joint ventures are involved in some arbitration or court cases as defendants or claimants. These litigations are carefully monitored by the entities' management and legal counsels, and are regularly assessed with due consideration for possible insurance coverage and recourse rights on third parties. OCL does not expect these proceedings to result in liabilities that have a material effect on the company's financial position. In cases where it is probable that the outcome of the proceedings will be unfavorable, and the financial outcome can be measured reliably, a provision has been recognized in the financial statements which is disclosed in note 19 'Provisions'. It should be understood that, in light of possible future developments, such as (a) potential additional lawsuits, (b) possible future settlements, and (c) rulings or judgments in pending lawsuits, certain cases may result in additional liabilities and related costs. At this point in time, OCL cannot estimate any additional amount of loss or range of loss in excess of the recorded amounts with sufficient certainty to allow such amount or range of amounts to be meaningful. Moreover, if and to the extent that the contingent liabilities materialize, they are typically paid over a number of years and the timing of such payments cannot be predicted with confidence. While the outcome of said cases, claims and disputes cannot be predicted with certainty, we believe, based upon legal advice and information received, that the final outcome will not materially affect our consolidated financial position but could be material to our results of operations or cash

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

flows in any one accounting period.

## 25.2.1 Administrative court against Suez Industrial Development Company

A decision was issued against Suez Industrial Development Company, which operates in the field of land development in the North West of the Gulf of Suez in Egypt, for the cessation of dealings on any of its allocated plots of land as of mid-November 2011 until the investigations, conducted by the Public Fund Prosecution and Military Prosecution and relating to the allocation and sale of lands located in the North West of the Gulf of Suez, are concluded. On 28 May 2012, the company has submitted a request to the Dispute Settlement Committee at the General Authority of Investment and Free Zones to cancel the said decision. On 25 July 2012, the decision issued by the Prime Minister to withdraw the plot of land allocated to the company was challenged before the Administrative Court and the hearing was postponed to 2 November 2013.

On the hearing of November 2, 2013, the hearing was referred to a different court on the grounds of jurisdiction and accordingly the case was referred to the 8th District Contracts and during the hearing of 4 March 2014 the case was referred to the commissioners to prepare their report. OCL is waiting for the commissioners report.

For the Suez case a reliable outcome of the financial impact cannot be estimated.

## 25.2.2 Administrative court against Egyptian Gypsum Company S.A.E

A lawsuit was filed before the Administrative Court against Egyptian Gypsum Company S.A.E. which operates in the field of gypsum manufacturing, to nullify the sale contract of the company on the grounds that it is one of the companies sold under the privatization scheme. Currently, the report of the commissioners is being prepared. The hearing initially scheduled for 20 April 2015 was postponed until the commissioners submit their report to the court. If the final award is against the company, the ownership of the plant will be transferred to its original owner and the company will get the sales price back. The company's management, supported by its legal expert, believes it is likely that the award will be issued in favor of Egyptian Gypsum Company.

## 25.2.3 Court against former owner of Weitz

The previous owner of The Weitz Company ('Weitz') filed a variety of claims against Weitz arising out of alleged breaches of the Separation Agreement and Buy-Sell Agreements executed upon his departure from Weitz. He also filed a claim for tortious interference with contract against Orascom Construction Industries S.A.E., arising out of the same alleged breaches of the Separation Agreement and Buy-Sell Agreements. Weitz filed a motion for summary judgment on the ground that the proper purchase price had been paid for his stock pursuant to the Separation Agreement and Buy-Sell Agreements.

On 6 February 2015, the court dismissed all claims filed by the previous owner against both Weitz and Orascom Construction Industries S.A.E.

On 11 February 2015, the previous owner filed a notice of appeal to the Supreme Court of Iowa from the final order entered following the trial and from all adverse rulings and orders against the previous owner and in favor of the Weitz defendants. The alleged legal and factual basis for the appeal have not yet been set out by the claimant. during second quarter the appeal had been dismissed.

## 25.2.4 Sidra Medical Center

The contract for the design and build of the Sidra Medical and Research Centre in Doha, Qatar was awarded by the Qatar Foundation for Education, Science & Community Development in February 2008 to the associate owned by Obrascón Huarte Lain (55%) and Contrack (45%), for a total contract value of approximately USD 2.4 billion. The project is more than 95% complete and is not part of the Construction Group's backlog as the project is accounted for under the equity method.

In July 2014, the consortium received a Notice of Termination from the Qatar Foundation for Education, Science & Community Development ('the Foundation'). In relation to this termination, the Foundation claims damages for material amounts from the associates. The claim and asserted damages have not yet been substantiated by the Foundation. At this stage, the Company believes there is no merit to the claim and intends to vigorously oppose the claim. The Company issued a counter claim for asserted damages and claimable costs. The matter has been referred to the UK court of arbitration. Although the Company and their lawyers expect a favorable outcome, there is, given the fact that the arbitration is in its initial phase, uncertainty associated with these matters. OCL management considered the views of their external lawyer who stated that even if the associate would be successful in arbitration, enforcing rights against the Foundation will be a time consuming and complex process. At 30 September 2016, OCL has valued its interest in the associate at nil and carries a USD 16.0 million liability for expected costs including legal fees.

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 26. Operating lease commitments

The Group leases a number of office space, computers, machinery and cars under operating leases. The leases typically run for a period of 10 years, with an option to renew the lease after that date. Lease payments are renegotiated every five years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices.

### i. Future minimum lease payments

\$ millions	30 September 2016	30 September 2015
Less than one year	9.5	10.0
Between one and five years	3.3	0.3
More than five years	0.2	-
<b>Total</b>	<b>13.0</b>	<b>10.3</b>

### ii. Amount recognized in profit or loss

\$ millions	the nine month ended 30 September 2016	the three month ended 30 September 2016	the nine month ended 30 September 2015	the three month ended 30 September 2015
Rent	5.6	1.4	6.2	2.1
Vehicles	0.6	0.1	0.4	0.2
Machinery and equipment	5.8	2.3	17.8	11.2
<b>Total</b>	<b>12.0</b>	<b>3.8</b>	<b>24.4</b>	<b>13.5</b>

## 27. Related party transactions

The following is a list of significant related party transactions and outstanding amounts:

Related party	Relation	Revenue transactions during the period ended 30 September 2015	AR and loan outstanding at period ended 31 December 2015	Purchases transactions during the period ended 30 September 2015	AP and advances outstanding at period ended 31 December 2015
Medrail	Equity accounted investee	-	5.2	-	-
OCI Beaumont	Related via Key Management personnel	4.9	-	-	-
Iowa fertilizer Company	Related via Key Management personnel	522.2	11.2	-	6.2
Natgasoline	Related via Key Management personnel	299.9	132.3	-	-
Orasqualia for the Development of the Wastewater Treatment Plant	Equity accounted investee	-	2.6	-	-
OCI N.V.	Related via Key Management personnel	-	-	-	12.3
Other		-	25.2	-	13.3
<b>Total at 30 September / 31 December 2015</b>		<b>827.0</b>	<b>176.5</b>	<b>-</b>	<b>31.8</b>

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Related party	Relation	Revenue transactions during the period ended 30 September 2016	AR and loan outstanding at period ended 30 September 2016	Purchases transactions during the period ended 30 September 2016	AP and advances outstanding at period ended 30 September 2016
Medrail	Equity accounted investee	-	5.3	-	-
Iowa fertilizer Company	Related via Key Management personnel	232.6	3.6	-	6.5
Natgasoline	Related via Key Management personnel	321.9	39.4	-	-
Orasqualia	Equity accounted investee	-	2.2	-	-
OCI N.V.	Related via Key Management personnel	-	-	-	112.5
OCI SAE "fertilizer"	Related via Key Management personnel	-	11.8	-	-
Other		-	6.4	-	4.4
<b>Total</b>		<b>554.5</b>	<b>68.7</b>	<b>-</b>	<b>123.4</b>

In addition to the related party transactions in the table above, the company incurs certain operating expenses for immaterial amounts in relation to services provided by related parties.

## 27.1 Demerger of Construction and Engineering business

### 27.1.1 General

The demerger from OCI N.V. was completed successfully in March 2015, with the listing of shares on Nasdaq Dubai as of 9 March 2015 and a secondary listing on the Egyptian Exchange as of 11 March 2015.

After the demerger, OCI N.V. and OCL each operate as separately listed companies. There are no cross-directorships, other than Salman Butt, who is Chief Financial Officer of OCI N.V. and non-executive director of OCL. The senior management teams of OCI N.V. and OCL are different and all agreements between the two companies are executed based on agreed terms.

OCL and OCI N.V. are party to continuing commercial arrangements. The existing commercial arrangements were entered into on agreed terms and are not materially different from the terms on which OCL has contracted with other customers. The most relevant are listed below:

### 27.1.2 Shared services agreement

On 5 February 2015, OCI N.V. and OCL entered into a shared services agreement whereby each of the parties has agreed to supply certain transitional services to the other. These services include: the provision by OCI N.V. to OCL of accounting and consolidation, and any general corporate support services as required and the provision by OCL to OCI N.V. of accounting, treasury, information technology, administration, corporate human resources, and office space services. It is expected that the services will be provided for a transitional period of up to 10 to 18 months, following which each of the parties will make their own arrangements for the provision of these services. The consideration payable for the services are on a cost-plus basis.

### 27.1.3 Conditional sale agreement

On 5 February 2015, OC IHC 4 B.V. (a subsidiary of OCL) and OCI MENA B.V. (a subsidiary of OCI N.V.) entered into an Agreement for the Conditional Sale and Purchase of the Share Capital of Construction Egypt. Under the Conditional Sale Agreement, OCI MENA B.V. has agreed to sell to OC IHC 4 B.V. all of the shares it will receive as a result of the Egypt Demerger. These shares (the Construction Egypt Shares) will be shares in an Egyptian joint stock company (Construction Egypt) which, as a result of the Egypt Demerger, will hold the construction projects and construction business of Orascom Construction Industries S.A.E in the Middle East and North Africa which, in order to comply with local law and regulation, cannot be transferred to OCL prior to completion of the Demerger. The transfer of the Construction Egypt Shares will be conditional on the completion of the Egypt Demerger, the approval of Egyptian Financial Supervisory Authority ("EFSA") regarding the issue of

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

the Construction Egypt shares to OCI MENA B.V. and incorporation of Construction Egypt. In addition, OCI MENA B.V. commits to appoint management personnel in the construction operations, such personnel to be nominated by OC IHC 4 B.V.; to appoint accounting personnel responsible for the preparation of the carve out financials of the construction operations, such personnel to be nominated by OC IHC 4 B.V., and to vote on the board of directors of Orascom Construction Industries S.A.E. in matters related to the construction operations based on the recommendation of OC IHC 4 B.V. The Conditional Sale Agreement also provides for the economic benefits/liabilities of the Construction Egypt Shares including the underlying Relevant Construction Projects (together with the right to any dividends) to pass from OCI MENA B.V. to OC IHC 4 B.V. with effect from the date of the Conditional Sale Agreement as if such shares had been in existence since 30 September 2014. This transfer of economic benefit will remain in force until the earlier of completion of the Egypt Demerger and transfer of the Construction Egypt Shares to the Company and completion of all of the Relevant Construction Projects, while any new awards are sought through wholly-owned subsidiaries of OCL.

## 27.1.4 Tax indemnity agreement

On 6 February 2015, OCL and Orascom Construction Industries S.A.E. (a subsidiary of OCI N.V.) entered into a tax indemnity agreement which sets out the obligations of the parties in respect of the tax claim lodged by the tax authorities in Egypt relating to the sale of the Orascom Construction Industries S.A.E.'s cement business to Lafarge SA in 2007. The parties have agreed that, to the extent that any liability is incurred by Orascom Construction Industries S.A.E. in relation to the Tax Claim (including the costs of dealing with the Tax Claim), this will be shared between the parties on a 50%/50% basis. In addition, to the extent that any recoveries, including interests, are made in relation to the Tax Claim, these will be shared between the parties on a 50%/50% basis (excluding the amount of EGP 2.5 billion for which it was announced that the rights will be transferred to Tahya Misr social fund in Egypt).

## 27.1.5 Construction contracts

A commercial relationship between OCI N.V. and OCL will remain on-going in respect of the construction of two projects for the fertilizer business on agreed terms. Orascom E&C USA (subsidiary of OCL) is:

- party to an Engineering, Procurement and Construction (EPC) contract in respect of the Iowa Fertilizer Company (IFCo), a 2 million metric ton per annum (mmtpa) fertilizer and industrial chemicals greenfield plant under construction for OCI N.V. in Iowa, USA. Under the terms of the EPC contract, the new plant will utilize proven state-of-the-art production process technologies to produce between 1.5-2 million metric tons per year of ammonia, urea, urea ammonium nitrate (UAN) as well as diesel exhaust fluid (DEF), an environmentally friendly fuel additive; and
- party to an EPC contract for the construction of a methanol plant at Beaumont, Texas, USA for Natgasoline LLC. The plant is expected to have a capacity of up to 5,000 metric tons per day (tpd), equivalent to approximately 1.75 million metric tons per annum (mtpa).

As part of the demerger of the Orascom Construction Group, OCI N.V. and Orascom Holding Cooperatief U.A., a company that is part of OCL, entered into a letter agreement in relation to the construction contracts entered into between companies within the fertiliser business of OCI N.V. (Fertilizer Business) and companies within the construction business of OCI N.V. (Construction Business). The agreement provides that if the Construction Business incurs costs, expenses or liabilities under the Contracts or for other works and services performed or to be performed for the Fertilizer Business, which are not otherwise reimbursable to the Construction Business under the terms of the Contracts and which exceed the amounts that will, in aggregate, have been and will be payable to the Construction Business under all of the Contracts (the excess being referred to as the Aggregate Group Shortfall), OCI N.V. will pay an amount equal to the Aggregate Group Shortfall. The amount payable by OCI N.V. to the Construction Business under the agreement is capped at USD 150 million. This amount has been paid by OCI N.V. in the third quarter of 2015.

OCI N.V. and Orascom E&C USA, the EPC contractor of Iowa Fertilizer Company LLC ("IFCo"), have committed to enter into a settlement and acceleration agreement. The agreement is under preparation and to address outstanding claims between IFCo and Orascom E&C USA, and provide for additional consideration of up to USD 200 million to ensure commercial operations in the second half of 2016.

## 27.2 OCI Foundation and Sawiris Foundation

The OCI Foundation invests company resources in educational programs that improve the communities in which the company operates. OCI has cultivated strong ties with several leading universities, including the University of Chicago (Onsi Sawiris Scholars Exchange Program), Stanford (The American Middle Eastern Network Dialogue) and Yale (Master of Advanced Management program and Global Network for Advanced Management program).

Furthermore, the Sawiris Foundation for Social Development also provides grants to fund projects implemented by charitable organizations, educational institutions, local government and private business.

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 28. Remuneration of the Board of Directors (Key management personnel)

During the nine month period ended 30 September 2016, we considered the members of the Board of Directors (Executive and Non-executive) and the senior management to be the key management personnel as defined in IAS 24 'Related parties'. The total remuneration of the key management personnel amounts for the nine month period ended 30 September 2016 to an amount of USD 7.5 million.

## 29. List of principal subsidiaries, associates and joint ventures

Companies	Country	Percentage of interest	Consolidation method
Cementech Limited	BVI	100.00	Full
Orascom Construction Industries Algeria Spa	Algeria	99.90	Full
IMAGRO Construction SRL	Italy	49.00	Full
BESIX Group SA	Belgium	50.00	Equity
Aluminium & Light Industries Co Ltd	Egypt	100.00	Full
OCI Construction Limited	Cyprus	100.00	Full
Orascom Construction	Egypt	100.00	Full
Orascom Road Construction	Egypt	99.98	Full
Orasqualia for the Development of the Wastewater Treatment Plant	Egypt	50.00	Equity
National Steel Fabrication	Egypt	99.90	Full
Suez Industrial Development Company	Egypt	60.50	Full
Orascom Saudi Company	Kingdom of Saudi Arabia	60.00	Full
Contrack International Inc	USA	100.00	Full
Orascom E&C USA	USA	100.00	Full
Orascom Construction USA Inc	USA	100.00	Full
Orascom Investments	Netherlands	100.00	Full
The Weitz Group LLC	USA	100.00	Full
Orascom for Solar Energy	Egypt	60.00	Full
Orascom for Wind Energy	Egypt	100.00	Full

Furthermore, OCL has various holding companies in the Netherlands and the countries it operates in.

Dubai, UAE, 21 November 2016

The Orascom Construction Limited Board of Directors,

Jérôme Guiraud	Chairman
Osama Bishai	Chief Executive Officer
Arif Naqvi	Member
Salman Butt	Member
Sami Haddad	Member
Khaled Bichara	Member
Azmi Mikati	Member

**ORASCOM CONSTRUCTION LIMITED**  
(the **Company**)

A meeting of the board of directors of the Company was held on 21 November 2016. After due and careful consideration, **IT WAS RESOLVED** that:

- (a) the financial statements (consolidated and standalone) of the Company for the period ended 30 September 2016 be approved.



Orascom Construction Limited  
("the Company")

Interim financial statements (unaudited)  
*For the nine month period ended 30 September 2016*

# Orascom Construction Limited

## Interim financial statements (unaudited)

*For the nine month period ended 30 September 2016*

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KPMG LLP  
Unit No. 819, Liberty House  
DIFC, Dubai, UAE  
Tel. +971 (4) 403 0300, Fax +971 (4) 330 1515

## **Independent Auditors' Report on Review of Interim Financial Statements**

The Shareholders  
Orascom Construction Limited

### **Introduction**

We have reviewed the accompanying 30 September 2016 separate condensed interim financial statements of Orascom Construction Limited ("the Company"), which comprises:

- the separate condensed statement of financial position as at 30 September 2016;
- the separate condensed statement of profit or loss and other comprehensive income for the three month and nine month periods ended 30 September 2016;
- the separate condensed statement of changes in equity for the nine month period ended 30 September 2016;
- the separate condensed statement of cash flows for the nine month period ended 30 September 2016; and
- notes to the separate condensed interim financial statements.

Management is responsible for the preparation and presentation of these separate condensed interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these separate condensed interim financial statements based on our review.

### **Scope of review**

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements 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.



**Orascom Construction Limited**  
*Independent Auditors' Report on  
Review of Interim Financial Statements  
30 September 2016*

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2016 separate condensed interim financial statements are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

*KPMG LLP*

KPMG LLP  
Dubai, United Arab Emirates



Freddie Edward Cloete  
Partner

Date: 21 November 2016

# Orascom Construction Limited

## Interim statement of profit or loss and other comprehensive income (unaudited)

For the nine month period ended 30 September 2016

		Nine month period ended 30 September		Three month period ended 30 September	
	Note	2016 (Unaudited) USD	2015 (Unaudited) USD	2016 (Unaudited) USD	2015 (Unaudited) USD
Support service charges	10	11,493,000	8,930,000	2,824,500	7,063,500
General and administrative expenses	5	(12,411,693)	(7,618,264)	(5,048,379)	(2,797,784)
Dividend income from a subsidiary	10	7,820,025	17,616,000	-	17,616,000
Finance income	6	18,959,200	11,188,872	5,744,758	4,610,905
Finance expense	7	(24,411,193)	(5,780,579)	(62,067)	(5,285,579)
Loss on foreign currency exchange forward contracts		(1,635,337)	(87,646)	-	(87,646)
<b>(Loss) / Profit for the period</b>		<b>(185,998)</b>	<b>24,248,383</b>	<b>3,458,812</b>	<b>21,119,396</b>
<i>Other comprehensive income for the period</i>		-	-	-	-
<b>Total comprehensive (loss) / income for the period</b>		<b>(185,998)</b>	<b>24,248,383</b>	<b>3,458,812</b>	<b>21,119,396</b>

The notes on pages 7 to 23 form an integral part of these interim financial statements.

The independent auditors' report on review of the interim financial statements is set out on pages 1 and 2.

# Orascom Construction Limited

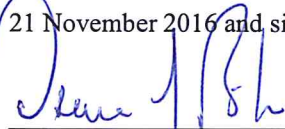
## Interim statement of financial position (unaudited)

As at 30 September 2016

	Note	30 September 2016 USD (Unaudited)	31 December 2015 USD (Audited)
<b>Non-current assets</b>			
Property and equipment		839,958	-
Investment in a subsidiary	8	722,000,000	722,000,000
Loans due from related parties	10	396,126,014	529,258,640
Capital work in progress		-	697,487
		<u>1,118,965,972</u>	<u>1,251,956,127</u>
<b>Current assets</b>			
Prepayments and other receivables	9	110,745	1,664,109
Due from related parties	10	14,885,044	5,574,701
Cash at banks		15,244,005	28,978,480
		<u>30,239,794</u>	<u>36,217,290</u>
<b>Total assets</b>		<u><u>1,149,205,766</u></u>	<u><u>1,288,173,417</u></u>
<b>Liabilities and shareholder's equity</b>			
<b>Shareholder's equity</b>			
Share capital	13	117,761,379	118,041,492
Share premium		771,639,257	772,724,695
Retained earnings		30,204,660	30,390,658
		<u>919,605,296</u>	<u>921,156,845</u>
<b>Non-current liabilities</b>			
Loans due to related parties	10	225,446,932	223,263,701
<b>Current liabilities</b>			
Accounts payable and accrued expenses	11	750,626	5,983,405
Due to related parties	10	3,402,912	3,374,113
Bank borrowings	12	-	134,395,353
		<u>4,153,538</u>	<u>143,752,871</u>
<b>Total liabilities</b>		<u><u>229,600,470</u></u>	<u><u>367,016,572</u></u>
<b>Total liabilities and shareholder's equity</b>		<u><u>1,149,205,766</u></u>	<u><u>1,288,173,417</u></u>

The notes on pages 7 to 23 form an integral part of these interim financial statements.

These interim financial statements were approved by the Board of Directors and authorised for issue on 21 November 2016 and signed on their behalf by:



Osama Bishai – Chief Executive Officer

The independent auditors' report on review of the interim financial statements is set out on pages 1 and 2.

# Orascom Construction Limited

## Interim statement of changes in equity

For the nine month period ended 30 September 2016

	Share capital USD	Share premium USD	Retained earnings USD	Total USD
Opening balance	-	-	-	-
<i>Total comprehensive income for the period</i>				
Profit for the period	-	-	24,248,383	24,248,383
<b><i>Total comprehensive income for the period</i></b>	-	-	24,248,383	24,248,383
<i>Transactions with owners, recognised directly in equity</i>				
Common stock issued during the period	118,041,492	789,428,096	-	907,469,588
Transaction costs	-	(16,703,401)	-	(16,703,401)
Balance at 30 September 2015	118,041,492	772,724,695	24,248,383	915,014,570
Balance at 1 January 2016	118,041,492	772,724,695	30,390,658	921,156,845
<i>Total comprehensive income for the period</i>				
Loss for the period	-	-	(185,998)	(185,998)
<b><i>Total comprehensive loss for the period</i></b>	-	-	(185,998)	(185,998)
<i>Transactions with owners, recognised directly in equity</i>				
Re-purchase of treasury shares during the period	(280,113)	(1,085,438)	-	(1,365,551)
<b>Balance at 30 September 2016 (Unaudited)</b>	<b>117,761,379</b>	<b>771,639,257</b>	<b>30,204,660</b>	<b>919,605,296</b>

The notes on pages 7 to 23 form an integral part of these interim financial statements.

# Orascom Construction Limited

## Interim statement of cash flows

For the nine month period ended 30 September 2016

		30 September 2016 <i>Note</i> USD (Unaudited)	30 September 2015 USD (Unaudited)
<b>Operating activities</b>			
Net (loss) / profit for the period		(185,998)	24,248,383
<i>Adjustments for:</i>			
Depreciation		229,080	
Finance income	6	(18,959,200)	(11,188,872)
Finance expenses	7	24,411,193	5,780,579
		-----	-----
<i>Operating profit before working capital changes</i>		<b>5,495,075</b>	18,840,090
Change in prepayments and other receivables	9	1,553,364	(589,686)
Change in due from related parties	10	(9,310,343)	(6,533,750)
Change in accounts payable and accrued expenses	11	(5,232,779)	4,306,966
Change in due to related parties	10	28,799	22,796,843
		-----	-----
<i>Net cash (used in) / generated from operating activities</i>		<b>(7,465,884)</b>	38,820,463
		-----	-----
<b>Investing activities</b>			
Net movement in loan due from related parties	10	133,132,626	-
Finance income received		18,959,200	11,188,872
Net movement in capital work in progress		697,487	-
Additions to property and equipment		(1,069,038)	-
		-----	-----
<i>Net cash generated from investing activities</i>		<b>151,720,275</b>	11,188,872
		-----	-----
<b>Financing activities</b>			
Net movement in loan due to related parties	10	817,680	(184,089,685)
Finance expenses paid		(24,411,193)	(5,780,579)
Net movement in bank borrowings	12	(134,395,353)	-
Proceeds from stock issuance		-	168,766,187
		-----	-----
<i>Net cash used in financing activities</i>		<b>(157,988,866)</b>	(21,104,077)
		-----	-----
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(13,734,475)</b>	28,905,258
Cash and cash equivalents at the beginning of the period		28,978,480	-
		-----	-----
<b>Cash and cash equivalents at the end of the period</b>		<b>15,244,005</b>	28,905,258
		=====	=====

The notes on pages 7 to 23 form an integral part of these interim financial statements.

The independent auditors' report on review of the interim financial statements is set out on pages 1 and 2.



# Orascom Construction Limited

## Notes

*(forming part of these interim financial statements)*

### **1 Legal status and principal activities**

Orascom Construction Limited (“the Company”) is a Company limited by shares, incorporated and registered in the Dubai International Financial Centre on 18 January 2015. The Company is dual listed on NASDAQ Dubai and the Egyptian Stock Exchange. The registered address of the Company is P.O. Box 507031, Dubai International Financial Centre, Dubai, United Arab Emirates.

The principal activity of the Company is holding investments.

The Company has 100 percent interest in Orascom Holding Cooperatief U.A. (“the subsidiary”) which is the parent company of other subsidiaries operating in the construction sector.

### **2 Basis of preparation**

#### ***Statement of compliance***

These interim financial statements has been prepared in accordance with the International Accounting Standard (“IAS”) 34, Interim Financial Reporting.

These separate interim financial statements reflect the operating results and the financial position of the Company only and do not include the operating results and financial position of its subsidiary.

#### ***Separate financial statements of the Company***

The Company acts as a holding company of a subsidiary. The Company and its subsidiary are collectively referred to as “the Group”. These interim financial statements present the financial performance and position of the Company only. In these interim financial statements, the investment in subsidiary is stated at cost less provision for impairment losses (refer accounting policy on impairment) in accordance with International Accounting Standard 27 Consolidated and Separate Financial Statements.

These standalone unconsolidated interim financial statements reflects the operating results and the financial position of the Company only i.e. these are separate interim financial statements of the Company only, and do not include the operating results and financial position of its subsidiary. The subsidiary has been consolidated on a line by line basis in the consolidated interim financial statements. The consolidated interim financial statements should be referred for better understanding of operating results and financial position of the Company and its subsidiary.

#### ***Basis of measurement***

These interim financial statements have been prepared under the historical cost basis.

#### ***Functional and presentation currency***

These interim financial statements are presented in US Dollars (“USD”), which is the Company’s functional currency.

#### ***Use of estimates and judgments***

The preparation of these financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

# Orascom Construction Limited

## Notes (continued)

### 2 Basis of preparation (continued)

#### *Use of estimates and judgments (continued)*

These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgement about the carrying value of assets and liabilities that are not readily apparent from the other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of assumptions, estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are discussed in note 17.

### 3 Significant accounting policies

The accounting policies set out below, which comply with IFRSs, have been applied consistently to all period presented in these interim financial statements.

#### *Investment in a subsidiary*

Subsidiaries are entities controlled by the Company, the company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiary is included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Investment in subsidiary is stated at cost less any provision required for impairment.

#### *Share premium*

Ordinary shares are classified as equity. Share premium is the excess amount received over the par value of the shares. Incremental costs directly attributable to the issue of new shares are recognised in equity as a deduction, net of tax, from the proceeds. When ordinary shares are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of tax effects, is recognised as a deduction from 'Reserves'. Repurchased shares are classified as treasury shares and are presented in 'Reserves'. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in 'Reserves', and the resulting surplus or deficit on the transaction is presented in share premium.

#### *Finance income*

Finance income represents interest charged on loans due from related parties and bank interest. Interest income is recognised as it accrues, using the effective interest rate method.

#### *Finance expenses*

Finance expense represents interest on loans due to related parties and bank borrowings, bank charges and foreign exchange losses/(gain) - net. Interest expense is recognised as it accrues, using the effective interest rate method.

# Orascom Construction Limited

## Notes (continued)

### 3 Significant accounting policies (continued)

#### *Financial instruments*

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

#### *Loans and receivables*

Loans and receivables are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost, using the effective interest method less any impairment losses.

#### *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when and only when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

#### *Non-derivative financial instruments*

Non-derivative financial instruments comprise other receivables, cash at banks, amounts due from and to related parties, account payables and loans due from and due to related parties.

#### **Impairment**

##### *Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at effective interest rate. Impairment losses, if any, are recognised in the profit or loss.

##### *Non-financial assets*

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses, if any, are recognised in the profit and loss.

# Orascom Construction Limited

## Notes (continued)

### 3 Significant accounting policies (continued)

#### *Provisions*

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

#### *Foreign currencies*

Transactions denominated in foreign currencies are translated into USD at exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to USD at the exchange rate at the reporting date. Non-monetary assets and liabilities, denominated in foreign currencies, which are stated at historical cost, are translated to USD at the foreign exchange rates ruling at the date of the transaction. Realised and unrealised exchange gains and losses arising on translation are recognised in the profit and loss.

#### *New standards and interpretations not yet effective*

A number of new standards and amendments to standards are effective for annual periods beginning on or after 1 January 2016; however, the Company has not applied the following new or amended standards in preparing these interim financial statements:

#### *IFRS 9 Financial Instruments*

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

#### *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted.

#### *IFRS 16 Leases*

IFRS 16, published in January 2016 replaces the previous guidance in IAS 17 Leases. Under this revised guidance, leases will be brought onto Companies' balance sheets, increasing the visibility of their assets and liabilities. It further removes the classification of leases as either operating leases or finance leases treating all leases as finance leases from the perspective of the lessee, thereby eliminating the requirement for lease classification test. The revised guidance has an increased focus on who controls the asset and may change which contracts are leases. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted provided IFRS 15 Revenue from Contract with Customers is also applied by the Company.

# Orascom Construction Limited

## Notes (continued)

### 4 Financial risk management and capital management

#### *Overview*

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Company's management has the overall responsibility for the establishment and oversight of the Company's risk management framework and is responsible for developing and monitoring the Company's risk management policies.

#### *Credit risk*

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations which arise principally from the Company's receivables from related parties. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each of its related parties.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of receivable from related parties. The main components of this allowance are specific loss components that relates to individually significant exposures and a collective loss component established for group of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for group of similar financial assets. The Company's cash is placed with an international and local banks of good repute.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk mainly relates to accounts payables, bank borrowings, loans due to related parties and due to related parties. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

#### *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

# Orascom Construction Limited

## Notes (continued)

### 4 Financial risk management and capital management (continued)

#### *Market risk (continued)*

##### *Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to the changes in foreign exchange rates. The principal currency in which these transactions primarily denominated is the Egyptian pound.

##### *Price risk*

Price risk is the risk that the value of a financial instrument will fluctuate as a result of change in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company has no significant exposure to price risk.

##### *Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect the net finance cost of the Company. The Company has exposure to interest rate risk on loans due from and loans due to a related parties and bank borrowings on which interests are charged at commercial rates.

#### *Capital management*

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of change in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to the shareholder, return on capital to shareholder or issue new shares.

#### *Fair value*

The fair value of the financial assets and liabilities of the Company approximate their carrying values as at the reporting date.

### 5 General and administrative expenses

	Nine month period ended		Three month period ended	
	30 September	30 September	30 September	30 September
	2016	2015	2016	2015
	USD	USD	USD	USD
Salaries and other employee benefits	9,042,253	4,644,320	3,770,776	2,349,978
Consultancy fees	1,592,965	1,941,361	535,285	406,376
Insurance	229,381	-	-	-
Travel	223,441	28,150	49,689	7,015
Rental	188,336	155,497	58,095	35,575
Utilities	177,386	23,238	62,157	23,238
Communication	154,516	3,776	53,517	(16,532)
Advertising	63,455	399,083	17,837	(421,829)
Others	739,960	422,839	501,023	413,963
	-----	-----	-----	-----
	12,411,693	7,618,264	5,048,379	2,797,784
	=====	=====	=====	=====

# Orascom Construction Limited

Notes (continued)

## 6 Finance income

	Nine month period ended 30 September 2016 USD		Three month period ended 30 September 2016 USD	
	30 September 2016 USD	30 September 2015 USD	30 September 2016 USD	30 September 2015 USD
Interest on loans due from related parties (refer note 10)	18,959,200	11,137,212	5,744,758	4,610,905
Interest on bank balances	-	51,660	-	-
	<u>18,959,200</u>	<u>11,188,872</u>	<u>5,744,758</u>	<u>4,610,905</u>

## 7 Finance expenses

	Nine month period ended 30 September 2016 USD		Three month period ended 30 September 2016 USD	
	30 September 2016 USD	30 September 2015 USD	30 September 2016 USD	30 September 2015 USD
Foreign exchange loss / (gain) – net	22,279,804	5,594,187	(201,579)	(5,099,187)
Interest on loans from bank	1,385,046	-	-	-
Interest on loans due to related parties (refer note 10)	735,077	184,528	258,476	184,528
Bank charges	11,266	1,864	5,170	1,864
	<u>24,411,193</u>	<u>5,780,579</u>	<u>62,067</u>	<u>5,285,579</u>

## 8 Investment in a subsidiary

The Company has 100% interest in Orascom Holding Cooperatief U.A. (“the subsidiary”). The acquisition of the subsidiary in the previous year was made through the issuance of share capital to OCI N.V. on 9 March 2015. Refer note 13.

The subsidiary was incorporated on 4 September 2014 under the Dutch law and primarily operates as an investment holding company.

	30 September 2016 USD	31 December 2015 USD
Orascom Holding Cooperatief U.A.	<u>722,000,000</u>	<u>722,000,000</u>

During the nine month period ended 30 September 2016, the Board of Directors of the subsidiary declared and paid dividends of USD 7,820,025 to the Company (30 September 2015: USD 17,616,000).

# Orascom Construction Limited

Notes (continued)

## 9 Prepayments and other receivables

30 September 2016 31 December 2015

	USD	USD
Deposits	58,095	124,089
Prepayments	52,650	82,183
Others	-	1,457,837
	-----	-----
	110,745	1,664,109
	=====	=====

## 10 Related party transactions

The Company, in the ordinary course of business, enters into transactions with other business enterprises that fall within the definition of related parties contained in International Accounting Standard No. 24. These transactions are carried out at mutually agreed rates. The significant transactions with related parties during the period were as follows:

	Nine month period ended	
	30 September 2016	30 September 2015
	USD	USD
Interest income on loans due from related parties (refer to note 6)	18,959,200	11,137,212
Expenses incurred by the company on behalf of related parties	12,411,693	7,618,264
Support service recharged to related parties (see note (i) below)	11,493,000	8,930,000
Dividend income received from a subsidiary (refer note 8)	7,820,025	17,616,000
Interest expense on loans due to related parties (refer to note 7)	735,077	184,528
	=====	=====

- (i) Support service charges represent corporate charges made by the Company to its related parties for accounting, IT and other support services provided by the Company to its related parties.

### Key management remuneration

The Company considers the members of its Board of Directors (Executive and Non-executive), and the senior management to be the key management personnel as defined in IAS 24 'Related parties'.

The remuneration of the key management personnel for the nine month period is as follows:

	30 September 2016	30 September 2015
	USD	USD
Salaries and benefits	450,000	325,000
	=====	=====



# Orascom Construction Limited

## Notes (continued)

### 10 Related party transactions (continued)

				30 September 2016			31 December 2015		
	Relationship	Interest terms	Repayment terms	Current portion USD	Non-current portion USD	Total USD	Current portion USD	Non-current portion USD	Total USD
Loans due from related parties									
OCI Saudi Arabia	Subsidiary	refer note (d)	payable on 31 December 2020	-	15,473,504	15,473,504	-	15,258,275	15,258,275
OCI Construction International	Subsidiary	refer note (b)	payable on 31 December 2020	-	101,571,446	101,571,446	-	169,008,429	169,008,429
Orascom Construction SAE	Subsidiary	refer note (a)	payable on 31 December 2020	-	66,091,647	66,091,647	-	190,903,065	190,903,065
OCI Construction Holding Cyprus	Subsidiary	refer note (c)	payable on 31 December 2019	-	211,189,345	211,189,345	-	152,483,857	152,483,857
Orascom Abu Dhabi Contrack JV	Subsidiary	no interest	payable on 31 December 2020	-	1,800,072	1,800,072	-	1,605,014	1,605,014
				-----	-----	-----	-----	-----	-----
				-	396,126,014	396,126,014	-	529,258,640	529,258,640
				=====	=====	=====	=====	=====	=====
Due from related parties									
Weitz	Subsidiary	no interest	receivable on demand	4,160,439	-	4,160,439	1,075,000	-	1,075,000
Orascom E&C	Subsidiary	no interest	receivable on demand	5,483,000	-	5,483,000	2,600,000	-	2,600,000
Orascom Saudi	Subsidiary	no interest	receivable on demand	2,261,034	-	2,261,034	1,079,701	-	1,079,701
Orascom Roads	Subsidiary	no interest	receivable on demand	1,482,000	-	1,482,000	700,000	-	700,000
Contrack International Inc. USA	Subsidiary	no interest	receivable on demand	1,245,071	-	1,245,071	-	-	-
Orascom Algeria	Subsidiary	no interest	receivable on demand	253,500	-	253,500	120,000	-	120,000
				-----	-----	-----	-----	-----	-----
				14,885,044	-	14,885,044	5,574,701	-	5,574,701
				=====	=====	=====	=====	=====	=====
Loans due to related parties									
Orascom Holding Coopratief U.A.	Subsidiary	refer note (d)	payable on 31 December 2020	-	19,749,409	19,749,409	-	19,474,703	19,474,703
NSF Global Limited.	Subsidiary	refer note (e)	payable on 31 December 2019	-	3,371,007	3,371,007	-	3,357,907	3,357,907
Cementech Limited	Subsidiary	refer note (e)	payable on 31 December 2020	-	200,436,855	200,436,855	-	198,624,731	198,624,731
OCI Construction Limited	Subsidiary	refer note (e)	payable on 31 December 2019	-	1,889,661	1,889,661	-	1,806,360	1,806,360
				-----	-----	-----	-----	-----	-----
				-	225,446,932	225,446,932	-	223,263,701	223,263,701
				=====	=====	=====	=====	=====	=====
Due to related parties									
OCI N.V.	Subsidiary	no interest	payable on demand	3,402,912	-	3,402,912	3,309,229	-	3,309,229
Contrack International USA	Subsidiary	no interest	payable on demand	-	-	-	64,884	-	64,884
				-----	-----	-----	-----	-----	-----
				3,402,912	-	3,402,912	3,374,113	-	3,374,113
				=====	=====	=====	=====	=====	=====

# Orascom Construction Limited

## Notes (continued)

### 10 Related party transactions (continued)

#### *Interest terms*

- (a) The loan balances from Orascom Construction SAE comprise the following loans:
  - i. A loan denominated in Egyptian pound that carried interest based on the Egyptian Central Bank Mid Corridor rate plus 1%.
  - ii. A loan denominated in US dollars that carries interest at monthly LIBOR rate plus 3.25%.
- (b) The loan carries interest at monthly LIBOR rate plus 3.25%.
- (c) The loan carries interest at monthly LIBOR rate plus 3.30%.
- (d) The loan carries interest at monthly LIBOR rate plus 1.40%.
- (e) The loan carries interest at monthly rate charged by one of the Company's bank plus 0.05%.

#### *Loans due from related parties*

*The movement in the loan due from Orascom Construction SAE denominated in Egyptian pound is as follows:*

	<b>30 September 2016</b>	31 December 2015
	<b>USD</b>	<b>USD</b>
Opening balance	<b>187,149,356</b>	-
Initial loan amount	-	179,935,393
Add: finance income	<b>11,263,488</b>	15,818,637
Less: repayments	<b>(110,355,315)</b>	(8,604,674)
Less: foreign currency exchange loss	<b>(21,965,882)</b>	-
	<b>=====</b>	<b>=====</b>
	<b>66,091,647</b>	187,149,356
	<b>=====</b>	<b>=====</b>

*The movement in the loan due from Orascom Construction SAE denominated in US dollars is as follows:*

	<b>30 September 2016</b>	31 December 2015
	<b>USD</b>	<b>USD</b>
Opening balance	<b>3,753,709</b>	-
Initial loan amount	-	3,688,845
Add: finance income	<b>23,076</b>	64,864
Less: repayments	<b>(3,776,785)</b>	-
	<b>=====</b>	<b>=====</b>
	<b>-</b>	3,753,709
	<b>=====</b>	<b>=====</b>

*The movement in the loan due from OCI Construction International is as follows:*

	<b>30 September 2016</b>	31 December 2015
	<b>USD</b>	<b>USD</b>
Opening balance	<b>169,008,429</b>	-
Initial loan amount	-	166,087,947
Add: finance income	<b>3,252,566</b>	2,920,482
Less: repayments	<b>(70,689,549)</b>	-
	<b>=====</b>	<b>=====</b>
	<b>101,571,446</b>	169,008,429
	<b>=====</b>	<b>=====</b>

# Orascom Construction Limited

Notes (continued)

## 10 Related party transactions (continued)

### *Loans due from related parties (continued)*

*The movement in the loan due from OCI Construction Holding Cyprus is as follows:*

	30 September 2016 USD	31 December 2015 USD
Opening balance	152,483,857	-
Initial loan amount	-	151,180,763
Add: finance income	4,204,841	1,303,094
Add: additional loan during the period	183,834,926	-
Less: repayments	(129,334,279)	-
	=====	=====
	211,189,345	152,483,857
	=====	=====

*The movement in the loan due from OCI Saudi Arabia is as follows:*

	30 September 2016 USD	31 December 2015 USD
Opening balance	15,258,275	-
Initial loan amount	-	15,133,655
Add: finance income	215,229	124,620
	=====	=====
	15,473,504	15,258,275
	=====	=====

*The movement in the loan due from Orascom Abu Dhabi Contrack JV is as follows:*

	30 September 2016 USD	31 December 2015 USD
Opening balance	1,605,014	-
Initial loan amount	-	1,605,014
Add: additional loan during the period	195,058	-
	=====	=====
	1,800,072	1,605,014
	=====	=====

### *Loans due to related parties*

*The movement in the loan due to Cementech Limited is as follows:*

	30 September 2016 USD	31 December 2015 USD
Opening balance	198,624,731	-
Initial loan amount	-	198,455,996
Add: finance expense	446,573	168,735
Add: additional loan during the period	1,365,551	-
	=====	=====
	200,436,855	198,624,731
	=====	=====

# Orascom Construction Limited

Notes (continued)

## 10 Related party transactions (continued)

### *Loans due to related parties (continued)*

*The movement in the loan due to Orascom Holding Cooperatief U.A is as follows:*

	30 September 2016 USD	31 December 2015 USD
Opening balance	19,474,703	-
Initial loan amount	-	20,375,000
Add: finance expense	274,706	266,491
Less: repayments	-	(1,166,788)
	----- 19,749,409 =====	----- 19,474,703 =====

*The movement in the loan due to NSF Global Limited is as follows:*

	30 September 2016 USD	31 December 2015 USD
Opening balance	3,357,907	-
Initial loan amount	-	3,353,020
Add: finance expense	13,100	4,887
	----- 3,371,007 =====	----- 3,357,907 =====

*The movement in the loan due to OCI Construction Limited is as follows:*

	30 September 2016 USD	31 December 2015 USD
Opening Balance	1,806,360	-
Initial loan amount	-	1,805,707
Add: finance expense	698	653
Add: foreign currency exchange loss	82,603	-
	----- 1,889,661 =====	----- 1,806,360 =====

## 11 Accounts payable and accrued expenses

	30 September 2016 USD	31 December 2015 USD
Accounts payable	600,626	3,608,405
Accrued expenses	150,000	2,375,000
	----- 750,626 =====	----- 5,983,405 =====

# Orascom Construction Limited

## Notes (continued)

### 12 Bank borrowings

	30 September 2016 USD	31 December 2015 USD
Bank loan	-	134,395,353
	=====	=====

Bank loan carried interest at an average rate of 1.0%. The full amount of the loan was settled on 1 February 2016.

### 13 Share capital

The movement in share capital during the period is as follows:

	2016 USD	2015 USD
At 1 January	118,041,492	-
Establishment of Company on 18 January 2015	-	50,000
Shares issued as a result of the capital in kind reduction of OCI N.V. on 9 March 2015	-	-
New shares issued on 11 March 2015	-	105,006,927
Disposal of shares during the period	(280,113)	12,984,565
	-----	-----
At 30 September / 31 December	117,761,379	118,041,492
	=====	=====

### 14 Operating lease commitments

#### *The Company as a lessee*

The Company operates from lease hold premises which typically run for a period of one year with an option to renew the lease after that date. The lease rentals are usually renewed to reflect market rentals.

The future minimum lease payments under the current operating lease agreement are as follows:

	30 September 2016 USD	31 December 2015 USD
Within one year	209,000	103,850
	=====	=====
Rent expense	188,336	197,970
	=====	=====

### 15 Financial instruments

The financial assets of the Company include cash at banks and related party balances. The financial liabilities of the Company include accounts payable and accrued expenses, bank borrowings and related party balances. Accounting policies for financial assets and liabilities are set out in note 3.

# Orascom Construction Limited

## Notes (continued)

### 15 Financial instruments (continued)

#### *Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	30 September 2016 USD	31 December 2015 USD
Loans due from related parties	396,126,014	529,258,640
Due from related parties	14,885,044	5,574,701
Cash at banks	15,242,096	28,978,480
	-----	-----
	426,253,154	563,811,821
	=====	=====

#### *Liquidity risk*

The following are the contractual maturities of financial liabilities including estimated interest payments:

	Carrying amount USD	Contractual cash flows USD	1 year or less USD	More than 1 year USD
<b>30 September 2016</b>				
<i>Non-derivative financial liabilities</i>				
Loans due to related parties	225,446,932	229,512,276	-	229,512,276
Due to related parties	3,402,912	3,402,912	3,402,912	-
Accounts payable and accrued expense	750,626	750,626	750,626	-
	-----	-----	-----	-----
	229,600,470	233,665,814	4,153,538	229,512,276
	=====	=====	=====	=====
<b>31 December 2015</b>				
<i>Non-derivative financial liabilities</i>				
Loans due to related parties	223,263,701	226,975,157	-	226,975,157
Due to related parties	3,374,113	3,374,113	3,374,113	-
Accounts payable and accrued expenses	5,983,405	5,983,405	5,983,405	-
Bank borrowings	134,395,353	134,395,353	134,395,353	-
	-----	-----	-----	-----
	367,016,572	370,728,028	143,752,871	226,975,157
	=====	=====	=====	=====

# Orascom Construction Limited

Notes (continued)

## 15 Financial instruments (continued)

### Interest rate risk

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments was:

#### Variable rate instruments

	30 September 2016 USD	31 December 2015 USD
Financial assets	396,126,014	529,258,640
Financial liabilities	(225,446,932)	(357,659,054)
	-----	-----
	170,679,082	171,599,586
	=====	=====

#### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) net profit by the amounts shown below. This analysis assumes that all other variables remain constant:

	30 September 2016 100 bp increase USD	100 bp Decrease USD
Variable rate instruments	1,706,791	(1,706,791)
	=====	=====

	31 December 2015 100 bp increase USD	100 bp Decrease USD
Variable rate instruments	1,715,996	(1,715,996)
	=====	=====

### Currency risk

The Company's exposure to foreign currency risk is as follows:

	30 September 2016 Euro	Egyptian pound	31 December 2015 Euro	Egyptian pound
Cash at banks	-	77,053,462	-	3,543,589
Loans due from related parties	-	587,184,628	-	1,467,597,959
Loans due to related parties	(1,666,051)	-	(1,665,426)	-
	-----	-----	-----	-----
	(1,666,051)	664,238,090	(1,665,426)	1,471,141,548
	=====	=====	=====	=====

# Orascom Construction Limited

## Notes (continued)

### 15 Financial instruments (continued)

#### Currency risk (continued)

##### Sensitivity Analysis

The following foreign exchange rates are applied by the Company during the year:

	Average rate 2016	Spot rate 2016	Average rate 2015	Spot rate 2015
1 Euro	1.1142	1.1242	1.1053	1.0845
1 Egyptian pound	0.1166	0.1126	0.1296	0.1275
	=====	=====	=====	=====

A 100 basis points strengthening of the USD against the Egyptian Pound and Euro at 30 September 2016 would have increased/ (decreased) the net profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant:

	30 September 2016 USD	31 December 2015 USD
Euro	(18,730)	(18,062)
Egyptian pound	747,932	1,875,705
	-----	-----
	729,202	1,857,643
	=====	=====

### 16 Subsequent events:

On 28 September 2016, the Extraordinary General Meeting of the Company has approved a share buyback of 1,000,000 shares of the company's shares. During October 2016, the company has acquired 1,000,000 shares at a cost amounting to USD 8.4 million (average cost per share EGP 74.16)

### 17 Significant accounting estimates and judgements

The Company makes estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### Impairment of investments in a subsidiary

The Company determines whether investments in subsidiary is impaired on an annual basis. This requires estimation of the "value in use" of the investment in subsidiary. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the subsidiary and to choose a suitable discount rate in order to calculate the present value of these cash flows.



# Orascom Construction Limited

Notes (*continued*)

## **17 Significant accounting estimates and judgements (continued)**

### ***Impairment losses on receivables***

The Company's credit risk is primarily attributable to its loan receivable from a related party and due from related parties. In determining whether impairment losses should be reported in the profit and loss, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

### ***Going concern assumption***

The Company's management has performed a preliminary assessment of the Company's ability to continue as a going concern, which covers a period of twelve months from the reporting date, based on certain identified events and conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as going concern.

The Company's management has prepared its business forecast and the cash flow forecast for the twelve months from the reporting date on a conservative basis. On the basis of such forecasts, the Company's management is of the opinion that the Company will be able to continue its operations for the next twelve months from the reporting date and that the going concern assumption used in the preparation of these financial statements is appropriate. The appropriateness of the going concern assumption shall be reassessed next year.