

ORASCOM CONSTRUCTION PLC

Interim Consolidated Financial Statements

For the nine months period ended 30 September 2018

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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Statements

To the Shareholders of Orascom Construction PLC (formerly Orascom Construction Limited)

Introduction

We have reviewed the accompanying 30 September 2018 condensed consolidated interim financial statements of Orascom Construction PLC (formerly Orascom Construction Limited) ("the Company") and its subsidiaries ("collectively referred to as the Group"), which comprise:

- the condensed consolidated statement of financial position as at 30 September 2018;
- the condensed consolidated statements of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2018;
- the condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2018;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2018; and
- notes to the condensed consolidated interim financial statements.

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.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2018 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG

KPMG LLP
Dubai, United Arab Emirates

Freddie Edward Cloete
Partner



Date: 27 November 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at

\$ millions	Note	30 September 2018 (reviewed)	31 December 2017 (audited)
Assets			
Non-current assets			
Property, plant and equipment	(6)	159.6	155.4
Goodwill	(7)	13.8	13.8
Trade and other receivables	(8)	17.2	15.8
Equity accounted investees	(9)	400.7	421.8
Deferred tax assets	(10)	37.3	34.5
Total non-current assets		628.6	641.3
Current assets			
Inventories	(11)	258.5	232.2
Trade and other receivables	(8)	1,237.4	1,146.7
Contracts work in progress	(12)	613.2	488.8
Current income tax receivables		1.6	3.2
Cash and cash equivalents	(13)	356.6	434.2
Total current assets		2,467.3	2,305.1
Total assets		3,095.9	2,946.4
Equity			
Share capital	(14)	116.8	116.8
Share premium		480.2	761.5
Reserves	(15)	(334.1)	(318.8)
Retained earnings (accumulated losses)		148.5	(201.6)
Equity attributable to owners of the Company		411.4	357.9
Non-controlling interest	(16)	44.2	44.6
Total equity		455.6	402.5
Liabilities			
Non-current liabilities			
Loans and borrowings	(17)	2.4	11.3
Trade and other payables	(18)	44.7	44.9
Deferred tax liabilities		4.6	4.9
Total non-current liabilities		51.7	61.1
Current liabilities			
Loans and borrowings	(17)	316.5	249.4
Trade and other payables	(18)	989.0	1,076.5
Advanced payments from construction contracts		663.1	484.7
Billing in excess of construction contracts	(12)	448.7	529.7
Provisions	(19)	107.0	62.3
Income tax payables		64.3	80.2
Total current liabilities		2,588.6	2,482.8
Total liabilities		2,640.3	2,543.9
Total equity and liabilities		3,095.9	2,946.4

The notes on pages 7 to 32 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 27 November 2018 and signed on their behalf by:

Chief Executive Officer

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the nine months period ended

\$ millions	Note	the nine months ended 30 September 2018 (reviewed)	the three months ended 30 September 2018 (reviewed)	the nine months ended 30 September 2017 (reviewed)	the three months ended 30 September 2017 (reviewed)
Revenue	(24)	2,235.7	728.8	2,818.3	805.4
Cost of sales	(20)	(1,962.5)	(632.4)	(2,569.5)	(724.0)
Gross profit		273.2	96.4	248.8	81.4
Other income	(21)	9.4	2.7	5.7	1.8
Selling, general and administrative expenses	(20)	(141.2)	(50.4)	(117.3)	(37.0)
Operating profit		141.4	48.7	137.2	46.2
Finance income	(22)	18.7	4.5	25.7	4.1
Finance cost	(22)	(18.4)	(6.7)	(49.7)	(22.2)
Net finance cost		0.3	(2.2)	(24.0)	(18.1)
Income from equity accounted investees	(9)	31.4	6.5	41.0	17.2
Profit before income tax		173.1	53.0	154.2	45.3
Income tax	(10)	(53.8)	(20.7)	(71.9)	(21.8)
Net profit		119.3	32.3	82.3	23.5
Other comprehensive income:					
Items that are or may be reclassified to profit or loss					
Foreign currency translation differences		(15.4)	(3.8)	36.3	14.9
Other comprehensive (loss) income, net of tax		(15.4)	(3.8)	36.3	14.9
Total comprehensive income (loss)		103.9	28.5	118.6	38.4
Profit attributable to:					
Owners of the Company		111.6	29.1	74.1	22.4
Non-controlling interest		7.7	3.2	8.2	1.1
Net profit		119.3	32.3	82.3	23.5
Total comprehensive income attributable to:					
Owners of the Company		96.3	25.1	109.5	36.6
Non-controlling interest		7.6	3.4	9.1	1.8
Total comprehensive income (loss)		103.9	28.5	118.6	38.4
Earnings per share (in USD)					
Basic earnings per share	(23)	0.96	0.25	0.63	0.19

The notes on pages 7 to 32 are an integral part of these interim consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the nine months period ended

\$ millions	Share capital (14)	Share premium	Reserves (15)	Retained earnings (accumulated losses)	Equity attributable to owners of the Company	Non- controlling interest (16)	Total equity
Balance at 1 January 2017 (audited)	117.8	768.8	(348.4)	(281.3)	256.9	45.5	302.4
Net profit	-	-	-	74.1	74.1	8.2	82.3
Other comprehensive income	-	-	35.4	-	35.4	0.9	36.3
Total comprehensive income	-	-	35.4	74.1	109.5	9.1	118.6
Dividends	-	-	-	-	-	(2.7)	(2.7)
Change in non-controlling interest	-	-	-	-	-	(0.5)	(0.5)
Shares reduction	(1.0)	(7.3)	8.3	-	-	-	-
Balance at 30 September 2017 (reviewed)	116.8	761.5	(304.7)	(207.2)	366.4	51.4	417.8
Balance at 1 January 2018 (audited)	116.8	761.5	(318.8)	(201.6)	357.9	44.6	402.5
Net profit	-	-	-	111.6	111.6	7.7	119.3
Other comprehensive loss	-	-	(15.3)	-	(15.3)	(0.1)	(15.4)
Total comprehensive income	-	-	(15.3)	111.6	96.3	7.6	103.9
Share premium conversion	-	(281.3)	-	281.3	-	-	-
Dividends	-	-	-	(30.0)	(30.0)	(1.0)	(31.0)
Change in non-controlling interest	-	-	-	-	-	(7.0)	(7.0)
Other	-	-	-	(12.8)	(12.8)	-	(12.8)
Balance at 30 September 2018 (reviewed)	116.8	480.2	(334.1)	148.5	411.4	44.2	455.6

The notes on pages 7 to 32 are an integral part of these interim consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the nine months period ended

\$ millions	Note	30 September 2018 (reviewed)	30 September 2017 (reviewed)
Net profit		119.3	82.3
Adjustments for:			
Depreciation	(6)	29.5	28.4
Interest income (including gain on derivatives)	(22)	(12.7)	(13.9)
Interest expense (including loss on derivatives)	(22)	15.3	12.8
Foreign exchange (loss) gain and others		(2.9)	25.1
Share in income of equity accounted investees	(9)	(31.4)	(41.0)
Gain on sale of property, plant and equipment		(1.9)	(0.5)
Income tax expense	(10)	53.8	71.9
Changes in:			
Inventories	(11)	(26.3)	(26.0)
Trade and other receivables	(8)	(71.4)	(134.3)
Contract work in progress	(12)	(124.4)	(14.2)
Trade and other payables	(18)	(137.2)	9.6
Advanced payments construction contracts		178.4	153.3
Billing in excess of construction contracts	(12)	(81.0)	(81.8)
Provisions	(19)	44.7	(42.9)
Cash flows:			
Interest paid	(22)	(15.3)	(12.8)
Interest received	(22)	12.7	13.6
Dividend from equity accounted investees		43.2	28.2
Income taxes paid		(56.7)	(40.1)
Cash flow (used in) from operating activities		(64.3)	17.7
Investments in property, plant and equipment	(6)	(35.7)	(24.6)
Proceeds from sale of property, plant and equipment		3.4	7.9
Cash flow used in investing activities		(32.3)	(16.7)
Proceeds from borrowings	(17)	164.6	126.0
Repayment of borrowings	(17)	(106.4)	(195.4)
Other long term liabilities		(0.2)	2.8
Dividends paid to shareholders		(30.0)	-
Other		(8.0)	(2.7)
Cash flows from (used in) financing activities		20.0	(69.3)
Net decrease in cash and cash equivalents		(76.6)	(68.3)
Cash and cash equivalents at 1 January	(13)	434.2	506.9
Currency translation adjustments		(1.0)	6.2
Cash and cash equivalents at 30 September	(13)	356.6	444.8

The notes on pages 7 to 32 are an integral part of these interim consolidated financial statements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. General

Orascom Construction PLC ('OC PLC') is a Public Company, incorporated with registered number 1752 in the Dubai International Financial Center (DIFC) with its head office located at Gate Village-Building 3, DIFC, Dubai, UAE. OC PLC is dual listed on the NASDAQ Dubai and the Egyptian Stock Exchange. The interim consolidated financial statements for the nine months period ended 30 September 2018 comprise the financial statements of OC PLC, its subsidiaries and joint operations (together referred to as the 'Group') and the Group's interests in associates and joint ventures.

OC PLC was incorporated on 18 January 2015 as Orascom Construction Limited by shares and converted to a Public Company under the Law, DIFC Law No. 5 of 2018 as at 12 November 2018.

OC PLC 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 months period ended 30 September 2018 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 2018.

The interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2017. The accounting principles used are the same as those used in the consolidated financial statements for the year ended 31 December 2017, except as explained below in note 3.

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

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

These consolidated financial statements are presented in US dollars ('USD'), which is OC PLC'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 27 November 2018.

3. New accounting standards and policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018.

The Group has initially adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments from 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement

Claims and variations are included in the contract price when they are approved by the parties to the contract. Claims and variations are 'approved' when it creates legally enforceable rights and obligations on the parties to the contract. This approval may be written, oral or implied by customary business practices, and should be legally enforceable.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Variable considerations are included in the contract price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. At each reporting date, the Group updates the estimated contract price - including its assessment of whether an estimate of variable consideration is constrained - for the circumstances present at the reporting date and the changes in circumstances that occurred during the reporting period.

There is no material impact on the Group's financial information from applying IFRS 15.

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

i. Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Subsequent measurement – financial assets

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

losses (see accounting policy on impairment below). Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

ii. Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39. The financial assets at amortised cost consist of trade receivables, cash and cash equivalents, and corporate debt securities.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when:

- the trade receivable is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs:

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the asset.

Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of profit or loss and OCI.

Group did not have a significant impact on the presentation adopted in the statement of financial position by adopting IFRS 9. Also, there are no change in presentation of impairment losses on other financial assets in the statement of profit or loss and OCI.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

There is no material impact on the Group's financial information from applying IFRS 9.

4. Critical accounting judgement, estimates and assumptions

There were no significant changes in critical accounting judgement, estimates and assumptions compared to the consolidated financial statements for the year ended 31 December 2017.

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.

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 expected losses in respect of trade and other receivables. 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 2018	31 December 2017
Trade and other receivables (excluding prepayments)	(8)	1,243.2	1,149.4
Contract work in progress	(12)	613.2	488.8
Cash and cash equivalents (excluding cash on hand)	(13)	355.1	433.0
Total		2,211.5	2,071.2

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

\$ millions	30 September 2018	31 December 2017
Middle East and Africa	875.6	768.5
Asia and Oceania	157.8	165.3
Europe and United States	209.8	215.6
Total	1,243.2	1,149.4

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.

At 31 December 2017 \$ millions	Note	Carrying amount	Contractual cash flow	6 months or less	6–12 months	1–5 years
Financial liabilities						
Loans and borrowings	(17)	260.7	273.5	143.2	117.8	12.5
Trade and other payables	(18)	1,121.4	1,121.4	1,076.5	-	44.9
Advanced payments from construction contracts		484.7	484.7	484.7	-	-
Total		1,866.8	1,879.6	1,704.4	117.8	57.4

At 30 September 2018 \$ millions	Note	Carrying amount	Contractual cash flow	6 months or less	6–12 months	1–5 years
Financial liabilities						
Loans and borrowings	(17)	318.9	334.6	179.1	152.8	2.7
Trade and other payables	(18)	1,033.7	1,033.7	989.0	-	44.7
Advanced payments from construction contracts		663.1	663.1	663.1	-	-
Total		2,015.7	2,031.4	1,831.2	152.8	47.4

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, OC PLC's Financial Statements are exposed to foreign exchange fluctuations as these affect the

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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 Egyptian Pound, Algerian Dinar and 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.

OC PLC is not exposed to Saudi Riyal, UAE Dirham and Qatar Riyal. These currencies are pegged to the US dollar.

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 UAE Dirham.

The Group uses foreign exchange contracts to manage its foreign exchange transaction exposure. No hedge accounting is applied; therefore 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 2017 \$ millions	EUR	EGP
Cash and cash equivalents (including loans and borrowings)	(1.3)	3.8
Trade and other receivables	45.2	185.5
Trade and other payables	(70.7)	(136.4)

At 30 September 2018 \$ millions	EUR	EGP
Cash and cash equivalents (including loans and borrowings)	(2.3)	(46.1)
Trade and other receivables	25.1	147.6
Trade and other payables	(26.0)	(77.9)

Significant rates

The following significant exchange rates were applied during the nine months period ended 30 September 2018:

	Average 2018	Closing 30 September 2018	Opening 1 January 2018
Egyptian pound	0.0563	0.0561	0.0563
Saudi riyal	0.2666	0.2667	0.2666
Arabic Emirates Dirham	0.2723	0.2723	0.2723
Algerian Dinar	0.0086	0.0085	0.0087
Euro	1.1935	1.1605	1.2005

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.

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As of 30 September 2018, 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 2.1 million of the profit of the nine months period ended 30 September 2018 (31 December 2017: USD 2.6 million)

31 December 2017 \$ millions	Change in FX rate*	Effect on profit before tax**	Effect on equity**
EUR - USD	10%	2.7	39.8
EGP - USD	10%	5.3	-

30 September 2018 \$ millions	Change in FX rate*	Effect on profit before tax**	Effect on equity**
EUR - USD	10%	0.3	37.6
EGP - USD	10%	2.4	-

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

** 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 2018	31 December 2017
Effect on profit before tax for the coming year	+100 bps	(1.6)	(1.3)
	- 100 bps	1.6	1.3

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.

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Categories of financial instruments

		30 September 2018		31 December 2017	
	Note	Financial assets at amortized cost	Derivatives at fair value	Financial assets at amortized cost	Derivatives at fair value
Assets					
Trade and other receivables	(8)	1,254.6	-	1,162.5	-
Cash and cash equivalents	(13)	356.6	-	434.2	-
Total		1,611.2	-	1,596.7	-
Liabilities					
Loans and borrowings	(17)	318.9	-	260.7	-
Trade and other payables	(18)	1,033.7	-	1,121.0	0.4
Advanced payments construction contracts		663.1	-	484.7	-
Total		2,015.7	-	1,866.4	0.4

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

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, share premium 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 2018	31 December 2017
Loans and borrowings	(17)	318.9	260.7
Less: cash and cash equivalents	(13)	356.6	434.2
Net debt		(37.7)	(173.5)
Total equity		455.6	402.5
Net debt to equity ratio		(0.08)	(0.43)

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6. Property plant and equipment

\$ millions	Land	Buildings	Equipment	Fixtures and fittings	Under construction	Total
Cost	5.9	71.9	260.3	104.4	4.2	446.7
Accumulated depreciation	-	(26.0)	(193.4)	(71.9)	-	(291.3)
At 1 January 2018	5.9	45.9	66.9	32.5	4.2	155.4
Movements in the carrying amount:						
Additions purchased during the period	-	0.1	9.4	22.2	4.0	35.7
Disposals	-	-	(1.1)	(0.4)	-	(1.5)
Depreciation	-	(2.2)	(15.6)	(11.7)	-	(29.5)
Transfers	-	0.6	2.3	0.2	(3.1)	-
Effect of movement in exchange rates	-	(0.3)	(0.1)	(0.1)	-	(0.5)
At 30 September 2018	-	(1.8)	(5.1)	10.2	0.9	4.2
Cost	5.9	71.8	252.0	122.7	5.1	457.5
Accumulated depreciation	-	(27.7)	(190.2)	(80.0)	-	(297.9)
At 30 September 2018	5.9	44.1	61.8	42.7	5.1	159.6

The difference between the fair market value and the book value for the land and the buildings has been assessed in the third and fourth quarters of 2017. The fair market value valuations have been performed by an external valuator in 2017 using an open market value basis. As of 31 December 2017, The fair market value exceed the book value of the land and the buildings for a total amount of USD 101.6 million. If OC PLC would change the accounting principles for the land and the buildings to fair value, equity as at 31 December 2017, would increase with USD 78.7 million and the deferred tax liability with USD 22.9 million. The fair values have been determined mainly using the market comparison method which take in to consideration the comparable prices in the market. The fair value disclosed above is categorized into Level 2 in the fair value hierarchy. The fair values had been determined mainly using the market comparison method which take in to consideration the comparable prices in the market. The additions in fixtures and fittings during the period are primarily relate to scaffolding.

7. Goodwill

\$ millions	Goodwill
Cost	13.8
At 1 January 2018	13.8
Movements in the carrying amount:	
Additions	-
Impairment	-
At 30 September 2018	-
Cost	13.8
Impairment	-
At 30 September 2018	13.8

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.

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8. Trade and other receivables

\$ millions	30 September 2018	31 December 2017
Trade receivables (gross)	639.8	608.1
Allowance for trade receivables	(11.3)	(27.1)
Trade receivables (net)	628.5	581.0
Trade receivables due from related parties (Note 27)	49.0	41.9
Prepayments	11.4	13.1
Other tax receivable	91.1	65.5
Supplier advanced payments	172.5	126.0
Other investments	6.1	6.0
Retentions	172.1	209.6
Other receivables	123.9	119.4
Total	1,254.6	1,162.5
Non-current	17.2	15.8
Current	1,237.4	1,146.7
Total	1,254.6	1,162.5

The carrying amount of 'Trade and other receivables' as at 30 September 2018 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 is as follows:

\$ millions	30 September 2018	31 December 2017
Neither past due nor impaired	434.0	377.7
Past due 1 - 30 days	12.6	54.8
Past due 31 - 90 days	31.7	47.6
Past due 91 - 360 days	92.0	86.2
More than 360 days	69.5	41.8
Total	639.8	608.1

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 months period ended 30 September 2018 was as follows:

\$ millions	2018	2017
At 1 January	(27.1)	(32.8)
Unused amounts reversed	-	5.1
Used amounts	-	0.1
Provision formed	(0.2)	(1.2)
Exchange rates differences and other	16.0	0.3
At 30 September	(11.3)	(28.5)

9. Equity accounted investees

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

\$ millions	2018	2017
At 1 January	421.8	371.4
Share in results	31.4	55.6
Dividends	(43.2)	(30.0)
Effect of movement in exchange rates	(9.3)	24.8
At 30 September / 31 December	400.7	421.8

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	2018	2017
Assets	1,408.7	1,434.0
Liabilities	(1,032.3)	(1,035.8)
Net assets at 30 September / 31 December	376.4	398.2
Construction revenue	1,156.8	940.9
Construction cost	(1,126.4)	(900.3)
Net profit at 30 September	30.4	40.6

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	Qatar	45.0
URS Contrack Pacer Forge IV	Contrack Watts Inc	UAE	45.0
Watts - Webcor Obayashi	Contrack Watts Inc	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 share on equity accounted investees including BESIX, El Yamama, National Pipe Company, all of Weitz's associates, Egyptian Gypsum Company and Sidra Medical Centre:

\$ millions	2018	2017
Assets	1,461.9	1,488.2
Liabilities	(1,061.2)	(1,066.4)
Net assets at 30 September / 31 December	400.7	421.8
Income	1,167.0	949.0
Expense	(1,135.6)	(908.0)
Net profit at 30 September	31.4	41.0

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 53.8 million (30 September 2017: USD 71.9 million) expense and can be summarized as follows:

\$ millions	the nine months ended 30 September 2018	the three months ended 30 September 2018	the nine months ended 30 September 2017	the three months ended 30 September 2017
Current tax	(56.5)	(20.7)	(52.0)	(24.1)
Deferred tax	2.7	-	(19.9)	2.3
Total income tax in profit or loss	(53.8)	(20.7)	(71.9)	(21.8)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

10.2 Reconciliation of effective tax rate

OC PLC's operations are subject to income taxes in various foreign jurisdictions, the statutory income tax rates vary from 0.0% to 28.0%.

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

\$ millions	September 2018	%	September 2017	%
Profit before income tax	173.1		154.2	
Tax calculated at weighted average group tax rate	(39.2)	22.6	(46.5)	30.2
Reduction (recognised) in deferred tax asset	2.7	(1.6)	(19.9)	12.9
Other	(17.3)	10.0	(5.5)	3.5
Total income tax in profit or loss	(53.8)	31.1	(71.9)	46.6

10.3 Deferred income tax assets and liabilities

The majority of the deferred tax assets of USD 37.3 million (31 December 2017: USD 34.5 million) relate to carried forward tax losses. The carried forward losses recognized in the statement of financial position is expected to be realized in the period 2018-2021.

11. Inventories

\$ millions	30 September 2018	31 December 2017
Finished goods	8.0	4.9
Raw materials and consumables	218.2	186.7
Fuels and others	5.8	13.8
Real estate	26.5	26.8
Total	258.5	232.2

During the nine months period ended 30 September 2018, the total write-downs amount to USD 10.0 million (31 December 2017: USD 10.8 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 2018	31 December 2017
Costs incurred on incomplete contracts (including estimated earnings)	17,080.0	15,574.6
Less: billings to date (Net)	(16,915.5)	(15,615.5)
Total	164.5	(40.9)

Presented in the consolidated statements of financial position as follows:

Construction contracts in progress - current assets	613.2	488.8
Billing in excess on construction contracts - current liabilities	(448.7)	(529.7)
Total	164.5	(40.9)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

13. Cash and cash equivalents

\$ millions	30 September 2018	31 December 2017
Cash on hand	1.5	1.2
Bank balances	312.6	392.7
Restricted funds	20.4	19.4
Restricted cash	22.1	20.9
Total	356.6	434.2

Restricted funds

The restricted amounts mostly relate to letters of credits of Orascom E&C (USD 4.7 million) and other Group entities (USD 1.7 million) and to letters of guarantee of OC (USD 13.0 million), United Holding Company (USD 0.8 million) and other Group entities (USD 0.2 million).

Restricted cash

Restricted cash relates to amounts withheld in relation to amounts restricted for use by Orascom Saudi for an amount of USD 0.7 million, Weitz for an amount of USD 1.0 million and USD 20.4 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:

	2018	2017
At 1 January	116,761,379	117,761,379
Shares reduction	-	(1,000,000)
At 30 September / 31 December - fully paid	116,761,379	116,761,379
At 30 September / 31 December (in millions of USD)	116.8	116.8

The shareholders of the Company at the Extraordinary General Meeting (EGM) held on 9 May 2018, approved the resolution passed by the Board of Directors for reducing the share premium of the Company with USD 281.3 million

The Board of Directors on 11 April 2018 proposed a dividend of USD 0.26 per share amounting to USD 30 million. The final approval for the dividends was delegated by the shareholders' to the Board of Directors' at the Annual General Meeting held on 21 May 2018. On 28 June 2018, the Board of Directors' approved an interim dividend of USD 30 million.

15. Reserves

\$ millions	Currency translation	Treasury shares	Total
At 1 January 2017	(340.1)	(8.3)	(348.4)
Shares reduction	-	8.3	8.3
Currency translation differences	21.3	-	21.3
At 31 December 2017	(318.8)	-	(318.8)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

\$ millions	Currency translation	Treasury shares	Total
At 1 January 2018	(318.8)	-	(318.8)
Currency translation differences	(15.3)	-	(15.3)
At 30 September 2018	(334.1)	-	(334.1)

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	4.6	0.6	5.2	6.9	17.3
Current assets	26.1	114.4	21.6	2.8	164.9
Non-current liabilities	-	(3.9)	(13.0)	(0.1)	(17.0)
Current liabilities	(11.9)	(100.8)	(5.7)	(2.2)	(120.6)
Net assets as of 31 December 2017	18.8	10.3	8.1	7.4	44.6
Revenue	22.4	14.8	3.6	3.1	43.9
Profit	4.9	(0.4)	1.7	2.0	8.2
Other comprehensive income	0.4	-	0.2	0.3	0.9
Total comprehensive income for the 9 months period ended 30 September 2017	5.3	(0.4)	1.9	2.3	9.1

30 September 2018 \$ 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	4.5	0.3	4.8	4.4	14.0
Current assets	35.8	111.8	21.5	2.7	171.8
Non-current liabilities	-	(1.3)	(11.5)	(0.1)	(12.9)
Current liabilities	(18.0)	(102.6)	(5.9)	(2.2)	(128.7)
Net assets	22.3	8.2	8.9	4.8	44.2
Revenue	32.2	13.8	3.1	3.5	52.6
Profit	5.6	(2.1)	0.7	3.5	7.7
Other comprehensive loss	(0.1)	-	-	-	(0.1)
Total comprehensive income	5.5	(2.1)	0.7	3.5	7.6

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

17. Loans and borrowings

Borrowing Company	Interest rate	Date of maturity	Long term portion	Short term portion	Bank facilities	Total
Orascom Construction	USD: LIBOR + 2.28 - 4.00% EUR: LIBOR + 2.21 - 5.00% EGP: Corridor 19.75 - 20.75%	Annual	-	-	151.6	151.6
Orascom Saudi	Saibor + 3.00%	Annual	7.0	28.0	-	35.0
Orascom Construction Industries- Algeria	Fixed 6.97%	04/2018	-	15.6	-	15.6
The Weitz Group, LLC	Multiple rates	Multiple	4.1	25.8	-	29.9
Contrack Watts Inc	LIBOR + 2.5%	Annual	-	-	25.0	25.0
Other	Multiple rates	-	0.2	-	3.4	3.6
Total as of 31 December 2017			11.3	69.4	180.0	260.7

Borrowing Company	Interest rate	Date of maturity	Long term portion	Short term portion	Bank facilities	Total
Orascom Construction	USD: LIBOR + 2.28 - 4.00% EUR: LIBOR + 2.21 - 5.00% EGP: Corridor 17.25 - 20.75%	Annual	-	-	230.5	230.5
Orascom Saudi	Saibor + 3.00%	Annual	-	28.2	-	28.2
Orascom Construction Industries- Algeria	Fixed 6.97%	04/2019	-	15.2	-	15.2
The Weitz Group, LLC	Multiple rates	Multiple	2.4	12.3	-	14.7
Contrack Watts Inc	LIBOR + 2.5%	Annual	-	-	25.0	25.0
Other	Multiple rates	-	-	-	5.3	5.3
Total as of 30 September 2018			2.4	55.7	260.8	318.9

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.

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18. Trade and other payables

\$ millions	30 September 2018	31 December 2017
Trade payables	413.8	494.9
Trade payables due to related party (Note 27)	9.3	5.0
Other payables	96.7	100.6
Accrued expenses	361.1	366.2
Deferred revenues	2.6	1.5
Other tax payables	30.1	5.8
Derivative financial instruments	-	0.4
Retentions payables	117.6	144.9
Employee benefit payables	2.5	2.1
Total	1,033.7	1,121.4
Non-current	44.7	44.9
Current	989.0	1,076.5
Total	1,033.7	1,121.4

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.

19. Provisions

\$ millions	Warranties	Onerous contracts	Other (including claims)	Total
At 1 January 2017	13.2	63.2	39.8	116.2
Provision formed	5.7	-	10.1	15.8
Provision used	-	(42.8)	(7.3)	(50.1)
Provision no longer required	(4.2)	(4.8)	(4.6)	(13.6)
Others	0.5	(0.6)	(6.7)	(6.8)
Effect of movement in exchange rates	0.5	0.5	(0.2)	0.8
At 31 December 2017	15.7	15.5	31.1	62.3

\$ millions	Warranties	Onerous contracts	Other (including claims)	Total
At 1 January 2018	15.7	15.5	31.1	62.3
Provision formed	-	8.1	48.5	56.6
Provision used	(0.1)	(1.7)	(3.2)	(5.0)
Provision no longer required	-	(4.5)	(0.4)	(4.9)
Others	-	-	(1.4)	(1.4)
Effect of movement in exchange rates	(0.5)	-	(0.1)	(0.6)
At 30 September 2018	15.1	17.4	74.5	107.0

Warranties

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

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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 months ended 30 September 2018	the three months ended 30 September 2018	the nine months ended 30 September 2017	the three months ended 30 September 2017
Changes in raw materials and consumables, finished goods and work in progress	1,560.2	498.2	2,255.6	618.4
Employee benefit expenses (ii)	418.0	140.0	353.9	120.7
Depreciation, amortization	29.5	9.9	28.4	8.3
Maintenance and repairs	26.6	9.0	13.2	4.4
Consultancy expenses	7.3	1.6	1.9	0.6
Other	62.1	24.1	33.8	8.6
Total	2,103.7	682.8	2,686.8	761.0

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

ii. Employee benefit expenses

\$ millions	the nine months ended 30 September 2018	the three months ended 30 September 2018	the nine months ended 30 September 2017	the three months ended 30 September 2017
Wages and salaries	357.6	121.2	313.4	107.2
Social securities	2.8	0.9	2.6	1.0
Employee profit sharing	5.5	2.0	3.2	1.0
Pension cost	5.3	1.9	4.3	1.5
Other employee expenses	46.8	14.0	30.4	10.0
Total	418.0	140.0	353.9	120.7

During the nine months period ended 30 September 2018, the average number of staff employed in the Group converted into full-time equivalents amounted to 22,737 permanent and 50,351 temporary employees.

A Long-Term Incentive Plan ("LTIP") to attract, motivate and retain key employees in the organization by providing market competitive 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 months ended 30 September 2018	the three months ended 30 September 2018	the nine months ended 30 September 2017	the three months ended 30 September 2017
Net gain (loss) on sale of property, plant and equipment	1.9	1.5	0.5	(0.1)
Scrap and other	7.5	1.2	5.2	1.9
Total	9.4	2.7	5.7	1.8

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22. Net finance cost

\$ millions	the nine months ended 30 September 2018	the three months ended 30 September 2018	the nine months ended 30 September 2017	the three months ended 30 September 2017
Interest income on financial assets measured at amortized cost	12.7	3.4	13.6	1.6
Fair value gain on derivatives	-	-	0.3	0.3
Foreign exchange gain	6.0	1.1	11.8	2.2
Finance income	18.7	4.5	25.7	4.1
Interest expense on financial liabilities measured at amortized cost	(15.3)	(5.9)	(12.8)	(3.1)
Fair value loss on derivatives	-	-	-	1.1
Foreign exchange loss	(3.1)	(0.8)	(36.9)	(20.2)
Finance cost	(18.4)	(6.7)	(49.7)	(22.2)
Net finance cost recognized in profit or loss	0.3	(2.2)	(24.0)	(18.1)

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

\$ millions	the nine months ended 30 September 2018	the three months ended 30 September 2018	the nine months ended 30 September 2017	the three months ended 30 September 2017
Total interest income on financial assets	12.7	3.4	13.6	1.6
Total interest expense on financial liabilities	(15.3)	(5.9)	(12.8)	(3.1)

23. Earnings per share

i. Basic

	the nine months ended 30 September 2018	the three months ended 30 September 2018	the nine months ended 30 September 2017	the three months ended 30 September 2017
Net Profit attributable to shareholders (million USD)	111.6	29.1	74.1	22.4
Number of ordinary share (million)	116.8	116.8	116.8	116.8
Basic earnings per ordinary share	0.96	0.25	0.63	0.19

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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Business information for the period ended 30 September / 31 December 2017

\$ millions	MENA	USA	Besix	Total
Total revenue	1,597.1	1,221.2	-	2,818.3
Share in profit of associates	(0.7)	1.1	40.6	41.0
Depreciation and amortization	(26.6)	(1.8)	-	(28.4)
Interest income (including gain on derivatives)	13.8	0.1	-	13.9
Interest expense (including loss on derivatives)	(11.5)	(1.3)	-	(12.8)
Profit before tax for the 9 months ended 30 September	137.4	(23.8)	40.6	154.2
Investment in PP&E as at 31 December	38.4	3.4	-	41.8
Non-current assets as at 31 December	189.2	53.9	398.2	641.3
Total assets as at 31 December	2,056.0	492.2	398.2	2,946.4
Total liabilities as at 31 December	1,927.3	616.6	-	2,543.9

Business information for the nine months period ended 30 September 2018

\$ millions	MENA	USA	Besix	Total
Total revenue	1,462.8	772.9	-	2,235.7
Share in profit of associates	0.9	0.1	30.4	31.4
Depreciation and amortization	(28.0)	(1.5)	-	(29.5)
Interest income (including gain on derivatives)	12.4	0.3	-	12.7
Interest expense (including loss on derivatives)	(13.9)	(1.4)	-	(15.3)
Profit before tax	179.5	(36.8)	30.4	173.1
Investment in PP&E	35.4	0.3	-	35.7
Non-current assets	198.6	53.6	376.4	628.6
Total assets	2,218.4	501.1	376.4	3,095.9
Total liabilities	2,165.5	474.8	-	2,640.3

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

BESIX is presented as part of 'equity accounted investees', therefore in the above schedule only the income from equity accounted investees 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 2018	30 September 2017
Egyptian Government	51%	41%
US Federal Government	10%	7%
OCI N.V. Group	6%	14%

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

25. Contingencies

25.1 Contingent liabilities

25.1.1 Letters of guarantee / letters of credit

Letters of guarantee issued by banks in favor of others as at 30 September 2018 amount to USD 1,320.4 million (31 December 2017: USD 1,312.6). Outstanding letters of credit as at 30 September 2018 (uncovered portion) amount to USD 60.6 million (31 December 2017: USD 51.5 million).

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

As of 30 September 2018, mechanic liens have been received in respect of two of our US projects for a total of USD 73.7 million ("31 December 2017: USD 95.8 million").

25.1.2 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. OC PLC 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 unfavourable, 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, OC PLC 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 the 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 flows in any one accounting period.

25.1.3 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 investigations conducted by the Public Fund Prosecution and Military Prosecution against its former employees, and relating to those lands, were concluded. On 28 May 2012, the company submitted a request to the Dispute Settlement Committee at the General Authority of Investment and Free Zones ("GAFI") to cancel the decision. On 22 April 2013, the Dispute Settlement Committee issued a decision verifying the land contracts entered into by the company and ratified by Suez Governorate. On May 2013, the company was notified of this decision by the Council of Ministers.

In parallel proceedings, 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. The hearing was postponed to 2 November 2013, at which the case was then referred to the 8th District court on grounds of jurisdiction. On 4 March 2014, the case was referred to the Commissioner to prepare a report. On 15 November 2016, the court ruled of its incompetency, and the case was referred to the administrative court in Ismailia.

On 16 January 2018, a Settlement Agreement between the Suez Industrial Development Company and the Suez Governmental Authority was reached and signed. The parties agreed to terminate all ongoing lawsuits in relation to the land and the matter has now been finalised.

25.1.4 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). On 23 July 2014, the Foundation commenced arbitration proceedings against the associate by serving a Request for Arbitration with the ICC (London) dated 23 July 2014. Procedural hearings and expert meetings took place, with the substantive hearing

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

being held 23 October 2017 to 17 November 2017. In February 2018, the Arbitral Tribunal issued a partial award in respect of certain variation claims and defects, and further agreed that questions of quantum as well as the remaining matters in dispute will be addressed in three long hearings, one scheduled and held in April/May 2018, and two upcoming in October/November 2018 and March/April 2019. On 30 September 2018, OC PLC valued its interest in the associate at nil.

In August 2017, the Foundation again served a Request for Arbitration, this time against OCI SAE with the ICC Court of Arbitration in London ("OCI Arbitration"). The claims made by the Foundation in this new arbitration arise in connection with a Parent Company Guarantee (the "PCG") issued by OCI SAE on 7 February 2018. The Foundation alleged that the terms of the PCG protect it in respect of liabilities and obligations of Contrack (Cyprus) Limited on the Project. The Foundation has not yet specified the amount/s that it claims against OCI under the PCG. OCI filed its Answer to the Request for Arbitration on 9 November 2017 asserting lack of jurisdiction, premature and inadmissible claim, and that the PCG has expired. The Terms of Reference were signed on 22 January 2018, and the Tribunal issued its first Procedural Order on 12 March 2018. The Foundation filed its Statement of Case on 23 April 2018, and OCI is due to file its Statement of Defence on 15 August 2018. At this time, the Tribunal has not ordered the parties to take any further substantive steps.

25.1.5 Iowa Fertilizer Project:

MEI, a subcontractor involved in the main mechanical and electrical erection, filed proceedings before the courts of Davenport, Iowa, against OEC regarding part of the scope of works of the Downstream Plant at the Iowa fertilizer project. The claim was filed on 19 February 2017, seeking recovery of outstanding applications for payment (plus interest); retainage on paid invoices; a small tools and consumables conversion claim; and a diminution claim. OEC denied it had any obligation to pay MEI on the basis that MEI had performed defective work and/or had not completed its works, and filed a counterclaim.

A hearing was held starting 24 September 2018, in the Southern District of Iowa court over a span of three weeks before a federal judge and jury. On 12 October 2018, the jury rendered a verbal verdict. The verbal verdict was in favour of MEI for an amount of USD 62.5 million plus interest. The judge will render final judgement once interest calculations have been finalised and will be included in the verdict.

The verdict is subject to appeal procedures. A provision amounting to USD 40 million has been recorded at this stage. OEC will be studying the outcome of the written verdict once received and will be assessing grounds for appeal.

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 2018	30 September 2017
Less than one year	5.4	6.2
Between one and five years	6.5	4.9
More than five years	4.8	4.9
Total	16.7	16.0

ii. Amount recognized in profit or loss

\$ millions	the nine months ended 30 September 2018	the three months ended 30 September 2018	the nine months ended 30 September 2017	the three months ended 30 September 2017
Rent	12.8	4.2	9.0	(0.1)
Vehicles	0.4	0.2	8.7	3.5
Machinery and equipment	32.2	11.4	22.8	11.5
Total	45.4	15.8	40.5	14.9

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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 2017	AR and loan outstanding at year ended 31 December 2017	Purchases transactions during the period ended 30 September 2017	AP and advances outstanding at year ended 31 December 2017
Medrail	Equity accounted investee	-	5.2	-	-
Iowa fertilizer Company	Related via Key Management personnel	55.8	16.8	-	-
Natgasoline	Related via Key Management personnel	338.2	9.1	-	-
OCI N.V.	Related via Key Management personnel	-	1.1	-	2.6
OCI SAE "fertilizer"	Related via Key Management personnel	-	5.0	-	-
Other		-	4.7	-	2.4
Total		394.0	41.9	-	5.0

Related party	Relation	Revenue transactions during the period ended 30 September 2018	AR and loan outstanding at period ended 30 September 2018	Purchases transactions during the period ended 30 September 2018	AP and advances outstanding at period ended 30 September 2018
Medrail	Equity accounted investee	-	5.1	-	-
Iowa fertilizer Company	Related via Key Management personnel	5.9	29.8	-	-
Natgasoline	Related via Key Management personnel	127.8	2.0	-	-
OCI N.V.	Related via Key Management personnel	-	3.1	-	2.4
OCI SAE "fertilizer"	Related via Key Management personnel	-	5.0	-	-
Other		-	4.0	-	6.9
Total		133.7	49.0	-	9.3

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 OC PLC each operate as separately listed companies. There are no cross-directorships, other than Jérôme Guiraud who is a non-executive director in both. The senior management teams of OCI N.V. and OC PLC are different and all agreements between the two companies are executed based on agreed terms.

Services between OCI N.V. and OC PLC Group entities in the areas of accounting, treasury, information technology, etc, are payable on a cost-plus basis.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

OC PLC 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 OC PLC has contracted with other customers. The most relevant are listed below:

27.1.2 Conditional sale agreement

On 5 February 2015, OC IHC 4 B.V. (a subsidiary of OC PLC) 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 OC PLC 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 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 OC PLC.

27.1.3 Tax indemnity agreement

On 6 February 2015, OC PLC 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).

27.1.4 Construction contracts

A commercial relationship between OCI N.V. and OC PLC 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 OC PLC) 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 OC PLC, 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.

On 25 November 2016, OCI N.V. and Orascom E&C USA, the EPC contractor of Iowa Fertilizer Company LLC ("IFCo") have signed a settlement and acceleration agreement. The agreement is to address outstanding claims between IFCo and Orascom E&C USA, and provide

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for additional consideration of up to USD 200 million to ensure commercial operations in the second half of 2017. USD 170 million has been paid before 2016 year end.

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.

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

During the nine months period ended 30 September 2018, 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 months period ended 30 September 2018 to an amount of around 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	49.90	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 Watts 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, OC PLC has various holding companies in the Netherlands and the countries it operates in.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Dubai, UAE, 27 November 2018

The Orascom Construction PLC Board of Directors,

Jérôme Guiraud	Chairman
Osama Bishai	Chief Executive Officer
Mustafa Abdel-Wadood	Member
Johan Beerlandt	Member
Khaled Bichara	Member
Sami Haddad	Member

ORASCOM CONSTRUCTION PLC
(the **Company**)

Summary of the Board Resolutions – 27 November 2018

After due and careful consideration, **IT WAS RESOLVED** that:

- (a) that the consolidated and standalone financial statements of the Company for the period ended 30 September 2018 be approved.

Orascom Construction PLC
 (“the Company”)

Separate interim financial statements (unaudited)
For the nine month period ended 30 September 2018

Orascom Construction PLC (“the Company”)

Separate interim financial statements (unaudited)

For the nine month period ended 30 September 2018

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Independent Auditors' Report on Review of Condensed Separate Interim Financial Statements

To the Shareholders of Orascom Construction PLC (formerly Orascom Construction Limited)

Introduction

We have reviewed the accompanying 30 September 2018 condensed separate interim financial statements of Orascom Construction PLC (formerly Orascom Construction Limited) ("the Company"), which comprises:

- the condensed separate statement of financial position as at 30 September 2018;
- the condensed separate statements of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2018;
- the condensed separate statement of changes in equity for the nine-month period ended 30 September 2018;
- the condensed separate statement of cash flows for the nine-month period ended 30 September 2018; and
- notes to the condensed separate interim financial statements.

Management is responsible for the preparation and presentation of these condensed separate interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these condensed separate 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 PLC
(formerly Orascom Construction Limited)
Independent Auditors' Report on Review of
Condensed Separate Interim Financial Statements
30 September 2018

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2018 condensed separate interim financial statements are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG LLP
Dubai, United Arab Emirates

Freddie Edward Cloete
Partner

Date: 27 November 2018



Orascom Construction PLC

Separate statement of profit or loss and other comprehensive income

For the nine month period ended

		Nine month period ended 30 September		Three month period ended 30 September	
	Note	2018 USD (Unaudited)	2017 USD (Unaudited)	2018 USD (Unaudited)	2017 USD (Unaudited)
Support service charges	11	-	10,862,687	-	-
Dividend income received from a subsidiary	11	50,000	-	50,000	-
General and administrative expenses	5	(13,063,138)	(16,560,768)	(4,964,282)	(2,705,918)
Finance income	6	10,524,085	16,099,442	3,847,661	5,604,825
Finance expense	7	(846,267)	(1,856,844)	(6,353)	(509,308)
Gain on reversal of related party balance	11	204,884,848	-	204,884,848	-
Write-off of related party balances	11	-	(23,478,341)	-	(23,478,341)
Other income		790,200	-	-	-
Profit / (Loss) for the period		202,339,728	(14,933,824)	203,811,874	(21,088,742)
<i>Other comprehensive income for the period</i>		-	-	-	-
Total comprehensive income/ (loss) for the period		202,339,728	(14,933,824)	203,811,874	(21,088,742)
Earnings per share (in USD)					
Basic earnings/ (loss) per share	18	1.733	(0.128)	1.745	(0.181)

The notes on pages 7 to 27 form an integral part of these separate interim financial statements.

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

Orascom Construction PLC

Separate statement of financial position

As at

	Note	30 September 2018 USD (Unaudited)	31 December 2017 USD (Audited)
Non-current assets			
Property and equipment	8	-	268,277
Investment in subsidiaries	9	930,347,276	930,347,276
Loans due from related parties	11	187,237,758	185,299,030
		<u>1,117,585,034</u>	<u>1,115,914,583</u>
Current assets			
Prepayments and other receivables	10	187,084	261,795
Due from related parties	11	505,748	334,868
Cash in hand and at banks		2,143,383	2,034,292
		<u>2,836,215</u>	<u>2,630,955</u>
Total assets		<u><u>1,120,421,249</u></u>	<u><u>1,118,545,538</u></u>
Liabilities and shareholder's equity			
Shareholder's equity			
Share capital	13	116,761,379	116,761,379
Share premium	15	483,025,196	764,325,196
Retained earnings / (Accumulated losses)		442,983,266	(10,656,462)
		<u>1,042,769,841</u>	<u>870,430,113</u>
Non-current liabilities			
Loans due to related parties	11	70,479,134	241,352,758
Current liabilities			
Accounts payable and accrued expenses	12	1,915,084	1,906,714
Due to related parties	11	5,257,190	4,855,953
		<u>7,172,274</u>	<u>6,762,667</u>
Total liabilities		<u>77,651,408</u>	<u>248,115,425</u>
Total liabilities and shareholder's equity		<u><u>1,120,421,249</u></u>	<u><u>1,118,545,538</u></u>

The notes on pages 7 to 27 form an integral part of these separate interim financial statements.

These separate interim financial statements were approved by the Board of Directors and authorised for issue on 27 November 2018 and signed on their behalf by:



Osama Bishai – Chief Executive Officer

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

Orascom Construction PLC

Separate statement of cash flows

For the nine month period ended

	<i>Note</i>	30 September 2018 USD (Unaudited)	30 September 2017 USD (Unaudited)
Operating activities			
Net profit / (loss) for the period		202,339,728	(14,933,824)
<i>Adjustments for:</i>			
Finance expenses	7	827,933	1,842,454
Depreciation	5	268,277	344,934
Finance income	6	(10,524,085)	(16,099,442)
Gain on reversal of related party balance	11	(204,884,848)	-
		-----	-----
<i>Operating loss before working capital changes</i>		(11,972,995)	(28,845,878)
Change in prepayments and other receivables		74,711	94,550
Change in due from related parties		(170,880)	13,493,569
Change in accounts payable and accrued expenses		8,370	2,242,492
Change in due to related parties		401,237	2,602,420
		-----	-----
<i>Net cash used in operating activities</i>		(11,659,557)	(10,412,847)
		-----	-----
Investing activities			
Net movement in loans due from related parties		8,585,357	(4,282,870)
		-----	-----
<i>Net cash generated from / (used in) investing activities</i>		8,585,357	(4,282,870)
		-----	-----
Financing activities			
Net movement in loans due to related parties		33,183,291	11,908,545
Dividends paid		(30,000,000)	-
		-----	-----
<i>Net cash generated from financing activities</i>		3,183,291	11,908,545
		-----	-----
Net increase / (decrease) in cash and cash equivalents		109,091	(2,787,172)
Cash and cash equivalents at the beginning of the period		2,034,292	5,572,853
		-----	-----
Cash and cash equivalents at the end of the period		2,143,383	2,785,681
		=====	=====

The notes on pages 7 to 27 form an integral part of these separate interim financial statements.

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

Orascom Construction PLC

Separate statement of changes in equity

For the nine month period ended

	Share Capital	Share premium	Treasury shares	(Accumulated losses) / Retained earnings	Total
	USD	USD	USD	USD	USD
Balance at 1 January 2017 (Audited)	117,761,379	771,639,257	(8,314,061)	(1,142,616)	879,943,959
<i>Total comprehensive loss for the period</i>					
Loss for the period	-	-	-	(14,933,824)	(14,933,824)
<i>Transaction with owners, recognised directly in equity</i>					
Share reduction (refer note 13)	(1,000,000)	(7,314,061)	8,314,061	-	-
Balance at 30 September 2017 (Unaudited)	<u>116,761,379</u>	<u>764,325,196</u>	<u>-</u>	<u>(16,076,440)</u>	<u>865,010,135</u>
Balance at 1 January 2018 (Audited)	116,761,379	764,325,196	-	(10,656,462)	870,430,113
<i>Total comprehensive income for the period</i>					
Profit for the period	-	-	-	202,339,728	202,339,728
<i>Transactions with owners, recognised directly in equity</i>					
Reduction of share premium (refer note 15)	-	(281,300,000)	-	281,300,000	-
Dividends declared and paid (refer note 14)	-	-	-	(30,000,000)	(30,000,000)
Balance at 30 September 2018 (Unaudited)	<u>116,761,379</u>	<u>483,025,196</u>	<u>-</u>	<u>442,983,266</u>	<u>1,042,769,841</u>

The notes on pages 7 to 27 form an integral part of these separate interim financial statements.

Orascom Construction PLC

Notes

(forming part of these separate financial statements)

1 Legal status and principal activities

Orascom Construction PLC (“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 Company was incorporated on 18 January 2015 as Orascom Construction Limited by shares and converted to a Public Company under the DIFC Law No. 5 of 2018 on 12 November 2018.

The principal activity of the Company is holding investments.

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

In 2017, the Company invested in 100 percent shares of Orascom Holding Limited.

2 Basis of preparation

Statement of compliance

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

Separate financial statements of the Company

The Company acts as a holding company for its subsidiaries. The Company and its subsidiaries are collectively referred to as “the Group”. These separate financial statements present the financial performance and position of the Company only and do not include the operating results and financial position of its subsidiaries. In these financial statements, the investments in subsidiaries are 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*. In order to have a fuller understanding of the results of operations, financial position, changes in equity and cash flows, the consolidated interim financial statements of the Group for the nine month period ended 30 September 2018 issued separately on 27 November 2018 should be referred to.

Basis of measurement

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

Functional and presentation currency

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

Use of estimates and judgments

The preparation of these separate 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 PLC

Notes *(continued)*

2 Basis of preparation (continued)

Use of estimates and judgments (continued)

These estimates and associated assumptions are based on historic 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 separate financial statements are discussed in note 21.

Change in accounting policies

Except for the change below, the Company has consistently applied the accounting policies as set in note 3 to all period presented in these separate financial statements.

The Company has adopted the following new standard, with the initial date of application of 1 January 2018.

IFRS 9 Financial Instruments

Classification of financial assets and financial liabilities

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit or Loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

For an explanation of how the Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please refer accounting policy on financial instruments included in note 3.

IFRS 9 has not had a significant effect on the Company's accounting policies for financial liabilities.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' model. The new impairment model applies to financial assets measured at amortised cost, debt investments at FVOCI and lease receivables. Under IFRS 9, credit losses are recognised earlier than under IAS 39. Refer accounting policy of financial instruments included in note 3.

Orascom Construction PLC

Notes *(continued)*

3 Significant accounting policies

Investment in subsidiaries

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. Investment in subsidiaries is stated at cost less any provision for impairment.

Share premium and treasury shares

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.

Retained earnings

The amount included in retained earnings includes accumulated profits and reduced by dividends, and also include transfers of share premium. Dividends are recognized as a liability and deducted from equity when they are approved by the Company's shareholders. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Finance income

Finance income include interest charged on loans due from related parties and net foreign exchange gain. Interest income is recognised as it accrues, using the effective interest rate method.

Finance expense

Finance expense include interest incurred on loans due to related parties, net foreign exchange losses and bank charges. Interest expense is recognized as it accrues, using the effective interest rate method.

Financial instruments

Financial assets and liabilities – Recognition and initial measurement

The Company recognizes a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument.

A financial asset or financial liability (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus or minus, for an item not at Fair Value through Profit or Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue of the financial asset or liability.

Orascom Construction PLC

Notes (continued)

3 Significant accounting policies (continued)

Financial instruments (continued)

Classification – Financial assets

On initial recognition, a financial asset is classified as measured at amortized cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets is based on the business model in which a financial asset is managed by the Company and its contractual cash flow characteristics.

Derivatives embedded in contracts where the host is a financial asset are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL. This also includes all derivative financial assets.

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Subsequent measurement – financial assets

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see accounting policy on impairment below). Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Orascom Construction PLC

Notes *(continued)*

3 Significant accounting policies (continued)

Financial instruments (continued)

Subsequent measurement – financial assets (continued)

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Classification and subsequent measurement – Financial liabilities

The Company classifies all financial liabilities as subsequently measured at amortised cost. Subsequent to the initial recognition, these financial liabilities are measured at amortized cost using effective interest rate method.

Offsetting financial instruments

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

De-recognition

Financial assets are derecognized 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. Financial liabilities are derecognized if the Company's obligations specified in the contract expire or are discharged or cancelled.

Impairment

Financial assets measured at amortized cost, contract assets and debt investments at FVOCI are assessed for impairment using 'expected credit loss' (ECL) model. Under IFRS 9, loss allowances are measured on either of the following bases:

- 12- month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

- Bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Company has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Orascom Construction PLC

Notes *(continued)*

3 Significant accounting policies (continued)

Financial instruments (continued)

Impairment (continued)

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment loss

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in OCI, instead of reducing the carrying amount of the asset.

Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of profit or loss and OCI. Impairment losses on other financial assets are presented under 'finance costs'.

Impairment on 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits with maturities of three months or less from the acquisition date (original maturity) that are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of its short-term commitments.

Orascom Construction PLC

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 currency transactions

Transactions in foreign currencies are translated into functional currency of the Company at the exchange rates at the dates of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and any impairment loss. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes cost of material, direct labour, other directly attributable costs incurred to bring the asset ready for its intended use, cost of asset retirement obligations and any capitalized borrowing costs.

When parts of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. Subsequent expenditures are capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance costs are expensed as incurred.

Depreciation

Items of property and equipment are depreciated on a straight line basis through profit or loss over the estimated useful lives of each item, taking into account any residual values. Items of property and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

Life (months)

Furniture and fixtures	28
------------------------	----

Operating leases

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

Orascom Construction PLC

Notes *(continued)*

3 Significant accounting policies (continued)

New standards and interpretations not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 with earlier application permitted. The Company does not plan to adopt these standards early. The new standard which may be relevant to the Company is set out below.

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 a 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.

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 Board of Directors 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 amounts due from related parties and loans due 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 expected losses with respect to amounts due from related parties and loans due from related parties.

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 payable and accrued expenses, loans due to related parties and amounts 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.

Orascom Construction PLC

Notes *(continued)*

4 Financial risk management and capital management (continued)

Market rate 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 optimizing the return on risk.

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 currencies in which these transactions are primarily denominated in other than the functional currency are Egyptian pound and Euro.

Interest rate risk

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

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.

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 shareholders 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.

Orascom Construction PLC

Notes (continued)

5 General and administrative expenses

	Nine month period ended		Three month period ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	USD	USD	USD	USD
Salaries and wages	10,350,581	13,842,425	4,152,483	2,000,503
Consultancy fees	1,455,317	1,031,222	532,265	223,778
Depreciation on property and equipment (refer note 8)	268,277	344,934	38,321	114,978
Rental expense (refer note 16)	174,231	174,290	58,077	58,098
Travel	111,759	348,293	27,959	111,901
Advertising	28,866	50,489	-	-
Communication	23,385	49,109	8,128	17,769
Others	650,722	720,006	147,049	178,891
	<u>13,063,138</u>	<u>16,560,768</u>	<u>4,964,282</u>	<u>2,705,918</u>

6 Finance income

	Nine month period ended		Three month period ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	USD	USD	USD	USD
Interest on loans due from related parties (refer note 11)	9,954,952	16,099,442	3,700,333	5,604,825
Foreign exchange gain - net	569,133	-	147,328	-
	<u>10,524,085</u>	<u>16,099,442</u>	<u>3,847,661</u>	<u>5,604,825</u>

7 Finance expenses

	Nine month period ended		Three month period ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	USD	USD	USD	USD
Interest on loans due to related parties (refer note 11)	827,933	1,278,216	-	472,976
Bank charges	18,334	14,390	6,353	6,552
Foreign exchange loss - net	-	564,238	-	29,780
	<u>846,267</u>	<u>1,856,844</u>	<u>6,353</u>	<u>509,308</u>

Orascom Construction PLC

Notes (continued)

8 Property and equipment

	Furniture and fixtures USD
Cost	
At 1 January 2017	1,072,247

At 31 December 2017	1,072,247

At 1 January 2018	1,072,247

At 30 September 2018	1,072,247

Accumulated depreciation	
At 1 January 2017	344,058
Depreciation	459,912

At 31 December 2017	803,970

At 1 January 2018	803,970
Depreciation	268,277

At 30 September 2018	1,072,247

Net book value	
At 30 September 2018	-
	=====
At 31 December 2017	268,277
	=====

9 Investment in subsidiaries

	30 September 2018 USD	31 December 2017 USD
Orascom Holding Cooperatief U.A. (refer to note (i) below)	930,297,276	930,297,276
Orascom Holding Limited (refer to note (ii) below)	50,000	50,000
	-----	-----
	930,347,276	930,347,276
	=====	=====

- (i) The Company holds 100% interest in Orascom Holding Cooperatief U.A. ("OHC"). The acquisition of OHC was made through the issuance of share capital amounting to USD 722 million to OCIN.V. on 9 March 2015. OHC was incorporated on 4 September 2014 under the Dutch law and primarily operates as an investment holding Company.

On 15 December 2017, the Company made an additional investment of USD 208 million in OHC. The contribution for the increase in investment was made through an assignment of a related party receivable of the Company to OHC.

Orascom Construction PLC

Notes (continued)

9 Investment in subsidiaries (continued)

- (ii) On 13 December 2017, the Company invested an amount of USD 50,000 in Orascom Holding Limited ("OHL"). OHL was incorporated in 2016 under the DIFC Law No. 2 of 2009, and operates as an investment holding Company. OHL is a 100 percent owned subsidiary of Orascom Construction PLC.

10 Prepayments and other receivables

	30 September 2018 USD	31 December 2017 USD
Prepayments	127,499	203,700
Deposits	59,343	58,095
Other receivables	242	-
	<u>187,084</u>	<u>261,795</u>

11 Related party transactions

The Company, in the ordinary course of business, enters into transactions with other business enterprises that fall within the definition of a related party as 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 2018 USD		Three month period ended 30 September 2018 USD	
	30 September 2018 USD	30 September 2017 USD	30 September 2018 USD	30 September 2017 USD
Gain on reversal of related party balance (see note (ii) below)	204,884,848	-	204,884,848	-
Interest income on loans due from related parties (refer note 6)	9,954,952	16,099,442	3,700,333	5,604,825
Expenses incurred by related parties on behalf of the Company	2,367,679	5,093,791	436,841	865,157
Interest expense on loans due to related parties (refer note 7 and note (ii) below)	827,933	1,278,216	-	472,976
Dividend income received from a subsidiary	50,000	-	50,000	-
Write-off of related party balances	-	23,478,341	-	23,478,341
Support services recharged to related parties (see note (i) below)	-	10,862,687	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Orascom Construction PLC

Notes *(continued)*

11 Related party transactions (continued)

- (i) Support service charges represented corporate charges made by the Company to its related parties for accounting, information technology and other support services provided to them based on a service agreement. No support service charges have been recognized during the nine month period ended 30 September 2018 pursuant to terminating the service agreement on 30 September 2017.
- (ii) In the current period, based on an intercompany loan settlement agreement between the Company and Cementech Limited, a related party of the Company, an existing loan amounting to USD 206.5 million, including accrued interest amounting to USD 1.6 million for the nine month period ended 30 September 2018 were waived off. Accordingly an amount of USD 204.9 million was recognized as income in the separate statement of profit or loss and other comprehensive income.

Orascom Construction PLC

Notes (continued)

11 Related party transactions (continued)

				30 September 2018			31 December 2017		
				Current portion USD	Non-current portion USD	Total USD	Current portion USD	Non-current portion USD	Total USD
	Relationship	Interest terms	Repayment terms						
<i>Loans due from related parties</i>									
OCI Construction Holding Cyprus	Subsidiary	refer note (a)	receivable on 31 December 2019	-	79,154,428	79,154,428	-	67,077,547	67,077,547
OCI Construction International	Subsidiary	refer note (b)	receivable on 31 December 2020	-	68,361,577	68,361,577	-	65,750,818	65,750,818
Orascom Construction SAE	Subsidiary	refer note (c)	receivable on 31 December 2020	-	23,363,308	23,363,308	-	34,717,840	34,717,840
OCI Saudi Arabia	Subsidiary	refer note (d)	receivable on 31 December 2020	-	16,358,445	16,358,445	-	15,952,753	15,952,753
Orascom Abu Dhabi Contraack JV	Subsidiary	no interest		-	-	-	-	1,800,072	1,800,072
				-	187,237,758	187,237,758	-	185,299,030	185,299,030
<i>Due from related parties</i>									
The Weitz Company, LLC	Subsidiary	no interest	receivable on demand	352,219	-	352,219	236,834	-	236,834
Orascom Saudi	Subsidiary	no interest	receivable on demand	148,834	-	148,834	97,034	-	97,034
Orascom Holding Limited	Subsidiary	no interest	receivable on demand	4,695	-	4,695	1,000	-	1,000
				505,748	-	505,748	334,868	-	334,868
<i>Loans due to related parties</i>									
Cementech Limited	Subsidiary	See note (ii)		-	-	-	-	201,884,848	201,884,848
Orascom Holding Coöperatief U.A.	Subsidiary	refer note (d)	payable on 31 December 2020	-	49,679,164	49,679,164	-	19,950,631	19,950,631
OCI Construction Limited	Subsidiary	refer note (e)	payable on 31 December 2019	-	17,002,527	17,002,527	-	15,776,413	15,776,413
NSF Global Limited	Subsidiary	refer note (f)	payable on 31 December 2019	-	3,797,443	3,797,443	-	3,740,866	3,740,866
				-	70,479,134	70,479,134	-	241,352,758	241,352,758
<i>Due to related parties</i>									
OCI N.V.	Related via key management personnel	no interest	payable on demand	2,357,684	-	2,357,684	2,582,829	-	2,582,829
Contrack Watts Inc.	Subsidiary	no interest	payable on demand	2,567,932	-	2,567,932	2,073,690	-	2,073,690
Orascom Holding Coöperatief U.A.	Subsidiary	no interest	payable on demand	331,574	-	331,574	199,434	-	199,434
				5,257,190	-	5,257,190	4,855,953	-	4,855,953

Orascom Construction PLC

Notes (continued)

11 Related party transactions (continued)

Interest terms

- (a) The loan carries interest at six months LIBOR rate plus 3.30%.
- (b) The loan carries interest at one month LIBOR rate plus 3.25%.
- (c) The loan due from Orascom Construction SAE comprise the following loans:
 - i. A loan denominated in Egyptian pounds amounting to USD 21,663,236 (31 December 2017: USD 34,717,840) which carries interest at Egyptian Central Bank Mid Corridor rate plus 1%.
 - ii. A loan denominated in US dollars amounting to USD 1,800,072 (31 December 2017: nil) which carries no interest.
- (d) The loan carries interest at one month LIBOR rate plus 1.40%.
- (e) The loan carries interest at one month rate charged by one of the Company's bank plus 0.05%.
- (f) The loan carries interest at one month LIBOR rate plus 0.05%.

12 Accounts payable and accrued expenses

	30 September 2018 USD	31 December 2017 USD
Accounts payable	30,848	221,747
Accrued expenses	1,884,236	1,684,967
	<u>1,915,084</u>	<u>1,906,714</u>

13 Share capital

The movement in share capital with a par value of USD 1 during the period/ year is as follows:

	2018 USD	2017 USD
At 1 January	116,761,379	117,761,379
Cancellation of shares (refer note (i) below)	-	(1,000,000)
At 30 September / At 31 December	<u>116,761,379</u>	<u>116,761,379</u>

- (i) On 23 January 2017, based on the approval of Board of Directors, the Company cancelled 1,000,000 treasury shares which were bought back previously and accordingly the share capital and share premium were reduced by USD 1,000,000 and USD 7,314,061 respectively.

14 Dividend

During the current period, the Board of Directors approved a dividend of USD 0.26 per share amounting to approximately USD 30 million. The dividend was paid to shareholders on 25 July 2018.

15 Reduction of share premium

On 9 May 2018, the balance in the share premium account was reduced by USD 281.3 million pursuant to the resolution initially approved by the Board of Directors on 28 June 2018 and subsequently approved by the shareholders at extraordinary general meeting. The share premium reduction was used to offset the accumulated losses of the Company.

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Notes (continued)

16 Operating lease commitments

The Company as a lessee

The Company operates from a lease hold premise. The lease runs for a period of three years with an option to renew the lease at the end of the lease period. The lease rentals are usually renewed to reflect market rentals.

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

	Nine month period ended	
	30 September 2018	30 September 2017
	USD	USD
Less than one year	238,608	228,884
Between one and five years	477,216	680,680
Total	715,824	909,564
Rent expense	174,231	174,290

17 Financial instruments

The financial assets of the Company include cash in hand and at banks, loans due from related parties and amounts due from related parties. The financial liabilities of the Company include accounts payable and accrued expenses, loans due to related parties and amounts due to related parties. Accounting policies for financial assets and liabilities are set out in note 3.

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 as follows:

	30 September 2018 USD	31 December 2017 USD
Loans due from related parties	187,237,758	185,299,030
Due from related parties	505,748	334,868
Cash at banks	2,140,660	2,034,292
	189,884,166	187,668,190

Management believes that the loans and the amounts due from related parties are fully recoverable and accordingly, no provision for impairment was made. The Company's cash is placed with banks of repute.

Orascom Construction PLC

Notes (continued)

17 Financial instruments (continued)

Liquidity risk

The following are the contractual maturities of financial liabilities including estimated interest payments and excluding the impact of netting arrangements:

30 September 2018 <i>Non-derivative financial liabilities</i>	Carrying Amount USD	Contractual cash flows USD	1 year or less USD	More than 1 year USD
Loans due to related parties	70,479,134	72,838,584	-	72,838,584
Due to related parties	5,257,190	5,257,190	5,257,190	-
Accounts payable and accrued expenses	1,915,084	1,915,084	1,915,084	-
	<u>77,651,408</u>	<u>80,010,858</u>	<u>7,172,274</u>	<u>72,838,584</u>
 31 December 2017 <i>Non-derivative financial liabilities</i>	 Carrying amount USD	 Contractual cash flows USD	 1 year or less USD	 More than 1 year USD
Loans due to related parties	241,352,758	246,978,491	-	246,978,491
Due to related parties	4,855,953	4,855,953	4,855,953	-
Accounts payable and accrued expenses	1,906,714	1,906,714	1,906,714	-
	<u>248,115,425</u>	<u>253,741,158</u>	<u>6,762,667</u>	<u>246,978,491</u>

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 2018 USD	31 December 2017 USD
Financial assets	185,437,686	183,498,958
Financial liabilities	(70,479,134)	(241,352,758)
	<u>114,958,552</u>	<u>(57,853,800)</u>

Orascom Construction PLC

Notes (continued)

17 Financial instruments (continued)

Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments

An increase 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 2018 100 bp increase USD	100 bp decrease USD
Variable rate instruments	<u>1,149,586</u>	<u>(1,149,586)</u>
	31 December 2017 100 bp increase USD	100 bp decrease USD
Variable rate instruments	<u>(578,538)</u>	<u>578,538</u>

A decrease of 100 basis points in interest rates at the reporting date would have had the equal but opposite effect.

Currency risk

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

	30 September 2018		31 December 2017	
	Euro	Egyptian pound	Euro	Egyptian Pound
Cash at banks	718	267	708	-
Loans due from related parties	-	384,097,542	-	616,876,991
Loans due to related parties	<u>(14,651,667)</u>	<u>-</u>	<u>(13,141,973)</u>	<u>-</u>
	<u>(14,650,949)</u>	<u>384,097,809</u>	<u>(13,141,265)</u>	<u>616,876,991</u>

Sensitivity analysis

The following foreign exchange rates were applied by the Company during the period/ year:

	Average rate 2018	Spot rate 2018	Average rate 2017	Spot Rate 2017
1 Euro	1.1935	1.1605	1.1317	1.2005
1 Egyptian pound	<u>0.0563</u>	<u>0.0561</u>	<u>0.0563</u>	<u>0.0563</u>

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Notes *(continued)*

17 Financial instruments (continued)

Currency risk (continued)

Sensitivity analysis (continued)

A 1 percent strengthening of Egyptian Pound and Euro against USD at reporting date 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 2018 USD	31 December 2017 USD
Euro	(170,024)	(157,761)
Egyptian pound	215,479	347,302
	-----	-----
	45,455	189,541
	=====	=====

A 1 percent weakening of the Egyptian Pound and Euro against USD at reporting date would have had the equal but opposite effect.

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Notes (continued)

18 Earnings per share

Basic earnings / (loss) per share

	Nine month period ended 30 September 2018	Nine month period ended 30 September 2017	Three month period ended 30 September 2018	Three month period ended 30 September 2017
Net profit/(loss) attributable to ordinary shareholders	202,339,728	(14,933,824)	203,811,874	(21,088,742)
Weighted average number of ordinary shares	116,761,379	116,761,379	116,761,379	116,761,379
Basic earnings / (loss) per share (in USD)	1.733	(0.128)	1.745	(0.181)

Weighted average number of ordinary shares calculation

	Nine month period ended 30 September 2018	Nine month period ended 30 September 2017	Three month period ended 30 September 2018	Three month period ended 30 September 2017
Issued ordinary shares	116,761,379	117,761,379	116,761,379	116,761,379
Shares cancelled during the period	-	(1,000,000)	-	-
Number of ordinary shares outstanding	116,761,379	116,761,379	116,761,379	116,761,379
Weighted average number of shares	116,761,379	116,761,379	116,761,379	116,761,379

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Notes *(continued)*

19 Operating segments

There were no operating segments identified by the management as at the reporting date.

20 Contingent liabilities and capital commitments

There were no contingent liabilities as of the reporting date (*31 December 2017: Nil*). Further, there were no capital commitments as at the reporting date. (*31 December 2017: Nil*)

21 Significant accounting estimates and judgements

The Company makes estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, 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 investment in subsidiaries

The Company determines whether investment in subsidiaries is impaired on an annual basis or whenever there is any indication of impairment. This requires estimation of the “value in use” of the cash generating units. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of these cash flows.

Impairment losses on receivables

The Company’s credit risk is primarily attributable to its loan receivable from related parties 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.