

# ORASCOM CONSTRUCTION PLC

## Interim Consolidated Financial Statements

For the nine month period ended 30 September 2020

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

To the Shareholders of Orascom Construction PLC

### *Introduction*

We have reviewed the accompanying 30 September 2020 condensed consolidated interim financial statements of Orascom Construction PLC ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise:

- the condensed consolidated statement of financial position as at 30 September 2020;
- the condensed consolidated statements of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2020;
- the condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2020;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2020; 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 2020 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

*Other Matter*

As disclosed in note 29 to the condensed consolidated interim financial statements, CoVid-19 affects the Group and results in certain uncertainties for the future financial position and performance of the Group. All reviews assess whether significant changes to existing estimates have occurred during the interim period, the related disclosures and the appropriateness of the going concern assumption of the condensed consolidated interim financial statements. The appropriateness of the going concern assumption depends on assessments of the future economic environment and the Group's future prospects and performance. The CoVid-19 pandemic is an unprecedented challenge for humanity and for the economy globally, and at the date of this report its effects are subject to significant levels of uncertainty. A review cannot predict the unknowable factors or all possible future implications for the Group and this is particularly the case in relation to CoVid-19.

*KPMG LLP*

KPMG LLP  
Dubai, United Arab Emirates

Freddie Edward Cloete  
Partner  
Registration No: 1004441

Date: 18 November 2020



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at

\$ millions	Note	30 September 2020 (reviewed)	31 December 2019 (audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	(6)	175.2	181.3
Goodwill	(7)	13.8	13.8
Trade and other receivables	(8)	44.6	44.4
Equity accounted investees	(9)	415.8	430.0
Deferred tax assets	(10)	35.0	39.6
<b>Total non-current assets</b>		<b>684.4</b>	<b>709.1</b>
<b>Current assets</b>			
Inventories	(11)	275.4	293.0
Trade and other receivables	(8)	1,820.8	1,258.5
Contracts work in progress	(12)	906.8	869.8
Current income tax receivables		2.9	0.1
Cash and cash equivalents	(13)	557.3	374.8
<b>Total current assets</b>		<b>3,563.2</b>	<b>2,796.2</b>
<b>Total assets</b>		<b>4,247.6</b>	<b>3,505.3</b>
<b>Equity</b>			
Share capital	(14)	116.8	116.8
Share premium		480.2	480.2
Reserves	(15)	(289.2)	(304.6)
Retained earnings		287.6	249.5
<b>Equity attributable to owners of the Company</b>		<b>595.4</b>	<b>541.9</b>
Non-controlling interest	(16)	41.8	43.8
<b>Total equity</b>		<b>637.2</b>	<b>585.7</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans and borrowings	(17)	1.4	5.4
Trade and other payables	(18)	54.2	56.7
Deferred tax liabilities	(10)	3.6	3.6
<b>Total non-current liabilities</b>		<b>59.2</b>	<b>65.7</b>
<b>Current liabilities</b>			
Loans and borrowings	(17)	347.0	90.3
Trade and other payables	(18)	1,332.4	1,192.0
Advanced payments from construction contracts		1,384.2	1,096.1
Billing in excess of construction contracts	(12)	401.1	375.3
Provisions	(19)	52.0	53.3
Income tax payables		34.5	46.9
<b>Total current liabilities</b>		<b>3,551.2</b>	<b>2,853.9</b>
<b>Total liabilities</b>		<b>3,610.4</b>	<b>2,919.6</b>
<b>Total equity and liabilities</b>		<b>4,247.6</b>	<b>3,505.3</b>

The notes on pages 7 to 28 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 18 November 2020 and signed on their behalf by:

  
Chief Executive Officer

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the nine month period ended

\$ millions	Note	the nine months ended 30 September 2020 (reviewed)	the three months ended 30 September 2020 (reviewed)	the nine months ended 30 September 2019 (reviewed)	the three months ended 30 September 2019 (reviewed)
Revenue	(24)	2,443.3	824.5	2,285.3	789.6
Cost of sales	(20)	(2,197.3)	(741.5)	(2,011.8)	(705.9)
Gross profit		246.0	83.0	273.5	83.7
Other income	(21)	4.4	2.6	10.0	4.7
Selling, general and administrative expenses	(20)	(133.5)	(44.8)	(122.2)	(44.7)
Operating profit		116.9	40.8	161.3	43.7
Finance income	(22)	12.3	0.5	11.9	3.7
Finance cost	(22)	(22.0)	(8.2)	(71.9)	(17.6)
Net finance cost		(9.7)	(7.7)	(60.0)	(13.9)
(Loss) income from equity accounted investees	(9)	(7.7)	10.8	29.6	11.9
Profit before income tax		99.5	43.9	130.9	41.7
Income tax	(10)	(32.9)	(11.7)	(30.6)	(8.6)
Net profit		66.6	32.2	100.3	33.1
Other comprehensive income:					
Items that are or may be reclassified to profit or loss					
Foreign currency translation differences		16.1	27.3	11.6	(18.9)
Other comprehensive (loss) income, net of tax		16.1	27.3	11.6	(18.9)
Total comprehensive income		82.7	59.5	111.9	14.2
Profit attributable to:					
Owners of the Company		65.0	30.2	93.7	32.2
Non-controlling interest		1.6	2.0	6.6	0.9
Net profit		66.6	32.2	100.3	33.1
Total comprehensive income attributable to:					
Owners of the Company		80.4	56.7	102.3	12.5
Non-controlling interest		2.3	2.8	9.6	1.7
Total comprehensive income		82.7	59.5	111.9	14.2
Earnings per share (in USD)					
Basic earnings per share	(23)	0.56	0.26	0.80	0.28

The notes on pages 7 to 28 are an integral part of these interim consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the nine month period ended

\$ millions	Share capital (14)	Share premium	Reserves (15)	Retained earnings	Equity attributable to owners of the Company	Non-controlling interest (16)	Total equity
Balance at 1 January 2019 (audited)	116.8	480.2	(335.6)	170.5	431.9	39.6	471.5
Net profit	-	-	-	93.7	93.7	6.6	100.3
Other comprehensive income	-	-	8.6	-	8.6	3.0	11.6
<b>Total comprehensive income</b>	-	-	<b>8.6</b>	<b>93.7</b>	<b>102.3</b>	<b>9.6</b>	<b>111.9</b>
Dividends	-	-	-	(34.7)	(34.7)	(2.0)	(36.7)
Change in non-controlling interest	-	-	-	-	-	(2.5)	(2.5)
Other	-	-	-	(3.5)	(3.5)	-	(3.5)
<b>Balance at 30 September 2019 (reviewed)</b>	<b>116.8</b>	<b>480.2</b>	<b>(327.0)</b>	<b>226.0</b>	<b>496.0</b>	<b>44.7</b>	<b>540.7</b>
 Balance at 1 January 2020 (audited)	 116.8	 480.2	 (304.6)	 249.5	 541.9	 43.8	 585.7
Net profit	-	-	-	65.0	65.0	1.6	66.6
Other comprehensive income	-	-	15.4	-	15.4	0.7	16.1
<b>Total comprehensive income</b>	-	-	<b>15.4</b>	<b>65.0</b>	<b>80.4</b>	<b>2.3</b>	<b>82.7</b>
Dividends	-	-	-	(24.5)	(24.5)	(4.3)	(28.8)
Other	-	-	-	(2.4)	(2.4)	-	(2.4)
<b>Balance at 30 September 2020 (reviewed)</b>	<b>116.8</b>	<b>480.2</b>	<b>(289.2)</b>	<b>287.6</b>	<b>595.4</b>	<b>41.8</b>	<b>637.2</b>

The notes on pages 7 to 28 are an integral part of these interim consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the nine month period ended

\$ millions	Note	30 September 2020 (reviewed)	30 September 2019 (reviewed)
Net profit		<b>66.6</b>	100.3
Adjustments for:			
Depreciation	(6)	<b>33.6</b>	38.4
Interest income (including gains on derivatives)	(22)	<b>(8.7)</b>	(6.4)
Interest expense (including losses on derivatives)	(22)	<b>17.6</b>	44.7
Foreign exchange (loss) gain and others		<b>0.8</b>	21.7
Share in income of equity accounted investees	(9)	<b>7.7</b>	(29.6)
Gain on sale of property, plant and equipment		<b>(0.9)</b>	(0.7)
Income tax expense	(10)	<b>32.9</b>	30.6
Changes in:			
Inventories	(11)	<b>17.6</b>	(28.0)
Trade and other receivables	(8)	<b>(577.7)</b>	(6.5)
Contract work in progress	(12)	<b>(37.0)</b>	(342.5)
Trade and other payables	(18)	<b>147.3</b>	109.6
Advanced payments construction contracts		<b>288.1</b>	291.2
Billing in excess of construction contracts	(12)	<b>25.8</b>	(46.7)
Provisions	(19)	<b>(1.3)</b>	(50.4)
Cash flows:			
Interest paid	(22)	<b>(15.9)</b>	(41.8)
Interest received	(22)	<b>8.6</b>	6.5
Dividend from equity accounted investee	(9)	<b>15.0</b>	22.8
Income taxes paid		<b>(43.5)</b>	(34.1)
<b>Cash flow (used in) from operating activities</b>		<b>(23.4)</b>	<b>79.1</b>
Investments in property, plant and equipment	(6)	<b>(27.3)</b>	(29.5)
Proceeds from sale of property, plant and equipment		<b>4.3</b>	5.2
<b>Cash flow used in investing activities</b>		<b>(23.0)</b>	<b>(24.3)</b>
Proceeds from borrowings	(17)	<b>299.4</b>	199.5
Repayment of borrowings	(17)	<b>(46.7)</b>	(230.1)
Dividends paid to shareholders		<b>(24.5)</b>	(34.7)
Other		<b>(6.8)</b>	(3.9)
<b>Cash flows from (used in) financing activities</b>		<b>221.4</b>	<b>(69.2)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>175.0</b>	<b>(14.4)</b>
Cash and cash equivalents at 1 January	(13)	<b>374.8</b>	402.5
Currency translation adjustments		<b>7.5</b>	20.0
<b>Cash and cash equivalents at 30 September</b>	(13)	<b>557.3</b>	<b>408.1</b>

The notes on pages 7 to 28 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 1, 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 month period ended 30 September 2020 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, a company 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 month period ended 30 September 2020 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 2020.

The interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2019. The accounting principles used are the same as those used in the consolidated financial statements for the year ended 31 December 2019.

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 interim consolidated financial statements have been authorised for issue by the Company's Board of Directors on 18 November 2020.

## 3. New accounting standards and policies

The accounting policies applied in these interim consolidated financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2019.

A number of new standards are effective from 1 January 2020 but they do not have a material effect on the Group's financial statements.

## 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 2019.

## 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

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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 of financial instruments by category.

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

\$ millions	Note	30 September 2020	31 December 2019
Trade and other receivables (excluding prepayments)	(8)	1,852.1	1,292.5
Contract work in progress	(12)	906.8	869.8
Cash and cash equivalents (excluding cash on hand)	(13)	554.8	373.8
<b>Total</b>		<b>3,313.7</b>	<b>2,536.1</b>

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

\$ millions	30 September 2020	31 December 2019
Middle East and Africa	1,447.2	948.4
Asia and Oceania	151.3	147.1
Europe and United States	253.6	197.0
<b>Total</b>	<b>1,852.1</b>	<b>1,292.5</b>

## 5.2 Liquidity risk

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

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

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

At 31 December 2019 \$ millions	Note	Carrying amount	Contractual cash flow	6 months or less	6–12 months	1–5 years
<b>Financial liabilities</b>						
Loans and borrowings	(17)	95.7	105.2	53.9	45.5	5.8
Trade and other payables (excluding lease obligation)	(18)	1,230.4	1,230.4	1,185.8	-	44.6
Lease obligation	(18)	18.3	21.9	2.9	3.1	15.9
Advanced payments from construction contracts		1,096.1	1,096.1	1,096.1	-	-
<b>Total</b>		<b>2,440.5</b>	<b>2,453.6</b>	<b>2,338.7</b>	<b>48.6</b>	<b>66.3</b>

At 30 September 2020 \$ millions	Note	Carrying amount	Contractual cash flow	6 months or less	6–12 months	1–5 years
<b>Financial liabilities</b>						
Loans and borrowings	(17)	348.4	392.0	188.0	202.4	1.6
Trade and other payables (excluding lease obligation)	(18)	1,369.3	1,369.3	1,327.1	-	42.2
Lease obligation	(18)	17.3	26.6	3.7	3.9	19.0
Advanced payments from construction contracts		1,384.2	1,384.2	1,384.2	-	-
<b>Total</b>		<b>3,119.2</b>	<b>3,172.1</b>	<b>2,903.0</b>	<b>206.3</b>	<b>62.8</b>

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

## 5.3 Market risk

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

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

### Foreign exchange translation exposure

Due to the Group's international presence, OC PLC's Financial Statements are exposed to foreign exchange fluctuations as these affect the translation of the subsidiaries' assets and liabilities presented in foreign currencies to the US dollar (the Group's presentation currency). The currencies concerned are mainly 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.

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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 2019 \$ millions	EUR	EGP
Cash and cash equivalents (including loans and borrowings)	56.7	41.1
Trade and other receivables	2.1	145.2
Trade and other payables	(4.4)	(0.2)

At 30 September 2020 \$ millions	EUR	EGP
Cash and cash equivalents (including loans and borrowings)	62.0	137.0
Trade and other receivables	23.2	13.5
Trade and other payables	(14.0)	(9.9)

## Significant rates

The following significant exchange rates were applied during the nine month period ended 30 September 2020:

	Average 2020	Closing 30 September 2020	Opening 1 January 2020
Egyptian pound	0.0631	0.0635	0.0624
Saudi riyal	0.2664	0.2666	0.2666
Arabic Emirates Dirham	0.2723	0.2723	0.2723
Algerian Dinar	0.0080	0.0077	0.0084
Euro	1.1291	1.1707	1.1212

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

As of 30 September 2020, 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, cash and cash equivalent, payables and loans and borrowings that would have resulted in an increase/decrease of USD 21.2 million of the profit of the nine month period ended 30 September 2020 (31 December 2019: USD 24.1 million).

31 December 2019 \$ millions	Change in FX rate*	Effect on profit before tax**	Effect on equity**
EUR - USD	10%	5.4	39.5
EGP - USD	10%	18.7	-

30 September 2020 \$ millions	Change in FX rate*	Effect on profit before tax**	Effect on equity**
EUR - USD	10%	7.1	38.2
EGP - USD	10%	14.1	-

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

\* 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 2020	31 December 2019
Effect on profit before tax	+100 bps	(4.4)	(0.9)
	- 100 bps	4.4	0.9

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

## Categories of financial instruments

		30 September 2020		31 December 2019	
	Note	Financial assets / liabilities at amortized cost	Derivatives at fair value	Financial assets / liabilities at amortized cost	Derivatives at fair value
Assets					
Trade and other receivables	(8)	1,865.4	-	1,301.4	1.5
Contracts work in progress	(12)	906.8	-	869.8	-
Cash and cash equivalents	(13)	557.3	-	374.8	-
Total		3,329.5	-	2,546.0	1.5
Liabilities					
Loans and borrowings	(17)	348.4	-	95.7	-
Trade and other payables (excluding lease obligation)	(18)	1,369.3	-	1,230.4	-
Advanced payments construction contracts		1,384.2	-	1,096.1	-
Total		3,101.9	-	2,422.2	-

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. Equity consists of ordinary shares, share premium, reserves, 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:

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

\$ millions	Note	30 September 2020	31 December 2019
Loans and borrowings	(17)	348.4	95.7
Less: cash and cash equivalents	(13)	557.3	374.8
Net debt		(208.9)	(279.1)
Total equity		637.2	585.7
Net debt to equity ratio		(0.33)	(0.48)

## 6. Property, plant and equipment

\$ millions	Land	Buildings	Equipment	Fixtures and fittings	Under construction	Total
Cost	13.9	93.7	273.3	135.9	5.2	522.0
Accumulated depreciation	-	(34.3)	(204.2)	(102.2)	-	(340.7)
At 1 January 2020	13.9	59.4	69.1	33.7	5.2	181.3
Movements in the carrying amount:						
Additions purchased during the period	1.5	5.7	9.3	7.8	5.9	30.2
Disposals	(1.9)	-	(0.7)	(0.8)	-	(3.4)
Depreciation	-	(5.0)	(16.9)	(11.7)	-	(33.6)
Transfers	-	0.2	2.0	0.1	(2.3)	-
Effect of movement in exchange rates	0.2	0.7	0.9	0.5	(1.6)	0.7
At 30 September 2020	(0.2)	1.6	(5.4)	(4.1)	2.0	(6.1)
Cost	13.7	99.7	274.6	142.2	7.2	537.4
Accumulated depreciation	-	(38.7)	(210.9)	(112.6)	-	(362.2)
At 30 September 2020	13.7	61.0	63.7	29.6	7.2	175.2

'Property, plant and equipment' comprise owned and leased assets:

\$ millions	2020	2019
Owned assets	158.7	162.9
Right to use	16.5	18.4
At 30 September / 31 December	175.2	181.3

The information about 'Right to use' for which assets of the Group is presented below:

\$ millions	Buildings	Equipment	Fixtures and fittings	Total
Cost	17.8	6.0	-	23.8
Accumulated depreciation	(3.4)	(2.0)	-	(5.4)
At 1 January 2020	14.4	4.0	-	18.4
Movements in the carrying amount:				
Additions during the period	1.5	0.3	1.1	2.9
Depreciation	(2.8)	(1.6)	(0.4)	(4.8)
Effect of movement in exchange rates	-	-	-	-
At 30 September 2020	(1.3)	(1.3)	0.7	(1.9)
Cost	19.3	6.3	1.1	26.7
Accumulated depreciation	(6.2)	(3.6)	(0.4)	(10.2)
At 30 September 2020	13.1	2.7	0.7	16.5

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 7. Goodwill

\$ millions	Goodwill
Cost	13.8
At 1 January 2020	13.8
Movements in the carrying amount:	
Additions	-
Impairment	-
At 30 September 2020	-
Cost	13.8
Impairment	-
At 30 September 2020	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.

## 8. Trade and other receivables

\$ millions	30 September 2020	31 December 2019
Trade receivables (gross)	1,020.8	640.6
Allowance for trade receivables	(11.0)	(12.3)
<b>Trade receivables (net)</b>	<b>1,009.8</b>	<b>628.3</b>
Trade receivables due from related parties (Note 26)	23.9	25.7
Prepayments	13.3	10.4
Other tax receivable	66.9	62.4
Supplier advanced payments	312.7	203.9
Other investments	1.9	2.4
Retentions	280.1	222.7
Derivative financial instruments	-	1.5
Other receivables	156.8	145.6
<b>Total</b>	<b>1,865.4</b>	<b>1,302.9</b>
Non-current	44.6	44.4
Current	1,820.8	1,258.5
<b>Total</b>	<b>1,865.4</b>	<b>1,302.9</b>

The carrying amount of 'Trade and other receivables' as at 30 September 2020 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.

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

\$ millions	30 September 2020	31 December 2019
Neither past due nor impaired	660.4	387.7
Past due 1 - 30 days	7.1	32.4
Past due 31 - 90 days	76.9	58.9
Past due 91 - 360 days	177.7	70.8
More than 360 days	98.7	90.8
<b>Total</b>	<b>1,020.8</b>	<b>640.6</b>

Management believes that the amounts 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.

The movement in the allowance for impairment in respect of trade receivables during the nine month period ended 30 September 2020 was as follows:

\$ millions	2020	2019
At 1 January	(12.3)	(11.9)
Provision formed	(1.0)	(0.6)
Provision no longer required	2.2	0.6
Exchange rates differences and other	0.1	(0.5)
<b>At 30 September</b>	<b>(11.0)</b>	<b>(12.4)</b>

## 9. Equity accounted investees

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

\$ millions	2020	2019
At 1 January	430.0	419.5
Acquisition	-	8.3
Share in results	(7.7)	27.1
Dividends	(15.0)	(22.8)
Effect of movement in exchange rates	8.5	(2.1)
<b>At 30 September / 31 December</b>	<b>415.8</b>	<b>430.0</b>

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

### BESIX Group (BESIX)

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

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



# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

BESIX Group 50% \$ millions	2020	2019
Assets	<b>1,686.1</b>	1,644.4
Liabilities	<b>(1,304.2)</b>	(1,249.6)
<b>Net assets at 30 September / 31 December</b>	<b>381.9</b>	<b>394.8</b>
Construction revenue	<b>1,162.8</b>	1,413.6
Construction cost	<b>(1,171.3)</b>	(1,387.3)
<b>Net (loss) profit at 30 September</b>	<b>(8.5)</b>	<b>26.3</b>

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)	Contract Cyprus	Qatar	45.0
Ras Ghareb Wind Energy	Orascom Construction SAE	Egypt	20.0
Clark, Weitz, and Clarkson	The Weitz Group	USA	30.0
Watts - Webcor Obayashi	Contract Watts Inc	USA	34.0
National Pipe Company	OCI Construction Egypt Orascom Construction SAE	Egypt	40.0
El Yamama	OCI Egypt	KSA	50.0
Orasqualia, Orasqualia for Construction S.A.E. and Orasqualia for Maintenance	Orascom Construction SAE	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	2020	2019
Assets	<b>1,819.6</b>	1,779.0
Liabilities	<b>(1,403.8)</b>	(1,349.0)
<b>Net assets at 30 September / 31 December</b>	<b>415.8</b>	<b>430.0</b>
Income	<b>1,180.3</b>	1,426.0
Expenses	<b>(1,188.0)</b>	(1,396.4)
<b>Net (loss) profit at 30 September</b>	<b>(7.7)</b>	<b>29.6</b>

## Transaction between Group entities and associates / joint ventures

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

## 10. Income taxes

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

The income tax on profit before income tax amounts to USD 32.9 million (30 September 2019: USD 30.6 million) expense and can be summarized as follows:

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

\$ millions	the nine months ended 30 September 2020 (reviewed)	the three months ended 30 September 2020 (reviewed)	the nine months ended 30 September 2019 (reviewed)	the three months ended 30 September 2019 (reviewed)
Current tax	(31.1)	(8.7)	(34.2)	(11.3)
Deferred tax	(4.7)	(3.0)	3.6	2.7
Tax credit	2.9	-	-	-
Total income tax in profit or loss	(32.9)	(11.7)	(30.6)	(8.6)

## 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 2020	%	September 2019	%
Profit before income tax	99.5		130.9	
Tax calculated at weighted average group tax rate	(24.8)	24.9	(45.6)	34.8
(Reversed) recognised in deferred tax asset	(4.7)	4.7	3.6	(2.8)
Tax credit	2.9	(2.9)	-	-
Other	(6.3)	6.3	11.4	(8.7)
Total income tax in profit or loss	(32.9)	33.1	(30.6)	23.4

## 10.3 Deferred income tax assets and liabilities

The majority of the deferred tax assets of USD 35.0 million (31 December 2019: USD 39.6 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 2020-2025.

## 11. Inventories

\$ millions	30 September 2020	31 December 2019
Finished goods	3.5	17.6
Raw materials and consumables	236.3	239.9
Fuels and others	5.9	5.8
Real estate	29.7	29.7
Total	275.4	293.0

During the nine month period ended 30 September 2020, the total write-downs amount to USD 10.3 million (31 December 2019: USD 10.2 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.

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

\$ millions	30 September 2020	31 December 2019
Costs incurred on contracts (including estimated earnings)	23,627.1	21,850.7
Less: billings to date (Net)	(23,121.4)	(21,356.2)
<b>Total</b>	<b>505.7</b>	<b>494.5</b>
Presented in the consolidated statements of financial position as follows:		
Construction work in progress - current assets	906.8	869.8
Billing in excess of construction contracts - current liabilities	(401.1)	(375.3)
<b>Total</b>	<b>505.7</b>	<b>494.5</b>

## 13. Cash and cash equivalents

\$ millions	30 September 2020	31 December 2019
Cash on hand	2.5	1.0
Bank balances	548.2	355.4
Restricted funds	1.5	6.7
Restricted cash	5.1	11.7
<b>Total</b>	<b>557.3</b>	<b>374.8</b>

### Restricted funds

The restricted amounts mostly relate to letters of guarantee of OCI Algeria (USD 0.2 million), United Holding Company (USD 0.6 million) and other (USD 0.7 million).

### Restricted cash

Restricted cash relates to amounts withheld in relation to amounts restricted for use for an amount of USD 5.1 million 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:

	2020	2019
At 1 January	116,761,379	116,761,379
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

## 15. Reserves

\$ millions	2020	2019
At 1 January	(304.6)	(335.6)
Currency translation differences	15.4	31.0
<b>At 30 September / 31 December</b>	<b>(289.2)</b>	<b>(304.6)</b>

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 16. Non-controlling interest

\$ million	United Holding Company	Orascom Saudi	Suez Industrial Development Company	Other individual insignificant entities	Total
Non-controlling interest percentage	43.5%	40.0%	39.5%		
Non-current assets	7.1	-	6.4	1.7	15.2
Current assets	47.9	101.4	21.2	3.2	173.7
Non-current liabilities	-	(0.9)	(11.8)	-	(12.7)
Current liabilities	(28.9)	(95.1)	(5.5)	(2.9)	(132.4)
<b>Net assets as of 31 December 2019</b>	<b>26.1</b>	<b>5.4</b>	<b>10.3</b>	<b>2.0</b>	<b>43.8</b>
Revenue	41.7	9.2	1.4	4.3	56.6
Profit	5.8	(2.3)	1.0	2.1	6.6
Other comprehensive income	2.2	-	0.7	0.1	3.0
<b>Total comprehensive income for the nine month period ended 30 September 2019</b>	<b>8.0</b>	<b>(2.3)</b>	<b>1.7</b>	<b>2.2</b>	<b>9.6</b>

30 September 2020 \$ million	United Holding Company	Orascom Saudi	Suez Industrial Development Company	Other individual insignificant entities	Total
Non-controlling interest percentage	43.5%	40.0%	39.5%		
Non-current assets	9.0	0.3	6.0	1.5	16.8
Current assets	39.8	101.9	21.6	4.1	167.4
Non-current liabilities	-	(0.7)	(12.2)	-	(12.9)
Current liabilities	(23.6)	(97.2)	(5.2)	(3.5)	(129.5)
<b>Net assets</b>	<b>25.2</b>	<b>4.3</b>	<b>10.2</b>	<b>2.1</b>	<b>41.8</b>
Revenue	36.9	2.7	2.3	4.3	46.2
Profit	2.1	(1.0)	0.3	0.2	1.6
Other comprehensive income	0.5	-	0.2	-	0.7
<b>Total comprehensive income</b>	<b>2.6</b>	<b>(1.0)</b>	<b>0.5</b>	<b>0.2</b>	<b>2.3</b>

## 17. Loans and borrowings

Borrowing Company	Interest rate	Date of maturity	Long term portion	Short term portion	Bank facilities	Total
Orascom Construction	Multiple rates	Annual	-	-	40.7	40.7
OCI Saudi Limited	Saibor + 1.80%	5/2021	3.6	8.7	-	12.3
Orascom Construction Industries- Algeria	1 Month TB + 6.0%	10/2020	-	4.8	-	4.8
The Weitz Group, LLC	Multiple rates	Multiple	1.8	0.6	-	2.4
Contrack Watts Inc	LIBOR + 2.5%	Annual	-	-	11.1	11.1
Other	Multiple rates	-	-	13.8	10.6	24.4
<b>Total as of 31 December 2019</b>			<b>5.4</b>	<b>27.9</b>	<b>62.4</b>	<b>95.7</b>

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Borrowing Company	Interest rate	Date of maturity	Long term portion	Short term portion	Bank facilities	Total
Orascom Construction	Multiple rates	Annual	-	-	295.5	295.5
OCi Saudi limited	Saibor + 1.80%	5/2021	-	5.8	-	5.8
Orascom Construction Industries- Algeria	1 Month TB + 6.0%	10/2021	-	1.7	-	1.7
The Weitz Group, LLC	Multiple rates	Multiple	1.4	8.7	-	10.1
Other	Multiple rates	-	-	14.3	21.0	35.3
Total as of 30 September 2020			1.4	30.5	316.5	348.4

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 as at reporting date.

Certain covenants apply to the aforementioned borrowings.

## 18. Trade and other payables

\$ millions	30 September 2020	31 December 2019
Trade payables	503.1	466.6
Trade payables due to related party (Note 26)	6.2	2.8
Other payables	166.9	169.6
Accrued expenses	512.4	453.4
Deferred revenues	1.0	4.6
Other tax payables	13.9	10.1
Lease obligation	17.3	18.3
Retentions payables	162.4	119.9
Employee benefit payables	3.4	3.4
<b>Total</b>	<b>1,386.6</b>	<b>1,248.7</b>
Non-current	54.2	56.7
Current	1,332.4	1,192.0
<b>Total</b>	<b>1,386.6</b>	<b>1,248.7</b>

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

Retentions payable relate to amounts withheld from sub-contractors.

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 19. Provisions

\$ millions	Warranties	Onerous contracts	Other (including claims)	Total
At 1 January 2019	14.9	15.5	72.9	103.3
Provision formed	-	0.8	12.0	12.8
Provision used	-	-	(2.6)	(2.6)
Provision no longer required	(5.9)	(8.0)	(52.2)	(66.1)
Others	0.8	-	2.4	3.2
Effect of movement in exchange rates	0.3	0.9	1.5	2.7
At 31 December 2019	<b>10.1</b>	<b>9.2</b>	<b>34.0</b>	<b>53.3</b>

\$ millions	Warranties	Onerous contracts	Other (including claims)	Total
At 1 January 2020	10.1	9.2	34.0	53.3
Provision formed	1.3	3.8	5.1	10.2
Provision used	-	-	(0.2)	(0.2)
Provision no longer required	-	(2.9)	(8.7)	(11.6)
Others	-	-	(0.2)	(0.2)
Effect of movement in exchange rates	0.2	0.1	0.2	0.5
At 30 September 2020	<b>11.6</b>	<b>10.2</b>	<b>30.2</b>	<b>52.0</b>

### Warranties

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

### Other (including claims)

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

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

### i. Expenses by nature

\$ millions	the nine months ended 30 September 2020 (reviewed)	the three months ended 30 September 2020 (reviewed)	the nine months ended 30 September 2019 (reviewed)	the three months ended 30 September 2019 (reviewed)
Changes in raw materials and consumables, finished goods and work in progress	1,827.3	614.8	1,597.5	570.9
Employee benefit expenses (ii)	384.0	132.9	422.1	140.0
Depreciation, amortization	33.6	10.4	38.4	13.6
Maintenance and repairs	36.1	13.0	30.0	9.9
Consultancy expenses	9.8	3.1	7.6	2.3
Other	40.0	12.1	38.4	13.9
Total	<b>2,330.8</b>	<b>786.3</b>	<b>2,134.0</b>	<b>750.6</b>

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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 2020 (reviewed)	the three months ended 30 September 2020 (reviewed)	the nine months ended 30 September 2019 (reviewed)	the three months ended 30 September 2019 (reviewed)
Wages and salaries	311.4	104.3	349.4	113.8
Social securities	3.1	1.0	3.0	1.0
Employee profit sharing	0.9	-	0.9	-
Pension cost	4.7	1.6	4.7	1.6
Other employee expenses	63.9	26.0	64.1	23.6
<b>Total</b>	<b>384.0</b>	<b>132.9</b>	<b>422.1</b>	<b>140.0</b>

During the nine month period ended 30 September 2020, the average number of staff employed in the Group converted into full-time equivalents amounted to 21,472 permanent and 39,212 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 2020 (reviewed)	the three months ended 30 September 2020 (reviewed)	the nine months ended 30 September 2019 (reviewed)	the three months ended 30 September 2019 (reviewed)
Net gain on sale of property, plant and equipment	0.9	0.2	0.7	0.2
Scrap and other	3.5	2.4	9.3	4.5
<b>Total</b>	<b>4.4</b>	<b>2.6</b>	<b>10.0</b>	<b>4.7</b>

## 22. Net finance cost

\$ millions	the nine months ended 30 September 2020 (reviewed)	the three months ended 30 September 2020 (reviewed)	the nine months ended 30 September 2019 (reviewed)	the three months ended 30 September 2019 (reviewed)
Interest income on financial assets measured at amortized cost	8.7	3.3	6.4	1.8
Foreign exchange gain	3.6	(2.8)	5.5	1.9
<b>Finance income</b>	<b>12.3</b>	<b>0.5</b>	<b>11.9</b>	<b>3.7</b>
Interest expense on financial liabilities measured at amortized cost	(16.0)	(5.7)	(44.7)	(12.5)
Fair value loss on derivatives	(1.6)	-	-	-
Foreign exchange loss	(4.4)	(2.5)	(27.2)	(5.1)
<b>Finance cost</b>	<b>(22.0)</b>	<b>(8.2)</b>	<b>(71.9)</b>	<b>(17.6)</b>
<b>Net finance cost recognized in profit or loss</b>	<b>(9.7)</b>	<b>(7.7)</b>	<b>(60.0)</b>	<b>(13.9)</b>

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:

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

\$ millions	the nine months ended 30 September 2020 (reviewed)	the three months ended 30 September 2020 (reviewed)	the nine months ended 30 September 2019 (reviewed)	the three months ended 30 September 2019 (reviewed)
Total interest income on financial assets	8.7	3.3	6.4	1.8
Total interest expense on financial liabilities	(16.0)	(5.7)	(44.7)	(12.5)

## 23. Earnings per share

### i. Basic

	the nine months ended 30 September 2020 (reviewed)	the three months ended 30 September 2020 (reviewed)	the nine months ended 30 September 2019 (reviewed)	the three months ended 30 September 2019 (reviewed)
Net Profit attributable to shareholders (million USD)	65.0	30.2	93.7	32.2
Number of ordinary share (million)	116.8	116.8	116.8	116.8
Basic earnings per ordinary share (USD)	0.56	0.26	0.80	0.28

## 24. Segment reporting

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

### Business information for the period ended 30 September / 31 December 2019

\$ millions	MENA	USA	Besix	Total
Total revenue	1,630.6	654.7	-	2,285.3
Share in income of equity accounted investees	2.0	1.3	26.3	29.6
Depreciation and amortization	(33.9)	(4.5)	-	(38.4)
Interest income (including gain on derivatives)	6.3	0.1	-	6.4
Interest expense (including loss on derivatives)	(42.8)	(1.9)	-	(44.7)
Profit before tax for the nine month ended 30 September	125.2	(20.6)	26.3	130.9
Investment in PP&E as at 31 December	39.5	23.8	-	63.3
Non-current assets as at 31 December	245.3	69.0	394.8	709.1
Total assets as at 31 December	2,657.5	453.0	394.8	3,505.3
Total liabilities as at 31 December	2,533.4	386.2	-	2,919.6



# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## Business information for the nine month period ended 30 September 2020

\$ millions	MENA	USA	Besix	Total
Total revenue	1,512.4	930.9	-	2,443.3
Share in income of equity accounted investees	(1.9)	2.7	(8.5)	(7.7)
Depreciation and amortization	(29.1)	(4.5)	-	(33.6)
Interest income (including gain on derivatives)	8.4	0.3	-	8.7
Interest expense (including loss on derivatives)	(16.0)	(1.6)	-	(17.6)
Profit before tax	99.5	8.5	(8.5)	99.5
Investment in PP&E	26.8	3.4	-	30.2
Non-current assets	240.0	62.5	381.9	684.4
Total assets	3,409.2	456.5	381.9	4,247.6
Total liabilities	3,215.9	394.5	-	3,610.4

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 2020	30 September 2019
Egyptian Government	52.9%	57.6%

## 25. Contingencies

### 25.1 Contingent liabilities

#### 25.1.1 Letters of guarantee / letters of credit

Letters of guarantee issued by banks in favor of Group as at 30 September 2020 amount to USD 1,645.8 million (31 December 2019: USD 1,384.6). Outstanding letters of credit as at 30 September 2020 (uncovered portion) amount to USD 72.9 million (31 December 2019: USD 55.7 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 2020, mechanic liens have been received in respect of one of our US projects for a total of USD 5.0 million (31 December 2019: USD 5.0 million).

#### 25.1.2 Litigations and claims

In the ordinary 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

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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 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 (the "Foundation") 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 was 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 Foundation. On 23 July 2014, the Foundation commenced arbitration proceedings against the associate by serving a Request for Arbitration with the ICC (seat in London) dated 23 July 2014. Procedural hearings and expert meetings took place, with the substantive hearing 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, two that were held in April/May and October/November 2018, and upcoming hearings, including for procedural matters, scheduled to be held in 2021 and beyond.

In August 2017, the Foundation again served a Request for Arbitration, this time in parallel proceedings against OCI SAE with the ICC (seat in London). 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 2008. 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 SAE 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 filed its Statement of Defence in 15 August 2018. At this time, the Tribunal has not ordered the parties to take any further substantive steps.

## 26. 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 2019	AR and loan outstanding at year ended 31 December 2019	Purchases transactions during the period ended 30 September 2019	AP and advances outstanding at year ended 31 December 2019
Medrail	Equity accounted investee	-	4.4	-	-
Ras Ghareb Wind Energy	Equity accounted investee	-	8.3	-	-
Iowa fertilizer Company	Related via Key Management personnel	0.9	0.9	-	-
Natgasoline	Related via Key Management personnel	(3.2)	0.1	-	-
OCI N.V.	Related via Key Management personnel	-	0.5	-	-
OCI SAE "fertilizer"	Related via Key Management personnel	-	2.0	-	-
Other		0.6	9.5	-	2.8
<b>Total</b>		<b>(1.7)</b>	<b>25.7</b>	<b>-</b>	<b>2.8</b>

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Related party	Relation	Revenue transactions during the period ended 30 September 2020	AR and loan outstanding at period ended 30 September 2020	Purchases transactions during the period ended 30 September 2020	AP and advances outstanding at period ended 30 September 2020
Medrail	Equity accounted investee	-	4.8	-	-
Ras Ghareb Wind Energy	Equity accounted investee	-	9.1	-	-
Iowa fertilizer Company	Related via Key Management personnel	-	0.8	-	-
Natgasoline	Related via Key Management personnel	0.7	-	-	-
OCI SAE "fertilizer"	Related via Key Management personnel	-	3.1	-	-
Other		-	6.1	-	6.2
<b>Total</b>		<b>0.7</b>	<b>23.9</b>	<b>-</b>	<b>6.2</b>

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

## 26.1 Demerger of Construction and Engineering business

### 26.1.1 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.

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:

### 26.1.2 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

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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.

## 26.1.3 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).

## 26.2 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.

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

During the nine month period ended 30 September 2020, we considered the members of the Board of Directors (Executive and Non-executive) and the senior management to be the key management personnel as defined in IAS 24 'Related parties'. The total remuneration of the key-management personnel amounts for the nine month period ended 30 September 2020 to an amount of around USD 7.5 million.

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 28. 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 Wind Energy	Egypt	100.00	Full

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

On 20 May 2020, the shareholders' at the Annual General Meeting had approved a dividend of USD 0.21 per share amounting to USD 24.5 million.

## 29. Impact of COVID-19

The coronavirus outbreak since early 2020 has brought additional uncertainties in the Group's operating environment and continue to impact the Group's operations in the areas we operate in, with our main activities in Egypt and USA. The Group has formed a Crisis Management Committee to ensure the safe and stable continuation of its business operations which include measures to address and mitigate any identified key operational and financial issues. These contingency measures include amongst others communication plans with our clients, mitigation plans at project level to minimize the impact of possible slowdowns, if any, and measures to safeguard the welfare of our employees and subcontractor staff at our project sites and offices.

Our major projects in Egypt and USA have remained operational throughout the period with minimum disruption based on the initiatives implemented by the Group and supported by the mandates issued by the respective governments. We have also put in place effective business continuity and remote working plans enabled by the right technologies and systems to ensure uninterrupted operations across the Group.

Based on our assessment of the COVID-19 impact, there are no significant impact in its financial position and performance as at and for the period ended 30 September 2020. Further, we concluded that significant changes are not required as of 30 September 2020 in its key accounting judgements and estimates from those applied in the last annual consolidated financial statements as of 31 December 2019.

Furthermore, we continue to assess the level of future credit-lines and whether additional lines need to be made available to manage our liquidity. The Group will keep these contingency measures under review as the situation is fast evolving, the effect of the outbreak is by nature subject to certain degree of uncertainty.

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Dubai, UAE, 18 November 2020

The Orascom Construction PLC Board of Directors,

Jérôme Guiraud	Chairman
Osama Bishai	Chief Executive Officer
Sami Haddad	Member
Johan Beerlandt	Member
Wiktor Sliwinski	Member
Nada Shousha (from 17 September 2020)	Member

**ORASCOM CONSTRUCTION PLC**  
(the **Company**)

*Summary of the Board Resolutions*

A meeting of the board of directors of the Company was held on 18 November 2020. After due and careful consideration, **IT WAS RESOLVED** that:

- (a) that the financial statements of the Company for the period ended 30 September 2020 be approved.
- (b) the Board of Directors recommends that an interim dividend be paid in January 2021. The exact amount and payment date will be announced in December 2020.

Orascom Construction PLC  
 (“the Company”)

Separate interim financial statements (unaudited)  
*For the nine month period ended 30 September 2020*



# Orascom Construction PLC (“the Company”)

## Separate interim financial statements (unaudited)

*For the nine month period ended 30 September 2020*

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

To the Shareholders of Orascom Construction PLC

### *Introduction*

We have reviewed the accompanying 30 September 2020 condensed separate interim financial statements of Orascom Construction PLC ("the Company"), which comprise:

- the condensed separate statement of financial position as at 30 September 2020;
- the condensed separate statements of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2020;
- the condensed separate statement of changes in equity for the nine-month period ended 30 September 2020;
- the condensed separate statement of cash flows for the nine-month period ended 30 September 2020; 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.



*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2020 condensed separate interim financial statements are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

*Other Matter*

As disclosed in note 20 to the condensed separate interim financial statements, CoVid-19 affects the Company and its downstream subsidiaries and results in certain uncertainties for the future financial position and performance of the Company. All reviews assess whether significant changes to existing estimates have occurred during the interim period, the related disclosures and the appropriateness of the going concern assumption of the condensed separate interim financial statements. The appropriateness of the going concern assumption depends on assessments of the future economic environment and the Company and its downstream subsidiaries' future prospects and performance. The CoVid-19 pandemic is an unprecedented challenge for humanity and for the economy globally, and at the date of this report its effects are subject to significant levels of uncertainty. A review cannot predict the unknowable factors or all possible future implications for the Company and this is particularly the case in relation to CoVid-19.

*KPMG LLP*

KPMG LLP  
Dubai, United Arab Emirates

Freddie Edward Cloete  
Partner  
Registration No: 1004441

Date: 18 November 2020



# Orascom Construction PLC

## Separate statement of profit or loss and other comprehensive income for the three month and nine month periods ended 30 September 2020

		Nine month period ended 30 September		Three month period ended 30 September	
	Note	2020 USD (Unaudited)	2019 USD (Unaudited)	2020 USD (Unaudited)	2019 USD (Unaudited)
General and administrative expenses	5	(11,709,303)	(9,106,489)	(5,277,623)	(4,113,098)
Provision for impairment on related party balances	11(iii)	(1,500,747)	(78,373,687)	(355,326)	(72,604,148)
Reversal of impairment on related party balances	11(iii)	11,269,425	83,604,110	11,269,425	83,604,110
Gain on waiver of a related party loan	11(i)	600,000	10,345,923	-	4,151,030
Finance income	6	2,196,155	10,483,795	148,679	2,031,190
Finance expenses	7	(2,768,605)	(744,616)	(1,006,763)	(27,768)
Gain on waiver of amount due to a related party	11(i)	-	4,448,963	-	4,448,963
<b>(Loss)/Profit for the period</b>		<b>(1,913,075)</b>	<b>20,657,999</b>	<b>4,778,392</b>	<b>17,490,279</b>
<i>Other comprehensive income for the period</i>		-	-	-	-
<b>Total comprehensive (loss)/income for the period</b>		<b>(1,913,075)</b>	<b>20,657,999</b>	<b>4,778,392</b>	<b>17,490,279</b>

The notes on pages 7 to 31 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 to 2.

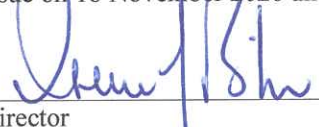
# Orascom Construction PLC

## Separate statement of financial position as at 30 September 2020

	Note	30 September 2020 USD (Unaudited)	31 December 2019 USD (Audited)
<b>Non-current assets</b>			
Investment in subsidiaries	8	787,817,170	787,817,170
		<u>787,817,170</u>	<u>787,817,170</u>
<b>Current assets</b>			
Prepayments and other receivables	9	491,018	1,774,509
Due from related parties	11	1,863,199	666,886
Loans due from related parties	11	-	20,376,725
Cash in hand and at banks	10	16,253,430	462,959
		<u>18,607,647</u>	<u>23,281,079</u>
<b>Total assets</b>		<u><b>806,424,817</b></u>	<u><b>811,098,249</b></u>
<b>Shareholder's equity and liability</b>			
<b>Shareholder's equity</b>			
Share capital	14	116,761,379	116,761,379
Share premium		483,025,196	483,025,196
Retained earnings		155,327,263	181,760,228
		<u>755,113,838</u>	<u>781,546,803</u>
<b>Non-current liabilities</b>			
Loans due to related parties	11	33,082,861	21,389,540
<b>Current liabilities</b>			
Bank borrowings	12	8,105,990	-
Accounts payable and accrued expenses	13	2,770,596	2,077,999
Due to related parties	11	7,351,532	6,083,907
		<u>18,228,118</u>	<u>8,161,906</u>
<b>Total liabilities</b>		<u><b>51,310,979</b></u>	<u><b>29,551,446</b></u>
<b>Total liabilities and shareholder's equity</b>		<u><b>806,424,817</b></u>	<u><b>811,098,249</b></u>

The notes on pages 7 to 31 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 18 November 2020 and signed on their behalf by:

  
Director

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

# Orascom Construction PLC

## Separate statement of cash flows for the nine month period ended

		30 September 2020	30 September 2019
	Note	USD (Unaudited)	USD (Unaudited)
<b>Operating activities</b>			
(Loss)/Profit for the period		(1,913,075)	20,657,999
<i>Adjustments for:</i>			
Finance expenses	7	2,768,605	744,616
Gain on waiver of amount due to a related party	11(i)	-	(4,448,963)
Provision for impairment on related party balances	11(iii)	1,500,747	78,373,687
Reversal of impairment on related party balances	11(iii)	(11,269,425)	(83,604,110)
Gain on waiver of a related party loan	11(i)	(600,000)	(10,345,923)
Finance income	6	(2,196,155)	(10,483,795)
		<b>(11,709,303)</b>	<b>(9,106,489)</b>
Change in prepayments and other receivables		1,283,491	10,655
Change in due from related parties		(1,811,236)	(1,352,336)
Change in accounts payable and accrued expenses		692,597	(2,676,646)
Change in due to related parties		1,267,625	30,604,065
<i>Net cash (used in) / generated from operating activities</i>		<b>(10,276,826)</b>	<b>17,479,249</b>
<b>Investing activities</b>			
Loan to related parties received back during the period		31,646,150	6,898,826
Finance income received		1,310,331	-
<i>Net cash generated from investing activities</i>		<b>32,956,481</b>	<b>6,898,826</b>
<b>Financing activities</b>			
Net movement in loan due to related parties	11	11,280,169	9,859,971
Finance expense paid		(1,755,453)	(14,772)
Dividends declared and paid	15	(24,519,890)	(34,714,267)
<i>Net cash used in financing activities</i>		<b>(14,995,174)</b>	<b>(24,869,068)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>7,684,481</b>	<b>(490,993)</b>
Cash and cash equivalents at the beginning of the period		462,959	1,259,818
<b>Cash and cash equivalents at the end of the period</b>	10	<b>8,147,440</b>	<b>768,825</b>

The notes on pages 7 to 31 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 to 2.

# Orascom Construction PLC

## Separate statement of changes in equity for the nine month period ended

	Share capital USD	Share premium USD	Retained earnings USD	Total USD
Balance at 1 January 2019 (Audited)	116,761,379	483,025,196	204,303,639	804,090,214
<i>Total comprehensive income for the period</i>				
Profit for the period	-	-	20,657,999	20,657,999
<i>Transactions with owners, recognised directly in equity</i>				
Dividends declared (refer note 15)	-	-	(34,714,267)	(34,714,267)
Balance at 30 September 2019 (Unaudited)	116,761,379	483,025,196	190,247,371	790,033,946
Balance at 1 January 2020 (Audited)	116,761,379	483,025,196	181,760,228	781,546,803
<i>Total comprehensive income for the period</i>				
Loss for the period	-	-	(1,913,075)	(1,913,075)
<i>Transactions with owners, recognised directly in equity</i>				
Dividends declared (refer note 15)	-	-	(24,519,890)	(24,519,890)
<b>Balance at 30 September 2020 (Unaudited)</b>	<b>116,761,379</b>	<b>483,025,196</b>	<b>155,327,263</b>	<b>755,113,838</b>

The notes on pages 7 to 31 form an integral part of these separate interim financial statements

# Orascom Construction PLC

## Notes

*(forming part of the separate financial statements)*

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

Orascom Construction PLC (“the Company”) is a Public Company, incorporated and registered in the Dubai International Financial Centre. The Company is dual listed on NASDAQ Dubai and the Egyptian 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, a Company limited by shares and subsequently converted to a Public Company under the DIFC Law No. 5 of 2018.

The principal activity of the Company is holding investments.

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

In 2017, the Company acquired in 100 percent interest in 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 several subsidiaries mainly operating in the construction sector. 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 the 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 more comprehensive 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 2020 issued separately on 18 November 2020 should be referred to.

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

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

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

These 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 19.

### 3 Significant accounting policies

The accounting policies set out below, which comply with IFRS, have been applied consistently to all periods presented in these financial statements in dealing with items which are considered material in relation to these separate financial statements.

#### **Financial instruments**

#### *i. Recognition and initial measurement*

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

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

#### *ii. Classification and subsequent measurement*

##### **Financial assets**

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").

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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.

# Orascom Construction PLC

## Notes (continued)

### 3 Significant accounting policies (continued)

#### Financial instruments (continued)

#### ii. Classification and subsequent measurement (continued)

##### Financial assets (continued)

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 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 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.

##### Financial assets – Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL

# Orascom Construction PLC

## Notes (continued)

### 3 Significant accounting policies (continued)

#### Financial instruments (continued)

#### ii. Classification and subsequent measurement (continued)

##### ***Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest***

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company’s claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

##### ***Financial assets – Subsequent measurement and gains and losses***

###### *Financial assets at FVTPL*

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

###### *Financial assets at amortized cost*

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

# Orascom Construction PLC

## Notes (continued)

### 3 Significant accounting policies (continued)

#### Financial instruments (continued)

#### ii. Classification and subsequent measurement (continued)

##### *Financial liabilities – Classification, subsequent measurement and gains and losses*

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

#### iii. Derecognition

##### *Financial assets*

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

##### *Financial liabilities*

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

#### iv. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

# Orascom Construction PLC

## Notes (continued)

### 3 Significant accounting policies (continued)

#### Impairment

##### i. Non-derivative financial assets

###### *Financial instruments and contract assets*

The Company recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

The Company also recognises loss allowances for ECLs on lease receivables, which are disclosed as part of trade and other receivables.

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

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and 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.

Loss allowances for trade receivables (including lease receivables) and contract assets are always measured 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 that includes forward-looking information.

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

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

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

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.

# Orascom Construction PLC

## Notes (continued)

### 3 Significant accounting policies (continued)

#### Impairment (continued)

##### i. Non-derivative financial assets (continued)

###### *Financial instruments and contract assets (continued)*

###### *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.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise; or
- it is probable that the debtor will enter bankruptcy or other financial reorganisation.

###### *Presentation of allowance for ECL in the statement of financial position*

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 charged to profit or loss and is recognised in OCI.

###### *Write-off*

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

###### *Non-financial assets*

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

# Orascom Construction PLC

## Notes *(continued)*

### **3 Significant accounting policies *(continued)***

#### **Impairment *(continued)***

##### **i. Non-derivative financial assets *(continued)***

#### **Non-financial assets *(continued)***

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### **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, if any.

#### **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 classified as treasury shares on the statement of changes in equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in 'Treasury shares', 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 recognised 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 income on loans due from related parties, interest on bank deposits, net foreign exchange gain and gain on foreign currency exchange forward contracts. Interest income is recognised as it accrues, using the effective interest rate method.

#### **Finance expense**

Finance expense include loss on foreign currency exchange forward contract, foreign currency exchange loss, interest expense on loans due to related parties, interest expense on bank borrowings, and bank charges. Interest expense is recognised as it accrues, using the effective interest rate method.

# Orascom Construction PLC

## Notes *(continued)*

### 3 Significant accounting policies *(continued)*

#### Cash and cash equivalents

Cash and cash equivalents comprise bank balances, bank borrowings 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.

#### Provisions

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

#### Foreign currencies

Transactions 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.

#### Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
  - i. the Company has the right to operate the asset; or
  - ii. the Company designed the asset in a way that predetermines how and for what purpose it will be used.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.



# Orascom Construction PLC

## Notes (continued)

### 3 Significant accounting policies (continued)

#### Leases (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets in 'property and equipment' and lease liabilities in 'trade and other payables' in the statement of financial position.

#### *Short term leases and leases of low-value assets*

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### 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.

# Orascom Construction PLC

## Notes (continued)

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

#### *Overview (continued)*

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The Company's 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, loans due from related parties, other receivables and cash at banks. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each of its related parties. The Company's cash is placed with banks of repute.

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 bank borrowings, 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.

#### *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 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/ expense 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.

# Orascom Construction PLC

Notes (continued)

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

### 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.

## 5 General and administrative expenses

	Nine month period ended		Three month period ended	
	30 September	30 September	30 September	30 September
	2020	2019	2020	2019
	USD	USD	USD	USD
Salaries and wages	8,599,582	5,919,198	3,977,643	2,992,155
Consultancy fees	1,109,999	1,163,824	390,543	285,621
Expenses recharged from a related party (refer note 11)	905,408	978,447	240,610	339,545
Insurance expense	425,227	288,745	425,227	288,745
Rent expense	212,795	174,231	96,641	58,077
Travel expense	50,117	153,820	-	51,900
Communication expense	21,404	24,444	5,262	8,687
Others	384,771	403,780	141,697	88,368
	-----	-----	-----	-----
	11,709,303	9,106,489	5,277,623	4,113,098
	=====	=====	=====	=====

## 6 Finance income

	Nine month period ended		Three month period ended	
	30 September	30 September	30 September	30 September
	2020	2019	2020	2019
	USD	USD	USD	USD
Interest on loans due from related parties (refer note 11)	2,192,813	7,808,062	148,679	1,163,632
Interest income on bank deposits	3,342	-	-	-
Foreign exchange gain – net	-	2,675,733	-	867,558
	-----	-----	-----	-----
	2,196,155	10,483,795	148,679	2,031,190
	=====	=====	=====	=====

# Orascom Construction PLC

Notes (continued)

## 7 Finance expenses

	Nine month period ended		Three month period ended	
	30 September 2020 USD	30 September 2019 USD	30 September 2020 USD	30 September 2019 USD
Realised loss on foreign currency exchange forward contracts	1,636,472	-	995,134	-
Foreign exchange loss - net	806,296	-	757,122	-
Interest on loans due to related parties (refer note 11)	206,856	729,844	185,766	23,015
Interest expense on bank borrowings	105,990	-	50,884	-
Bank charges	12,991	14,772	12,991	4,753
Unrealised loss on foreign currency exchange forward contract	-	-	(995,134)	-
	<u>2,768,605</u>	<u>744,616</u>	<u>1,006,763</u>	<u>27,768</u>

## 8 Investment in subsidiaries

	30 September 2020 USD	31 December 2019 USD
Orascom Holding Cooperatief U.A.	930,297,276	930,297,276
Orascom Holding Limited	50,000	50,000
	<u>930,347,276</u>	<u>930,347,276</u>
Less: Provision for impairment (refer note (i) below)	(142,530,106)	(142,530,106)
	<u>787,817,170</u>	<u>787,817,170</u>

- (i) On 31 December 2019, management assessed the recoverable amount of its investment in Orascom Holding Cooperatief U.A. (“OHC”). The impairment assessment was performed taking into consideration OHC and its downstream subsidiaries as a single Cash Generating Unit (“CGU”).

The recoverable amount of the investment in subsidiary was estimated based on its value in use, by aggregating the present value of net cash flows of each segment within the OHC Group. In arriving at the estimated cash flows, the following post-tax discount and terminal growth rates were used.

Segment	Post – tax discount rate	Terminal growth rates
Middle and North Africa Region (MENA Region)	18.5%	2.5%
United States of America Region (USA Region)	8.3%	1.9%
BESIX	9.1%	0%

Based on the management’s assessment, no impairment was recognized as at 30 September 2020 (31 December 2019: nil).

# Orascom Construction PLC

Notes (continued)

## 9 Prepayments and other receivables

	30 September 2020 USD	31 December 2019 USD
Prepayments	431,675	175,542
Deposits	59,343	59,343
Unrealised gain on foreign currency exchange forward contracts	-	1,539,624
	-----	-----
	491,018	1,774,509
	=====	=====

## 10 Cash in hand and at banks

	30 September 2020 USD	31 December 2019 USD
Cash in hand	2,723	-
Cash at banks	16,250,707	462,959
	-----	-----
Cash in hand and at banks	16,253,430	462,959
Less: bank overdraft (refer note 12)	(8,105,990)	-
	-----	-----
Cash and cash equivalents	8,147,440	462,959
	=====	=====

## 11 Related party transactions and balances

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:

# Orascom Construction PLC

Notes (continued)

## 11 Related party balances and transactions (continued)

	Nine month period ended		Three month period ended	
	30 September	30 September	30 September	30 September
	2020	2019	2020	2019
	USD	USD	USD	USD
Interest income on loans due from related parties (refer note 6)	<b>2,192,813</b>	7,808,062	<b>148,679</b>	1,163,632
Expenses incurred by related parties on behalf of the Company	<b>1,803,169</b>	2,833,079	<b>629,885</b>	1,293,901
Expenses recharged from a related party (refer note 5)	<b>905,408</b>	978,447	<b>240,610</b>	339,545
Gain on waiver of a related party loan (refer note (i.a) below)	<b>600,000</b>	10,345,923	-	4,151,030
Interest expense on loans due to related parties (refer note 7)	<b>206,856</b>	729,844	<b>185,766</b>	23,015
Gain on waiver of amount due to a related party (refer to note(i.b) below)	-	4,448,963	-	4,448,963
	===	=====	===	=====

**(i.a)** In the current period, the Company obtained a loan from Cementech Limited, a related party, amounting to USD 0.6 million (31 December 2019: USD 10.3 million). Based on the intercompany loan settlement agreement between the Company and Cementech Limited, the full loan amount of USD 0.6 million (31 December 2019: USD 10.3 million) was waived off during the period, and recognized s gain on waiver of related party loan.

**(i.b)** On 30 September 2019, the Company entered in a non-cash settlement agreement with OCI Construction Limited (“OCI CL”) and Orascom Construction Industries SAE (“OCI SAE”) for the settlement and transfer of intercompany outstanding balances. Based on the agreement, a net gain on waiver of amount due to related party amounting to USD 4,448,963 was recognised in the separate statement of profit or loss and other comprehensive income for the nine month period ended 30 September 2019.

# Orascom Construction PLC

Notes (continued)

## 11 Related party balances and transactions (continued)

### (ii) Key management remuneration

The Company considers the members of the Board of Directors (Executive and Non-executive), and the senior management to be the key management personnel of the Company.

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

	Nine month period ended		Three month period ended	
	30 September	30 September	30 September	30 September
	2020	2019	2020	2019
	USD	USD	USD	USD
Salaries and benefits	<b>375,000</b>	450,000	<b>100,000</b>	150,000
	=====	=====	=====	=====

# Orascom Construction PLC

Notes (continued)

## 11 Related party balances and transactions (continued)

				30 September 2020			31 December 2019		
	Relationship	Interest terms	Repayment terms	Current portion USD	Non-current portion USD	Total USD	Current portion USD	Non-current portion USD	Total USD
<b>Loans due from related parties</b>									
OCI Saudi Arabia	Subsidiary	refer note (a)	receivable on 31 December 2020	17,501,141	-	17,501,141	17,117,759	-	17,117,759
Orascom Holding Cooperatief U.A.	Subsidiary	refer note (b)	receivable on 31 December 2025	-	9,806,971	9,806,971	-	20,573,954	20,573,954
Orascom Construction SAE	Subsidiary	refer note (c)	receivable on 31 December 2020	-	-	-	20,376,725	-	20,376,725
Total loans due from related parties				17,501,141	9,806,971	27,308,112	37,494,484	20,573,954	58,068,438
Less: Provision for doubtful accounts (refer to note 11(iii))				(17,501,141)	(9,806,971)	(27,308,112)	(17,117,759)	(20,573,954)	(37,691,713)
				-	-	-	20,376,725	-	20,376,725
<b>Due from related parties</b>									
Orascom Holding Limited	Subsidiary	no interest	receivable on demand	65,245,772	-	65,245,772	64,810,849	-	64,810,849
Orascom Construction SAE	Subsidiary	no interest	receivable on demand	1,200,000	-	1,200,000	-	-	-
Orascom Saudi	Subsidiary	no interest	receivable on demand	378,895	-	378,895	314,667	-	314,667
The Weitz Company, LLC	Subsidiary	no interest	receivable on demand	284,304	-	284,304	352,219	-	352,219
Cementech Limited	Subsidiary	no interest	receivable on demand	180,000	-	180,000	-	-	-
Total due from related parties				67,288,971	-	67,288,971	65,477,735	-	65,477,735
Less: Provision for doubtful accounts (refer to note 11(iii))				(65,425,772)	-	(65,425,772)	(64,810,849)	-	(64,810,849)
				1,863,199	-	1,863,199	666,886	-	666,886
<b>Loans due to related parties</b>									
OCI Construction Limited	Subsidiary	refer note (d)	payable on 31 December 2025	-	18,141,497	18,141,497	-	17,482,160	17,482,160
Orascom Construction SAE	Subsidiary	refer note (e)	Payable on 30 March 2025	-	11,015,211	11,015,211	-	-	-
NSF Global Limited.	Subsidiary	refer note (f)	payable on 31 December 2025	-	3,926,153	3,926,153	-	3,907,380	3,907,380
				-	33,082,861	33,082,861	-	21,389,540	21,389,540
<b>Due to related parties</b>									
Contract Watts, Inc.	Subsidiary	no interest	payable on demand	5,931,583	-	5,931,583	5,012,285	-	5,012,285
Orascom E&C	Subsidiary	no interest	payable on demand	770,737	-	770,737	578,616	-	578,616
Orascom Holding Cooperatief U.A.	Subsidiary	no interest	payable on demand	649,212	-	649,212	493,006	-	493,006
				7,351,532	-	7,351,532	6,083,907	-	6,083,907



# Orascom Construction PLC

## Notes (continued)

### 11 Related party transactions and balances (continued)

#### Interest terms

- (a) The loan carries interest at one-month LIBOR rate plus 1.40%.
- (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 nil (31 December 2019: USD 15,786,138) which carries interest at Egyptian Central Bank Mid Corridor rate plus 1%.
  - ii. A loan denominated in US dollars amounting to USD nil (31 December 2019: USD 4,590,587) which carries no interest.
- (d) The loan is denominated in EURO and carries interest at one-month rate charged by one of the Company's bank plus 0.05%.
- (e) The loan is denominated in Egyptian pounds which carries interest at Egyptian Central Bank Mid Corridor rate plus 1%.
- (f) The loan carries interest at one-month LIBOR rate plus 0.05%.

#### (iii) Impairment loss on loans and amounts due from related parties

The movement in provision for impairment with respect to loans and amounts due from related parties during the period is as follows:

	Nine month period ended		Three month period ended	
	30 September 2020 USD	30 September 2019 USD	30 September 2020 USD	30 September 2019 USD
Beginning balance	102,502,562	100,117,752	103,647,983	105,887,291
Reversal of impairment during the period (refer to below)	(9,768,678)	(5,230,423)	(10,914,099)	(10,999,962)
	<u>92,733,884</u>	<u>94,887,329</u>	<u>92,733,884</u>	<u>94,887,329</u>
	=====	=====	=====	=====

The net impairment loss on loans and amounts due from related parties presented in the statement of profit or loss and other comprehensive income includes the following:

# Orascom Construction PLC

Notes (continued)

## 11 Related party balances and transactions (continued)

### (iii) Impairment loss on loans and amounts due from related parties (continued)

	Nine month period ended		Three month period ended	
	30 September	30 September	30 September	30 September
	2020	2019	2020	2019
	USD	USD	USD	USD
Provision of amount due from Orascom Holding Limited	434,923	57,584,589	148,341	57,584,589
Provision for loan due from Orascom Holding Cooperatief U.A	502,442	20,319,000	81,530	20,319,000
Provision for loan due from OCI Saudi Arabia	383,382	470,098	135,455	148,148
Provision of amount due from Cementech Limited	180,000	-	-	-
Reversal of provision for loan due from Orascom Holding Cooperatief U.A. during the period (refer note(a) below)	(11,269,425)	-	(11,269,425)	-
Reversal of provision for loan due from OCI Construction Holding Cyprus (refer note(b) below)	-	(83,604,110)	-	(89,051,699)
	-----	-----	-----	-----
	(9,768,678)	(5,230,423)	(10,904,099)	(10,999,962)
	=====	=====	=====	=====

- (a) During the period, the Company received cash payment amounting to USD 11,269,425 from Orascom Holding Cooperatief U.A. Accordingly, the management has reversed the provision up to the extent of the amount collected and recognised a gain in the statement of profit or loss and other comprehensive income.
- (b) On 31 July 2019, the Company entered into a series of intercompany loan and receivable settlement and non-cash agreements (“the agreement”) to offset several loans and related party balances that were included in the Company’s statement of financial position.

As at 31 July 2019, the Company has recorded an impairment provision amounting to USD 89,509,038, including interest income, against the loan due from OCI Construction Holding Cyprus. Based on the settlement arrangements between the Company and its related parties which were in compliance with the agreement, the Company has reversed the impairment provision previously recognised and recorded a net gain on reversal of impairment on related party balances amounting to USD 83,604,110.

# Orascom Construction PLC

## Notes (continued)

### 12 Bank borrowings

	30 September 2020 USD	31 December 2019 USD
Bank overdraft	8,105,990	-
	=====	=====

The bank facility with Mashreq Bank PSC UAE carries interest at commercial rates, and is secured against corporate guarantee from Orascom Construction SAE, Egypt, a related party.

### 13 Accounts payable and accrued expenses

	30 September 2020 USD	31 December 2019 USD
Accrued expenses	2,770,596	1,959,664
Accounts payable	-	118,335
	-----	-----
	2,770,596	2,077,999
	=====	=====

### 14 Share capital

	30 September 2020 USD	31 December 2019 USD
<i>Authorised, issued and paid up capital:</i>		
116,761,379 shares with a par value of USD 1	116,761,379	116,761,379
	=====	=====

### 15 Dividends

The Board of Directors and shareholders approved a dividend of USD 0.21 per share amounting to USD 24,519,890 (31 December 2019: USD 34,714,267). The dividends declared during the current period were paid to shareholders on 27 July 2020 and 9 August 2020.

### 16 Financial instruments

The financial assets of the Company include cash at banks, deposits, loans due from related parties and amounts due from related parties. The financial liabilities of the Company include bank borrowings, 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 2020 USD	31 December 2019 USD
Due from related parties	1,863,199	666,886
Loans due from related parties	-	20,376,725
Deposits	59,343	59,343
Cash at banks	16,250,707	462,959
	-----	-----
	18,173,249	21,565,913
	=====	=====

# Orascom Construction PLC

## Notes (continued)

### 16 Financial instruments (continued)

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.

#### *Liquidity risk*

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

	Carrying amount USD	Contractual cash flows USD	1 year or less USD	More than 1 year USD
<b>30 September 2020</b>				
<i>Non-derivative financial liabilities</i>				
Bank borrowings	8,105,990	8,284,322	8,284,322	-
Loans due to related parties	33,082,861	37,337,300	-	37,337,300
Due to related parties	7,351,532	7,351,532	7,351,532	-
Accounts payable and accrued expenses	2,770,596	2,770,596	2,770,596	-
	=====	=====	=====	=====
	51,310,979	55,743,750	18,406,450	37,337,300
	=====	=====	=====	=====
	Carrying amount USD	Contractual cash flows USD	1 year or less USD	More than 1 year USD
<b>31 December 2019</b>				
<i>Non-derivative financial liabilities</i>				
Loans due to related parties	21,389,540	21,889,467	-	21,889,467
Due to related parties	6,083,907	6,083,907	6,083,907	-
Accounts payable and accrued expenses	2,077,999	2,077,999	2,077,999	-
	=====	=====	=====	=====
	29,551,446	30,051,373	8,161,906	21,889,467
	=====	=====	=====	=====

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

#### *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 2020 USD	31 December 2019 USD
Financial assets	-	15,786,138
Financial liabilities	(33,082,861)	(21,389,540)
	=====	=====
	(33,082,861)	(5,603,402)
	=====	=====

# Orascom Construction PLC

## Notes (continued)

### 16 Financial instruments (continued)

#### *Interest rate risk (continued)*

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

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

	<b>30 September 2020</b>	
	<b>100 bp increase USD</b>	<b>100 bp decrease USD</b>
Variable rate instruments	<b>(330,829)</b> =====	<b>330,829</b> =====
	<b>31 December 2019</b>	
	<b>100 bp increase USD</b>	<b>100 bp decrease USD</b>
Variable rate instruments	<b>(56,034)</b> =====	<b>56,034</b> =====

#### *Currency risk*

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

	<b>30 September 2020</b>	
	<b>Euro</b>	<b>Egyptian pound</b>
Cash at banks	<b>9,034</b>	<b>2,297,627</b>
Loans due to related parties	<b>(15,495,752)</b>	<b>(173,412,472)</b>
	----- <b>(15,486,718)</b> =====	----- <b>(171,114,845)</b> =====
	<b>31 December 2019</b>	
	<b>Euro</b>	<b>Egyptian pound</b>
Cash at banks	<b>1,975</b>	<b>781,191</b>
Loans due from related parties	<b>-</b>	<b>253,023,373</b>
Loans due to related parties	<b>(15,592,643)</b>	<b>-</b>
	----- <b>(15,590,668)</b> =====	----- <b>253,804,564</b> =====

# Orascom Construction PLC

## Notes (continued)

### 16 Financial instruments (continued)

#### Currency risk (continued)

#### Sensitivity analysis

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

	30 September 2020		31 December 2019	
	Average rate	Spot rate	Average rate	Spot rate
1 Euro	1.1291	1.1707	1.1210	1.1212
1 Egyptian pound	0.0631	0.0635	0.0595	0.0624
	=====	=====	=====	=====

1% strengthening of USD against Egyptian Pound and Euro 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 2020 USD	31 December 2019 USD
Euro	(181,303)	(174,803)
Egyptian pound	(108,658)	158,374
	-----	-----
	(289,961)	(16,429)
	=====	=====

### 17 Operating segments

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

### 18 Contingent liabilities and capital commitments

There were no contingent liabilities as of the reporting date (31 December 2019: nil). Further, there were no capital commitments as at the reporting date. (31 December 2019: nil)

### 19 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.

# Orascom Construction PLC

## Notes (continued)

### 19 Significant accounting estimates and judgements (continued)

#### *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 impairment losses, the Company recognises loss allowance for expected credit losses on the financial asset that is measured at amortised cost or FVOCI, trade receivables and a contract asset. At each reporting date, the Company measures the loss allowance for the financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

At each reporting date, the Company assess whether the credit risk on a financial instrument has increased significantly since the initial recognition. When making the assessment, the Company uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses.

The Company may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

If reasonable and supportable forward-looking information is available without undue cost or effort, the Company cannot rely solely on past due information when determining whether credit risk has increased significantly since initial recognition. However, when information that is more forward-looking than past due status (either on an individual or a collective basis) is not available without undue cost or effort, the Company may use past due information to determine whether there have been significant increases in credit risk since initial recognition.

Regardless of the way in which the Company assesses significant increases in credit risk, there is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. The Company can rebut this presumption if it has reasonable and supportable information that is available without undue cost or effort, that demonstrates that the credit risk has not increased significantly since initial recognition even though the contractual payments are more than 30 days past due. When the Company determines that there have been significant increases in credit risk before contractual payments are more than 30 days past due, the rebuttable presumption does not apply.

### 20 Impact of Covid-19

The coronavirus outbreak since early 2020 has brought about additional uncertainties in the Company's operating environment and continue to impact the operations in the areas in which the subsidiaries operate in, with the main activities in Egypt and USA. The management has formed a Crisis Management Committee at the Group level to ensure the safe and stable continuation of its business operations which include measures to address and mitigate any identified key operational and financial issues. These contingency measures include amongst others communication plans with our clients, mitigation plans at project level to minimize the impact of possible slowdowns, if any, and measures to safeguard the welfare of our employees and subcontractor staff at our project sites and offices.

# Orascom Construction PLC

## Notes *(continued)*

### **20 Impact of Covid-19 (continued)**

The major projects of the subsidiaries in Egypt and USA have remained operational throughout the period with minimum disruption based on the initiatives implemented by the Group and supported by the mandates issued by the respective governments. We have also put in place effective business continuity and remote working plans enabled by the right technologies and systems to ensure uninterrupted operations across the Group.

Based on our assessment of the COVID-19 impact, there are no significant impact in its financial position and performance as at and for the period ended 30 September 2020. Further, we concluded that significant changes are not required as of 30 September 2020 in its key accounting judgements and estimates from those applied in the last annual separate financial statements as of 31 December 2019.

Furthermore, we continue to assess the level of future credit-lines and whether additional lines need to be made available to manage the liquidity at the Group level. The Company will keep these contingency measures under review as the situation is fast evolving, the effect of the outbreak is by nature subject to significant levels of uncertainty.