

**ORASCOM CONSTRUCTION LIMITED**

**Interim Consolidated Financial Statements**

For the six months period ended 30 June 2015

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## Independent auditors' report

The Shareholders  
Orascom Construction Limited

We have reviewed the accompanying 30 June 2015 consolidated interim financial statements of Orascom Construction Limited ("the Company") and its subsidiaries collectively referred to as ("the Group"), which comprises:

- the consolidated statement of financial position as at 30 June 2015;
- the consolidated statement of profit or loss and other comprehensive income for the three and six month period ended 30 June 2015;
- the consolidated statement of changes in equity for the six month period ended 30 June 2015;
- the consolidated statement of cash flows for the six month period ended 30 June 2015; and
- notes to the consolidated interim financial statements.

Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these 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 June 2015 consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

### *Emphasis of matter*

Without qualifying our conclusion above, management has elected to present the unaudited opening balances for the statement of financial position as at 1 January 2015. These opening balances were derived from the audited consolidated financial statements of OCI N.V. for the year ended 31 December 2014.

KPMG LLP  
Dubai, UAE  
Freddie Edward Cloete  
Date: 27 August 2015

# Key Figures

\$ millions	Second quarter 2015	First quarter 2015	Opening balance 2015
Revenues	1,016.6	857.8	
MENA	507.3	411.7	
USA	509.3	446.1	
Gross profit	84.5	56.1	
as % of revenues	8.3%	6.5%	
Earnings before income taxes, depreciation and amortization (EBITDA)	63.5	37.9	
As % of revenues	6.2%	4.4%	
Net income	35.2	9.5	
As % of revenues	3.5%	1.1%	
Balance sheet:			
Non-current assets	778.2	775.6	795.2
Current assets	2,598.3	2,261.7	1,993.5
Total assets	3,376.5	3,037.3	2,788.7
Equity	950.4	934.9	804.4
Non-current liabilities	58.8	56.9	71.7
Current liabilities	2,367.3	2,045.5	1,912.6
Total equity and liabilities	3,376.5	3,037.3	2,788.7
Cash flow used in operating activities	(97.2)	(2.8)	
Number of employees (in full-time equivalents):			
Own employees	24,261	21,495	
Temporary employees	32,797	36,070	



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at

\$ millions	Note	30 June 2015	1 January 2015
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	(6)	264.5	272.3
Goodwill	(7)	13.8	12.4
Trade and other receivables	(8)	130.2	117.2
Equity accounted investees	(9)	365.8	389.4
Deferred tax assets	(10)	3.9	3.9
<b>Total non-current assets</b>		<b>778.2</b>	<b>795.2</b>
<b>Current assets</b>			
Inventories	(11)	188.2	184.3
Trade and other receivables	(8)	1,082.3	809.0
Contracts work in progress	(12)	851.1	614.4
Current income tax receivables		0.7	16.9
Cash and cash equivalents	(13)	476.0	368.9
<b>Total current assets</b>		<b>2,598.3</b>	<b>1,993.5</b>
<b>Total assets</b>		<b>3,376.5</b>	<b>2,788.7</b>
<b>Equity</b>			
Share capital	(14)	118.0	-
Share premium		772.8	-
Reserves	(15)	(76.1)	(17.0)
Retained earnings		62.4	744.7
<b>Equity attributable to owners of the Company</b>		<b>877.1</b>	<b>727.7</b>
Non-controlling interest	(16)	73.3	76.7
<b>Total equity</b>		<b>950.4</b>	<b>804.4</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans and borrowings	(17)	28.1	30.8
Trade and other payables	(18)	23.3	33.2
Deferred tax liabilities	(10)	7.4	7.7
<b>Total non-current liabilities</b>		<b>58.8</b>	<b>71.7</b>
<b>Current liabilities</b>			
Loans and borrowings	(17)	536.3	435.2
Trade and other payables	(18)	905.2	712.3
Advanced payments from construction contracts		311.4	398.3
Billing in excess of construction contracts	(12)	508.7	251.5
Provisions	(19)	95.0	102.7
Income tax payables		10.7	12.6
<b>Total current liabilities</b>		<b>2,367.3</b>	<b>1,912.6</b>
<b>Total liabilities</b>		<b>2,426.1</b>	<b>1,984.3</b>
<b>Total equity and liabilities</b>		<b>3,376.5</b>	<b>2,788.7</b>

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

This interim consolidated financial statements were approved by the Board of Directors and authorized for issue on 27 August 2015 and signed on their behalf by:

Director

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months period ended

\$ millions	Note	January - June 2015	Second quarter 2015
Revenue	(24)	1,874.4	1,016.6
Cost of sales	(20)	(1,733.8)	(932.1)
Gross profit		140.6	84.5
Other income	(21)	5.7	3.5
Selling, general and administrative expenses	(20)	(74.1)	(39.4)
Operating profit		72.2	48.6
Finance income	(22)	7.7	2.0
Finance cost	(22)	(27.5)	(16.2)
Net finance cost		(19.8)	(14.2)
Net loss arising from a business combination		(12.2)	(12.2)
Income from equity accounted investees (net of tax)	(9)	16.5	18.2
Profit before income tax		56.7	40.4
Income tax	(10)	(12.0)	(5.2)
Total net profit		44.7	35.2
Other comprehensive income:			
Items that are or may be reclassified to profit or loss			
Changes in fair value of cash flow hedges		1.0	3.5
Foreign currency translation differences		(58.8)	(18.1)
Other comprehensive income, net of tax		(57.8)	(14.6)
Total comprehensive income		(13.1)	20.6
Profit attributable to:			
Owners of the Company		39.8	34.0
Non-controlling interest		4.9	1.2
Net profit		44.7	35.2
Total comprehensive income attributable to:			
Owners of the Company		(15.5)	19.8
Non-controlling interest		2.4	0.8
Total comprehensive income		(13.1)	20.6
Earnings per share (in USD)			
Basic earnings per share	(23)	0.34	0.29

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months period ended

\$ millions	Note	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 2015		-	-	(17.0)	744.7	727.7	76.7	804.4
Net profit / (loss)		-	-	-	39.8	39.8	4.9	44.7
Other comprehensive income		-	-	(55.3)	-	(55.3)	(2.5)	(57.8)
Total comprehensive income		-	-	(55.3)	39.8	(15.5)	2.4	(13.1)
Establishment of the Company	(14)	0.1	-	-	-	0.1	-	0.1
Capital in kind reduction of OCI N.V.	(14)	105.0	617.1	-	(722.1)	-	-	-
Dividends	(16)	-	-	-	-	-	(5.5)	(5.5)
Change in non-controlling interest		-	-	-	-	-	(0.3)	(0.3)
New shares issued	(14)	12.9	172.4	-	-	185.3	-	185.3
Treasury shares acquired	(15)	-	-	(3.8)	-	(3.8)	-	(3.8)
Transaction costs		-	(16.7)	-	-	(16.7)	-	(16.7)
Balance at 30 June 2015		118.0	772.8	(76.1)	62.4	877.1	73.3	950.4

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months period ended

\$ millions	Note	30 June 2015
Net profit / (loss)		44.7
Adjustments for:		
Depreciation	(6)	29.2
Interest income	(22)	(2.2)
Interest expense (including gains / (losses) on derivatives)	(22)	17.1
Foreign exchange gain / (loss) and others		4.9
Share in income of equity accounted investees	(9)	(16.5)
Loss from acquisition of a subsidiary		12.2
Gain on sale of property, plant and equipment		(2.2)
Income tax expense	(10)	12.0
Changes in:		
Inventories	(11)	(3.9)
Trade and other receivables	(8)	(248.9)
Contract work in progress	(12)	(236.7)
Trade and other payables	(18)	163.6
Advanced payments construction contracts		(86.9)
Billing in excess of construction contracts	(12)	257.2
Provisions	(19)	(11.8)
Cash flows:		
Interest paid	(22)	(17.1)
Interest received	(22)	2.2
Income taxes paid		(14.1)
Cash flow used in operating activities		(97.2)
Investment in subsidiary, net of cash acquired		(2.7)
Investments in property, plant and equipment	(6)	(37.0)
Proceeds from sale of property, plant and equipment		5.1
Cash flow used in investing activities		(34.6)
Proceeds from borrowings	(17)	406.6
Repayment of borrowings	(17)	(308.2)
Other long term liabilities		(9.9)
Issue of new shares (net of transaction costs)		168.6
Purchase of treasury shares	(15)	(3.8)
Dividends paid to non-controlling interest		(5.5)
Cash flows from financing activities		247.8
Net increase in cash and cash equivalents		116.0
Cash and cash equivalents at 1 January	(13)	368.9
Currency translation adjustments		(8.9)
Cash and cash equivalents at 30 June	(13)	476.0

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



# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 1. General

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

OCL is primarily engaged as an international engineering and construction contractor focused on large scale infrastructure, complex industrial and high-end commercial projects in the United States, the 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 six month period ended 30 June 2015 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 2015.

The interim consolidated financial statements should be read in conjunction with the interim financial statements for the three months period ended 31 March 2015. The OCL Interim Consolidated Financial Statements for the six months period ended 30 June 2015 are unaudited.

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

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

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

The accounting principles used are the same as those used in the interim financial statements for the three months period ended 31 March 2015.

The financial statements have been authorised for issue by the Company's Board of Directors on 27 August 2015.

### 2.2 Demerger of Construction and Engineering business

#### 2.2.1 General

On 6 November 2014, the Board of Directors of OCI N.V. announced its intention to seek a dual listing for the Engineering & Construction business of OCI N.V., through the separation of OCI's Engineering & Construction business from OCI's Fertilizer & Chemicals business ("the Demerger"). The Board of Directors of OCI N.V. confirmed its intention to implement the Demerger at its meeting on 10 December 2014.

The Demerger 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. The Demerger has resulted in the Engineering & Construction and Fertilizer & Chemicals businesses being owned by two, separately-listed companies. OCI N.V. remains listed on Euronext Amsterdam and owns the Fertilizer & Chemicals business and OCL is dual-listed on the Nasdaq Dubai and the Egyptian Exchange and owns the Engineering & Construction business.

#### 2.2.2 Ongoing relationship between OCL and OCI N.V.

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

OCL's objective is to increase self-generated opportunities in the future to replace the work awarded by OCI N.V. However, OCL and OCI



# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

N.V. are party to continuing commercial arrangements, in particular, in relation to the construction of certain fertilizer plants. The existing commercial arrangements were entered into on an arms' length basis and are not materially different from the terms on which OCL has contracted with other customers.

## 2.2.3 Shared services agreement

On 5 February 2015, OCI N.V. and OCL entered into a shared services agreement whereby each of the parties has agreed to supply certain transitional services to the other. These services include: the provision by OCI N.V. to OCL of accounting and consolidation, and any general corporate support services as required and the provision by OCL to OCI N.V. of accounting, treasury, information technology, administration, corporate human resources, and office space services. It is expected that the services will be provided for a transitional period of up to 12 months, following which each of the parties will make their own arrangements for the provision of these services. The consideration payable for the services are on a cost-plus basis.

## 2.2.4 Conditional sale agreement

On 5 February 2015, OC IHC 4 B.V. (a subsidiary of OCL) and OCI MENA B.V. (a subsidiary of OCI N.V.) entered into an Agreement for the Conditional Sale and Purchase of the Share Capital of Construction Egypt. Under the Conditional Sale Agreement, OCI MENA B.V. has agreed to sell to OC IHC 4 B.V. all of the shares it will receive as a result of the Egypt Demerger. These shares (the Construction Egypt Shares) will be shares in an Egyptian joint stock company (Construction Egypt) which, as a result of the Egypt Demerger, will hold the construction projects and construction business of Orascom Construction Industries S.A.E in the Middle East and North Africa which, in order to comply with local law and regulation, cannot be transferred to OCL prior to completion of the Demerger. The transfer of the Construction Egypt Shares will be conditional on the completion of the Egypt Demerger, the approval of Egyptian Financial Supervisory Authority ("EFSA") regarding the issue of the Construction Egypt shares to OCI MENA B.V. and incorporation of Construction Egypt. In addition, OCI MENA B.V. commits to appoint management personnel in the construction operations, such personnel to be nominated by OC IHC 4 B.V.; to appoint accounting personnel responsible for the preparation of the carve out financials of the construction operations, such personnel to be nominated by OC IHC 4 B.V., and to vote on the board of directors of Orascom Construction Industries S.A.E. in matters related to the construction operations based on the recommendation of OC IHC 4 B.V. The Conditional Sale Agreement also provides for the economic benefits/liabilities of the Construction Egypt Shares including the underlying Relevant Construction Projects (together with the right to any dividends) to pass from OCI MENA B.V. to OC IHC 4 B.V. with effect from the date of the Conditional Sale Agreement as if such shares had been in existence since 30 September 2014. This transfer of economic benefit will remain in force until the earlier of completion of the Egypt Demerger and transfer of the Construction Egypt Shares to the Company and completion of all of the Relevant Construction Projects, while any new awards are sought through wholly-owned subsidiaries of OCL.

## 2.2.5 Tax indemnity agreement

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

## 2.2.6 Construction contracts

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

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

As part of the Demerger of the Orascom Construction Group, OCI N.V. and Orascom Holding Cooperatief U.A., a company that is part of OCL, entered into a letter agreement in relation to the construction contracts entered into between companies within the fertiliser business of OCI N.V. (Fertilizer Business) and companies within the construction business of OCI N.V. (Construction Business). The agreement provides



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that if the Construction Business incurs costs, expenses or liabilities under the Contracts or for other works and services performed or to be performed for the Fertilizer Business, which are not otherwise reimbursable to the Construction Business under the terms of the Contracts and which exceed the amounts that will, in aggregate, have been and will be payable to the Construction Business under all of the Contracts (the excess being referred to as the Aggregate Group Shortfall), OCI N.V. will pay an amount equal to the Aggregate Group Shortfall. The amount payable by OCI N.V. to the Construction Business under the agreement is capped at USD 150 million. This amount has been paid by OCI N.V. in the third quarter of 2015.

## 3. New accounting standards and policies

On a regular basis, the IASB issues new accounting standards, amendments and revisions to existing standards and interpretations. No new standards became effective to Orascom Construction Limited during the six month period ended 30 June 2015.

## 4. Critical accounting judgement, estimates and assumptions

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

## 5. Financial risk and capital management

### Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

### Risk management framework

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

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

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

### 5.1 Exposure to credit risk

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

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

\$ millions	Note	30 June 2015
Trade and other receivables (excluding prepayments)	(8)	1,122.5
Contract work in progress	(12)	851.1
Cash and cash equivalents	(13)	476.0
<b>Total</b>		<b>2,449.6</b>

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

\$ millions	30 June 2015
Middle East and Africa	738.5
Asia and Oceania	47.6
Europe and United States	336.4
<b>Total</b>	<b>1,122.5</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. The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting arrangements

At 30 June 2015 \$ millions	Note	Carrying amount	Contractual cash flow	6 months or less	6–12 months	1–5 years
Financial liabilities						
Loans and borrowings	(17)	564.4	565.3	436.8	100.4	28.1
Trade and other payables	(18)	928.5	928.5	905.2	-	23.3
Advanced payments from construction contracts		311.4	311.4	-	311.4	-
<b>Total</b>		<b>1,804.3</b>	<b>1,805.2</b>	<b>1,342.0</b>	<b>411.8</b>	<b>51.4</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:



# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## Foreign exchange translation exposure

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

OCL is not exposed to the Saudi riyal (SAR), UAE dirham and the 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 the Euro, US Dollar, Egyptian Pound and Arabic Emirate Dirham.

The Group uses foreign exchange contracts to manage its foreign exchange transaction exposure. No hedge accounting is applied; therefore all fair value changes are recognised in profit and loss.

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

At 30 June 2015 \$ millions	EUR	EGP
Cash and cash equivalents (included loans and borrowing)	(83.9)	(0.2)
Trade and other receivables	43.5	50.3
Trade and other payables	(19.0)	(72.7)

## Significant rates

The following significant exchange rates applied during the six month period ended 30 June 2015:

	Average 2015	Closing 30 June 2015	Opening 1 January 2015
Egyptian pound	0.1319	0.1306	0.1398
Saudi riyal	0.2665	0.2666	0.2664
Arabic Emirates Dirham	0.2723	0.2723	0.2723
Algerian Dinar	0.0104	0.0101	0.0114
Euro	1.1188	1.1119	1.2155

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 June 2015, if the functional currencies had strengthened/weakened by 10 percent against the Euro and 10 percent against the Egyptian Pound with all other variables held constant, the translation of foreign currency receivables, payables and loans and borrowings that would have resulted in an increase/decrease of USD 8.2 million of the profit of the six month period ended 30 June 2015.

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015 \$ millions	Change in FX rate*	Effect on profit before tax**	Effect on equity**
EUR - USD	10%	(5.9)	30.7
EGP - USD	10%	(2.3)	-

\* 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	June 2015
Effect on profit before tax for the coming year	+100 bps	3.4
	- 100 bps	(3.4)

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 June 2015 \$ millions	Note	Loans and receivables at amortized cost	Derivatives at fair value
<b>Assets</b>			
Trade and other receivables	(8)	1,209.8	2.7
Cash and cash equivalents	(13)	476.0	-
<b>Total</b>		<b>1,685.8</b>	<b>2.7</b>
<b>Liabilities</b>			
Loans and borrowings	(17)	564.4	-
Trade and other payables	(18)	928.5	-
Advanced payments construction contracts		311.4	-
<b>Total</b>		<b>1,804.3</b>	<b>-</b>

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



# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 5.4 Capital management

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

\$ millions	Note	30 June 2015
Loans and borrowings	(17)	564.4
Less: cash and cash equivalents	(13)	476.0
Net debt		88.4
Total equity		950.4
Net debt to equity ratio		0.09

## 6. Property plant and equipment

\$ millions	Land	Building	Equipment	Fixtures and fittings	Under construction	Total
Cost	16.0	138.4	418.8	136.3	7.9	717.4
Accumulated depreciation	-	(31.6)	(304.5)	(109.0)	-	(445.1)
At 1 January 2015	16.0	106.8	114.3	27.3	7.9	272.3
Movements in the carrying amount:						
Additions purchased during the period	-	0.9	26.4	9.4	0.3	37.0
Additions acquisition of a subsidiary (see note 29)	0.5	0.6	0.6	0.2	-	1.9
Disposals	-	-	(1.2)	(0.8)	-	(2.0)
Depreciation	-	(2.4)	(21.0)	(5.8)	-	(29.2)
Transfers and others	0.4	-	0.7	0.4	(3.0)	(1.5)
Effect of movement in exchange rates	(1.3)	(7.2)	(4.0)	(1.1)	(0.4)	(14.0)
At 30 June 2015	(0.4)	(8.1)	1.5	2.3	(3.1)	(7.8)
Cost	15.6	130.8	418.3	138.1	4.8	707.6
Accumulated depreciation	-	(32.2)	(302.4)	(108.5)	-	(443.1)
At 30 June 2015	15.6	98.6	115.9	29.6	4.8	264.5

## 7. Goodwill

\$ millions	Goodwill
Cost	12.4
At 1 January 2015	12.4
Movements in the carrying amount:	
Additions	1.4
Impairment	-
At 30 June 2015	1.4
Cost	13.8
Impairment	-
At 30 June 2015	13.8

Goodwill as at 1 January 2015, relates to the acquisition of Weitz in 2012. 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, (see Note 29), resulting in USD 1.4 million of goodwill.

Goodwill will be tested for impairment in the fourth quarter of the year.

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 8. Trade and other receivables

\$ millions	30 June 2015	1 January 2015
Trade receivables (gross)	501.7	438.6
Allowance for trade receivables	(31.9)	(32.3)
Trade receivables (net)	469.8	406.3
Trade receivables due from related parties (Note 27)	55.2	171.5
Prepayments	90.0	17.6
Derivative financial instruments	2.7	8.5
Other tax receivable	37.6	30.4
Supplier advanced payments	138.4	84.4
Other investments	7.2	8.4
Retentions	285.3	137.0
Other receivables	126.3	62.1
Total	1,212.5	926.2
Non-current	130.2	117.2
Current	1,082.3	809.0
Total	1,212.5	926.2

The carrying amount of 'Trade and other receivables' as at 30 June 2015 approximates its fair value.

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

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

\$ millions	30 June 2015
Neither past due nor impaired	301.4
Past due 1 - 30 days	53.5
Past due 31 - 90 days	61.2
Past due 91 - 360 days	66.7
More than 360 days	18.9
Total	501.7

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



# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The movement in the allowance for impairment in respect of trade receivables during the six month period ended 30 June 2015 was as follows:

\$ millions	2015
At 1 January	(32.3)
Unused amounts reversed	2.7
Used amounts	-
Amount formed	(3.8)
Exchange rates differences	1.5
At 30 June	(31.9)

Derivative financial instruments include the following:

## Foreign exchange contracts

The group entered into forward exchange contracts to hedge its currency risk exposure to the Japanese Yen and the EURO in certain projects. As at 30 June the remaining notional amounts of these contracts are 80.3 USD related to the YEN and 113 million USD related to the EUR. The foreign exchange contracts have a fair value of USD 2.7 million in aggregate. The group does not apply hedge accounting, therefore all fair value changes related to these financial instruments are recognized in profit and loss. The amount recognized in the hedge reserve is relating to hedge accounting applied at the level of our investment in Besix.

## 9. Equity accounted investees

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

\$ millions	2015
At 1 January	389.4
Share in results	16.5
Investment / divestment	1.8
Dividends	(20.0)
Movement in hedge reserve	-
Effect of movement in exchange rates	(21.9)
At 30 June	365.8

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

## BESIX Group (BESIX)

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

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

30 June 2015 \$ millions	BESIX Group (50%)
Assets	1,234.2
Liabilities	(927.1)
Net assets	307.1
Construction revenues	626.1
Construction cost	(615.0)
Net profit	11.1

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

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

On 2 April 2015, the Group's equity interest in one of its associates, Alico, increased from 50% to 100% and Alico became a subsidiary from that date (see note 29).

The following table summarizes the financial information of the Orascom Construction Group's significant associates (100%) including BESIX, El Yamama, National Pipe Company, all of Weitz's associates, Egyptian Gypsum Company and Sidra Medical Centre:

\$ millions	30 June 2015
Assets	1,333.5
Liabilities	(977.9)
Net assets	355.6
Income	632.3
Expenses	(618.7)
Net profit / (loss)	13.6

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 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.

## Service concession arrangements

On 29 June 2009 Orasqualia, a partnership between the Orascom Construction Group and Aqualia (a Spanish company specialized in water treatment) entered into an agreement with 'The New Urban Communities Authority' (further referred to as 'NUCA') for the availability and operation of a wastewater treatment plant in New Cairo, Egypt. NUCA is a governmental body under the direction of the Minister of Housing, Utilities and Urban Development in Egypt.

The purpose of the agreement with NUCA is to design, finance, construct, operate, maintain, renew and transfer the ownership back to NUCA at the expiry date; therefore NUCA will become the owner of the infrastructure after the expiration date. NUCA controls and regulates what services Orasqualia must provide with the infrastructure, to whom it must provide them, and at what price.

The agreement has a predefined and fixed-term of 20 years from the effective date (September 2013). Orasqualia will perform the sewage treatment services in compliance with the performance criteria determined by NUCA and good industry practice for the contract duration.

NUCA will pay a quarterly sewage treatment charge to Orasqualia, existing of a fixed and a variable component. Furthermore, NUCA will pay a pass-through charge to reimburse Orasqualia for the full cost of electricity consumption.

Orasqualia performs both construction of the plant and operation services under a single contract. Revenue related to construction or upgrade services under a service concession arrangement is recognized based on the stage of completion of the work performed, consistent with the Group's accounting policy on recognizing revenue on construction contracts.

## 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 12.0 million expense and can be summarized as follows:

\$ millions	January - June 2015	Second quarter 2015
Current tax	(12.7)	(7.1)
Deferred tax	0.7	1.9
<b>Total income tax in profit or loss</b>	<b>(12.0)</b>	<b>(5.2)</b>

### 10.2 Reconciliation of effective tax rate

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

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

\$ millions	June 2015	%
Profit / (loss) before income tax	56.7	
Tax calculated at weighted average group tax rate	(10.3)	18.2
Unrecognized tax losses	(7.4)	13.0
Recognition of previously unrecognized tax losses	2.4	(4.3)
Expenses non-deductible	(0.7)	1.3
other	4.0	(7.0)
<b>Total income tax in profit or loss</b>	<b>(12.0)</b>	<b>21.2</b>



# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 10.3 Deferred income tax assets and liabilities

The majority of the temporary deferred tax liabilities net of USD 3.5 million relate to property, plant and equipment. OCL has recognized carry forward losses for USD 7.4 million. Deferred tax liabilities recognized in relation to property, plant and equipment will be realized over the depreciation period of the related asset. The carry forward losses recognized in the statement of financial position are expected to be realized in the period 2016-2019.

## 11. Inventories

\$ millions	30 June 2015	1 January 2015
Finished goods	1.5	1.2
Raw materials and consumables	161.4	157.3
Fuels and others	16.1	16.3
Real estate	9.2	9.5
<b>Total</b>	<b>188.2</b>	<b>184.3</b>

During the six month period ended 30 June 2015, the total write-downs amount to USD 1.8 million, which all related to raw materials. During the six month period ended 30 June 2015 there were no reversals of write downs.

The real estate relates to the land owned by Suez industrial Development Company in Egypt, which owns and develops an industrial park.

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

\$ millions	30 June 2015	1 January 2015
Costs incurred on incomplete contracts (including estimated earnings)	11,782.4	10,906.0
Less: billings to date (Net)	(11,440.0)	(10,543.1)
<b>Total</b>	<b>342.4</b>	<b>362.9</b>
Presented in the consolidated statements of financial position as follows:		
Construction contracts in progress - current assets	851.1	614.4
Billing in excess on construction contracts - current liabilities	(508.7)	(251.5)
<b>Total</b>	<b>342.4</b>	<b>362.9</b>

## 13. Cash and cash equivalents

\$ millions	30 June 2015	1 January 2015
Cash on hand	1.1	0.5
Bank balances	400.2	288.9
Restricted funds	8.6	9.8
Restricted cash	66.1	69.7
<b>Total</b>	<b>476.0</b>	<b>368.9</b>

### Restricted funds

The restricted amounts mostly relate to letters of credits of Orascom E&C (USD 4.7 million) and Alico (USD 1.0 million) and to letters of guarantee of OCI (USD 0.7 million), Alico (USD 0.4 million), National Steel Fabrication (USD 1.2 million) and other Group entities (USD 0.6 million).

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## Restricted cash

Restricted cash relates to amounts withheld in relation to final installment on a loan held by Orascom Saudi for USD 5.3 million, amounts restricted for use by a bond agreement of Weitz for an amount of USD 16.8 million and USD 44.0 million pledged as collateral against loans.

## 14. Share capital

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

	2015
At 1 January	-
Establishment of Company on 18 January 2015	50,000
Number of issued shares as a result of the capital in kind reduction of OCI N.V. on 9 March 2015	105,006,927
New issued shares on 11 March 2015	12,984,565
At 30 June - fully paid	118,041,492
At 30 June (in millions of USD)	118.0

## 15. Reserves

\$ millions	Hedge reserve	Currency translation	Treasury shares	Total
At 1 January 2015	(11.9)	(5.1)	-	(17.0)
Changes in cash flow hedge reserve	1.0	-	-	1.0
Currency translation differences	-	(56.3)	-	(56.3)
Treasury shares acquired	-	-	(3.8)	(3.8)
At 30 June 2015	(10.9)	(61.4)	(3.8)	(76.1)

## Treasury shares

During the six month period ended 30 June 2015 the company has acquired 280,113 shares.

	30 June 2015
Number of shares acquired	280,113
Cost of acquiring the shares (in millions of USD)	4.2
Average cost per share (EGP)	108.71

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 16. Non-controlling interest

30 June 2015 \$ million	United Holding Company	Orascom Saudi	Suez Industrial Development	Other individual insignificant entities	Total
Non-controlling interest percentage	43.5%	40.0%	39.5%	-	-
Non-current assets	7.7	14.9	10.1	5.1	37.8
Current assets	18.7	110.2	17.6	11.6	158.1
Non-current liabilities	-	(1.9)	-	(0.1)	(2.0)
Current liabilities	(11.0)	(95.9)	(12.9)	(0.8)	(120.6)
Net assets	15.4	27.3	14.8	15.8	73.3
Revenues	12.3	37.6	0.7	2.5	53.1
Profit	2.6	1.6	-	0.7	4.9
Other comprehensive income	(1.1)	-	(1.1)	(0.3)	(2.5)
Total comprehensive income	1.5	1.6	(1.1)	0.4	2.4

## 17. Loans and borrowings

Borrowing Company	Type of loan	Interest rate	Date of maturity	Long term portion	Short term portion	Bank facilities	Total
OC SAE	Secured	USD: LIBOR + 2.28 - 4.00% EUR: LIBOR + 2.21 - 5.00% EGP: Corridor + 9.75 - 12.95%	Annual	-	-	299.0	299.0
Orascom Saudi	Secured	Saibor + 2.75%	Annual	0.3	22.3	-	22.6
	Secured	Saibor + 2.00%	Annual	-	-	70.6	70.6
Orascom Construction Industries - Algeria	Secured	Variable 6.5%	-	0.1	36.0	-	36.1
The Weitz Group, LLC	Unsecured	Multiple rates	March 2018	30.4	3.5	-	33.9
Other	-	Multiple rates	-	-	0.8	3.0	3.8
Total as per 1 January 2015				30.8	62.6	372.6	466.0



# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Borrowing Company	Type of loan	Interest rate	Date of maturity	Long term portion	Short term portion	Bank facilities	Total
OC SAE	Secured	USD: LIBOR + 2.28 - 4.00% EUR: LIBOR + 2.21 - 5.00% EGP: Corridor 9.75 - 12.95%	Annual	-	-	382.0	382.0
Orascom Saudi	Secured	Saibor + 2.75%	Annual	-	11.5	-	11.5
	Secured	Saibor + 2.00%	Annual	-	-	82.1	82.1
Orascom Construction Industries- Algeria	Secured	Variable 6.5%	03/2016	-	33.1	-	33.1
The Weitz Group, LLC	Unsecured	Multiple rates	03/2018	28.1	3.6	-	31.7
Orascom Road Construction	Unsecured	Corridor 9.75 - 12.15%	Annual	-	-	20.3	20.3
Other	-	Multiple rates	-	-	-	3.7	3.7
Total as per 30 June 2015				28.1	48.2	488.1	564.4

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.

Certain covenants apply to the aforementioned borrowings.

## 18. Trade and other payables

\$ millions	30 June 2015	1 January 2015
Trade payables	550.7	369.8
Trade payables due to related party (Note 27)	31.6	24.3
Other payables	71.9	99.8
Accrued expenses	194.6	173.0
Deferred revenues	8.4	8.8
Other tax payables	9.0	10.3
Retentions payables	59.7	55.7
Employee benefit payables	2.6	3.8
<b>Total</b>	<b>928.5</b>	<b>745.5</b>
Non-current	23.3	33.2
Current	905.2	712.3
<b>Total</b>	<b>928.5</b>	<b>745.5</b>

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

Retentions payable relate to amounts withheld from sub-contractors.

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 19. Provisions

\$ millions	Warranties	Onerous contracts	Other (including claims)	Total
At 1 January 2015	14.7	29.3	58.7	102.7
Provision formed	7.1	2.7	0.4	10.2
Provision used	-	-	(11.8)	(11.8)
Provision no longer required	-	-	(0.5)	(0.5)
Others	-	0.1	2.0	2.1
Effect of movement in exchange rates	(1.1)	(3.0)	(3.6)	(7.7)
At 30 June 2015	20.7	29.1	45.2	95.0
Non-current	-	-	-	-
Current	20.7	29.1	45.2	95.0
Total	20.7	29.1	45.2	95.0

### 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	January - June 2015	Second quarter 2015
Changes in raw materials and consumables, finished goods and work in progress	1,457.2	795.0
Employee benefit expenses (ii)	280.3	138.3
Depreciation, amortization	29.2	14.9
Maintenance and repairs	15.3	8.8
Consultancy expenses	2.8	0.9
Other	23.1	13.6
Total	1,807.9	971.5

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

### ii. Employee benefit expenses

\$ millions	January - June 2015	Second quarter 2015
Wages and salaries	268.7	140.4
Social securities	7.2	4.1
Employee profit sharing	1.3	0.9
Pension cost	2.3	1.2
Other employee expenses	0.8	(8.3)
Total	280.3	138.3

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

During the six month period ended 30 June 2015, the average number of staff employed in the Group converted into full-time equivalents amounted to 24,261 permanent and 32,797 temporary employees.

## 21. Other income

\$ millions	January - June 2015	Second quarter 2015
Net gain on sale of property, plant and equipment	2.2	1.7
Other income	3.5	1.8
<b>Total</b>	<b>5.7</b>	<b>3.5</b>

## 22. Net finance cost

\$ millions	January - June 2015	Second quarter 2015
Interest income on loans and receivables	2.0	0.9
Fair value gain on derivatives	0.2	0.1
Foreign exchange gain	5.5	1.0
<b>Finance income</b>	<b>7.7</b>	<b>2.0</b>
Interest expense on financial liabilities measured at amortized cost	(17.1)	(7.7)
Foreign exchange loss	(10.4)	(8.5)
<b>Finance cost</b>	<b>(27.5)</b>	<b>(16.2)</b>
<b>Net finance cost recognized in profit or loss</b>	<b>(19.8)</b>	<b>(14.2)</b>

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

\$ millions	January - June 2015	Second quarter 2015
Total interest income on financial assets	2.0	0.9
<b>Total interest expenses on financial liability</b>	<b>(17.1)</b>	<b>(7.7)</b>

## 23. Earnings per share

### i. Basic

	January - June 2015	Second quarter 2015
Net Profit / (Loss) attributable to shareholders in 1 million USD	39.8	34.0
Number of ordinary shares in million (Basic)	117.8	117.8
<b>Basic earnings per ordinary share</b>	<b>0.34</b>	<b>0.29</b>

### ii. Weighted average number of ordinary shares calculation

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



# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

## 24. Segment reporting

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

### Business information for January - June 2015

\$ millions	MENA	USA	Besix	Total
Total revenue	919.0	955.4	-	1,874.4
Share in profit of associates	2.5	2.9	11.1	16.5
Depreciation and amortization	(27.5)	(1.7)	-	(29.2)
Interest income (including gains /(losses) on derivatives)	2.1	0.1	-	2.2
Interest expense	(16.4)	(0.7)	-	(17.1)
Profit before tax	27.6	18.0	11.1	56.7
Investment in PP&E	36.4	0.6	-	37.0
Non-current assets	444.8	26.3	307.1	778.2
Total assets	2,163.6	905.8	307.1	3,376.5
Total liabilities	1,646.9	779.2	-	2,426.1

### Business information for the second quarter 2015

\$ millions	MENA	USA	BESIX	Total
Total revenue	507.3	509.3	-	1,016.6
Share in profit of associates	1.2	0.1	16.9	18.2
Depreciation and amortization	(13.9)	(1.0)	-	(14.9)
Interest income (including gains /(losses) on derivatives)	1.1	-	-	1.1
Interest expense	(7.3)	(0.4)	-	(7.7)
Profit before tax	9.0	14.6	16.9	40.5
Investment in PPE	13.9	0.2	-	14.1

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

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

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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	2015
Egyptian Government	29.5%
OCL N.V. Group	26.8%

## 25. Contingencies

### 25.1 Contingent liabilities

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

Letters of guarantee issued by banks in favor of others as at 30 June 2015 amount to USD 1,135.2 million (1 January 2015: USD 1,025.0 million). Outstanding letters of credit as at 30 June 2015 (uncovered portion) amount to USD 76.4 million (1 January 2015: USD 72.5 million).

#### 25.1.2 Litigations and claims

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

#### 25.1.3 Administrative case against Suez Industrial Development Company

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

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

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

#### 25.1.4 Administrative case against Egyptian Gypsum Company S.A.E

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



# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 25.1.5 Case against former owner of Weitz

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

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

On 11 February 2015, the previous owner filed a notice of appeal to the Supreme Court of Iowa from the final order entered following the trial and from all adverse rulings and orders against the previous owner and in favor of the Weitz defendants. The alleged legal and factual basis for the appeal have not yet been set out by the claimant. Currently, the Company's management cannot make a reliable estimate of the outcome of the appeal and in accordance with IAS 37 has disclosed the litigation as a contingent liability.

## 25.1.6 Sidra Medical Center

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

In July 2014, the consortium received a Notice of Termination from the Qatar Foundation for Education, Science & Community Development ('the Foundation'). In relation to this termination, the Foundation claims damages for material amounts from the associates. The claim and asserted damages have not yet been substantiated by the Foundation. At this stage, the Company believes there is no merit to the claim and intends to vigorously oppose the claim. The Company issued a counter claim for asserted damages and claimable costs. The matter has been referred to the UK court of arbitration. Although the Company and their lawyers expect a favorable outcome, there is, given the fact that the arbitration is in its initial phase, uncertainty associated with these matters. OCL management considered the views of their external lawyer who stated that even if the associate would be successful in arbitration, enforcing rights against the Foundation will be a time consuming and complex process. At 30 June 2015, OCL has valued its interest in the associate at nil and carries a USD 18.4 million liability for expected costs including legal fees.

## 25.2 Contingent assets

### 25.2.1 Arbitration against the Golden Pyramids Plaza ("the Client")

Orascom Construction Industries S.A.E. and Consolidated Contractors International Co. SAL filed an arbitration claim against Golden Pyramids Plaza regarding the performance of its obligations relating to the City Stars Project. The claim related to the value of additional work performed, extension of time for all delays, return of the improperly liquidated bonds and payment for outstanding re-measurement items.

On 17 December 2014, the Court dismissed all objections to jurisdiction and admissibility of claims against Golden Pyramids Plaza. Orascom Construction Industries S.A.E. and Consolidated Contractors International Co. SAL were awarded compensation for damages resulting from the delayed and disrupted completion of the work and the cost of the arbitration. The total award, of which Orascom Construction Industries S.A.E.'s share is 50%, amounts to approximately USD 80.0 million at the prevailing exchange rate on the date of the award. On 8 June 2015, the Client filed the Appeal case challenging the procedural aspects of the arbitration award and requesting to nullify the award of the arbitration such Appeal is scheduled to be heard on 7 October 2015 for justifying the appeal in form and submitting documents.

Following the guidance under IAS 37, OCL's management assessed the award as not being "virtually certain" at 30 June 2015. Consequently, the award is disclosed as a contingent asset in the Group's consolidated financial statements.

## 26. Operating lease commitments

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



# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## i. Future minimum lease payments

\$ millions	30 June 2015
Less than one year	0.6
Between one and five years	0.3
<b>Total</b>	<b>0.9</b>

## ii. Amount recognized in profit or loss

\$ millions	January - June 2015	Second quarter 2015
Rent	4.1	2.0
Vehicles	0.2	0.1
Machinery and equipment	6.6	3.0
<b>Total</b>	<b>10.9</b>	<b>5.1</b>

## 27. Related party transactions

The following is a list of significant related party transactions and outstanding amounts as at 30 June 2015:

Related party	Relation	Revenue transactions during the period	AR and loan outstanding at period end	Purchases transactions during the period	AP outstanding at period end
Medrail	Equity accounted investee	-	10.2	-	-
OCI Beaumont	Related via Key Management personnel	4.9	11.2	-	-
Iowa fertilizer Company	Related via Key Management personnel	422.8	-	-	8.4
Natgasoline	Related via Key Management personnel	74.4	23.8	-	-
Orasqualia for the Development of the Wastewater Treatment Plant	Equity accounted investee	-	1.0	-	-
Orasqualia for Construction	Equity accounted investee	-	1.6	-	-
OCI N.V.	Related via Key Management personnel	-	0.8	-	11.7
Other		-	6.6	-	11.5
<b>Total</b>		<b>502.1</b>	<b>55.2</b>	<b>-</b>	<b>31.6</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.

### OCI Foundation and Sawiris Foundation

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

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

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

During the six month period ended 30 June 2015, 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'. Senior Management consists of the following functions: CFO, Corporate Treasurer, General Counsel, Group Controller, HR Director, IT Director and the CEO's of the most important companies.

The total remuneration of the key-management personnel amounts for the six month period ended 30 June 2015 to an amount of USD 5.0 million.

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

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

### Acquisition of Aluminium & Light Industries Co Ltd (Alico)

The Group already held 50 % shareholding interest in Aluminium & Light Industries Co Ltd (Alico). On 2 April 2015, the Group acquired the remaining 50 % of the share capital of Aluminium & Light Industries Co Ltd (ALICO) and thereby obtained control. As a result of the acquisition, the Group is expected to increase its presence in Egypt and reduce costs through economies of scale.

The following table summarises the consideration paid for acquisition of the remaining 50 % shareholding interest in Alico and the fair value of net assets acquired at the acquisition date.

\$ millions	2 April 2015
Cash consideration transferred	4.4
Fair value of previously held interest in Alico before business combination	3.7
Total consideration	8.1
Less: Fair value of identifiable net assets	(6.7)
Goodwill	1.4

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The goodwill of USD 1.4 million arising from the acquisition is attributable to synergies and economies of scale expected from combining the operations of the Group and Alico. The Group recognised a gain of USD 3.7 million as a result of remeasuring at fair value its 50 % shareholding interest held before the business combination. As part of the acquisition of additional 50 % shareholding interest in Alico, the Group evaluated its pre-existing relationship with Alico and had written down the net carrying value of the inter-company receivables from Alico amounting to USD 15.9 million to its estimated recoverable amount.

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

**Dubai, UAE, 27 August 2015**

The Orascom Construction Limited Board of Directors,

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

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

A meeting of the board of directors of the Company was held on 27 August 2015, at which the following business was undertaken:

- (a) The financial statements of the Company for the second quarter and first half of its first financial year were approved.



Orascom Construction Limited  
("Company Only")

*Interim unconsolidated financial  
statements (unaudited)*

*For the six months period ended  
30 June 2015*

# Orascom Construction Limited

Interim unconsolidated financial statements (unaudited)  
For the six month period ended  
30 June 2015

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## **Independent Auditors' Report on review of the interim unconsolidated financial statements**

The Shareholders  
Orascom Construction Limited

### ***Introduction***

We have reviewed the accompanying June 30, 2015 interim unconsolidated financial statements of Orascom Construction Limited ("the Company"), which comprises:

- the interim unconsolidated statement of financial position as at 30 June 2015;
- the interim unconsolidated statement of profit or loss and other comprehensive income for the three and six month period ended 30 June 2015;
- the interim unconsolidated statement of changes in equity for the six month period ended 30 June 2015;
- the interim unconsolidated statement of cash flows for the six month period ended 30 June 2015; and
- notes to the interim unconsolidated financial statements.

Management is responsible for the preparation and presentation of this interim financial statements in accordance with international auditing standards (IAS) 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this 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 information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### ***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying June 30, 2015 interim unconsolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

*KPMG LLP*

KPMG LLP  
Dubai, UAE  
Freddie Edward Cloete  
Date: 27 August 2015



# Orascom Construction Limited

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

*For the six months period ended 30 June 2015*

		<b>For the six month period ended 30 June 2015 USD' 000 (Unaudited)</b>	<b>For the three month period ended 30 June 2015 USD' 000 (Unaudited)</b>
	Note		
General and administrative expenses		(2,954)	(2,319)
Finance income	5	6,083	3,578
<b>Profit for the period</b>		<b><u>3,129</u></b>	<b><u>1,259</u></b>

The notes on pages 6 to 16 form an integral part of this interim unconsolidated financial statements.

The independent auditors' report on review of the interim unconsolidated financial statements is set out on page 1.

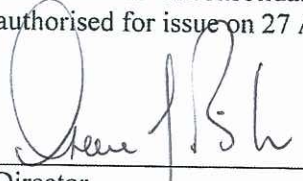
# Orascom Construction Limited

Interim unconsolidated statement of financial position (unaudited)  
As at 30 June 2015

	Notes	30 June 2015 USD' 000 (Unaudited)
<b>Non-current assets</b>		
Investments in a subsidiary	6	722,000
<b>Current assets</b>		
Prepayments and other receivables		730
Loan to a related party	7	184,308
Due from related parties	7	1,150
Cash at banks		18,682
		<u>204,870</u>
<b>Total assets</b>		<u>926,870</u>
<b>Liabilities and equity</b>		
<b>Shareholder's equity</b>		
Share capital	9	118,041
Share premium		772,725
Retained earnings		3,129
<b>Total equity</b>		<u>893,895</u>
<b>Current liabilities</b>		
Accounts payable and accrued expenses	8	10,143
Due to related parties	7	22,832
		<u>32,975</u>
<b>Total liabilities and equity</b>		<u>926,870</u>

The notes on pages 6 to 16 form an integral part of these interim unconsolidated financial statements.

This interim unconsolidated financial statements were approved by the Board of Directors and authorised for issue on 27 August 2015 and signed on their behalf by:

  
\_\_\_\_\_  
Director

The independent auditors' report on review of the interim unconsolidated financial statements is set out on page 1.

# Orascom Construction Limited

## Interim unconsolidated statement of cash flows (unaudited)

For the six period ended 30 June 2015

	30 June 2015 USD' 000
<b>Operating activities</b>	
Net profit for the year	3,129
<i>Adjustments for:</i>	
Finance income	(6,083)
	-----
<i>Operating loss before working capital changes</i>	(2,954)
Change in prepayments and other receivables	(730)
Change in due from related parties	(1,150)
Change in accounts payable and accrued expenses	10,143
Change in due to related parties	22,832
	-----
<i>Net cash generated from operating activities</i>	28,141
	-----
<b>Investing activities</b>	
Investments in a subsidiary	(722,000)
Loan to a related party	(184,308)
	-----
Net cash used in investing activities	(906,308)
	-----
<b>Financing activities</b>	
Proceeds from stock issuance	890,766
Finance income received	6,083
	-----
<i>Net cash generated from financing activities</i>	896,849
	-----
<b>Net increase in cash and cash equivalents</b>	18,682
Cash and cash equivalents at the beginning of the period	-
	-----
<b>Cash and cash equivalents at the end of the period</b>	<u>18,682</u>

The notes on pages 6 to 16 form an integral part of this interim unconsolidated financial statements.

The independent auditors' report on review of the interim unconsolidated financial statements is set out on page 1.



# Orascom Construction Limited

## Interim unconsolidated statement of changes in equity (unaudited)

*For the six months period ended 30 June 2015*

	Share capital USD' 000	Share premium USD' 000	Retained earnings USD' 000	Total USD' 000
Opening balance	-	-	-	-
Common stock issuance	118,041	789,428	-	907,469
Transaction costs	-	(16,703)	-	(16,703)
Net profit for the period	-	-	3,129	3,129
<b>Balance at 30 June 2015 (unaudited)</b>	<b>118,041</b>	<b>772,725</b>	<b>3,129</b>	<b>893,895</b>

The notes on pages 6 to 16 form an integral part of this interim unconsolidated financial statements.

# Orascom Construction Limited

## Notes to the interim unconsolidated financial statements *(forming part of these interim unconsolidated financial statements)*

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

Orascom Construction Limited ("the Company") is a company limited by shares, incorporated and registered in the Dubai International Financial Centre on 18 January 2015. The Company is dual listed on NASDAQ Dubai and the Egyptian Exchange. The address of the registered office of the Company is P. O. Box 506678, Dubai International Financial Centre, Dubai, United Arab Emirates.

The Company has investment in Orascom Holding Coopratief U.A. ("the subsidiary") which is the parent company of other subsidiaries operating in the construction sector.

### **2 Basis of preparation and significant accounting policies**

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

These separate financial statements reflect the operating results and the financial position of the Company only and do not include the operating results and financial positions of its subsidiaries. The Company and its subsidiaries are collectively referred to as "the Group". For the consolidated financial position and results of operations of the Company and its subsidiaries, the consolidated financial statements of the Group should be referred to, which were approved by the Board of Directors on 27 August 2015.

The interim unconsolidated financial statements for the six month period ended 30 June 2015 have been prepared in accordance with International Accounting Standard 34 (IAS 34).

The Company's interim unconsolidated financial statements for the six month period ended 30 June 2015 are unaudited.

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

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

These interim unconsolidated financial statements are presented in US dollars ("USD"), which is Company's presentation currency. All values are rounded to the nearest thousand (in thousands of USD), except when stated otherwise.

The interim unconsolidated financial statements have been authorised for issue by the Company's Board of Directors on 27 August 2015.

#### *Use of estimates and judgments*

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. 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 year in which the estimate is revised and in any future years affected.



# Orascom Construction Limited

## Notes to the interim unconsolidated financial statements *(continued)*

### **2 Basis of preparation and significant accounting policies *(continued)***

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

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are discussed in note 11.

#### *Demerger of Construction and Engineering business*

On 6 November 2014, the Board of Directors of OCI N.V. announced its intention to seek a dual listing for the Engineering & Construction business of OCI N.V., through the separation of OCI's Engineering & Construction business from OCI's Fertilizer & Chemicals business ("the Demerger"). The Board of Directors of OCI N.V. confirmed its intention to implement the Demerger in its meeting on 10 December 2014. The Demerger 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. The Demerger has resulted in the Engineering & Construction and Fertilizer & Chemicals businesses being owned by two, separately listed companies. OCI N.V. remains listed on Euronext Amsterdam and owns the Fertilizer & Chemicals business and the Company is dual-listed on the Nasdaq Dubai and the Egyptian Exchange and owns the Engineering & Construction business.

#### *Ongoing relationship between the Company and OCI N.V.*

After the Demerger, OCI N.V. and the Company operate as separately listed companies. There are no cross-directorships, other than Nassef Sawiris who is Chief Executive Officer of OCI N.V. and Chairman of the Company, and Salman Butt, who is Chief Financial Officer of OCI N.V. and nonexecutive director of the Company. The senior management teams of OCI N.V. and the Company are different and all agreements between the two companies are executed based on agreed terms.

The Company's objective is to increase self-generated opportunities in the future to replace the work awarded by OCI N.V. However, the Company and OCI N.V. are party to continuing commercial arrangements, in particular, in relation to the construction of certain fertilizer plants. The existing commercial arrangements were entered into on agreed upon basis.

#### *Shared services agreement*

On 5 February 2015, OCI N.V. and OCL entered into a shared services agreement whereby each of the parties has agreed to supply certain transitional services to the other. These services include: the provision by OCI N.V. to the Company of accounting and consolidation, and any general corporate support services as required and the provision by the Company to OCI N.V. of accounting, treasury, information technology, administration, corporate human resources, and office space services. It is expected that the services will be provided for a transitional period of up to 12 months, following which each of the parties will make their own arrangements for the provision of these services. The consideration payable for the services are on a cost-plus basis.



# Orascom Construction Limited

## Notes to the interim unconsolidated financial statements (*continued*)

### **3 Principal accounting policies**

The following accounting policies which comply with the IFRSs have been applied consistently for the periods presented:

#### ***Investment in a subsidiary***

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

#### ***Share capital***

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

#### ***Finance income***

Finance income represents interest charged on a long-term loan to a related party. Interest income is recognised as it accrues, using the effective interest rate method.

#### ***Financial instruments***

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

#### ***Loans and receivables***

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

#### ***Offsetting financial instruments***

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

# Orascom Construction Limited

## Notes to the interim unconsolidated financial statements (*continued*)

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

#### *Financial instruments (continued)*

##### *Non-derivative financial instruments*

Non-derivative financial instruments comprise prepayment and other receivables, cash at banks, amounts due from and to related parties, contract and other payables, long-term loan to a related party. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised in the profit or loss.

##### *Impairment*

##### *Financial assets*

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

##### *Non-financial assets*

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

##### *Provisions*

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

##### *Foreign currencies*

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

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

A number of new standards and amendments to standards are effective for annual periods beginning on or after 1 January 2014; however, the Company has not applied the following new or amended standards in preparing these interim unconsolidated financial statements:



# Orascom Construction Limited

## Notes to the interim unconsolidated financial statements (*continued*)

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

#### *New standards and interpretations not yet effective (continued)*

- *IFRS 9 Financial Instruments*

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

- *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.

The following new or amended standards are not expected to have a significant impact of the company's financial statements:

- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11).
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38).

The above standards, amendments and interpretation are currently being assessed by management to determine any material impact on the Company's financial statements.

### 4 Financial risk management

#### *Overview*

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

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

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The Company's management has 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 it arises principally from the Company's receivables due from related parties. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each of its related parties. The demographics of the Company's customer base, including the default risk of the industry and country in which customers operate has an influence on credit risk.



# Orascom Construction Limited

## Notes to the interim unconsolidated financial statements (*continued*)

### 4 Financial risk management (*continued*)

#### *Credit risk (continued)*

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

#### *Concentration of credit risk*

The Company has provided a loan to a related party amounting to USD 184 million, the amount constitutes 90 percent of the Company's current assets. Management believes that the amount is recoverable, and accordingly, no provision was created against this balance.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company'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 Company's reputation.

#### *Market rate risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income. The interest rate on the Company's financial instruments is based on market rates i.e. Egyptian Central Bank's mid corridor rate plus 1 %. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The Company also incurs financial liabilities in order to manage market risks.

#### *Currency risk*

The Company is exposed to currency risk on revenue, purchases, receivable and payables that are denominated in a currency other than the functional currency of the Company. The currencies in which these transactions primarily are denominated are Euro and USD. The Company is not exposed to any material currency risk as most of its transactions are in USD which is the functional currency.

#### *Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk is subject to change in the LIBOR. The Company manages its market risk by adding a mark-up to the interest rate charged on loans issued to related parties.

#### *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 Limited

## Notes to the interim unconsolidated financial statements (continued)

### 4 Financial risk 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 shareholder, return on capital to shareholder or issue new shares.

### 5 Finance income

	For the six months ended 30 June 2015 USD' 000	For the three months ended 30 June 2015 USD' 000
Intercompany interest (also refer to note 7)	6,526	4,858
Bank interest	52	-
Foreign exchange loss	(495)	(1,280)
	<u>6,083</u>	<u>3,578</u>

### 6 Investments in a subsidiary

During the period, the Company acquired 100% interest in Orascom Holding Cooperatief U.A. ("the subsidiary").

	30 June 2015 USD' 000 (Unaudited)
Orascom Holding Cooperatief U.A.	<u>722,000</u>

### 7 Related party disclosures

The Company, in the ordinary course of business, carries out transactions with other business enterprises that fall within the definition of a related party contained in International Accounting Standard 24. The significant related party transactions and balances due to/from related parties for the current period were as follows:

	30 June 2015 USD' 000 (Unaudited)
Finance income	6,526
Loan to related party	184,308
Expenses paid on behalf of the related parties	(10,063)
Expenses paid on behalf of the Company	2,624
Cash received from a related party	<u>20,208</u>

# Orascom Construction Limited

Notes to the interim unconsolidated financial statements *(continued)*

## 7 Related party disclosures (continued)

### *Loan to a related party*

	30 June 2015 USD' 000 (Unaudited)
Balance as at 1 January	-
Add: funds transferred to OC SAE	187,845
Less: expenses paid on behalf of OCL	(10,063)
Add: finance income	6,526
	<u>184,308</u>

Loan to a related party represents loan given to Orascom Construction SAE. Interest rate is priced based on monthly Egyptian Central Bank's Mid Corridor Rate plus 1%.

### *Due from related parties*

	30 June 2015 USD' 000 (Unaudited)
Weitz	735
Contrack International Inc. USA	415
	<u>1,150</u>

### *Due to related parties*

	30 June 2015 USD' 000 (Unaudited)
Orascom Holding Coopratief U.A.	20,208
OCI NV	2,624
	<u>22,832</u>

## 8 Accounts payable and accrued expenses

	30 June 2015 USD' 000 (Unaudited)
Accounts payable	7,527
Accrued expenses	2,616
	<u>-----</u>



# Orascom Construction Limited

## Notes to the interim unconsolidated financial statements (*continued*)

10,143

### 9 Share capital

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

	30 June 2015 USD (Unaudited)
Establishment of Company on 18 January 2015	50,000
Number of issued shares as a result of the capital in kind reduction of OCI N.V on 9 March 2015	105,056,927
New issued shares on 11 March 2015	12,984,565
At 30 June— fully paid	118,041,492
At 30 June – (in thousands of USD)	<u>118,041</u>

### 10 Financial instruments

Financial assets of the Company include cash at banks and amounts due from related parties. Financial liabilities of the Company include accounts payable 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:

	30 June 2015 USD' 000 (Unaudited)
Loan to a related party	184,308
Due from related parties	1,150
Cash at banks	18,682
	<u>204,140</u>

#### *Liquidity risk*

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

	Carrying amount USD' 000	Contractual cash outflows USD' 000	1 year or less USD' 000
30 June 2015			

# Orascom Construction Limited

## Notes to the interim unconsolidated financial statements *(continued)*

Due to related parties	<u>22,832</u>	<u>22,832</u>	<u>22,832</u>
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### 10 Financial instrument (continued)

#### *Interest rate risk*

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

#### *Variable rate instruments*

	2015 USD' 000
Financial assets	<u>184,308</u>

#### *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:

	2015 100 bp increase USD' 000	100 bp Decrease USD' 000
Financial assets	<u>1,843</u>	<u>(1,843)</u>

#### *Fair value*

The fair value of the financial assets and liabilities of the Company approximate their carrying value.

### 11 Accounting estimates and judgments

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

#### *Impairment of investments in a subsidiary*

The Company determines whether investments in subsidiary is impaired on an annual basis. This requires estimation of the "value in use" of the cash generating unit. 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 Limited

## Notes to the interim unconsolidated financial statements *(continued)*

### 11 Accounting estimates and judgments *(continued)*

#### *Impairment losses on receivables*

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

#### *Going concern assumption*

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

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