

ORASCOM CONSTRUCTION LIMITED

Consolidated Financial Statements

For the year ended 31 December 2017

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

Independent Auditors' Report

To the Shareholders of Orascom Construction Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Orascom Construction Limited ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Dubai International Financial Centre ("DIFC") and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (continued)

1 Accounting for construction contracts

Refer to notes 13 and 25 of the consolidated financial statements

Key audit matter

The Group recognises revenue and profit in accordance with International Accounting Standards ("IAS") 11 based on the stage of completion of its construction contracts which is assessed with reference to the proportion of contract costs incurred for the work performed as at the reporting date, relative to the estimated total costs of the contract at completion.

The recognition of revenue and profit therefore relies on estimates made by management in relation to the final out-turn of revenue and costs on each contract. Changes to these estimates could give rise to material variances in the amount of revenue and profit/loss recognised. Cost contingencies may also be included in these estimates to take account of specific uncertainties, or disputed claims against the Group, arising within each contract. These contingencies are reviewed by the Group's management on a regular basis throughout the contract life and adjusted where appropriate. Subsequent variations from the initially agreed scope of work and claims arising under contracts may be included in these estimates. The amounts to be included are based on a contract-by-contract basis when the Group believes it is probable that the amount will be recovered from the customer and the amount can be measured reliably.

There is a high degree of risk and significant management judgment associated with estimating the amount of revenue to be recognised by the Group based on the final out-turn on contracts; assessing the level of the contingencies; and recognising variations and claims. Accordingly, revenue recognition from construction contracts is considered a key matter in relation to our audit of the Group.

How our audit addressed the key audit matter

Using a variety of quantitative and qualitative criteria, we have selected a sample of contracts to assess the reasonableness of the significant and complex contract estimates used by management in accounting for these contracts.

We obtained the detailed project status reports ("the reports") to support the estimates made by management in arriving at the progress of the Group's contracts and assessed the judgments underlying those reports with the audit evidence obtained including discussion with the Group's senior operational, commercial and financial management. In this area, our audit procedures included:

- evaluating the financial performance of contracts against budget, available third party evidence and historical trends;
- conducting site visits to certain higher risk or larger value contracts, physically observing the progress of individual projects and identifying areas of complexity through observation and discussion with site personnel;
- assessing the reasonableness of the Group's judgment in respect of forecast contract out-turn, contingencies, settlements and the recoverability of contract balances via reference to our own assessments based on certain quantitative and qualitative factors, historical outcomes and industry norms;

Key Audit Matters (continued)

1 Accounting for construction contracts (continued)

How our audit addressed the key audit matter (continued)

- analyzing correspondence and other relevant documents obtained by management from customers around variations and claims and considering whether this information is consistent with the estimates made by the Group;
- inspecting selected contracts for key clauses, identifying relevant contractual mechanisms such as liquidated damages, defects liability and warranties and, assessing whether these key clauses have been appropriately reflected in the amounts recognised in the financial statements;
- assessing whether the amounts recognised in the financial statements resulting from the estimates and assumptions made represent a balanced view of the risks and opportunities pertaining to each contract position;
- considering whether provisions against contracts sufficiently reflect the level of risk, and challenging management's judgment in this area with reference to our own assessments; and
- considering the adequacy of the Group's disclosures in the consolidated financial statements in respect of contract accounting and the key risks relating to these amounts.

2 Recoverability of receivables balances including trade receivables, due from related parties and retention receivables

Refer to note 9 of the consolidated financial statements

Key audit matter

The Group is exposed to credit risk on its receivable balances including amounts due from related parties and retention receivables. Management assesses the collectability of these receivable balances on a regular basis based on the historical trends and assessment of credit worthiness of the debtor. In determining whether trade receivables, retention receivables and amounts due from related parties are collectible, significant judgment is exercised in assessing the ability of the debtors to repay the amounts due to the Group.

Due to the high degree of judgment involved in assessing the recoverability of these receivables balances and the materiality of these balances to the consolidated financial statements, this is considered as a key audit matter.

How our audit addressed the key audit matter

We have obtained the break-up of trade receivables, retention receivables and amounts due from related parties from management and performed an exposure analysis to identify the receivables with a significant exposure as at the year-end. We also obtained the break-up of the provision for doubtful debtors and assessed the adequacy of provision against these receivables as at the year-end.

Key Audit Matters (continued)

2 Recoverability of receivables balances including trade receivables, due from related parties and retention receivables (continued)

How our audit addressed the key audit matter (continued)

Our audit procedures included the following:

- testing the Group's credit control procedures, including the controls around credit terms, and reviewing the settlement history of customers;
- assessing the adequacy of provision created for doubtful debt by analysing receivable balances at the reporting date against which no provision for doubtful debts was created by the Group, to determine whether there were any indicators of impairment that would require the creation of additional provisions;
- testing, on a sample basis, receivable balances for which a provision was recorded to assess the reasonableness of judgments made by the Group in regards to the provision created; and
- examining arrangements and / or correspondences with external customers to assess the payment arrangement agreed with the Group debtors, and accordingly, the recoverability of the significant outstanding receivables.

3 Litigation and claims

Refer to note 26 of the consolidated financial statements

Key audit matter

Considering the nature of the Group's operations, it can be exposed to a number of litigations and claims. The recognition and measurement of provisions, contingent liabilities and contingent assets as well as making the necessary disclosures in respect of litigation and claims requires significant judgment by the management in assessing the outcome of each legal case which is based on management's discussion with internal and external legal advisors. Due to the significance of the litigations and claims and the difficulty in assessing and measuring the resulting outcome, this is considered as a key audit matter.

How our audit addressed the key audit matter

Our audit procedures included the following:

- evaluating the Group's policies, procedures and controls in relation to litigation, claims and provision assessments;
- obtaining inputs from the Group's legal counsel, making independent enquiries and obtaining confirmations from internal and external lawyers to understand the background of each case, legal position and the material risks that may impact the Group's financial statements; and
- assessing reasonableness of judgment made by management, determining the adequacy of the level of provisioning or disclosure in the consolidated financial statements.

Key Audit Matters (continued)

4 Accounting for tax

Refer to note 11 of the consolidated financial statements

Key audit matter

The Group operates in a number of tax jurisdictions. The complexities of local and international tax legislation and estimates used in accounting for deferred tax assets requires an understanding of the applicable tax laws and regulations in different jurisdictions. Furthermore, the recognition of deferred tax assets involves significant judgment and estimates in regards to the Group's future operations and applicable tax laws in the component jurisdictions and, as a result, this is considered as a key audit matter.

When deemed necessary, the Group involves independent tax experts in assessing the applicability of certain regulations applicable to tax jurisdictions in which the Group operates.

How our audit addressed the key audit matter

Our approach included:

- involving our tax specialists to assess the Group's tax positions including deferred tax, its correspondence with the relevant tax authorities, to analyse and challenge the assumptions used to determine tax provisions based on our knowledge and experiences of the application of the legislation by the relevant authorities and courts;
- reviewing and assessing the reasonableness of the assumptions used in projecting the Group's future taxable profits and evaluating the expected tax planning strategies; and
- considering the adequacy of the Group's tax disclosures in the consolidated financial statements.

5 Funding/Liquidity

Refer to note 6.2 of the consolidated financial statements

Key audit matter

The Group has net current liabilities of USD 177.7 million as of 31 December 2017. The Group's management assesses the Group's ability to meet its commitments and financial obligations as they fall due in the foreseeable future.

The availability of cash and expected cash flows are monitored internally by the corporate treasury department on an ongoing basis. Management also prepares cash flow projections periodically, and at the reporting date management expects that the Group will meet the funding requirements through future income generated from operations.

Management is required to consider any material uncertainty that may cast significant doubt about the Group's ability to meet its future obligations.

Key Audit Matters (continued)

5 Funding/Liquidity (continued)

Due to the inherent uncertainties associated with the management's cash flow forecasts, funding and liquidity is a key audit matter.

How our audit addressed the key audit matter

Our audit procedures in assessing whether the Group will be able to meet its financial obligations and commitments as they fall due in the foreseeable future included:

- reviewing the cash flow projections of the Group for the financial year ending 31 December 2018 and assessing its reasonableness by referring to the Group's current operational level, its project backlog as at 31 December 2017 and the expected projects in the future;
- reviewing the management's forecast on the Group's funding requirements and existing funding lines and facilities available to the Group; and
- assessing whether appropriate disclosures have been made in the consolidated financial statements with respect to the liquidity position over a period of 12 months from the reporting date.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and their preparation in compliance with the applicable provisions of the Companies Law pursuant to DIFC Law No. 2 of 2009 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements (continued)

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.



*Auditors' Responsibilities for the Audit of the Consolidated Financial Statements
(continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

We further report that the consolidated financial statements comply, in all material respects, with the applicable provisions of the Companies Law pursuant to DIFC Law No. 2 of 2009.

KPMG

KPMG LLP
Dubai, United Arab Emirates

Freddie Cloete
Partner

Date: 11 April 2018



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at

\$ millions	Note	31 December 2017	31 December 2016
Assets			
Non-current assets			
Property, plant and equipment	(7)	155.4	158.4
Goodwill	(8)	13.8	13.8
Trade and other receivables	(9)	15.8	16.2
Equity accounted investees	(10)	421.8	371.4
Deferred tax assets	(11)	34.5	81.6
Total non-current assets		641.3	641.4
Current assets			
Inventories	(12)	232.2	167.4
Trade and other receivables	(9)	1,146.7	1,076.3
Contracts work in progress	(13)	488.8	449.2
Current income tax receivables		3.2	0.6
Cash and cash equivalents	(14)	434.2	506.9
Total current assets		2,305.1	2,200.4
Total assets		2,946.4	2,841.8
Equity			
Share capital	(15)	116.8	117.8
Share premium		761.5	768.8
Reserves	(16)	(318.8)	(348.4)
Accumulated losses		(201.6)	(281.3)
Equity attributable to owners of the Company		357.9	256.9
Non-controlling interest	(17)	44.6	45.5
Total equity		402.5	302.4
Liabilities			
Non-current liabilities			
Loans and borrowings	(18)	11.3	59.6
Trade and other payables	(19)	44.9	10.4
Deferred tax liabilities	(11)	4.9	6.7
Total non-current liabilities		61.1	76.7
Current liabilities			
Loans and borrowings	(18)	249.4	243.2
Trade and other payables	(19)	1,076.5	1,017.5
Advanced payments from construction contracts		484.7	382.3
Billing in excess of construction contracts	(13)	529.7	660.8
Provisions	(20)	62.3	116.2
Income tax payables		80.2	42.7
Total current liabilities		2,482.8	2,462.7
Total liabilities		2,543.9	2,539.4
Total equity and liabilities		2,946.4	2,841.8

The notes on pages 13 to 48 are an integral part of these consolidated financial statements.

This consolidated financial statements were approved by the Board of Directors and authorized for issue on 11 April 2018 and signed on their behalf by:

Director

Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended

\$ millions	Note	31 December 2017	31 December 2016
Revenue	(25)	3,678.7	4,033.1
Cost of sales	(21)	(3,354.0)	(3,841.0)
Gross profit		324.7	192.1
Other income	(22)	4.9	16.1
Selling, general and administrative expenses	(21)	(153.9)	(164.2)
Operating profit		175.7	44.0
Finance income	(23)	36.3	94.5
Finance cost	(23)	(60.1)	(61.9)
Net finance cost		(23.8)	32.6
Income from equity accounted investees (net of tax)	(10)	55.6	68.5
Profit before income tax		207.5	145.1
Income tax	(11)	(122.4)	(92.1)
Net profit for the year		85.1	53.0
Other comprehensive income:			
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences		21.6	(291.9)
Other comprehensive income (loss), net of tax		21.6	(291.9)
Total comprehensive income (loss)		106.7	(238.9)
Net profit attributable to:			
Owners of the Company		78.5	48.7
Non-controlling interest	(17)	6.6	4.3
Net profit for the year		85.1	53.0
Total comprehensive income (loss) attributable to:			
Owners of the Company		99.8	(214.4)
Non-controlling interest	(17)	6.9	(24.5)
Total comprehensive income (loss)		106.7	(238.9)
Earnings per share (in USD)			
Basic earnings per share	(24)	0.67	0.41

The notes on pages 13 to 48 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended

\$ millions	Share capital (15)	Share premium	Reserves (16)	Accumulated losses	Equity attributable to owners of the Company	Non-controlling interest (17)	Total equity
Balance at 1 January 2016	118.0	772.8	(81.2)	(325.2)	484.4	76.1	560.5
Net profit	-	-	-	48.7	48.7	4.3	53.0
Other comprehensive loss	-	-	(263.1)	-	(263.1)	(28.8)	(291.9)
Total comprehensive loss	-	-	(263.1)	48.7	(214.4)	(24.5)	(238.9)
Dividends	-	-	-	-	-	(1.6)	(1.6)
Change in non-controlling interest	-	-	-	-	-	(4.5)	(4.5)
Other	-	-	-	(4.8)	(4.8)	-	(4.8)
Treasury shares acquired	-	-	(8.3)	-	(8.3)	-	(8.3)
Shares reduction	(0.2)	(4.0)	4.2	-	-	-	-
Balance at 31 December 2016	117.8	768.8	(348.4)	(281.3)	256.9	45.5	302.4
Net profit	-	-	-	78.5	78.5	6.6	85.1
Other comprehensive income	-	-	21.3	-	21.3	0.3	21.6
Total comprehensive income	-	-	21.3	78.5	99.8	6.9	106.7
Dividends	-	-	-	-	-	(2.2)	(2.2)
Change in non-controlling interest	-	-	-	-	-	(5.6)	(5.6)
Other	-	-	-	1.2	1.2	-	1.2
Shares reduction	(1.0)	(7.3)	8.3	-	-	-	-
Balance at 31 December 2017	116.8	761.5	(318.8)	(201.6)	357.9	44.6	402.5

The notes on pages 13 to 48 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended

\$ millions	Note	31 December 2017	31 December 2016
Net profit for the year		85.1	53.0
Adjustments for:			
Depreciation	(7)	37.2	55.0
Interest income (including gain on derivatives)	(23)	(17.4)	(29.2)
Interest expense (including loss on derivatives)	(23)	18.2	26.9
Foreign exchange gain (loss) and others	(23)	23.0	(30.3)
Share in income of equity accounted investees	(10)	(55.6)	(68.5)
Gain on sale of property, plant and equipment	(22)	(0.9)	(6.0)
Income tax	(11)	122.4	92.1
Changes in:			
Inventories	(12)	(41.1)	36.0
Trade and other receivables	(9)	(95.9)	127.0
Contract work in progress	(13)	(39.6)	36.2
Trade and other payables	(19)	60.2	(67.8)
Advanced payments construction contracts		102.4	(216.1)
Billing in excess of construction contracts	(13)	(131.1)	382.4
Provisions	(20)	(53.9)	(94.1)
Cash flows:			
Interest paid	(23)	(16.9)	(24.4)
Interest received	(23)	17.4	29.2
Dividends from equity accounted investees	(10)	30.0	-
Income taxes paid		(42.2)	(45.1)
Cash flow from operating activities		1.3	256.3
Investments in property, plant and equipment	(7)	(41.8)	(91.7)
Proceeds from sale of property, plant and equipment		11.5	9.9
Cash flow used in investing activities		(30.3)	(81.8)
Proceeds from borrowings	(18)	133.1	82.1
Repayment of borrowings	(18)	(175.2)	(218.7)
Other long term liabilities		(0.5)	(3.4)
Purchase of treasury shares	(16)	-	(8.3)
Other		(7.8)	(1.6)
Cash flow used in financing activities		(50.4)	(149.9)
Net (Decrease) increase in cash and cash equivalents		(79.4)	24.6
Cash and cash equivalents at 1 January	(14)	506.9	574.9
Currency translation adjustments		6.7	(92.6)
Cash and cash equivalents at 31 December	(14)	434.2	506.9

The notes on pages 13 to 48 are an integral part of these consolidated financial statements.

NOTES TO THE 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 consolidated financial statements for the year ended 31 December 2017 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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and applicable requirements of the Commercial Companies Law and the Capital Market Authority in Dubai / Egypt.

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

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

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

The consolidated financial statements have been authorised for issue by the Company's Board of Directors on 11 April 2018.

3. Summary of significant accounting policies

3.1 Consolidation

The consolidated financial statements include the financial statements of OCL, its subsidiaries and the proportion of OCL's ownership of joint operations.

Subsidiaries

Subsidiaries are all companies to which OCL is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its control over the investee, generally accompanying a shareholding of more than half of the shares issued and related voting power. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. Subsidiaries are fully consolidated from the date that control commences until the date that control ceases. When OCL ceases to have control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognized in profit or loss including related cumulative translation adjustments accumulated in other comprehensive income. If it becomes an associate, the interest retained is subsequently valued in accordance with the equity method. The principal subsidiaries are listed in the section 'Miscellaneous'.

Transactions eliminated in the consolidated financial statements

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of OCL's interest in the investees. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3.2 Discontinued operations / assets held for sale

A discontinued operation is a component of OCL's business which:

- has operations and cash flows that can be clearly distinguished from the rest of OCL;
- represents a separate major line of business or geographical area of operations; and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative information in the statement of comprehensive income and the consolidated statement of cash flows are reclassified as if the operation had been discontinued from the start of the comparative period. In the statement of financial position, the comparative numbers are not reclassified.

3.3 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 'Financial Instruments: Recognition and Measurement', is measured at fair value with changes in fair value recognized either in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Non-controlling interests

Non-controlling interests are presented as a separate component in equity. Changes in the Group's interest in a subsidiary or joint operation that do not result in a loss of control are accounted for as an equity transaction.

3.4 Associates

Associates are those companies in which the Group exercises significant influence, but does not have control over the financial and operating policies, which is presumed to exist when the Group holds 20 percent to 50 percent of the shareholding and related voting rights of the other entity. Associates are accounted for by applying the 'equity method'. The Group's share of profit or loss of an investee is recognized in profit or loss from the date when significant influence begins up to the date when that influence ceases. Investments in associates with negative shareholder's equity are impaired and a provision for its losses is recognized only if the Group has a legal or constructive obligation to cover the losses. Equity changes in investees accounted for using the equity method that do not result from profit or loss are recognized directly in other comprehensive income. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Unrealized gains on transactions between two associates are not eliminated.

3.5 Joint arrangements

Under IFRS 11 investments in joint arrangements are classified as either joint ventures or joint operations depending on the contractual rights and obligations of each investor. Those joint arrangements that are assessed as joint ventures are accounted for using the equity method. Joint operations are accounted for using the line-by-line accounting.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted subsequently for the group's share in the post-acquisition profit or losses and movements in comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interest that, in substance, forms part of the Group's net investment in joint ventures), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

A joint operation is proportionately consolidated until the date on which the Group ceases to have joint control over the joint operation. Upon loss of joint control, the Group reassesses the joint operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.6 Foreign currency translation

Foreign currency transactions

The financial statements of subsidiaries and joint operations are prepared in the currencies which are determined based on the primary economic environment in which they operate ('the functional currency'). Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the transaction dates. At each balance sheet date, monetary items denominated in foreign currencies are translated into the entity's functional currency at the then prevailing closing-rates. Exchange differences arising on the settlement and translation of monetary items are included in profit or loss for the period except when deferred to other comprehensive income for available-for-sale assets and the effective part of qualifying cash flow hedges.

Foreign currency operations

Upon consolidation, the assets and liabilities of subsidiaries with a functional currency other than the US dollar are translated into US dollars using the exchange rates prevailing at the balance sheet date. Income and expense items are translated using exchange rates prevailing at the date of the transactions. Investments in joint ventures and associates with a functional currency other than the US dollar are translated into US dollar using exchange rates prevailing on the balance sheet date. Exchange rate differences arising during consolidation and on the translation of investments in subsidiaries, joint arrangements and associates are included in other comprehensive income, as 'currency translation adjustments'. When a foreign operation is (partly) disposed of or sold, (the proportionate share of) the related currency translation differences that were recorded in other comprehensive income are recycled to profit or loss as part of the gain and loss on disposal or sale. Goodwill and fair value adjustments arising on the acquisition of a foreign subsidiary are considered as assets and liabilities denominated in the functional currency of the foreign subsidiary.

3.7 Financial instruments

The Group classifies financial instruments into the following categories: (i) financial instruments at fair value through profit or loss, (ii) derivatives designated in a hedge relationship, (iii) loans and receivables and (iv) available-for-sale financial assets. Financial instruments are classified as current asset / liabilities unless the remaining term of the financial instruments or the remaining term of the facility, under which the financial instruments are drawn, is 12 months or more. The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Group is recognized as a separate asset or liability. The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously. Compound financial instruments are bifurcated and the components are presented separately as financial liabilities, financial assets or equity instruments.

Financial instruments at fair value through profit or loss

A financial instrument is classified at fair value through profit or loss if it is classified as held-for-trading or designated into this category. Directly attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognized in profit or loss. Financial instruments classified as 'at fair value through profit or loss' are initially recognized on the trade date and changes in fair value are accounted for under finance income and cost.

Embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately. If the economic characteristics and risks of the host contract and the embedded derivative are not clearly and closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. Changes in the fair value of separated embedded derivatives are recognized immediately in profit or loss.

Other non-trading derivatives

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognized immediately in profit or loss.

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Derivatives designated in a hedge relationship

In order to mitigate risk, the Group applies hedging in case by case situations. The Group holds derivative financial instruments to hedge its foreign currency risk, interest rate risk, and fluctuating natural gas price exposures. On initial designation of the derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk on a prospective and retrospective basis.

For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that ultimately could affect reported profit or loss. Derivatives are recognized initially at fair value. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for as described below:

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability, or a highly probable forecast transaction that could ultimately affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income as 'hedging reserve', net of related tax. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss. When the hedged item is a non-financial asset, the amount otherwise accumulated in equity is included in the carrying amount of the asset. In other cases, the amounts recognized as other comprehensive income are reclassified to profit or loss when the hedged transaction affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. In these cases, the cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the balance in equity is reclassified to profit or loss.

Loans and receivables

Loans and receivables are initially recognized 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.

The Group recognizes a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from, or at the direction of the grantor for the construction, or upgrade services provided. Such financial assets are measured at fair value on initial recognition and classified as loans and receivables. Subsequent to initial recognition, the financial assets are measured at amortized cost. If the Group has paid for the construction services partly by a financial asset and partly by an intangible asset, then each component of the consideration is accounted for separately and is initially recognized at the fair value of the consideration.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative instruments that are either designated in this category or not classified in any of the other categories of financial instruments under IAS 39. Available-for-sale financial assets include debt and equity securities. For available-for-sale debt securities interest income is recognized using the effective interest method. Available-for-sale financial assets are accounted for using trade date accounting and are carried at fair value. The change in fair value is recognized in other comprehensive income net of taxes. When securities classified as available-for-sale are sold or impaired, the accumulated gains and losses are reclassified to profit or loss. Available-for-sale financial assets are included in non-current assets unless the Group intends to dispose of the available-for-sale financial assets within 12 months after the balance sheet date. The dividend income from equity instruments is recognized in profit or loss as 'Other income' when the Group's right to receive payment is established.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date (original maturity) that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments. Restricted cash comprises cash balances where specific restrictions exist on the Group's ability to use this cash. Restricted cash includes cash deposited as collateral for letters of credit issued by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.8 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 recognized 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 recognized 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 recognized as an increase in 'Reserves', and the resulting surplus or deficit on the transaction is presented in share premium.

3.9 Property, plant and equipment

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

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss. Subsequent expenditures are capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance costs are expensed as incurred. Spare parts of property, plant and equipment are recognized under property, plant and equipment if the average turn-over exceeds 12 months or more, otherwise they are recognized within inventories.

Finance leases

Leased assets in which the Group bears substantially all the risks and rewards incidental to ownership are classified as finance leases and recognized under property, plant and equipment. Upon initial recognition, the leased asset is measured at the lower of its fair value and the present value of minimum lease payments. Minimum lease payments made under finance leases are apportioned between the interest expenses and the reduction of the outstanding liability. The interest expenses are recognized as other financing cost over the lease term. The finance cost is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Property, plant and equipment under construction

Expenditures incurred for purchasing and constructing property, plant and equipment are initially recorded as 'under construction' until the asset is completed and becomes ready for use. Upon the completion of the assets, the recognized costs are reclassified from 'under construction' to its final category of property, plant and equipment. Assets under construction are not depreciated and measured at cost less any impairment losses.

Depreciation

Items of property, plant and equipment are depreciated on a straight line basis through profit or loss over the estimated useful lives of each component, taking into account any residual values. Finance lease assets are depreciated over the shorter of the lease term and their useful lives. If it is reasonably certain that the Group will obtain ownership by the end of the lease term, the finance lease assets are depreciated over their useful lives. Land is not depreciated. Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for items of property, plant and equipment are as follows:	Years
Buildings	10 - 50
Equipment	5 - 25
Fixtures and fittings	3 - 10

Depreciation methods, useful lives and residual values are reviewed at each reporting date by the Group.

Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to get ready for their intended use or sale, are recognized as part of the cost of those assets. All other borrowing costs are recognized as 'Finance cost' in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.10 Goodwill

Goodwill represents the excess of the cost, being the excess of the aggregate of the consideration transferred including the amount recognized for non-controlling interest, of an acquisition over the fair value of the Group's share in the net identifiable assets and liabilities assumed of the acquired subsidiary at the date of acquisition.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in profit or loss.

Goodwill on acquisition of entities that qualify as subsidiaries is presented under 'Intangible assets'. Goodwill on acquisitions of entities that qualify as associates or joint ventures is included in 'Associates'. Goodwill on acquisition of subsidiaries is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or group of units that are expected to benefit from the business combination through which the goodwill arose, based on past experience.

Goodwill is initially measured at cost. After initial recognition, goodwill is measured at cost less any impairment losses. Goodwill is tested annually for impairment; an impairment loss is recognized for the amount by which the cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of the cash-generating unit is determined by the higher of its fair value less cost to sell and its value in use. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold. All other expenditures on internally generated goodwill and other intangible assets are recognized in profit or loss as incurred.

3.11 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories of raw materials, spare parts and supplies cost are based on weighted average principle or the first-in-first-out method, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.12 Impairment of assets

Non-derivative financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a non-derivative financial asset or a group of non-derivative financial assets is impaired. An impairment loss is recognized for the amount by which the carrying amount of a non-derivative financial asset exceeds its estimated discounted future cash flows using the original interest rate. Impaired non-derivative financial assets are tested periodically to determine whether the estimated future cash flows have increased and the impairment has to be reversed. Reversal of impairments is only permitted if in a subsequent period after an impairment loss has been recognized, the amount of the impairment loss decreases and the decrease can be related objectively to an event after the impairment loss was recognized. In the case of a financial asset classified as available-for-sale, a significant or prolonged decline in the fair value of the available-for-sale financial asset below its acquisition cost is considered as an indicator that the available-for-sale financial asset is impaired. If any such evidence exists for an available-for-sale financial asset, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from other comprehensive income and recognized in profit or loss. Impairment losses recognized in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

Derivative financial assets

Derivative financial assets are measured at fair value and the Group investigates whether the counterparty creditworthiness gives rise to an impairment.

Non-financial assets

Non-financial assets that have an indefinite useful life, for example goodwill, are not subject to amortization but are tested annually for impairment or more frequently when indicators arise. Assets with a finite useful life are subject to depreciation or amortization and are reviewed (at least at the balance sheet date) for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. An impairment loss is recognized for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purposes of assessing impairment, assets are grouped based on the lowest level for which there are separately identifiable cash flows (cash-generating units). Impairment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

is recognized as an expense in profit or loss. Non-financial assets, which are impaired, are tested periodically to determine whether the recoverable amount has increased and the impairment has to be (partially) reversed. Impairment losses on goodwill are not reversed. Reversal of impairments is only permitted if in a subsequent period after an impairment loss has been recognized, the amount of the impairment loss decreases and the decrease can be related objectively to an event after the impairment loss was recognized.

3.13 Provisions

Provisions are recognized when a present legal or constructive obligation as a result of a past event exists, and it is probable that an outflow of economic benefits is required to settle the obligation. The non-current part of provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Warranties

A provision for warranties is recognized with respect to services performed and goods sold.

Restructuring

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced, the Group has committed itself by public announcement or is expected to commit itself to a restructuring plan.

Contracts future loss

A provision for contracts future loss is recognized if the Group expects that the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it. A provision for contracts future loss is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

Legal

The Group is subject to legal and regulatory proceedings in various jurisdictions. Such proceedings may result in criminal or civil sanctions, penalties or disgorgements against the Group. If it is probable that an obligation to the Group exists, which will result in an outflow of resources and the amount of the outflow can be reliably estimated, a provision is recognized.

3.14 Revenue recognition

Revenues comprise the fair value of the considerations received or receivable from the sale of goods and services to third parties in the ordinary course of the Group's activities, excluding the taxes levied and taking into account any discounts granted. OCL recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to OCL and specific criteria have been met as described below.

Construction contracts

Construction contracts are stated at cost incurred and allocated result in line with the progress of the construction, less total expected losses and invoiced installments. The cost price consists of all costs which are directly related to the project and directly attributable indirect cost based on the normal production capacity. If the outcome of a contract can be estimated reliably, project revenue and cost are recognized in profit or loss based on the progress of work performed. If the outcome of a contract cannot be estimated reliably, revenue is recognized only to the extent of the contract costs incurred that are likely to be recoverable. Contracts future loss are identified by monitoring the progress of the project and updating the estimate of total contract costs, which also requires significant judgment relating to achieving certain performance standards as well as estimates involving warranty costs and estimates regarding project delays, including the assessment of responsibility splits between the contract partners for these delays. If it is probable that the total contract cost exceeds the total contract revenue, the total expected loss is recognized as an expense. The Group uses the 'percentage of completion method' to determine the appropriate amount of revenue (and cost) to be recognized in a given period. The stage of completion is measured by reference to the contract cost incurred as a percentage of total actual, compared to the estimated project cost. In case of fixed price contracts, revenue is recognized when the total contract revenue can be measured reliably, it is probable that future economic benefits will flow to the entity, both the contract cost and the stage of completion can be measured reliably at the end of the period and the contract cost attributable to the contract can be clearly identified so that actual cost incurred can be compared with prior periods. For cost plus contract revenue is recognized when it is probable that future economic benefits associated with the contract will flow to the entity and the contract cost attributable to the contract, whether or not specifically reimbursable, can be clearly identified and measured reliably. Projects are presented in the statement of financial position as 'Contract receivables' or 'Billing in excess of construction contracts'. If the costs incurred (including the result recognized) exceed the invoiced

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installments, the net contract position is presented as a receivable. If the invoiced installments exceed the costs incurred (including the result recognized) the net contract position is presented as a liability.

Contracts comprising the construction of a project and the possibility of subsequent long-term maintenance of that project as separate components, or for which these components could be negotiated individually in the market, are accounted for as two separate contracts. Revenue and results are recognized accordingly in the consolidated statement of comprehensive income as construction contract revenue or the rendering of services, respectively.

Service concession arrangements

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. Operation or service revenue is recognized in the period in which the services are provided by the Group. If the Group provides more than one service in a service concession arrangement, then the consideration received is allocated with reference to the relative fair values of the services delivered if the amounts are separately identifiable.

Goods sold

Revenue on goods sold is recognized, in addition to abovementioned criteria, when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership of the goods have transferred to the customer, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized. The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement, whereby usually the transfer occurs when the product is received at the customer's warehouse or the products leave the Group's warehouse; however, for some international shipments transfer occurs on loading the goods onto the relevant carrier at the port. Generally for such products the customer has no right of return.

3.15 Government grants

An unconditional government grant related to an asset is recognized in profit or loss as 'Other income' when the grant becomes receivable. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset. Grants that compensate the Group for expenses incurred are recognized in profit or loss as 'Other income' on a systematic basis in the periods in which the expenses are recognized. Other government grants are recognized initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant, and are then recognized in profit or loss as 'Other income' on a systematic basis over the useful life of the asset.

3.16 Operating leases

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

3.17 Finance income and cost

Finance income comprises:

- interest income on funds invested (including available-for-sale financial assets);
- gains on the disposal of available-for-sale financial assets;
- fair value gains on financial assets at fair value through profit or loss;
- gains on the re-measurement to fair value of any pre-existing interest in an acquired business combination;
- gains on hedging instruments that are recognized in profit or loss and reclassifications of amounts previously recognized in other comprehensive income; and
- interest income is recognized as it accrues in profit or loss, using the effective interest method.

Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

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Finance cost comprise:

- interest expense on borrowings;
- unwinding of the discount on provisions and contingent consideration;
- losses on disposal of available-for-sale financial assets;
- fair value losses on financial assets at fair value through profit or loss; and
- impairment losses recognized on financial assets (other than trade receivables).

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss are expensed as incurred.

Foreign currency gains and losses are recognized on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3.18 Employee benefits

Defined contribution plan

Certain Group subsidiaries provide 'pension plans', 'end of service remuneration plans' and 'long-term service benefits'. These pension plans qualify as defined contribution plans. Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Long-term employee benefits

The Group long-term employee benefits are recognized if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably to determine its present value. The discount rate is the yield at the balance sheet date on triple-A ('AAA') credit rated bonds that have maturity dates approximating to the terms of the Group's obligations. Re-measurements are recognized in profit or loss in the period in which they arise.

Termination benefits

Employee termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. OCL recognizes termination benefits when OCL is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or when OCL is providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

3.19 Income tax

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends. Current income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the current income tax relates to the same fiscal authority.

Deferred tax

Deferred income tax liabilities are recognized for all taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements ('liability' method). Deferred income tax assets are recognized for all deductible temporary differences, unused carry forward losses and unused carry forward tax credits, to the extent that it is probable that future taxable

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profit will be available against which the deferred income tax assets can be utilized.

Deferred income tax is not recognized if it arises from initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss. Also, no deferred income tax is recognized regarding the initial recognition of goodwill.

Deferred income tax is measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax relates to the same fiscal authority.

3.20 Segment reporting

An operating segment is a component of an entity that engages in business activities for which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker (CODM) to make decisions about resource allocation to the segment and to assess its performance and for which discrete financial information is available. The Group determines and presents operating segments on the basis of information that internally is provided to the CODM during the period.

3.21 Consolidated statement of cash flows

The consolidated statement of cash flows has been prepared using the 'indirect' method. Cash flows in foreign currencies have been translated applying average exchange rates. Currency translation differences are shown separately in the consolidated statement of cash flows. Cash flows from investing activities consist mostly of investments and divestments in property, plant and equipment, intangible assets, and acquisitions insofar as these are paid for in cash. Acquisitions or disposals of subsidiaries are presented as acquisition of subsidiary, net of cash, acquired. Cash flows relating to capitalized borrowing cost are presented as cash flows from investment activities similar as other cash flows to acquire the qualifying asset.

3.22 Earnings per share

Earnings per ordinary share are calculated by dividing the profit or loss (net) attributable to holders of ordinary shares by the weighted average number of ordinary shares outstanding during the year. In making this calculation the (ordinary) treasury shares are deducted from the number of ordinary shares outstanding. The calculation of the diluted earnings per share is based on the weighted average number of ordinary shares outstanding plus the potential increase as a result of the conversion of convertible bonds and the settlement of share-based compensation plans (share option plans). Anti-dilutive effects are not included in the calculation. With regard to the convertible notes it is assumed that these are converted in full. An adjustment is made to profit or loss (net) to eliminate interest charges, whilst allowing for effect of taxation. Regarding equity-settled share option plans it is assumed that all outstanding plans will vest. The potential increase arising from share option plans is based on a calculation of the value of the options outstanding. This is the number of options multiplied by the exercise price, divided by the average share price during the financial year. This potential increase is only applied if the option has intrinsic value.

3.23 Subsequent events

The Group assesses whether events occurring between the balance sheet date and the date of issues of the Combined Financial Statements have given rise to either adjusting events or non-adjusting events. Adjusting events are events that provide evidence of conditions that existed at the end of the reporting period and have to be recognized in the financial statements. Non-adjusting events are those events that are indicative of conditions that arose after the reporting period, these events are disclosed. Changes in estimates are only adjusted if the estimates contain errors.

4. New accounting standards and policies

On a regular basis, the IASB issues new accounting standards, amendments and revisions to existing standards and interpretations.

4.1 Standards, amendments, revisions and interpretations effective to the OCL in 2017

There are no effects with respect the adoption of any standards, amendments and revisions to existing standards and interpretations.

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4.2 Standards, amendments, revisions and interpretations not yet effective to OCL

IFRS 9 'Financial Instruments'

IFRS 9 is effective for annual periods beginning on or after 1 January 2018 (tentative). IFRS 9 addresses the classification and measurement of financial assets. The publication of IFRS 9 represents the completion of the first part of a three-part project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 enhances the ability of investors and other users of financial information to understand the accounting of financial assets and reduces complexity. Management has determined that the impact of IFRS 9 on the group's financial statements will be immaterial.

IFRS 15 'Revenue from Contracts with Customers'

The Standard was issued in January 2014 and is effective from 1 January 2018. IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. Management, with support of external advisors, assessed the potential impact on the financial statements resulting from application of the standard. Based on this analysis no significant changes on revenue recognition are foreseen.

IFRS '16 Leases'

IASB has introduced a new leases standard, IFRS 16, which supersedes IAS 17 leases. The Group is required to apply IFRS 16 with effect from 1 January 2019. The Group can choose to apply IFRS 16 before that date but only if it applies IFRS 15 Revenue from Contracts with Customers. A lessee can choose to apply the standard retrospectively to all accounting periods or as a 'big bang' at the date of initial application. The Group is not required to reassess whether existing contracts contain a lease but can choose to apply IFRS 16 to leases identified applying IAS 17, and not apply IFRS 16 to other contracts. The new standard requires the lessee to recognise the operating lease commitment on balance sheet. IFRS 16 does not require a lessee to recognise assets and liabilities for short-term leases (12 months or less), for leases ending within 12 months of the date of first applying the new standard and, for leases of low-value assets such as personal computers. Management expects the impact to be limited from an income prospective. Impact in the balance sheet will not result in a fundamental change in total assets and liabilities. It should be noted that the Group has limited exposure to financial covenants which will be affected by this standard.

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

The amendment to IFRS 2 covers the measurement of cash-settled share-based payments, classification of share-based payments settled net of tax withholdings, and accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements – and potentially the timing and amount of expense recognized for new and outstanding awards.

The amendments are effective for annual periods commencing on or after 1 January 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if the Group have the required information.

5. Critical accounting judgement, estimates and assumptions

The preparation of the financial statements in compliance with IFRS requires management to make judgements, estimates and assumptions that affect amounts reported in the consolidated financial statements. The estimates and assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised or in the revision period and future periods, if the changed estimates affect both current and future periods. The most critical accounting policies involving a higher degree of judgment and complexity in applying principles of valuation and for which changes in the assumptions and estimates could result in significantly different results than those recorded in the financial statements are the following:

Intangible assets

Intangible assets with finite useful lives are carried at cost less cumulative amortization and any impairment. Amortization is calculated using the 'straight-line' method based on the estimated useful lives. Management makes estimates regarding the useful lives and residual values and assumes that amortization takes place on a 'straight-line' basis. The assets' useful lives are reviewed, and adjusted if appropriate, at

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each balance sheet date. For intangible assets with finite useful lives, OCL assesses annually or more frequently whether indicators exist that suggest the intangible asset might be impaired by comparing the recoverable amounts with their carrying amounts. In determining the recoverable amounts of intangible assets, OCL makes estimates and assumptions about future cash flows based on the value in use. In doing so, OCL also makes assumptions and estimates regarding the discount rates in order to calculate the net present value of the future cash flows.

OCL tests at least annually whether goodwill is impaired by comparing the recoverable amounts of cash-generating units with their carrying amounts. The recoverable amount is the higher of the fair value less cost to sell and the value in use. In determining the recoverable amount, OCL makes estimates and assumptions concerning future revenues, future costs, future working capital, future investments, Weighted Average Cost of Capital (WACC) and future inflation rates.

Property, plant and equipment

Depreciation is calculated using the 'straight-line' method based on the estimated useful lives, taking into account any residual values. Management makes estimates regarding the useful lives and residual values and assumes that depreciation takes place on a 'straight-line' basis. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. OCL assesses annually, or more frequently, whether indicators exist that suggest that an item of property, plant and equipment might be impaired by comparing the recoverable amounts with their carrying amounts. In determining the recoverable amounts of property, plant and equipment, OCL makes estimates and assumptions about future cash flows based on the value in use. In doing so OCL also makes assumptions and estimates regarding the discount rates to be used in order to calculate the net present value of the future cash flows.

Financial instruments

The fair value of financial instruments traded in active markets (financial instruments in the fair value hierarchy category 1) is based on quoted market prices at the balance sheet date. The fair value of financial instruments that are not traded in an active market (financial instruments in the fair value hierarchy category 2) is determined using generally accepted valuation techniques. These valuation techniques include estimates and assumptions about forward rates, discount rates based on a single interest rate, or on a yield-curve based on market conditions existing at the balance sheet date. The fair value of borrowings and interest rate swaps is calculated based on the present value of the estimated future cash flows based on the yield-curve applicable at the balance sheet date. If the financial instrument contains a floating interest rate, the future expected interest rates are determined based on the 'boot-strap' method. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date. The net carrying amount of trade receivables and trade payables is assumed to approximate the fair value due to the short term nature. The fair value of non-current financial liabilities is estimated by discounting the future cash flows using yield-curves. For unlisted equity securities in the available-for-sale category (financial instruments in the fair value hierarchy category 3) the equity-method is used as a proxy for fair value. In using the equity method, input is derived from the financial statements of the unlisted equity investments. Counterparty risk in connection with triggers for impairment is based on judgment of the financial position of the counterparty. A significant and prolonged decline in fair value of available-for-sale financial assets is depends on the average volatility of the instrument, if an instrument exceeds certain ranges in both time frame and negative volatility, a trigger for impairment is considered. This is considered on an item by item basis.

Impairment financial instruments (including trade receivables)

Objective evidence may exist in circumstances in which a counterparty has been placed in bankruptcy, or has failed on the repayments of principal and interest. In other circumstances OCL uses judgment in order to determine whether a financial assets may be impaired. OCL uses judgement in order to determine whether an impairment can be reversed, an assumption in doing so might be an improvement in the debtor's credit rating or receipt of payments due. For listed equity securities in the available-for-sale financial assets category, the Group uses the assumption that if the market value declined by more than 25 percent and more than 6 months, the asset is assumed to be impaired. For debt-securities, an impairment trigger exist when the counterpart fails to meet its contractual payment obligations or there is evidence that the counterpart has encountered financial difficulties. The impairment is determined based on the carrying amount and the recoverable amount. The recoverable amount is determined as the present value of estimated future cash flows using the original effective interest rate.

Inventories

In determining the net realisable value of inventories, OCL estimates the selling prices in the ordinary course of business, cost of completion and cost to sell. In doing so, OCL makes estimates and assumptions based on current market prices, historical usage of various product categories versus current inventory levels and specific identified obsolescence risks (e.g. end of life of specific goods and spare parts and the impact of new environmental legislation).

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Provisions

Recognition of provisions include significant estimates, assumptions and judgements. IFRS requires only those provisions to be recognized if there is an expected outflow of resources in the near future and if the cost of these outflows can be estimated reliably. Accordingly, management exercises considerable judgment in determining whether there is a present obligation as a result of a past event at the end of the reporting period, whether it is probable that such a proceeding will result in an outflow of resources and whether the amount of the obligation can be reliably estimated. These judgements are subject to change as new information becomes available. The required amount of a provision may change in the future due to new developments in the particular matter. Revisions to estimates may significantly impact future profit or loss. Upon resolution, the Group may incur charges in excess of the recorded provisions for such matters.

The group uses past experiences to estimate the likelihood and cost of future warranties with respect to services provided and goods sold.

OCL recognizes a provision for restructuring regarding cost-saving restructuring measures. Provisions for restructuring include, amongst other, estimates and assumptions about severance payments and termination fees.

Provisions for asset retirement obligations, represent estimated costs of decommissioning. Due to the long time frame over which future cash outflows are expected to occur including the respective interest accretion require assumptions. Amongst others, the estimated cash outflows could alter significantly if, and when, political developments affect future laws and regulation with respect to asset retirements.

In case of contracts future loss the Group estimates the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. In doing so, the Group has to estimate the future cash flows and the discount rates used. In addition to this the Group has to estimate any possible impairments.

With respect to legal cases, the Group has to estimate the outcome of the legal cases. Regulatory and legal proceedings as well as government investigations often involve complex legal issues and are subject to substantial uncertainties. The Group periodically reviews the status of these proceedings with both the internal and external legal counsels.

Revenue recognition on construction contracts

The Group conducts a significant portion of its business under construction contracts with customers. The Group generally accounts for construction projects using the percentage-of-completion method, recognizing revenue as performance on contract progresses. This method places considerable importance on accurate estimates of the extent of progress towards completion and may involve estimates on the scope of deliveries and services required for fulfilling the contractually defined obligations. Depending on the methodology to determine contract progress, the significant estimates include total contract costs, remaining costs to completion, total contract revenues, contract risks, including technical, political and regulatory risks, and other judgments. Management of the operating divisions continually review all estimates involved in such construction contracts, including commercial feasibility, and adjusts them as necessary. Under the percentage-of-completion method, such changes in estimates may lead to an increase or decrease of revenues in the respective reporting period.

Income taxes

OCL is subject to income taxes in numerous jurisdictions. Estimates are required in determining the worldwide provision for income taxes. There are some transactions and calculations for which the ultimate tax position is uncertain during the ordinary course of business. The Group recognizes provisions for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made. OCL recognizes deferred tax assets to the extent that it is probable that future taxable profits will be available for the deferred tax asset to be recovered. This is based on estimates of taxable future income by jurisdiction in which OCL operates and the period over which deferred tax assets are expected to be recoverable. In the event that actual results or new estimates differ from previous estimates and depending on the possible tax strategies that may be implemented, changes to the recognition of deferred tax assets could be required, which could impact the financial position and profit or loss.

Asset held sale for sale, discontinued operations

OCL used judgment in determining what a disposal group or a discontinued operation is and when it qualifies for reclassification according to IFRS 5 (management commitment, ready for sale / demerger, highly probable, completion within one year). In determining what is a disposal group or a discontinued operation, OCL judges whether the cash flows of the disposal group or a discontinued operation can be distinguished from the rest of the group, what determines a major line of operation and whether a single coordinated plan to dispose exists and at what

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date it was formally approved.

6. 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.

6.1 Exposure to credit risk

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

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

\$ millions	Note	31 December 2017	31 December 2016
Trade and other receivables (excluding prepayments)	(9)	1,149.4	1,075.4
Contract work in progress	(13)	488.8	449.2
Cash and cash equivalents (excluding cash on hand)	(14)	433.0	505.8
Total		2,071.2	2,030.4

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

\$ millions	31 December 2017	31 December 2016
Middle East and Africa	768.5	654.0
Asia and Oceania	165.3	140.2
Europe and United States	215.6	281.2
Total	1,149.4	1,075.4

6.2 Liquidity risk

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

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

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

At 31 December 2016 \$ millions	Note	Carrying amount	Contractual cash flow	6 months or less	6–12 months	1–5 years
Financial liabilities						
Loans and borrowings	(18)	302.8	308.9	146.4	100.8	61.7
Trade and other payables	(19)	1,027.9	1,027.9	1,017.5	-	10.4
Advanced payments from construction contracts		382.3	382.3	382.3	-	-
Total		1,713.0	1,719.1	1,546.2	100.8	72.1

At 31 December 2017 \$ millions	Note	Carrying amount	Contractual cash flow	6 months or less	6–12 months	1–5 years
Financial liabilities						
Loans and borrowings	(18)	260.7	273.5	143.2	117.8	12.5
Trade and other payables	(19)	1,121.4	1,121.4	1,076.5	-	44.9
Advanced payments from construction contracts		484.7	484.7	484.7	-	-
Total		1,866.8	1,879.6	1,704.4	117.8	57.4

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

6.3 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.

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

Foreign exchange translation exposure

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

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

Foreign exchange transaction exposure

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

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

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

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

At 31 December 2016 \$ millions	EUR	EGP
Cash and cash equivalents (including loans and borrowings)	(79.4)	29.2
Trade and other receivables	158.3	131.0
Trade and other payables	(46.8)	(23.2)
At 31 December 2017 \$ millions	EUR	EGP
Cash and cash equivalents (including loans and borrowings)	(1.3)	3.8
Trade and other receivables	45.2	185.5
Trade and other payables	(70.7)	(136.4)

Significant rates

The following significant exchange rates applied during the year ended 31 December 2017:

	Average 2017	Closing 31 December 2017	Opening 1 January 2017
Egyptian pound	0.0563	0.0563	0.0550
Saudi riyal	0.2666	0.2666	0.2665
Arabic Emirates Dirham	0.2723	0.2723	0.2723
Algerian Dinar	0.0090	0.0087	0.0090
Euro	1.1317	1.2005	1.0517

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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 31 December 2017, if the functional currencies had strengthened/weakened by 10 percent against the Euro and 10 percent against the Egyptian Pound with all other variables held constant, the translation of foreign currency receivables, payables and loans and borrowings that would have resulted in an increase/decrease of USD 2.6 million of the profit of the year ended 31 December 2017.

31 December 2016 \$ millions	Change in FX rate*	Effect on profit before tax**	Effect on equity**
EUR - USD	10%	3.2	34.7
EGP - USD	10%	13.7	-

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

* 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	31 December 2017	31 December 2016
Effect on profit before tax for the coming year	+100 bps	(1.3)	(0.6)
	- 100 bps	1.3	0.6

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

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Categories of financial instruments

\$ millions	Note	31 December 2017		31 December 2016	
		Loans and receivables at amortized cost	Derivatives at fair value	Loans and receivables at amortized cost	Derivatives at fair value
Assets					
Trade and other receivables	(9)	1,162.5	-	1,092.5	-
Cash and cash equivalents	(14)	434.2	-	506.9	-
Total		1,596.7	-	1,599.4	-
Liabilities					
Loans and borrowings	(18)	260.7	-	302.8	-
Trade and other payables	(19)	1,121.0	0.4	1,026.9	1.0
Advanced payments construction contracts		484.7	-	382.3	-
Total		1,866.4	0.4	1,712.0	1.0

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

6.4 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	31 December 2017	31 December 2016
Loans and borrowings	(18)	260.7	302.8
Less: cash and cash equivalents	(14)	434.2	506.9
Net debt		(173.5)	(204.1)
Total equity		402.5	302.4
Net debt to equity ratio		(0.43)	(0.67)

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7. Property plant and equipment

\$ millions	Land	Buildings	Equipment	Fixtures and fittings	Under construction	Total
Cost	5.0	69.9	284.1	91.0	5.2	455.2
Accumulated depreciation	-	(24.4)	(206.8)	(65.6)	-	(296.8)
At 1 January 2017	5.0	45.5	77.3	25.4	5.2	158.4
Movements in the carrying amount:						
Additions purchased during the year	0.8	1.6	16.5	19.5	3.4	41.8
Disposals	-	(1.3)	(7.5)	(2.2)	-	(11.0)
Depreciation	-	(3.0)	(22.4)	(11.8)	-	(37.2)
Transfers	-	2.5	2.0	0.1	(4.6)	-
Effect of movement in exchange rates	0.1	0.6	1.0	1.5	0.2	3.4
At 31 December 2017	0.9	0.4	(10.4)	7.1	(1.0)	(3.0)
Cost	5.9	71.9	260.3	104.4	4.2	446.7
Accumulated depreciation	-	(26.0)	(193.4)	(71.9)	-	(291.3)
At 31 December 2017	5.9	45.9	66.9	32.5	4.2	155.4

The difference between the fair market value and the book value for the land and the buildings has been assessed in the third and fourth quarters of 2017. The fair market value valuations have been performed by an external valuator in 2017 using an open market value basis. The fair market value exceeds the book value of the land and the buildings for a total amount of USD 101.6 million. If OCL would change the accounting principles for the land and the buildings to fair value, equity will increase with USD 78.7 million and the deferred tax liability with USD 22.9 million.

The fair value disclosed above is categorized into Level 2 in the fair value hierarchy. The fair values had been determined mainly using the market comparison method which take in to consideration the comparable prices in the market.

8. Goodwill

\$ millions	Goodwill
Cost	13.8
At 1 January 2017	13.8
Movements in the carrying amount:	
Additions	-
Impairment	-
At 31 December 2017	-
Cost	13.8
Impairment	-
At 31 December 2017	13.8

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

Goodwill was tested for impairment in the 4th Quarter of 2017 or whenever an impairment trigger exists. No impairment was recorded in the year 2017. The impairment test is based on cash-flow projections of the five year plan. Key assumptions used in the projections are:

- i. Revenue growth: based on expected growth in 2018 as a result of development in backlog and expected general market growth in the USA.
- ii. Margin development: based on actual experience and management's longer-term projections.

The terminal value was calculated using a long-term average market growth rate of 2.5%. The estimated cash flows are discounted to their present value using a weighted average cost of capital of 9.74%. An increase or decrease of 100 basis points in the assumed WACC or the

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terminal growth rate would not have resulted in an impairment.

9. Trade and other receivables

\$ millions	31 December 2017	31 December 2016
Trade receivables (gross)	608.1	570.7
Allowance for trade receivables	(27.1)	(32.8)
Trade receivables (net)	581.0	537.9
Trade receivables due from related parties (Note 28)	41.9	41.8
Prepayments	13.1	17.1
Other tax receivable	65.5	27.5
Supplier advanced payments	126.0	114.2
Other investments	6.0	6.2
Retentions	209.6	244.7
Other receivables	119.4	103.1
Total	1,162.5	1,092.5
Non-current	15.8	16.2
Current	1,146.7	1,076.3
Total	1,162.5	1,092.5

The carrying amount of 'Trade and other receivables' as at 31 December 2017 approximates its fair value.

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

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

\$ millions	31 December 2017	31 December 2016
Neither past due nor impaired	377.7	370.0
Past due 1 - 30 days	54.8	47.8
Past due 31 - 90 days	47.6	24.5
Past due 91 - 360 days	86.2	115.8
More than 360 days	41.8	12.6
Total	608.1	570.7

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

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The movement in the allowance for impairment in respect of trade receivables during the year ended 31 December 2017 was as follows:

\$ millions	2017	2016
At 1 January	(32.8)	(37.3)
Unused amounts reversed	6.5	4.0
Used amounts	0.1	5.0
Amount formed	(1.2)	(9.9)
Exchange rates differences	0.3	5.4
At 31 December	(27.1)	(32.8)

10. Equity accounted investees

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

\$ millions	2017	2016
At 1 January	371.4	339.4
Share in results	55.6	68.5
Dividends	(30.0)	-
Effect of movement in exchange rates	24.8	(36.5)
At 31 December	421.8	371.4

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

BESIX Group (BESIX)

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

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

BESIX Group 50% \$ millions	2017	2016
Assets	1,434.0	1,267.7
Liabilities	(1,035.8)	(921.1)
Net assets at 31 December	398.2	346.6
Construction revenue	1,371.7	1,315.9
Construction cost	(1,317.3)	(1,251.7)
Net profit at 31 December	54.4	64.2

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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 26)	Contrack Cyprus	Qatar	45.0
URS Contrack Pacer Forge IV	Contrack Watts Inc	UAE	45.0
Watts - Webcor Obayashi	Contrack Watts Inc	USA	34.0
RW Constructors LLC	The Weitz Group	USA	50.0
Alexander - Weitz	The Weitz Group	USA	49.0
National Pipe Company	OCI Construction Egypt OCI Egypt	Egypt	40.0
El Yamama	OCI Construction	KSA	50.0
Orasqualia, Orasqualia for Construction S.A.E. and Orasqualia for Maintenance	OCI Egypt	Egypt	50.0

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

\$ millions	2017	2016
Assets	1,488.2	1,321.7
Liabilities	(1,066.4)	(950.3)
Net assets at 31 December	421.8	371.4
Income	1,382.7	1,333.7
Expense	(1,327.1)	(1,265.2)
Net profit at 31 December	55.6	68.5

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.

11. Income taxes

11.1 Income tax in the statement of profit or loss

The income tax on profit before income tax amounts to USD 122.4 million (31 December 2016: USD 92.1 million) and can be summarized as follows:

\$ millions	31 December 2017	31 December 2016
Current tax	76.2	72.6
Deferred tax	46.2	19.5
Total income tax in profit or loss	122.4	92.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11.2 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	31 December 2017	%	31 December 2016	%
Profit before income tax	207.5		145.1	
Tax calculated at weighted average group tax rate	(74.2)	35.8	(74.3)	51.2
Reduction in deferred tax asset due to change in tax rate and realisation	(45.8)	22.1	(14.1)	9.7
Other	(2.4)	1.2	(3.7)	2.5
Total income tax in profit or loss	(122.4)	59.1	(92.1)	63.5

11.3 Deferred income tax assets and liabilities

The majority of the deferred tax assets of USD 34.5 million (31 December 2016: USD 81.6 million) relate to carried forward tax losses. The carried forward losses recognized in the statement of financial position is expected to be realized in the period 2018-2021.

12. Inventories

\$ millions	31 December 2017	31 December 2016
Finished goods	4.9	6.1
Raw materials and consumables	186.7	146.1
Fuels and others	13.8	11.8
Real estate	26.8	3.4
Total	232.2	167.4

During the year ended 31 December 2017, the total write-downs amount to USD 10.8 million (31 December 2016: USD 1.3 million), which all related to raw materials.

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

13. Contracts work in progress / billing in excess of construction contracts

\$ millions	31 December 2017	31 December 2016
Costs incurred on incomplete contracts (including estimated earnings)	15,574.6	12,229.0
Less: billings to date (Net)	(15,615.5)	(12,440.6)
Total	(40.9)	(211.6)
Presented in the consolidated statements of financial position as follows:		
Construction contracts in progress - current assets	488.8	449.2
Billing in excess on construction contracts - current liabilities	(529.7)	(660.8)
Total	(40.9)	(211.6)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Cash and cash equivalents

\$ millions	31 December 2017	31 December 2016
Cash on hand	1.2	1.1
Bank balances	392.7	467.3
Restricted funds	19.4	7.0
Restricted cash	20.9	31.5
Total	434.2	506.9

Restricted funds

The restricted amounts mostly relate to letters of credits of Orascom E&C (USD 4.7 million), National Steel Fabrication (USD 0.2 million) and Alico (USD 0.5 million) and to letters of guarantee of OC (USD 13.0 million), Alico (USD 0.1 million), National Steel Fabrication (USD 0.1 million) and other Group entities (USD 0.8 million).

Restricted cash

Restricted cash relates to amounts withheld in relation to amounts restricted for use by Weitz for an amount of USD 0.4 million, and USD 20.5 million pledged as collateral against loans.

15. Share capital

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

	2017	2016
At 1 January	117,761,379	118,041,492
Shares reduction	(1,000,000)	(280,113)
At 31 December - fully paid	116,761,379	117,761,379
At 31 December (in millions of USD)	116.8	117.8

16. Reserves

\$ millions	Currency translation	Treasury shares	Total
At 1 January 2016	(78.8)	(2.4)	(81.2)
Treasury shares acquired	-	(8.3)	(8.3)
Shares reduction	1.8	2.4	4.2
Currency translation differences	(263.1)	-	(263.1)
At 31 December 2016	(340.1)	(8.3)	(348.4)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Treasury shares

During the year ended 31 December 2016, the Company has acquired 1,000,000 shares.

	31 December 2016
Number of shares acquired	1,000,000
Cost of acquiring the shares (in millions of USD)	8.3
Average cost per share (EGP)	74.16

On 23 January 2017, OCL cancelled the 1,000,000 treasury shares and reduced the capital of the Company accordingly.

17. Non-controlling interest

31 December 2016 \$ million	United Holding Company	Orascom Saudi	Suez Industrial Development	Other individual insignificant entities	Total
Non-controlling interest percentage	43.5%	40.0%	39.5%		
Non-current assets	4.0	4.7	4.0	7.6	20.3
Current assets	21.9	104.7	10.6	3.7	140.9
Non-current liabilities	-	(14.9)	-	(0.1)	(15.0)
Current liabilities	(12.2)	(80.1)	(6.2)	(2.2)	(100.7)
Net assets	13.7	14.4	8.4	9.0	45.5
Revenue	43.5	27.7	0.8	5.4	77.4
Profit	8.6	(6.6)	(1.0)	3.3	4.3
Other comprehensive income	(16.9)	-	(10.3)	(1.6)	(28.8)
Total comprehensive income	(8.3)	(6.6)	(11.3)	1.7	(24.5)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017 \$ million	United Holding Company	Orascom Saudi	Suez Industrial Development	Other individual insignificant entities	Total
Non-controlling interest percentage	43.5%	40.0%	39.5%		
Non-current assets	4.6	0.6	5.2	6.9	17.3
Current assets	26.1	114.4	21.6	2.8	164.9
Non-current liabilities	-	(3.9)	(13.0)	(0.1)	(17.0)
Current liabilities	(11.9)	(100.8)	(5.7)	(2.2)	(120.6)
Net assets	18.8	10.3	8.1	7.4	44.6
Revenue	33.1	12.8	4.2	4.4	54.5
Profit	7.0	(4.3)	0.3	3.6	6.6
Other comprehensive income	0.3	-	(0.3)	0.3	0.3
Total comprehensive income	7.3	(4.3)	-	3.9	6.9

18. Loans and borrowings

Borrowing Company	Type of loan	Interest rate	Date of maturity	Long term portion	Short term portion	Bank facilities	Total
Orascom Construction	Secured	USD: LIBOR + 2.28 - 4.00% EUR: LIBOR + 2.21 - 5.00% EGP: Corridor 9.75 - 12.95%	Annual	-	-	174.3	174.3
Orascom Saudi	Secured	Saibor + 3.00%	Annual	35.1	28.1	-	63.2
Orascom Construction Industries- Algeria	Secured	Fixed 6.97%	04/2017	-	20.2	-	20.2
The Weitz Group, LLC	Unsecured	Multiple rates	Multiple	24.2	3.7	-	27.9
Contract Watts Inc	Secured	LIBOR + 2.5%	Annual	-	-	14.9	14.9
Other	-	Multiple rates	-	0.3	-	2.0	2.3
Total as of 31 December 2016				59.6	52.0	191.2	302.8

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

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 6. The fair value of loans and borrowings approximates the carrying amount.

Certain covenants apply to the aforementioned borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Trade and other payables

\$ millions	31 December 2017	31 December 2016
Trade payables	494.9	564.5
Trade payables due to related party (Note 28)	5.0	18.8
Other payables	100.6	56.4
Accrued expenses	366.2	217.9
Deferred revenues	1.5	2.4
Other tax payables	5.8	4.6
Derivative financial instruments	0.4	1.0
Retentions payables	144.9	160.4
Employee benefit payables	2.1	1.9
Total	1,121.4	1,027.9
Non-current	44.9	10.4
Current	1,076.5	1,017.5
Total	1,121.4	1,027.9

Information about the Group's exposure to currency and liquidity risk is included in Note 6. The carrying amount of 'Trade and other payables' approximated the fair value.

Retentions payable relate to amounts withheld from sub-contractors.

Derivative financial instruments include the following:

Foreign exchange contracts

The group entered into forward exchange contracts to hedge its currency risk exposure to the Japanese Yen in certain projects. As at 31 December 2017 the remaining notional amounts of these contracts are USD 6.1 million related to the YEN. The foreign exchange contracts have a fair value of USD 0.4 million. The Group does not apply hedge accounting, therefore all fair value changes related to these financial instruments are recognized in profit and loss.

20. Provisions

\$ millions	Warranties	Contracts future loss	Other (including claims)	Total
At 1 January 2016	20.4	139.9	50.0	210.3
Provision formed	1.4	53.4	18.5	73.3
Provision used	-	(106.5)	(0.5)	(107.0)
Provision no longer required	(2.8)	(6.3)	(17.8)	(26.9)
Others	(0.2)	(0.2)	3.2	2.8
Effect of movement in exchange rates	(5.6)	(17.1)	(13.6)	(36.3)
At 31 December 2016	13.2	63.2	39.8	116.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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 26 for detailed information with respect to major ongoing litigations and claims.

21. Cost of sales and selling, general and administrative expenses

i. Expenses by nature

\$ millions	31 December 2017	31 December 2016
Changes in raw materials and consumables, finished goods and work in progress	2,930.0	3,294.0
Employee benefit expenses (ii)	467.4	578.0
Depreciation and amortization	37.2	55.0
Maintenance and repairs	17.8	17.3
Consultancy expenses	2.7	5.3
Other	52.8	55.6
Total	3,507.9	4,005.2

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

ii. Employee benefit expenses

\$ millions	31 December 2017	31 December 2016
Wages and salaries	422.4	510.1
Social securities	3.5	7.5
Employee profit sharing	2.3	2.0
Pension cost	5.0	7.9
Other employee expenses	34.2	50.5
Total	467.4	578.0

During the year ended 31 December 2017, the average number of staff employed in the Group converted into full-time equivalents amounted to 25,108 permanent and 47,435 temporary employees.

A Long-Term Incentive Plan ("LTIP") to attract, motivate and retain key employees in the organization by providing market competitive compensation packages has been put in place in June 2016. Under the plan target awards will be granted annually to executives and senior

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management and employees in critical positions or high performers. These awards will carry a 3-year vesting period. They will be focused on EBITDA, cash flow from operations and share performance. The plan is cash-settled; no transfer of equity instruments will take place under this plan.

22. Other income

\$ millions	31 December 2017	31 December 2016
Net gain on sale of property, plant and equipment	0.9	6.0
Scrap and other	4.0	10.1
Total	4.9	16.1

23. Net finance cost

\$ millions	31 December 2017	31 December 2016
Interest income on loans and receivables	17.4	29.2
Foreign exchange gain	18.9	65.3
Finance income	36.3	94.5
Interest expense on financial liabilities measured at amortized cost	(17.2)	(24.4)
Fair value loss on derivatives	(1.0)	(2.5)
Foreign exchange loss	(41.9)	(35.0)
Finance cost	(60.1)	(61.9)
Net finance cost recognized in profit or loss	(23.8)	32.6

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

\$ millions	31 December 2017	31 December 2016
Total interest income on financial assets	17.4	29.2
Total interest expense on financial liabilities	(17.2)	(24.4)

24. Earnings per share

i. Basic

	31 December 2017	31 December 2016
Net profit attributable to shareholders in 1 million USD	78.5	48.7
Number of ordinary share in million (Basic)	116.8	117.5
Basic earnings per ordinary share	0.67	0.41

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ii. Weighted average number of ordinary shares calculation

Shares	2017	2016
Issued ordinary shares	116,761,379	117,761,379
Effect of treasury shares held	-	(250,000)
Number of ordinary shares outstanding at 31 December	116,761,379	117,511,379

25. 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 31 December 2016

\$ millions	MENA	USA	Besix	Total
Total revenue	2,123.7	1,909.4	-	4,033.1
Share in profit of associates	4.4	(0.1)	64.2	68.5
Depreciation and amortization	(51.1)	(3.9)	-	(55.0)
Interest income (including gain on derivatives)	29.1	0.1	-	29.2
Interest expense (including loss on derivatives)	(25.7)	(1.2)	-	(26.9)
Profit before tax	308.2	(227.3)	64.2	145.1
Investment in PP&E	86.6	5.1	-	91.7
Non-current assets	193.9	100.9	346.6	641.4
Total assets	1,912.8	582.4	346.6	2,841.8
Total liabilities	1,552.1	987.3	-	2,539.4

Business information for 31 December 2017

\$ millions	MENA	USA	Besix	Total
Total revenue	2,130.6	1,548.1	-	3,678.7
Share in profit of associates	(0.1)	1.3	54.4	55.6
Depreciation and amortization	(34.8)	(2.4)	-	(37.2)
Interest income (including gain on derivatives)	17.3	0.1	-	17.4
Interest expense (including loss on derivatives)	(16.5)	(1.7)	-	(18.2)
Profit before tax	234.0	(80.9)	54.4	207.5
Investment in PP&E	38.4	3.4	-	41.8
Non-current assets	189.2	53.9	398.2	641.3
Total assets	2,056.0	492.2	398.2	2,946.4
Total liabilities	1,927.3	616.6	-	2,543.9

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

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BESIX is presented as part of 'equity accounted investees', therefore in the above schedule only the income from equity accounted investees and the asset value are reflected. For further information with respect to liabilities, revenues and cost, reference is made to note 10.

The geographic information above analysis 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	2017	2016
Egyptian Government	46.1%	32.7%
OCI N.V. Group	12.9%	16.5%

26. Contingencies

26.1 Contingent liabilities

26.1.1 Letters of guarantee / letters of credit

Letters of guarantee issued by banks in favor of others as at 31 December 2017 amount to USD 1,312.6 million (31 December 2016: USD 1,247.7 million). Outstanding letters of credit as at 31 December 2017 (uncovered portion) amount to USD 51.5 million (31 December 2016: USD 61.7 million).

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

As of 31 December 2017, mechanic liens have been received in respect of one of our US projects for a total of USD 95.8 million ("31 December 2016: USD 89.0 million").

26.1.2 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 20 '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 the cases, claims and disputes cannot be predicted with certainty, we believe, based upon legal advice and information received, that the final outcome will not materially affect our consolidated financial position but could be material to our results of operations or cash flows in any one accounting period.

26.1.3 Administrative court against Suez Industrial Development Company

A decision was issued against Suez Industrial Development Company, which operates in the field of land development in the North West of the Gulf of Suez in Egypt, for the cessation of dealings on any of its allocated plots of land as of mid-November 2011 until investigations conducted by the Public Fund Prosecution and Military Prosecution against its former employees, and relating to those lands, were concluded. On 28 May 2012, the company submitted a request to the Dispute Settlement Committee at the General Authority of Investment and Free Zones ("GAFI") to cancel the decision. On 22 April 2013, the Dispute Settlement Committee issued a decision verifying the land contracts entered into by the company and ratified by Suez Governorate. On May 2013, the company was notified of this decision by the Council of Ministers.

In parallel proceedings, on 25 July 2012, the decision issued by the Prime Minister to withdraw the plot of land allocated to the company was challenged before the Administrative Court. The hearing was postponed to 2 November 2013, at which the case was then referred to the 8th District court on grounds of jurisdiction. On 4 March 2014, the case was referred to the Commissioner to prepare a report. On 15 November 2016, the court ruled of its incompetency, and the case was referred to the administrative court in Ismailia.

For the Suez case a reliable outcome of the financial impact cannot be estimated. Given the positive decision of the Dispute Settlement

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Committee, management believe that there will be an out of court settlement.

26.1.4 Administrative court against Egyptian Gypsum Company S.A.E

A lawsuit was filed before the Administrative Court against Egyptian Gypsum Company S.A.E. which operates in the field of gypsum manufacturing, to nullify a sale contract of the company on the grounds that it was one of the companies sold under the privatization scheme. Currently, the report of the Commissioner is being prepared. The hearing initially scheduled for 20 April 2015 was postponed until the report was submitted 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 favour of Egyptian Gypsum Company.

26.1.5 Sidra Medical Center

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

In July 2014, the consortium received a Notice of Termination from the Qatar Foundation for Education, Science & Community Development (the Foundation). On 23 July 2014, the Foundation commenced arbitration proceedings against the associate by serving a Request for Arbitration with the ICC (London) dated 23 July 2014. Procedural hearings and expert meetings took place, with the substantive hearing being held 23 October 2017 to 17 November 2017. In February 2018, the Arbitral Tribunal issued a partial award in respect of certain variation claims and defects, and further agreed that questions of quantum as well as the remaining matters in dispute will be addressed in three long upcoming hearings to be held in April/May 2018, October/November 2018 and March/April 2019. On 31 December 2017, OCL valued its interest in the associate at nil and carries USD 2.3 million liability for expected costs including legal fees.

In August 2017, the Foundation again served a Request for Arbitration, this time against OCI SAE with the ICC Court of Arbitration in London ("OCI Arbitration"). The claims made by the Foundation in this new arbitration arise in connection with a Parent Company Guarantee (the "PCG") issued by OCI SAE on 7 February 2018. The Foundation alleged that the terms of the PCG protect it in respect of liabilities and obligations of Contrack (Cyprus) Limited on the Project. The Foundation has not yet specified the amount/s that it claims against OCI under the PCG. OCI filed its Answer to the Request for Arbitration on 9 November 2017 asserting lack of jurisdiction, premature and inadmissible claim, and that the PCG has expired. The Terms of Reference were signed on 22 January 2018, and the Tribunal issued its first Procedural Order on 12 March 2018. The Tribunal will first determine whether it has jurisdiction in a hearing set for July 2018. In the meantime, the Foundation has been directed to file its Statement of Case in April 2018, and OCI has been directed to file its Defence in June 2018. In the event OCI's jurisdictional objections are not upheld at the July 2018 hearing, the Tribunal will issue further procedural orders regarding the balance of the dispute.

26.1.6 Iowa Fertilizer Project:

MEI filed proceedings before the courts of Davenport, Iowa, against OEC regarding part of the scope of works of the Downstream Plant at the Iowa fertilizer project. The claim was filed in relation to the Limited Notice to Proceed, where MEI seeks recovery of outstanding applications for payment. OEC denies it had any obligation to pay MEI on the basis that MEI had performed defective work and/or had not completed it works.

A status conference was held on 1 November 2017, and the litigation schedule was set by the court to include the exchange of pretrial reports and documents between the parties. The first hearing will take place in September 2018

27. 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.

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i. Future minimum lease payments

\$ millions	31 December 2017	31 December 2016
Less than one year	0.3	7.8
Between one and five years	7.3	6.6
More than five years	6.5	6.8
Total	14.1	21.2

ii. Amount recognized in profit or loss

\$ millions	31 December 2017	31 December 2016
Rent	15.3	19.2
Vehicles	12.1	14.8
Machinery and equipment	33.4	37.9
Total	60.8	71.9

28. Related party transactions

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

Related party	Relation	Revenue transactions during the year	AR and loan outstanding at year end	Purchases transactions during the year	AP and advances outstanding at year end
Medrail	Equity accounted investee	-	5.5	-	-
Iowa fertilizer Company	Related via Key Management personnel	218.2	0.8	-	5.8
Natgasoline	Related via Key Management personnel	441.9	20.1	-	-
OCI N.V.	Related via Key Management personnel	-	0.1	-	12.2
OCI SAE "fertilizer"	Related via Key Management personnel	-	11.5	-	-
Other		-	3.8	-	0.8
Total as at 31 December 2016		660.1	41.8	-	18.8

Related party	Relation	Revenue transactions during the year	AR and loan outstanding at year end	Purchases transactions during the year	AP and advances outstanding at year end
Medrail	Equity accounted investee	-	5.2	-	-
Iowa fertilizer Company	Related via Key Management personnel	65.0	16.8	-	-
Natgasoline	Related via Key Management personnel	408.1	9.1	-	-
OCI N.V.	Related via Key Management personnel	-	1.1	-	2.6
OCI SAE "fertilizer"	Related via Key Management personnel	-	5.0	-	-
Other		-	4.7	-	2.4
Total as at 31 December 2017		473.1	41.9	-	5.0

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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.

28.1 Demerger of Construction and Engineering business

28.1.1 General

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

After the demerger, OCI N.V. and OCL each operate as separately listed companies. There are no cross-directorships, other than Jérôme Guiraud who is a non-executive director in both. 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.

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

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

28.1.2 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.

28.1.3 Tax indemnity agreement

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

28.1.4 Construction contracts

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

- party to an Engineering, Procurement and Construction (EPC) contract in respect of the Iowa Fertilizer Company (IFCo), a 2 million metric ton per annum (mmtpa) fertilizer and industrial chemicals greenfield plant under construction for OCI N.V. in Iowa, USA. Under the terms of the EPC contract, the new plant will utilize proven state-of-the-art production process technologies to produce between 1.5-2 million metric tons per year of ammonia, urea, urea ammonium nitrate (UAN) as well as diesel exhaust fluid (DEF), an environmentally friendly fuel

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

additive; and

- party to an EPC contract for the construction of a methanol plant at Beaumont, Texas, USA for Natgasoline LLC. The plant is expected to have a capacity of up to 5,000 metric tons per day (tpd), equivalent to approximately 1.75 million metric tons per annum (mtpa).

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

On 25 November 2016, OCI N.V. and Orascom E&C USA, the EPC contractor of Iowa Fertilizer Company LLC ("IFCo") have signed a settlement and acceleration agreement. The agreement is to address outstanding claims between IFCo and Orascom E&C USA, and provide for additional consideration of up to USD 200 million to ensure commercial operations in the second half of 2017. USD 170 million has been paid before 2016 year end. 2017: 60% of aggregated losses in the US segment is attributable to the combined result of the projects under execution for the related party, OCI NV.

28.2 OCI Foundation and Sawiris Foundation

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

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

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

During the year ended 31 December 2017, we considered the members of the Board of Directors (Executive and Non-executive) and the senior management to be the key management personnel as defined in IAS 24 'Related parties'. The total remuneration of the key-management personnel amounts for the year ended 31 December 2017 to an amount of around USD 9.0 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. List of principal subsidiaries, associates and joint ventures

Companies	Country	Percentage of interest	Consolidation method
Cementech Limited	BVI	100.00	Full
Orascom Construction Industries Algeria Spa	Algeria	99.90	Full
IMAGRO Construction SRL	Italy	49.90	Full
BESIX Group SA	Belgium	50.00	Equity
Aluminium & Light Industries Co Ltd	Egypt	100.00	Full
OCI Construction Limited	Cyprus	100.00	Full
Orascom Construction	Egypt	100.00	Full
Orascom Road Construction	Egypt	99.98	Full
Orasqualia for the Development of the Wastewater Treatment Plant	Egypt	50.00	Equity
National Steel Fabrication	Egypt	99.90	Full
Suez Industrial Development Company	Egypt	60.50	Full
Orascom Saudi Company	Kingdom of Saudi Arabia	60.00	Full
Contrack Watts Inc	USA	100.00	Full
Orascom E&C USA	USA	100.00	Full
Orascom Construction USA Inc	USA	100.00	Full
Orascom Investments	Netherlands	100.00	Full
The Weitz Group LLC	USA	100.00	Full
Orascom for Solar Energy	Egypt	60.00	Full
Orascom for Wind Energy	Egypt	100.00	Full

Subsequent to the year-end the Board of Directors has proposed a dividend of USD 0.26 per share, which is to be approved by the shareholders at the Annual General Meeting on May 2018.

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

Dubai, UAE, 11 April 2018

The Orascom Construction Limited Board of Directors,

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

ORASCOM CONSTRUCTION LIMITED
(the **Company**)

Summary of the Board Resolutions

A meeting of the board of directors of the Company was held on 11 April 2018. After due and careful consideration, **IT WAS RESOLVED** that:

- (a) that the financial statements of the Company for the period ended 31 December 2017 be approved.
- (b) that the directors propose a dividend distribution of USD 30 million subject to shareholder approval at the upcoming Annual General Meeting in May 2018.

Orascom Construction Limited

Financial statements

31 December 2017

Orascom Construction Limited

Financial statements

31 December 2017

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

Independent Auditors' Report

To the Shareholders of Orascom Construction Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of Orascom Construction Limited ("the Company"), which comprise the separate statement of financial position as at 31 December 2017, the separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at 31 December 2017, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Dubai International Financial Centre ("DIFC") and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and their preparation in compliance with the applicable provisions of the Companies Law pursuant to DIFC Law No. 2 of 2009, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

We further report that the separate financial statements comply, in all material respects, with the applicable provisions of the Companies Law pursuant to DIFC Law No. 2 of 2009.

KPMG

KPMG LLP
Dubai, United Arab Emirates



Freddie Cloete
Partner



Date: 11 April 2018

Orascom Construction Limited

Statement of profit or loss and other comprehensive income for the year ended 31 December 2017

	<i>Note</i>	2017 USD	2016 USD
Support service charges	11	10,862,687	15,205,000
General and administrative expenses	5	(16,147,096)	(17,850,216)
Write off of related party receivables	11 (i)	(23,478,341)	-
Dividend income from a subsidiary	9	-	7,820,025
Finance income	6	21,537,845	23,648,583
Finance expense	7	(2,288,941)	(58,721,329)
Loss on foreign currency forward exchange contracts		-	(1,635,337)
Loss for the year		(9,513,846)	(31,533,274)
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		(9,513,846)	(31,533,274)

The notes on pages 8 to 28 form an integral part of these financial statements.

The independent auditors' report is set out on pages 1 to 3.

Orascom Construction Limited

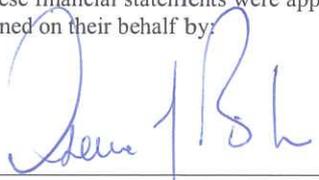
Statement of financial position

As at 31 December 2017

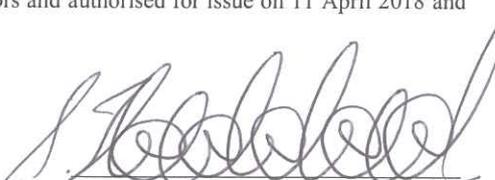
	Note	2017 USD	2016 USD
Non-current assets			
Property and equipment	8	268,277	728,189
Investment in subsidiaries	9	930,347,276	722,000,000
Loans due from related parties	11	185,299,030	367,580,543
		<u>1,115,914,583</u>	<u>1,090,308,732</u>
Current assets			
Prepayments and other receivables	10	261,795	203,294
Due from related parties	11	334,868	13,594,061
Cash at banks		2,034,292	5,572,853
		<u>2,630,955</u>	<u>19,370,208</u>
Total assets		<u><u>1,118,545,538</u></u>	<u><u>1,109,678,940</u></u>
Liabilities and shareholder's equity			
Shareholder's equity			
Share capital	13	116,761,379	117,761,379
Share premium		764,325,196	771,639,257
Accumulated losses		(10,656,462)	(1,142,616)
Treasury shares	14	-	(8,314,061)
		<u>870,430,113</u>	<u>879,943,959</u>
Non-current liabilities			
Loans due to related parties	11	241,352,758	225,434,603
Current liabilities			
Accounts payable and accrued expenses	12	1,906,714	1,068,550
Due to related parties	11	4,855,953	3,231,828
		<u>6,762,667</u>	<u>4,300,378</u>
Total liabilities		<u>248,115,425</u>	<u>229,734,981</u>
Total liabilities and shareholder's equity		<u><u>1,118,545,538</u></u>	<u><u>1,109,678,940</u></u>

The notes on pages 8 to 28 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 11 April 2018 and signed on their behalf by:



 Director



 Director

The independent auditors' report is set out on pages 1 to 3.

Orascom Construction Limited

Statement of cash flows

for the year ended 31 December 2017

	Note	2017 USD	2016 USD
Operating activities			
Loss for the year		(9,513,846)	(31,533,274)
<i>Adjustments for:</i>			
Depreciation on property and equipment	8	459,912	344,058
Finance income	6	(21,537,845)	(23,648,583)
Finance expenses	7	1,795,568	2,697,695
		-----	-----
<i>Operating (loss)/profit before working capital changes</i>		(28,796,211)	52,140,104
Change in prepayments and other receivables	10	(58,501)	1,460,815
Change in due from related parties	11	13,259,193	(8,019,360)
Change in accounts payable and accrued expenses	12	838,164	(4,914,855)
Change in due to related parties	11	1,624,125	(142,285)
		-----	-----
<i>Net cash used in operating activities</i>		(13,133,230)	(63,755,789)
		-----	-----
Investing activities			
Net movement in loan due from related parties	11	(4,477,918)	185,326,680
Investment in subsidiaries	9	(50,000)	-
Additions to property and equipment	8	-	(374,760)
		-----	-----
<i>Net cash (used in) / generated from investing activities</i>		(4,527,918)	184,951,920
		-----	-----
Financing activities			
Net movement in loan due to related parties	11	14,103,567	(254,805)
Finance expenses paid		19,020	(1,637,539)
Net movement in bank borrowings	13	-	(134,395,353)
Purchase of treasury shares		-	(8,314,061)
		-----	-----
<i>Net cash generated from / (used in) financing activities</i>		14,122,587	(144,601,758)
		-----	-----
Net decrease in cash and cash equivalents			
		(3,538,561)	(23,405,627)
Cash and cash equivalents at the beginning of the year		5,572,853	28,978,480
		-----	-----
Cash and cash equivalents at the end of the year		2,034,292	5,572,853
		=====	=====

The notes on pages 8 to 28 form an integral part of these financial statements.

The independent auditors' report is set out on pages 1 to 3.

Orascom Construction Limited

Statement of changes in equity for the year ended 31 December 2017

	Share capital USD	Share premium USD	Retained earnings/ Accumulated losses USD	Treasury shares USD	Total USD
At 1 January 2016	118,041,492	772,724,695	30,390,658	-	921,156,845
<i>Total comprehensive loss for the year</i>					
Loss for the year	-	-	(31,533,274)	-	(31,533,274)
<i>Transactions with owners, recognised directly in equity</i>					
Shares reduction	(280,113)	(1,085,438)	-	-	(1,365,551)
Treasury shares acquired (Note 13)	-	-	-	(8,314,061)	(8,314,061)
At 31 December 2016	<u>117,761,379</u>	<u>771,639,257</u>	<u>(1,142,616)</u>	<u>(8,314,061)</u>	<u>879,943,959</u>
At 1 January 2017	117,761,379	771,639,257	(1,142,616)	(8,314,061)	879,943,959
<i>Total comprehensive loss for the year</i>					
Loss for the year	-	-	(9,513,846)	-	(9,513,846)
<i>Transactions with owners, recognised directly in equity</i>					
Shares reduction (Note 13)	(1,000,000)	(7,314,061)	-	8,314,061	-
At 31 December 2017	<u>116,761,379</u>	<u>764,325,196</u>	<u>(10,656,462)</u>	<u>-</u>	<u>870,430,113</u>

The notes on pages 8 to 28 form an integral part of these financial statements.

Orascom Construction Limited

Notes

(forming part of the financial statements)

1 Legal status and principal activities

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

The principal activity of the Company is holding investments.

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

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

2 Basis of preparation

Statement of compliance

These separate financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”).

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

Separate financial statements of the Company

The Company acts the holding company of its subsidiaries. The Company and its subsidiaries are collectively referred to as “the Group”. These financial statements present the financial performance and position of the Company only and do not include the operating results and financial position of subsidiaries. In these financial statements, the investment in subsidiaries is stated at cost less provision for impairment losses (refer accounting policy on impairment) in accordance with International Financial Reporting Standards 10 *Consolidated Financial Statements*. In order to have a fuller understanding of the results of operations, financial position, changes in equity and cash flows, the consolidated financial statements of the Group issued on 11 April 2018 should be referred to.

Basis of measurement

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

Functional and presentation currency

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

Use of estimates and judgments

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

Orascom Construction Limited

Notes *(continued)*

2 Basis of preparation (continued)

Use of estimates and judgments (continued)

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

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

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

3 Significant accounting policies

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

Investment in subsidiaries

Subsidiaries are entities controlled by the Company. The company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Investment in subsidiaries is stated at cost less provision for impairment.

Share premium

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

Finance income

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

Finance expense

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

Orascom Construction Limited

Notes (continued)

3 Significant accounting policies (continued)

Financial instruments

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

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented 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.

Non-derivative financial instruments

Non-derivative financial instruments comprise other receivables, cash at banks, amounts due from and to related parties, account payables, loans due from and due to related parties. The Company classifies financial assets into the category of loans and receivables. All financial liabilities are classified into other financial liabilities category.

Loans and receivables

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

Other liabilities

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

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 or loss.

Orascom Construction Limited

Notes (continued)

3 Significant accounting policies (continued)

Cash and cash equivalents

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

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.

Property and equipment

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

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

Depreciation

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

	Life (months)
Furniture and fixtures	28

Operating leases

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

Orascom Construction Limited

Notes (continued)

3 Significant accounting policies (continued)

New standards and interpretations not yet effective

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

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items including a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The final version of IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

i. Classification – financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Based on management assessment, the new classification requirements of IFRS 9 will not have a material impact on accounting for financial assets.

ii. Impairment

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model. This will require considerable judgment about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

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

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

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset’s credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; the Company has a choice to also apply this policy for trade receivables and contract assets with a significant financing component.

Orascom Construction Limited

Notes (continued)

3 Significant accounting policies (continued)

New standards and interpretations not yet effective (continued)

IFRS 9 Financial Instruments (continued)

The estimated ECL will be calculated based on actual credit loss experience. The Company will perform the calculation of ECL rates separately for different types of related parties.

Actual credit losses will be adjusted to reflect differences between economic conditions during the period over which the historical data will be collected, prevalent conditions and the Company's view of economic conditions over the expected lives of related party balances.

Based on management assessment, the application of impairment requirements of IFRS 9 as at 1 January 2018 will not have a material impact on the financial statements.

iii. Hedging

IFRS 9 incorporates new hedge accounting rules which intend to align hedge accounting with a Company's risk management objectives and strategy and to apply a more qualitative and forward looking approach to assessing hedge effectiveness. In accordance with IFRS 9, the Company has an accounting policy choice to defer the adoption of IFRS 9 hedge accounting and to continue with IAS 39 hedge accounting.

The Company will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognized in equity as at 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. 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 2018, with early adoption permitted.

Based on management assessment, the application of IFRS 15 will not have a material impact on the revenue recognition.

The Company does not expect the application of IFRS 9 and IFRS 15 to have a significant impact on its financial statements. The actual impacts of adopting these standards at 1 January 2018 may change because:

- these standards will require the Company to revise its accounting policies and internal controls and these changes are not yet complete;
- the Company is also refining and finalizing its model for expected credit loss calculations; and
- the new accounting policies, assumptions, judgement and estimation techniques employed are subject to change until the Company finalizes its first financial statements that includes the date of initial application.

Orascom Construction Limited

Notes (continued)

3 Significant accounting policies (continued)

New standards and interpretations not yet effective (continued)

IFRS 16 Leases

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

Other new or amended standards

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

- Transfers of Investment Property (Amendments to IAS 40) (effective for annual periods beginning on or after 1 January 2018).
- Annual Improvements to IFRSs 2014-2016 Cycle – various standards (amendments to IFRS 1 and IAS 28) (effective for annual periods beginning on or after 1 January 2018).

The following amendments that were mandatorily effective from the current year:

- Annual Improvements to IFRSs 2014-2016 Cycle (various standard) (Amendments to IFRS 12)
- Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)
- Disclosure Initiative (Amendment to IAS 7)

Application of these standards and amendments would not have a significant impact on the Company's financial statements as at 31 December 2017.

4 Financial risk management and capital management

Overview

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

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

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The Company's management has the overall responsibility for the establishment and oversight of the Company's risk management framework and is responsible for developing and monitoring the Company's risk management policies.

Orascom Construction Limited

Notes (continued)

4 Financial risk management and capital management (continued)

Credit risk

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

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

Liquidity risk

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

Market rate risk

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

Currency risk

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

Price risk

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

Interest rate risk

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

Orascom Construction Limited

Notes (continued)

4 Financial risk management and capital management (continued)

Capital management

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

Fair value

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

5 General and administrative expenses

	2017 USD	2016 USD
Salaries and wages	12,168,333	13,165,853
Consultancy fees	1,693,742	2,241,321
Utilities expense	533,753	256,997
Depreciation on property and equipment (refer note 8)	459,912	344,058
Travel expense	414,969	246,435
Rent expense	232,374	246,429
Insurance expense	213,544	479,612
Communication expense	63,490	175,582
Advertising expense	50,489	86,912
Others	316,490	607,017
	-----	-----
	16,147,096	17,850,216
	=====	=====

6 Finance income

	2017 USD	2016 USD
Interest on loans due from related parties (refer note 11)	21,537,845	23,648,583
	=====	=====

7 Finance expenses

	2017 USD	2016 USD
Interest on loans due to related parties (refer note 11)	1,776,548	1,060,156
Foreign currency exchange loss - net	493,373	56,023,634
Bank charges	19,020	252,493
Interest on bank borrowings	-	1,385,046
	-----	-----
	2,288,941	58,721,329
	=====	=====

Orascom Construction Limited

Notes (continued)

8 Property and equipment

	Furniture and fixtures USD	Capital work in progress USD	Total USD
Cost			
At 1 January 2016	-	697,487	697,487
Additions	-	374,760	374,760
Transfer from capital work in progress	1,072,247	(1,072,247)	-
	-----	-----	-----
At 31 December 2016	1,072,247	-	1,072,247
	-----	-----	-----
At 1 January 2017	1,072,247	-	1,072,247
	-----	-----	-----
At 31 December 2017	1,072,247	-	1,072,247
	-----	-----	-----
Accumulated depreciation			
At 1 January 2016	-	-	-
Depreciation	344,058	-	344,058
	-----	---	-----
At 31 December 2016	344,058	-	344,058
	-----	---	-----
At 1 January 2017	344,058	-	344,058
Depreciation	459,912	-	459,912
	-----	---	-----
At 31 December 2017	803,970	-	803,970
	-----	---	-----
Net book value			
At 31 December 2017	268,277	-	268,277
	=====	===	=====
At 31 December 2016	728,189	-	728,189
	=====	===	=====

9 Investment in subsidiaries

	2017 USD	2016 USD
Orascom Holding Cooperatief U.A (refer to note (i) below)	930,297,276	722,000,000
Orascom Holding Limited (refer to note (ii) below)	50,000	-
	-----	-----
	930,347,276	722,000,000
	=====	=====

Orascom Construction Limited

Notes (continued)

9 Investment in subsidiaries (continued)

- (i) The Company has 100% interest in Orascom Holding Cooperatief U.A. (“OHC”). The acquisition of the subsidiary was made through the issuance of share capital to OCI N.V. on 9 March 2015. OHC was incorporated on 4 September 2014 under the Dutch law and primarily operates as an investment holding Company.

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

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

During the current year, there were no dividends declared and paid by the subsidiaries to the Company (2016: USD 7,820,025).

10 Prepayments and other receivables

	2017 USD	2016 USD
Prepayments	203,700	145,199
Deposits	58,095	58,095
	-----	-----
	261,795	203,294
	=====	=====

11 Related party transactions

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

	2017 USD	2016 USD
Write-off of related party receivables (refer to note (i) below)	23,478,341	-
Interest income on loans due from related parties (refer note 6)	21,537,845	23,648,583
Expenses incurred on behalf of the Company	16,147,096	17,850,216
Support service charges to related parties (refer note(ii) below)	10,862,687	15,205,000
Interest expense on loans due to related parties (refer note 7)	1,776,548	1,060,156
Dividend income from a subsidiary (refer note 9)	-	7,820,025
	=====	=====

Orascom Construction Limited

Notes (continued)

11 Related party transactions (continued)

- (i) On 30 September 2017, the Company entered into an agreement (“the Agreement”) with certain related parties (“the agreed parties”) to mutually and consensually terminate the existing service agreement entered into between the Company and the agreed parties on 1 January 2015. As per the terms of the agreement, any payment outstanding from the related parties to the Company as of 30 September 2017 with respect to any service charges made prior to 30 September 2017 were waived off. As a result of the Agreement, an amount of USD 23,478,341 was written off during the year.
- (ii) Support service charges represent corporate charges made by the Company to its related parties for accounting, information technology and other support services. No support service charges have been recognised pursuant to the agreement entered into between the Company and its related parties on 30 September 2017. (refer to note (i) above)

Key management remuneration

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

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

	2017	2016
	USD	USD
Salaries and benefits	600,000	600,000
	=====	=====

Orascom Construction Limited

Notes (continued)

11 Related party transactions (continued)

	Relationship	Interest terms	Repayment terms	31 December 2017			31 December 2016		
				Current portion USD	Non-current portion USD	Total USD	Current portion USD	Non-current portion USD	Total USD
Loans due from related parties									
OCI Construction Holding Cyprus	Subsidiary	refer note (a)	payable on 31 December 2019	-	67,077,547	67,077,547	-	254,135,663	254,135,663
OCI Construction International	Subsidiary	refer note (b)	payable on 31 December 2020	-	65,750,818	65,750,818	-	62,930,759	62,930,759
Orascom Construction SAE	Subsidiary	refer note (c)	payable on 31 December 2020	-	34,717,840	34,717,840	-	33,161,239	33,161,239
OCI Saudi Arabia	Subsidiary	refer note (d)	payable on 31 December 2020	-	15,952,753	15,952,753	-	15,552,810	15,552,810
Orascom Abu Dhabi Contrack JV	Subsidiary	no interest	payable on 31 December 2020	-	1,800,072	1,800,072	-	1,800,072	1,800,072
				-	185,299,030	185,299,030	-	367,580,543	367,580,543
				==	=====	=====	==	=====	=====
Due from related parties									
Weitz	Subsidiary	no interest	receivable on demand	236,834	-	236,834	3,035,439	-	3,035,439
Orascom Saudi	Subsidiary	no interest	receivable on demand	97,034	-	97,034	97,034	-	97,034
Orascom Holding Limited	Subsidiary	no interest	receivable on demand	1,000	-	1,000	-	-	-
Orascom E&C, Inc.	Subsidiary	no interest	receivable on demand	-	-	-	6,296,000	-	6,296,000
Orascom Roads Construction	Subsidiary	no interest	receivable on demand	-	-	-	1,700,000	-	1,700,000
Contrack Watts Inc.	Subsidiary	no interest	receivable on demand	-	-	-	1,616,588	-	1,616,588
Imagro Construction S.R.L	Subsidiary	no interest	receivable on demand	-	-	-	558,000	-	558,000
Orascom Algeria	Subsidiary	no interest	receivable on demand	-	-	-	291,000	-	291,000
				334,868	-	334,868	13,594,061	-	13,594,061
				=====	==	=====	=====	==	=====
Loans due to related parties									
Cementech Limited	Subsidiary	refer note (e)	payable on 31 December 2020	-	201,884,848	210,884,848	-	200,655,186	200,655,186
Orascom Holding Coopratief U.A.	Subsidiary	refer note (d)	payable on 31 December 2020	-	19,950,631	19,950,631	-	19,650,092	19,650,092
OCI Construction Limited	Subsidiary	refer note (e)	payable on 31 December 2019	-	15,776,413	15,776,413	-	1,752,477	1,752,447
NSF Global Limited.	Subsidiary	refer note (f)	payable on 31 December 2019	-	3,740,866	3,740,866	-	3,376,848	3,376,848
				-	241,352,758	241,352,758	-	225,434,603	225,434,603
				==	=====	=====	==	=====	=====
Due to related parties									
OCI N.V.	Subsidiary	no interest	payable on demand	2,582,829	-	2,582,829	3,231,828	-	3,231,828
Contrack Watts Inc.	Subsidiary	no interest	payable on demand	2,073,690	-	2,073,690	-	-	-
Orascom Holding Coopratief U.A.	Subsidiary	no interest	payable on demand	199,434	-	199,434	-	-	-
				4,855,953	-	4,855,953	3,231,828	-	3,231,828
				=====	==	=====	=====	==	=====

Orascom Construction Limited

Notes (continued)

11 Related party transactions (continued)

Interest terms

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

Loans due from related parties

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

	2017 USD	2016 USD
At 1 January	254,135,663	152,483,857
Add: finance income	12,217,282	6,916,159
Add: additional loan during the year	9,021,879	227,459,967
Less: amounts transferred for investment	(208,297,277)	-
Less: repayments	-	(132,724,320)
	-----	-----
At 31 December	<u>67,077,547</u>	<u>254,135,663</u>

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

	2017 USD	2016 USD
At 1 January	62,930,759	169,008,429
Add: finance income	2,820,059	4,011,879
Less: repayments	-	(110,089,549)
	-----	-----
At 31 December	<u>65,750,818</u>	<u>62,930,759</u>

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

	2017 USD	2016 USD
At 1 January	33,161,239	187,149,356
Add: finance income	6,100,561	12,402,934
Less: repayments	(4,753,846)	(110,509,678)
Foreign currency exchange gain / (loss)	209,886	(55,881,373)
	-----	-----
At 31 December	<u>34,717,840</u>	<u>33,161,239</u>

Orascom Construction Limited

Notes (continued)

11 Related party transactions (continued)

Loans due from related parties (continued)

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

	2017	2016
	USD	USD
At 1 January	15,552,810	15,258,275
Add: finance income	399,943	294,535
	-----	-----
At 31 December	15,952,753	15,552,810
	=====	=====

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

	2017	2016
	USD	USD
At 1 January	1,800,072	1,605,014
Add: additional loan during the year	-	195,058
	-----	-----
At 31 December	1,800,072	1,800,072
	=====	=====

Loans due to related parties

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

	2017	2016
	USD	USD
At 1 January	200,655,186	198,624,731
Add: finance expense	1,229,662	664,904
Add: additional loan during the year	-	1,365,551
	-----	-----
At 31 December	201,884,848	200,655,186
	=====	=====

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

	2017	2016
	USD	USD
At 1 January	19,650,092	19,474,703
Add: finance expense	500,539	375,389
Less: repayments	(200,000)	(200,000)
	-----	-----
At 31 December	19,950,631	19,650,092
	=====	=====

Orascom Construction Limited

Notes (continued)

11 Related party transactions (continued)

Loans due to related parties (continued)

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

	2017 USD	2016 USD
At 1 January	1,752,477	1,806,360
Add: additional loan	13,771,411	-
Add: finance expense	4,375	922
Foreign currency exchange gain / (loss)	248,150	(54,805)
	-----	-----
At 31 December	<u>15,776,413</u>	<u>1,752,477</u>

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

	2017 USD	2016 USD
At 1 January	3,376,848	3,357,907
Add: additional loan	322,046	-
Add: finance expense	41,972	18,941
	-----	-----
At 31 December	<u>3,740,866</u>	<u>3,376,848</u>

12 Accounts payable and accrued expenses

	2017 USD	2016 USD
Accounts payable	221,747	677,331
Accrued expenses	1,684,967	391,219
	-----	-----
	<u>1,906,714</u>	<u>1,068,550</u>

13 Share capital

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

	2017 USD	2016 USD
At 1 January	117,761,379	118,041,492
Cancellation of shares during the year	(1,000,000)	(280,113)
	-----	-----
At 31 December	<u>116,761,379</u>	<u>117,761,379</u>

14 Treasury shares

The shareholders of the Company approved share buyback of 1,000,000 shares of the Company through an Extraordinary General Meeting held on 28 September 2016. On October 2016, the Company acquired the 1,000,000 treasury shares at cost amounting to USD 8.3 million.

On 23 January 2017, the Company cancelled the 1,000,000 treasury shares which were bought back previously and reduced the share capital of the Company accordingly.

Orascom Construction Limited

Notes (continued)

15 Operating lease commitments

The Company as a lessee

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

The future minimum lease payments under operating lease are as follows:

	2017 USD	2016 USD
Within one year	152,000	152,000
Minimum lease payments under operating lease recognised as an expense during the year	232,374	246,429

16 Financial instruments

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

Exposure to credit risk

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

	2017 USD	2016 USD
Loans due from related parties	185,299,030	367,580,543
Due from related parties	334,868	13,594,061
Cash at banks	2,034,292	5,572,853
	187,668,190	386,747,457

Management believes that the loans and the amounts due from related parties are fully recoverable and hence no provision for impairment is required as at the year-end. Company's cash is placed with banks of repute.

Liquidity risk

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

	Carrying Amount USD	Contractual cash flows USD	1 year or less USD	More than 1 year USD
31 December 2017				
<i>Non-derivative financial liabilities</i>				
Loans due to related parties	241,352,758	246,978,491	-	246,978,491
Due to related parties	4,855,953	4,855,953	4,855,953	-
Accounts payable and accrued expense	1,906,714	1,906,714	1,906,714	-
	248,115,425	253,741,158	6,762,667	246,978,491

Orascom Construction Limited

Notes (continued)

16 Financial instruments (continued)

Liquidity risk (continued)

	Carrying Amount USD	Contractual cash flows USD	1 year or less USD	More than 1 year USD
31 December 2016				
<i>Non-derivative financial liabilities</i>				
Loans due to related parties	225,434,603	230,557,445	-	230,557,445
Due to related parties	3,231,828	3,231,828	3,231,828	-
Accounts payable and accrued expense	1,068,550	1,068,550	1,068,550	-
	-----	-----	-----	-----
	229,734,981	234,857,823	4,300,378	230,557,445
	=====	=====	=====	=====

Interest rate risk

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

Variable rate instruments

	2017 USD	2016 USD
Financial assets	183,498,958	365,780,471
Financial liabilities	(241,352,758)	(225,434,603)
	-----	-----
	(57,853,800)	140,345,868
	=====	=====

Cash flow sensitivity analysis for variable rate instruments

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

	2017 100 bp increase USD	100 bp decrease USD
Profit or loss	(578,538)	578,538
	=====	=====

Orascom Construction Limited

Notes (continued)

16 Financial instruments (continued)

Interest rate risk (continued)

	100 bp increase USD	2016 100 bp decrease USD
Profit or loss	1,403,459	(1,403,459)
	=====	=====

Currency risk

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

	Euro	2017 Egyptian pound
Cash at banks	708	-
Loans due from related parties	-	616,876,991
Loans due to related parties	(13,141,973)	-
	-----	-----
	(13,141,265)	616,876,991
	=====	=====

	Euro	2016 Egyptian pound
Cash at banks	-	2,602,618
Loans due from related parties	-	602,489,967
Loans due to related parties	(1,666,328)	-
	-----	-----
	(1,666,328)	605,092,585
	=====	=====

Sensitivity Analysis

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

	Average rate		Spot rate	
	2017	2016	2017	2016
1 Euro	1.1317	1.1073	1.2005	1.0517
1 Egyptian pound	0.0563	0.1049	0.0563	0.0550
	=====	=====	=====	=====

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Notes (continued)

16 Financial instruments (continued)

Currency risk (continued)

Sensitivity Analysis (continued)

1% strengthening of the USD against the Egyptian Pound and Euro at 31 December would have increased/ (decreased) the net profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant:

	2017	2016
	USD	USD
Euro	(157,759)	(17,525)
Egyptian pound	347,302	332,801
	-----	-----
	189,543	315,276
	=====	=====

17 Significant accounting estimates and judgements

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

Impairment of investment in subsidiaries

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

Impairment losses on receivables

The Company’s credit risk is primarily attributable to its loans due from related parties, 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.

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Notes *(continued)*

17 Significant accounting estimates and judgements (continued)

Going concern assumption (continued)

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 separate financial statements is appropriate. The appropriateness of the going concern assumption shall be reassessed next year.

18 Subsequent events

Subsequent to the year-end the Board of Directors has proposed a dividend of USD 0.26 per share, which is to be approved by the shareholders at the Annual General Meeting on May 2018.