

**Fawry for Banking Technology and  
Electronic Payments (S.A.E.)  
Condensed Consolidated Interim Financial Statements  
For the three months ended March 31, 2019  
Together with the Review Report**

## Review Report

**To: The Board of Directors of Fawry for Banking Technology and Electronic Payments  
"S.A.E."**

### Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Fawry for Banking Technology and Electronic Payments S.A.E. which comprise the condensed consolidated interim statement of financial position as of March 31, 2019 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three months' period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of the condensed consolidated interim financial statements in accordance with Egyptian Accounting Standard No. (30) "Interim financial statements". Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.


### Scope of Review

We conducted our review in accordance with Egyptian Standard on Review Engagements (2410) "Review of Interim Financial Statement Performed by the Independent Auditor of the Entity". Review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements do not present fairly in all material respects the consolidated financial position of the entity as at March 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the three months' period then ended in accordance with Egyptian Accounting Standard No. (30) "Interim financial statements".

Cairo, June 3<sup>rd</sup>, 2019

  
Kamel Magdy Saleh, CA,  
FESAA (R.A.A. 8510),  
EFSA Register No. 697



**Fawry for Banking Technology and Electronic Payments S.A.E.**  
**Condensed consolidated interim statement of financial position**  
**As of March 31, 2019**

	<u>Note No.</u>	<u>March 31, 2019</u>	<u>December 31, 2018</u>
		<u>EGP</u>	<u>EGP</u>
<b>Assets</b>			
<b><u>Non-current assets</u></b>			
Fixed assets (net)	(4)	117 655 403	114 916 044
Intangible assets (net)	(5)	101 645 331	82 804 990
Projects under construction	(6)	16 530 649	16 382 823
Investments in associates	(8)	4 483 928	8 330 137
Investments in joint ventures	(9)	2 354 546	2 258 670
Deferred tax assets		1 767 059	1 367 074
Prepaid rent - finance lease	(7)	19 355 365	21 014 396
<b>Total non-current assets</b>		<b>263 792 281</b>	<b>247 074 134</b>
<b><u>Current assets</u></b>			
Inventory		132 117	6 418 584
Accounts and notes receivable	(10)	31 537 254	20 560 072
Loans receivables	(11)	4 859 123	357 193
Advances to billers		165 313 772	125 353 535
Debtors and other debit balances	(12)	63 670 227	40 360 135
Due from related parties	(13)	12 825 180	15 169 227
Loans to related parties	(14)	18 292 912	14 615 412
Treasury bills	(15)	75 481 758	259 905 989
Cash and cash equivalents	(16)	643 471 233	437 495 133
<b>Total current assets</b>		<b>1015 583 576</b>	<b>920 235 280</b>
<b>Total assets</b>		<b>1 279 375 857</b>	<b>1 167 309 414</b>
<b><u>Equity</u></b>			
Issued and paid-up capital	(17)	353 652 060	353 652 060
Legal reserve		32 552 995	28 993 362
Retained earnings		99 761 128	46 678 447
Combination reserve		5 841 596	5 841 596
Net profit for the period / year		13 165 318	56 642 314
<b>Total equity for the parent company</b>		<b>504 973 097</b>	<b>491 807 779</b>
Non-controlling interest		16 844 513	12 414 564
<b>Total equity</b>		<b>521 817 610</b>	<b>504 222 343</b>
<b><u>Current liabilities</u></b>			
Provisions	(18)	22 575 576	22 125 576
Accounts and notes payable	(27)	155 018 370	106 009 383
Accounts payable- billers		325 140 681	287 007 924
Merchants prepaid balances		126 954 238	130 498 338
Retailer's POS security deposits		18 675 607	18 569 000
Creditors and other credit balances	(19)	71 948 024	63 266 327
Due to related party	(20)	1 322 033	7 132 827
Current income tax payable		35 923 718	28 477 696
<b>Total current liabilities</b>		<b>757 558 247</b>	<b>663 087 071</b>
<b>Total equity and liabilities</b>		<b>1 279 375 857</b>	<b>1 167 309 414</b>

The accompanying notes form an integral part of these condensed consolidated interim financial statements and to be read therewi

**Chief Financial Officer**  
**AbdelMaguid Mohamed Afifi**

**Chief Executive Officer**  
**Ashraf Kamel Mousa Sabry**

**Chairman**  
**Saifullah Coutry Saadi**

Auditor's review report attached.

**Fawry for Banking Technology and Electronic Payments S.A.E.****Condensed consolidated interim income statement****for the three months ended March 31, 2019**

	<u>Note No.</u>	<u>Financial Period From January 1st, 2019 to March 31, 2019</u>	<u>Financial Period From January 1st, 2018 to March 31, 2018</u>
		<u>EGP</u>	<u>EGP</u>
Operating revenues	(22)	173 881 665	127 885 423
<b>Less:</b>			
Operating costs	(23)	(93 437 886)	(70 435 017)
<b>Gross margin</b>		<b>80 443 779</b>	<b>57 450 406</b>
<b>Add (Less):</b>			
General and administrative expenses	(24)	(41 416 173)	(30 860 292)
Selling and marketing expenses	(25)	(25 268 046)	(18 846 565)
Credit interest	(26)	18 909 362	12 679 818
Finance costs		(2 418 670)	(1 944 072)
Share of investments in associates' losses	(28)	(3 750 335)	(2 243 874)
Gain on disposal of fixed assets		1 613 257	2 005 242
Other revenues		661 028	23 107
Board compensation expenses		( 405 000)	( 459 435)
Formed provisions		( 450 000)	( 450 000)
Health insurance contributions		( 421 804)	--
Impairment charge		( 91 876)	--
Foreign currency exchange (losses) / gains		(2 764 217)	( 225 626)
<b>Profit of the period before tax</b>		<b>24 641 305</b>	<b>17 128 709</b>
Current income tax		(7 446 023)	(4 924 433)
Deferred tax		399 985	( 72 895)
<b>Net profit for the period after tax</b>		<b>17 595 267</b>	<b>12 131 381</b>
<b>Distributed as follows:</b>			
Net profit for the parent company		13 165 318	10 785 294
Net profit for the non controlling interest		4 429 949	1 346 087
<b>Net profit for the period</b>		<b>17 595 267</b>	<b>12 131 381</b>

The accompanying notes form an integral part of these condensed consolidated interim financial statements and to be read therewith.

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**Fawry for Banking Technology and Electronic Payments S.A.E.**  
**Condensed consolidated interim statement of comprehensive income**  
**for the three months ended March 31, 2019**

	<b><u>Financial Period From</u></b> <b><u>January 1st, 2019</u></b> <b><u>to March 31, 2019</u></b> <b><u>EGP</u></b>	<b><u>Financial Period From</u></b> <b><u>January 1st, 2018</u></b> <b><u>to March 31, 2018</u></b> <b><u>EGP</u></b>
<b>Profit for the period</b>	<b>17 595 267</b>	<b>12 131 381</b>
Other comprehensive income	--	--
<b>Total other comprehensive income</b>	<b>--</b>	<b>--</b>
<b>Total comprehensive income for the period</b>	<b>17 595 267</b>	<b>12 131 381</b>
<b>Distributed as follows:</b>		
Comprehensive income for the parent company	13 165 318	10 785 294
Comprehensive income for the non controlling interest	4 429 949	1 346 087
<b>Total comprehensive income for the period</b>	<b>17 595 267</b>	<b>12 131 381</b>

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**Fawry for Banking Technology and Electronic Payments S.A.E.**  
**Condensed consolidated interim statement of changes in equity**  
**for the three months ended March 31, 2019**

	Issued and paid up capital		Payment under capital increase		Share premium		Legal reserve		Combination reserve		Retained earnings		Net profit for the period		Total equity of the parent		Non controlling interest		Total equity	
	EGP		EGP		EGP		EGP		EGP		EGP		EGP		EGP		EGP		EGP	
<b>Balance as of January 1, 2018</b>	111 303 060		242 349 000		21 040 550		5 325 017		--			7 617 540		50 744 292		438 379 459		3 707 987		442 087 446
<b>Items of Other comprehensive income</b>																				
Net profit for the period	--		--		--		--		--			--		10 785 294		10 785 294		1 346 087		12 131 381
<b>Total comprehensive income</b>	--		--		--		--		--			--		10 785 294		10 785 294		1 346 087		12 131 381
<b>The company's shareholders transactions</b>																				
Transferred to retained earnings and legal reserve	--		--		(21 040 550)		23 668 345		--			48 116 497		( 50 744 292)		--		--		--
Payments under capital increase	242 349 000		( 242 349 000)		--		--		--			--		--		--		--		--
<b>Total company's shareholders transactions</b>	242 349 000		(242 349 000)		(21 040 550)		23 668 345		--			48 116 497		(50 744 292)		--		--		--
<b>Balance as of March 31, 2018</b>	353 652 060		--		--		28 993 362		--			55 734 037		10 785 294		449 164 753		5 054 074		454 218 827
<b>Balance as of January 1, 2019</b>	353 652 060		--		--		28 993 362		5 841 596			46 678 447		56 642 314		491 807 779		12 414 564		504 222 343
<b>Items of other comprehensive income</b>																				
Net profit for the period	--		--		--		--		--			--		13 165 318		13 165 318		4 429 949		17 595 267
<b>Total comprehensive income for the period</b>	--		--		--		--		--			--		13 165 318		13 165 318		4 429 949		17 595 267
<b>The company's shareholders transactions</b>																				
Transferred to retained earnings and legal reserve	--		--		3 559 633		3 559 633		--			53 082 681		(56 642 314)		--		--		--
<b>Total company's shareholders transactions</b>	--		--		3 559 633		3 559 633		--			53 082 681		(56 642 314)		--		--		--
<b>Balance as of March 31, 2019</b>	353 652 060		--		--		32 552 995		5 841 596			99 761 128		13 165 318		504 973 097		16 844 513		521 817 610

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**Fawry for Banking Technology and Electronic Payments S.A.E.  
Condensed consolidated interim statement of cash flows  
for the three months ended March 31, 2019**

	<u>Note</u>	<u>Financial Period From January 1st, 2019 to March 31, 2019 EGP</u>	<u>Financial Period From January 1st, 2018 to March 31, 2018 EGP</u>
<b><u>Cash flows from operating activities:</u></b>			
Net profit for the period before tax		24 641 305	17 128 709
<b><u>Adjusted by:</u></b>			
Depreciation and amortization during the period		16 951 351	10 793 893
Formed provisions		450 000	450 000
Impairment charge		91 876	--
Share of investments in associates' losses		3 750 335	2 243 874
Unrealized foreign currency exchange losses / gains		2 764 217	225 626
Finance expenses		2 418 670	1 752 072
Gain on sale of fixed assets		(1 613 257)	(2 005 242)
<b>Operating gain before change in working capital</b>		<b>49 454 497</b>	<b>30 588 932</b>
<b><u>Changes in Working capital</u></b>			
(Increase) / decrease in inventory		6 286 467	148 822
(Increase) in advances to billers		(39 960 237)	26 477 084
(Increase) in debtors and other debit balances		(21 651 072)	(30 283 177)
(Increase) / decrease in accounts and notes receivable		(10 977 182)	(9 452 365)
Decrease / (increase) in Due from related parties		2 344 047	( 203 678)
Customers' loans, net		(4 593 806)	--
Increase in accounts and notes payable		49 008 987	10 190 738
Increase in accounts payable- billers		38 132 757	122 451 223
Increase in merchants prepaid balances		(3 544 100)	(13 578 903)
Increase in retailer's POS security deposits		106 607	2 409 500
increase in creditors and other credit balances		8 681 697	(13 892 977)
Increase in due to related parties		(5 810 794)	--
<b>Net cash provided from operating activities</b>		<b>67 477 868</b>	<b>124 855 199</b>
<b><u>Cash flows from investing activities</u></b>			
(Payments) to acquire fixed assets and intangible assets		(38 799 613)	(34 708 548)
(Payments) for projects under construction		( 147 826)	(29 612 265)
Proceeds from sale of fixed assets		1 881 819	4 956 082
(Increase) in loans to related parties		(3 677 500)	--
Proceeds from redemption of treasury bills - more than three months		78 662 107	35 262 881
Payments to acquire Investment in associate and joint venture		--	(17 300 000)
<b>Net cash flows from (used in) investing activities</b>		<b>37 918 987</b>	<b>(41 401 850)</b>
<b><u>Cash flows from financing activities</u></b>			
Finance costs paid		(2 418 670)	(1 752 072)
<b>Net cash provided from financing activities</b>		<b>(2 418 670)</b>	<b>(1 752 072)</b>
Net change in cash and cash equivalents during the period		102 978 185	81 701 277
Cash and cash equivalents at beginning of the period		571 868 316	620 024 194
Effect of exchange rate changes on cash and cash equivalents		(2 764 217)	( 225 627)
<b>Cash and cash equivalents at end of the period</b>	(16)	<b>672 082 284</b>	<b>701 499 844</b>

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**1. General information**

Fawry for Banking and Payment Technology Services S.A.E. was established in accordance with the provisions of Law No. 159 of 1981 and its executive regulation, and was registered at the Commercial Register under No. 33258 on June 26, 2008, the commercial register has changed to 50840 in March 2011. The Company was re-registered at the commercial register of the 6<sup>th</sup> of October under No. 1333 in July 19, 2018.

The purpose of the Company is to provide operations services specialized in systems and communications, management, operating and maintenance of equipment and computers networks services and internal systems of banks, networks, and centralized systems, establish operating systems for banking services through the internet, phone and e-payment services and circulation of secured documents electronically, taking into account the provisions of laws, regulations and decisions and provided that all the licenses necessary for pursuing these activities are issued. The duration of the Company is twenty-five years from the Commercial Register date.

The condensed consolidated interim financial statements of the Company were approved by the board of directors in its meeting dated June 2<sup>nd</sup>, 2019.

**2. Statement of compliance**

The condensed consolidated interim financial statements have been prepared in accordance with the Egyptian Accounting Standards No. (30).

**3. Basis of preparation of the separate financial statements**

The condensed consolidated interim financial statements have been prepared using the same accounting policies which have been applied in the prior year. The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2018.



Fawry for Banking Technology and Electronic Payments S.A.E.  
Notes to the Condensed Consolidated Interim Financial Statements  
for the three months ended March 31, 2019

**4- Fixed assets - Net**

<u>Cost</u>	<u>Networks and Servers</u>		<u>Point of sales machines</u>		<u>Computers</u>		<u>Furniture and Office Equipment</u>		<u>Leasehold Improvements</u>		<u>Vehicles</u>		<u>Tools and Equipment Super Fawry</u>		<u>Total</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	
<b>As of January 1, 2018</b>	20 942 008	87 297 058	13 148 978	6 670 244	11 348 407	149 300	641 764	140 197 759							
Additions during the year	1 739 117	68 131 323	35 167 613	1 238 127	1 026 051	--	--	107 302 231							
Disposals	--	(13 748 781)	--	--	--	--	--	(13 748 781)							
<b>As of December 31, 2018</b>	22 681 125	141 679 600	48 316 591	7 908 371	12 374 458	149 300	641 764	233 751 209							
Additions during the period	20 880	15 492 319	1 325 016	182 496	57 000	--	--	17 077 711							
Disposals	--	(1 577 389)	--	--	--	--	--	(1 577 389)							
<b>As of March 31, 2019</b>	22 702 005	155 594 530	49 641 607	8 090 867	12 431 458	149 300	641 764	249 251 531							
<b>Accumulated depreciation</b>															
<b>As of January 1, 2018</b>	15 217 752	55 607 872	5 978 304	2 740 605	2 613 799	104 510	506 378	82 769 220							
Depreciation for the year	3 307 107	29 433 105	7 345 582	1 263 614	2 059 948	29 860	114 833	43 554 049							
Depreciation of disposals	--	(7 488 104)	--	--	--	--	--	(7 488 104)							
<b>As of December 31, 2018</b>	18 524 859	77 552 873	13 323 886	4 004 219	4 673 747	134 370	621 211	118 835 165							
Depreciation for the period	811 398	9 263 156	3 083 996	954 343	630 541	7 465	18 191	14 069 790							
Depreciation of disposals	--	(1 308 827)	--	--	--	--	--	(1 308 827)							
<b>As of March 31, 2019</b>	19 336 257	85 507 202	16 407 882	4 348 173	5 215 377	141 835	639 402	131 596 128							
<b>Net book value</b>															
<b>As of March 31, 2019</b>	3 365 748	70 087 328	33 233 725	3 742 694	7 216 081	7 465	2 362	117 655 403							
<b>As of December 31, 2018</b>	4 156 266	64 126 727	34 992 705	3 904 152	7 700 711	14 930	20 553	114 916 044							

During the period, the Company sold POS machines for total consideration of EGP 1,881,819, the carrying amounts of the sold assets were EGP 268,562 and the gains on sale were EGP 1,613,257

**5. Intangible assets – net**

<b>Cost</b>	<b>licenses</b>	<b>Programs</b>	<b>Total</b>
	<b>EGP</b>	<b>EGP</b>	<b>EGP</b>
<b>As of January 1, 2018</b>	<b>17 715 102</b>	<b>71 407 299</b>	<b>89 122 401</b>
Additions during the year	1 641 361	27 927 154	29 568 515
<b>As of January 1, 2019</b>	<b>19 356 463</b>	<b>99 334 453</b>	<b>118 690 916</b>
Additions during the period	2 350 000	19 356 131	21 706 131
<b>As of March 31, 2019</b>	<b>21 706 463</b>	<b>118 690 584</b>	<b>140 397 047</b>
<b><u>Accumulated amortization</u></b>			
<b>As of January 1, 2018</b>	<b>5 515 789</b>	<b>21 669 579</b>	<b>27 185 368</b>
Amortization for the year	1 667 231	7 033 327	8 700 558
<b>As of January 1, 2019</b>	<b>7 183 020</b>	<b>28 702 906</b>	<b>35 885 926</b>
Amortization for the period	437 341	2 428 499	2 865 790
<b>As of March 31, 2019</b>	<b>7 620 361</b>	<b>31 131 355</b>	<b>38 751 716</b>
<b><u>Net book value</u></b>			
<b>As of March 31, 2019</b>	<b>14 086 102</b>	<b>87 559 229</b>	<b>101 645 331</b>
<b>As of December 31, 2018</b>	<b>12 171 443</b>	<b>84 435 433</b>	<b>82 804 990</b>

Depreciation and amortization for fixed assets and intangible assets are classified as follows:

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
	<b>EGP</b>	<b>EGP</b>
Cost of Sales	8 031 255	3 752 092
General and administrative expenses	8 920 096	7 041 801
	<b>16 951 351</b>	<b>10 793 893</b>

**6. Projects under construction**

The increase in projects under construction is due to additions to programs' and licenses' costs by an amount of EGP 61 065 in addition to an increase in servers' costs by an amount of EGP 219 180, taking into consideration the transfers made to fixed assets by an amount of EGP 132 419.

**7. Prepaid rent – finance lease**

The decrease is due to the amortization charge for the period by an amount of EGP 1 659 031. The Company also paid rental installments during the period with total amount of EGP 2 745 000 recognized in the consolidated income statement.

On April 11, 2019, the Company's Board of Directors decided to settle the remaining liabilities under the finance lease agreement and repurchase the Smart Village Premises from the leasing company pursuant to the terms of the lease agreement. On April 18, 2019 the remaining outstanding liability related to the finance lease has been completely paid with a total amount of EGP 23 847 047 and legal procedures are being undertaken in order to finalize the purchase agreement of the Smart Village premises.

**8. Investments in associates**

	<b><u>No. of Shares</u></b>	<b><u>Ownership</u></b>	<b><u>March 31, 2019</u></b>	<b><u>December 31, 2018</u></b>
		<b><u>%</u></b>	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Fawry Plus for Banking Services *	60 000 000	38%	4 467 687	8 280 330
Tazcara for Information Technology and Electronic Booking	10 000	20%	16 241	49 807
			<b><u>4 483 928</u></b>	<b><u>8 330 137</u></b>

The decrease in investments in associates is due to the recognition of the Company's share in losses of both Fawry Plus for Banking Services and Tazcara for Information Technology and Electronic Booking during the period by EGP 3 812 643 and EGP 33 566 respectively.

**9. Investments in Joint ventures**

	<b><u>March 31, 2019</u></b>	<b><u>December 31, 2018</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Waffarha.com	2 354 546	2 258 670
	<b><u>2 354 546</u></b>	<b><u>2 258 670</u></b>

The increase in investments in joint ventures is due to the recognition of the Company's share in Waffarha.com's profits during the period by an amount of EGP 95 874.

**10. Accounts and notes receivable**

This increase in accounts and notes receivables is due to the increase in the volume of transactions resulting in the increase of recognized revenues and in the increase of related customers' receivable balance by an amount of EGP 10 610 489.

**11. Customers' loans, (net)**

	<b><u>March 31, 2019</u></b>	<b><u>December 31, 2018</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Customers' loans – Fawry Micro Finance	4 958 289	364 483
<b><u>Deduct:</u></b> Impairment for doubtful debts	(99 166)	(7 290)
	<b><u>4 859 123</u></b>	<b><u>357 193</u></b>

**Fawry for Banking Technology and Electronic Payments S.A.E.**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2019

**12. Debtors and other debit balances**

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
	<u>EGP</u>	<u>EGP</u>
Vendors – advance payments	5 262 544	3 609 461
Prepaid expenses	8 994 239	5 073 383
Advance payments to employees under dividends distribution.	10 361 000	--
Deposits with others	182 700	152 700
Withholding tax	23 855 481	19 322 718
Other debit balances	13 921 759	11 101 873
Letters of guarantee cash margin	1 100 000	1 100 000
	<u>63 670 227</u>	<u>40 360 135</u>

The increase in debtors and other debit balances is due to the increase in withholding taxes in the amount of EGP 4 532 763 and an increase in vendors' advance payments by an amount of EGP 1 653 083 in addition to the payment made by the Company to its employees in advance under the dividends distribution which have been approved by the shareholders in the Ordinary General Assembly meeting on May 6, 2019 in the amount of EGP 10 361 000.

**13. Due from related parties**

	<u>Account type</u>	<u>March 31, 2019</u>	<u>December 31, 2018</u>
		<u>EGP</u>	<u>EGP</u>
PSI Netherlands Holding BV	Current account	12 203 919	14 717 773
Tazcara Information Technology and Electronic Booking	Current account	621 261	--
Fawry Plus for Banking Services	Current account	--	451 454
		<u>12 825 180</u>	<u>15 169 227</u>

The balance due from the holding company is settled in the subsequent period (Note 30).

Below is the analysis of significant transactions with related parties:-

<u>Nature of the Transaction</u>		<u>For the Year Ended</u>
		<u>March 31, 2019</u>
		<u>EGP</u>
PSI Netherlands Holding BV	Payments on behalf	391 566
	Settlement of receivable balance	(2 513 854)
Fawry Plus For Banking Services	Revenue collection on behalf of related party	(6 540 289)
	Loan to related parties	7 800 000
	Partial collection of loans to related party	(4 112 500)
	Credit interest revenue	668 753
Tazcara Information Technology and Electronic Booking	Payments on behalf	169 986

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**14. Loans to related parties**

On December 10, 2018, the Company signed a short term loan agreement with Fawry Plus for Banking Services in a total amount of EGP 14 615 412 and bears variable interest rate determined in light of the lending rate announced by the Central Bank of Egypt and for a duration of one year starting from the contract date.

On December 10, 2018, Fawry Plus for Banking Services's (associate) general assembly approved obtaining a loan from its shareholders in the amount of EGP 17.5 million out of which the Company's share is EGP 9.27 million bearing interest determined in light of the lending rates announced by the Central Bank of Egypt. By March 31, 2019, the balance of the loan granted to the associate amounted to EGP 3 677 500, interest income recognized during the three months period reached EGP 668 753.

**15. Treasury Bills**

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
	<u>EGP</u>	<u>EGP</u>
Treasury bills	76 800 000	267 500 000
<b>Deduct:</b>		
Unrealized gains	(1 318 242)	(7 594 011)
	<u>75 481 758</u>	<u>259 905 989</u>

**16. Cash and cash equivalents**

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
<u>Description</u>	<u>EGP</u>	<u>EGP</u>
Cash on hand	21 276 163	15 003 605
Bank accounts – local currency	356 869 116	230 805 604
Cash at money transfer companies	176 780 268	94 435 195
Bank accounts – foreign currencies	88 545 686	97 250 730
<b>Cash and cash equivalents</b>	<u>643 471 233</u>	<u>437 495 133</u>

For the purpose of preparing the cash flow statement, the cash and cash equivalents comprise the following:

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
<u>Description</u>	<u>EGP</u>	<u>EGP</u>
Cash and bank balances	643 471 233	665 738 664
Treasury bills – less than 3 months	28 611 051	35 761 180
	<u>672 082 284</u>	<u>701 499 844</u>

### 17. Capital

The Company's authorized capital amounted to EGP 500 million, and the issued and paid-up capital amounted to EGP 353 652 060 million, divided among 35 365 206 shares of par value EGP 10 each.

On March 28, 2019, the shareholders, in the Extraordinary General Assembly decided to split the number of shares by a ratio of 1 to 20 shares, the share par value will be EGP 0.5 after completion of the stock split and total number of shares will be 707 304 120 shares. The necessary legal procedures to effect the split have not been completed yet on the date of issuance of the consolidated financial statements.

### 18. Provisions

	<u>January 1, 2019</u>	<u>Formed during the period</u>	<u>March 31, 2019</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Provisions for claims	22 125 576	450 000	22 575 576
	<u>22 125 576</u>	<u>450 000</u>	<u>22 575 576</u>

### 19. Creditors and other credit balances

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
	<u>EGP</u>	<u>EGP</u>
Accrued expenses	35 278 722	26 774 074
Health insurance contributions	1 460 796	1 038 991
Tax Authority	18 926 984	21 581 245
Social Insurance Authority	370 186	773 909
Other credit balances	15 911 336	13 098 108
	<u>71 948 024</u>	<u>63 266 327</u>

### 20. Due to related parties

	<u>Nature of relationship</u>	<u>Account's type</u>	<u>March 31, 2019</u>	<u>December 31, 2018</u>
			<u>EGP</u>	<u>EGP</u>
Fawry Plus for Banking Services	Associate	Current account	1 314 209	7 035 626
Waffarha.com	Joint Venture	Current account	7 824	97 201
			<u>1 322 033</u>	<u>7 132 827</u>

## **21. Contingent liabilities**

<u>Description</u>	<u>March 31, 2019</u>	<u>December 31, 2018</u>
	<u>EGP</u>	<u>EGP</u>
Letters of guarantee – local currency	483 069 625	409 844 625
	<u>483 069 625</u>	<u>409 844 625</u>

- The letters of guarantee facilities obtained from banks amounted to EGP 566.5 million as of March 31, 2019, the Company has signed promissory notes in the same amount as a guarantee of the obtained facilities. The utilized amounts from the banks facilities amounted to EGP 483 million in the form of issued letters of guarantee.
- Pursuant to the shares purchase agreement dated October 1, 2018 related to Waffarha.com, the Company is committed to pay a price difference to the other shareholders of Waffarha.com up to 150% of the shares value paid in stage 1. Additionally, if Waffarha.com's revenues reached agreed upon certain levels in 2019, the Company is committed to buy/sell certain number of shares from / to the other shareholders up to 15 quotas of Waffarha.com.

## **22. Operating revenues**

The increase in operating revenues is due to the increase in volume of transactions during the period ended March 31, 2019.

## **23. Operating costs**

The increase in operating costs is due to the increase of merchants' costs by an amount of EGP 15 318 539 which corresponds to the increased volume of transactions during the period.

## **24. General and administrative expenses**

The increase in general and administrative expenses is due to the increase in salaries and wages by an amount of EGP 4 177 848, in addition to the increase in outsourcing, technical support and services by an amount of EGP 2 810 331.

## **25. Selling and distribution expenses**

The increase in selling and distribution expenses is due to the increase of salaries and wages by an amount of EGP 4 474 738 in addition to an increase by EGP 2 414 896 in sales and distribution commissions.

## **26. Credit interest**

	<u>March 31, 2019</u>	<u>March 31, 2018</u>
	<u>EGP</u>	<u>EGP</u>
Credit interest - current accounts	5 989 685	6 675 972
Credit interest – treasury bills	12 250 924	6 003 846
Credit interest – loans to related parties	668 753	--
	<u>18 909 362</u>	<u>12 679 818</u>

The increase in credit interest is due to the increase in interest from treasury bills by an amount of EGP 6 247 078.

**27. Accounts and notes Payable**

<u>Description</u>	<u>March 31, 2019</u>	<u>December 31, 2018</u>
	<u>EGP</u>	<u>EGP</u>
Accounts payable	23 965 458	26 009 364
Notes payable- Billers	131 052 912	80 000 019
	<u>155 018 370</u>	<u>106 009 383</u>

**28. Group's share of profits of investments in associates and joint venture entities**

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
	<u>EGP</u>	<u>EGP</u>
Fawry Plus For Banking Services	(3 812 643)	(2 243 874)
Waffarha.com	95 874	--
Tazcara Information Technology and Electronic Booking	33 566	--
	<u>(3 750 335)</u>	<u>(2 243 874)</u>

**29. Tax position**

**Corporate tax**

**The years from incorporation until December 31, 2014**

- The Company was notified with Form No. (19), and was appealed and is currently being inspected on an actual basis.

**The years from 2015 until December 31, 2017**

- The Company was not notified by the tax inspection.

**Salaries tax**

**The years from inception until December 31, 2016**

- The Company was notified with Form No. (38), and was appealed, and is currently being inspected on an actual basis.

**The years 2017 and 2018**

- The Company's records were not inspected.

**Stamp duty tax**

**The years from inception until December 31, 2014**

- The Company's records has been inspected and the tax differences have been settled.

**The years from 2015 until December 31, 2017**

- The Company's records were not inspected.



**Sales tax / VAT tax**

**The years from inception until December 31, 2014**

- The Company's records have been inspected and the tax differences have been settled.

**The years from 2015 until December 31, 2017**

- The Company's records are currently under inspection and the Company has not received any claims regarding the results of the tax inspection.

**Withholding tax**

- The Company's records were not inspected.

**30. Significant events subsequent to the financial statements date**

- On April 7, 2019, the Minister of Investment and International Cooperation Decree No. 96 of 2019 amending certain provisions of the Egyptian Accounting Standards was published. Three new accounting standards were issued, namely the Egyptian Accounting Standard No. (47) for Financial Instruments and the Egyptian Accounting Standard No. 48 for the revenue of contracts with customers and the Egyptian Accounting Standard No. (49) Concerning leasing contracts in accordance with the Financial Leasing Law 176 of 2018. The Company has not yet determined the effect of the revised standards on its financial statements upon implementation.
- On April 11, 2019 the Company's board of directors decided to settle the remaining liabilities under the finance lease agreement and repurchase the Smart Village Premises from the leasing company pursuant to the terms of the lease agreement. On April 18, 2019 the remaining outstanding liability related to the finance lease has been completely paid with a total amount of EGP 23 847 047 and legal procedures are being undertaken in order to finalize the purchase agreement of the Smart Village premises.
- On April 11, 2019, the Board of Directors' of Fawry for Banking Technology and Electronic Payments approved to offer the Company's shares on the Egyptian Stock Exchange and the appointment of an Independent Financial Advisor, Legal advisor and the Lead manager for the initial public offering. The board also called for a General Assembly meeting to convene in order to approve the proposed dividends distributions for the financial year ended December 31, 2018.
- On April 18, 2019, a contract was signed between the Company, PSI Netherlands Holding BV (the holding company) and Bosta ,Inc., a Delaware corporation for the sale of 1 396 825 shares to the Company for an amount of USD 300,000. This amount will be offset with the amount due from PSI Netherlands Holding BV, the holding company.

Additionally, a debt assignment agreement has been signed between the Company, PSI Netherlands Holding BV and Bosta ,Inc., whereby the amount due from Bosta Inc to PSI Netherlands Holding BV is assigned to the Company by total amount of USD 163,000. This amount will be offset with the amount due from PSI Netherlands Holding BV, the holding company.

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**For the three months ended March 31, 2019**

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- On May 6, 2019, the shareholders in the ordinary general assembly meeting decided to distribute an amount of EGP 10.6 million to employees and EGP 5.5 million to the shareholders. On May 30, 2019, an amount of EGP 3.6 million was transferred to PSI Netherlands to settle the balance due from the holding company.

And during the second quarter of 2019, a debt assignment agreement was signed between the Company and the holding company to assign the amount of debt due to PSI from Fawry Gulf to the Company, the debt assignment was settled in the balance due from the holding company by an amount of USD 12 514 which is equivalent to EGP 213 667. Accordingly, the balance due from the holding company has been fully settled and has reached an amount of zero in the subsequent period.

- On May 20, 2019, the Company subscribed in 51% of Fawry FMCG's capital and the Company's share in the paid up capital has been fully paid by an amount of EGP 5.1 million.

**Chief Financial Officer**  
**AbdelMaguid Mohamed Afifi**

**Chief Executive Officer**  
**Ashraf Kamel Mousa Sabry**

**Chairman**  
**Saifullah Coutry Saadi**