

**Fawry for Banking Technology and Electronic
Payments (S.A.E.)
Consolidated Condensed Interim Financial Statements
For the Six months ended June 30, 2019
Together with Limited Review Report**

*Translation of Review
Report Originally Issued in Arabic*

Review Report

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

Introduction

We have reviewed the accompanying consolidated condensed interim financial statements of Fawry for Banking Technology and Electronic Payments S.A.E. which comprise the consolidated condensed interim statement of financial position as of June 30, 2019 and the related consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six 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 consolidated condensed interim financial statements in accordance with Egyptian Accounting Standard No. (30) "Interim financial statements". Our responsibility is to express a conclusion on these consolidated condensed 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 consolidated condensed interim financial statements do not present fairly in all material respects the consolidated financial position of the entity as at June 30, 2019, and of its consolidated financial performance and its consolidated cash flows for the six months' period then ended in accordance with Egyptian Accounting Standard No. (30) "Interim financial statements".

Cairo – October 7, 2019

Kamel Magdy Saleh, FCA

F.E.S.A.A. (R.A.A. 8510)



Fawry for Banking Technology and Electronic Payments S.A.E.
Condensed consolidated interim statement of financial position
As of June 30, 2019

	<u>Note No.</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
		<u>EGP</u>	<u>EGP</u>
Assets			
<u>Non-current assets</u>			
Fixed assets (net)	(4)	172 510 691	114 916 044
Intangible assets (net)	(5)	108 331 972	82 804 990
Projects under construction	(6)	16 557 962	16 382 823
Investments in associate	(7)	4 990 949	8 330 137
Investments in joint ventures	(8)	2 038 014	2 258 670
Deferred tax assets		4 457 469	1 367 074
Prepaid rent - Lease	(4)	--	21 014 396
Total non-current assets		308 887 057	247 074 134
<u>Current assets</u>			
Inventory		123 765	6 418 584
Accounts and notes receivable	(9)	49 257 263	20 560 072
Loans to customers (net)	(10)	28 403 785	357 193
Advances to service providers		93 757 613	125 353 535
Debtors and other debit balances	(11)	54 202 825	40 360 135
Due from related parties	(12)	9 896 689	15 169 227
Loan to related parties	(13)	22 816 579	14 615 412
Treasury bills	(14)	21 027 565	259 905 989
Cash and cash at banks	(15)	1075 552 593	437 495 133
Total current assets		1355 038 678	920 235 280
Total assets		1 663 925 735	1 167 309 414
<u>Equity</u>			
Issued and paid-up capital	(16)	353 652 060	353 652 060
Legal reserve		32 465 079	28 993 362
Retained earnings		83 950 593	46 678 447
Combination reserve		5 841 596	5 841 596
Net profit for the period/year		23 730 679	56 642 314
Total equity for the parent company		499 640 007	491 807 779
Non controlling interest		16 104 572	12 414 564
Total equity		515 744 579	504 222 343
<u>Non-Current liabilities</u>			
Deferred Tax Liability		1 708 451	--
Total non current liabilities		1 708 451	--
<u>Current liabilities</u>			
Provision	(17)	17 862 142	22 125 576
Accounts and notes payable	(18)	103 939 599	106 009 383
Accounts payable- billers		755 277 817	287 007 924
Merchants advances		146 391 458	130 498 338
Retailer's POS security deposits		19 879 501	18 569 000
Creditors and other credit balances	(19)	87 835 171	63 266 327
Due to related party	(20)	--	7 132 827
Current income tax		15 287 017	28 477 696
Total current liabilities		1146 472 705	663 087 071
Total equity and liabilities		1 663 925 735	1 167 309 414

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

Chief Financial Officer
Abdel Meguid Afifi

Chairman
Saifullah Coutry

Chief Executive Officer
Ashraf Sabry

Auditor's review report attached.

Fawry for Banking Technology and Electronic Payments S.A.E.
Condensed consolidated interim income statement
for the six months ended 30 June 2019

	Note No.	<u>Six months ended</u>		<u>Three months ended</u>	
		<u>30 June 2019</u>	<u>30 June 2018</u>	<u>30 June 2019</u>	<u>30 June 2018</u>
		<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Operating revenues	(22)	373 338 888	273 735 596	199 457 223	145 850 173
Less:					
Operating costs	(23)	(195 585 761)	(148 817 746)	(102 147 875)	(78 382 729)
Gross margin		177 753 127	124 917 850	97 309 348	67 467 444
Add (Less):					
General and administrative expenses	(24)	(79 940 769)	(65 086 869)	(38 524 596)	(34 226 577)
Board Compensation expenses		(861 000)	(884 175)	(456 000)	(424 740)
Selling and marketing expenses	(25)	(56 056 737)	(38 905 520)	(30 788 691)	(20 058 955)
Health insurance contribution		(939 750)	--	(517 946)	--
Formed provisions	(17)	(900 000)	(900 000)	(450 000)	(450 000)
Other operating expenses	(26)	(3 326 292)	--	(3 326 292)	--
Gain on disposal of fixed assets		3 112 129	3 174 020	1 498 872	1 168 778
Other revenues		1 371 407	603 425	710 379	580 318
Operating profit		40 212 115	22 918 730	25 455 074	14 056 268
Credit interest	(27)	29 304 345	29 071 696	10 394 983	16 391 878
Finance costs		(5 269 205)	(3 716 216)	(2 850 535)	(1 772 144)
Other expenses	(28)	(3 626 981)	--	(3 626 981)	--
Share of investments in associate losses	(29)	(8 682 103)	(5 324 373)	(4 931 768)	(3 080 499)
Foreign currency exchange loss		(3 677 296)	(247 362)	(913 079)	(21 736)
Net formed provisions of doubtful debts - loans to customers	(10)	(683 394)	--	(591 518)	--
Profit for the period before tax		47 577 481	42 702 476	22 936 176	25 573 767
Current income tax		(15 287 018)	(13 530 012)	(7 840 995)	(8 605 579)
Deferred tax		1 381 943	477 974	981 958	550 869
Net profit for the period after tax		33 672 406	29 650 438	16 077 138	17 519 057
Distributed as follows:					
Net profit for the parent company		23 730 679	25 551 488	10 565 360	14 766 194
Net profit for the non controlling interest		9 941 727	4 098 950	5 511 778	2 752 863
Net profit for the period after tax		33 672 406	29 650 438	16 077 138	17 519 057
Earning Per Share	(30)	0.05	0.13	0.02	0.08

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

Chief Financial Officer
Abdel Meguid Afifi



Chief Executive Officer
Ashraf Sabry



Chairman
Saifullah Coutry



Fawry for Banking Technology and Electronic Payments S.A.E.
Condensed consolidated interim statement of comprehensive income
for the six months ended 30 June 2019

	<u>Six months ended</u>		<u>Three months ended</u>	
	<u>30 June 2019</u>	<u>30 June 2018</u>	<u>30 June 2019</u>	<u>30 June 2018</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Profit for the period	33 672 406	29 650 438	16 077 138	17 519 057
Other comprehensive income	--	--	--	--
Total other comprehensive income	--	--	--	--
Total comprehensive income for the period	33 672 406	29 650 438	16 077 138	17 519 057
Distributed as follows:				
Comprehensive income for the parent company	23 730 679	25 551 488	10 565 360	14 766 194
Comprehensive income for the non controlling interest	9 941 727	4 098 950	5 511 778	2 752 863
Total comprehensive income for the period	33 672 406	29 650 438	16 077 138	17 519 057

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Chief Executive Officer
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Chairman
Saifullah Coutry



Fawry for Banking Technology and Electronic Payments S.A.E.
Condensed consolidated statement of changes in equity
for the six months ended 30 June 2019

	Issued and paid up capital		Payment under capital increase		Share premium		Legal reserve		Retained Earnings		Combination reserve		Net profit for the year/Period		Total equity of the parent		Non controlling interest		Total	
	EGP		EGP		EGP		EGP		EGP		EGP		EGP		EGP		EGP		EGP	
Balance as of January 1, 2018	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
Items of Other comprehensive																				
Items of Other comprehensive	--		--		--		--		--					--		--		--		--
Net profit for the period	--		--		--		--		(8,600,000)		5,841,596			(50,744,292)		(2,758,404)		(4,174,536)		(6,932,940)
Total comprehensive income																				
The company's shareholders transactions																				
Transferred to retained earnings and legal reserve	--		--		(21,040,550)		21,040,550		50,744,292					(50,744,292)		--		--		--
Dividends	--		--		--		--		(8,600,000)		5,841,596			--		(2,758,404)		(4,174,536)		(6,932,940)
Payment under capital increase	242,349,000		(242,349,000)		--		--													
Total company's shareholders transactions	242,349,000		(242,349,000)		(21,040,550)		21,040,550		42,144,292		5,841,596			(50,744,292)		(2,758,404)		(4,174,536)		(6,932,940)
Balance as of June 30, 2018	353,652,060		--		--		26,365,567		49,761,832		5,841,596			25,551,488		461,172,543		3,632,401		464,804,944
Balance as of January 1, 2019	353,652,060		--		--		28,993,362		46,678,447		5,841,596			56,642,314		491,807,779		12,414,564		504,222,343
Items of Other comprehensive																				
Items of Other comprehensive	--		--		--		--		--					--		--		--		--
Net profit for the period	--		--		--		--		--					23,730,679		23,730,679		9,941,727		33,672,406
Total comprehensive income for the period														23,730,679		23,730,679		9,941,727		33,672,406
The company's shareholders transactions																				
Transferred to retained earnings and legal reserve	--		--		--		3,471,717		53,170,597					(56,642,314)		--		--		--
Non-controlling interest arising from selling investments in subsidiaries	--		--		--		--		--					--		--		4,900,009		4,900,009
Dividends distributions	--		--		--		--		(15,898,451)					--		(15,898,451)		(11,151,728)		(27,050,179)
Total company's shareholders transactions	--		--		--		3,471,717		37,272,146					(56,642,314)		(15,898,451)		(6,251,719)		(22,150,170)
Balance as of June 30, 2019	353,652,060		--		--		32,465,079		83,950,593		5,841,596			23,730,679		499,640,007		16,104,572		515,744,579

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

Chief Financial Officer
Abdel Meguid Afifi

Chief Executive Officer
Ashraf Sabry

Chairman
Sajjullah Coutry





Fawry for Banking Technology and Electronic Payments S.A.E.
Consensed consolidated interim statement of cash flows
for the six months ended 30 June 2019

<u>Note</u>	<u>June 30, 2019</u> <u>EGP</u>	<u>June 30, 2018</u> <u>EGP</u>
<u>Cash flows from operating activities:</u>		
Net profit for the period before tax	47 577 481	42 702 476
<u>Adjusted by:</u>		
Depreciation and amortization during the period	31 769 526	22 755 509
Formed provisions	900 000	900 000
Provision for doubtful debt - loans to customers	683 394	--
Share of investments in associate losses	8 682 103	5 324 373
Unrealized foreign currency exchange gain	3 677 296	247 362
Finance expenses	5 269 205	3 716 216
Gain on sale of fixed assets	(3 112 129)	(3 174 020)
Operating profit before change in working capital	95 446 876	72 471 916
<u>Changes in Working capital</u>		
Decrease in inventory	6 294 819	241 455
Decrease/(Increase) in advances to service providers	31 595 922	(11 621 517)
(Increase) in debtors and other debit balances	(15 474 675)	(9 798 887)
(Increase) in accounts and notes receivable	(28 697 191)	(15 273 106)
Decrease in Due from related parties	5 272 538	1 038 446
(Increase) in customers' loans, net	(28 729 986)	--
(Decrease)/Increase in accounts and notes payable	(2 069 784)	53 724 588
Increase in accounts payable- billers	468 269 893	223 606 746
Increase in merchants prepaid balances	15 893 120	4 334 409
Increase in retailer's POS security deposits	1 310 501	2 346 788
increase in creditors and other credit balances	24 568 844	3 500 591
Decrease in due to related parties	(7 132 827)	(4 388 751)
Paid income tax	(28 477 696)	(18 247 680)
Provision used	(5 163 434)	--
Net cash provided from operating activities	532 906 920	301 934 999
<u>Cash flows from investing activities</u>		
(Payments) to acquire fixed assets	(62 819 793)	(40 829 582)
(Payments) for projects under construction	(175 139)	(39 399 963)
(Payments) to acquire intangible assets	(31 469 864)	(17 102 480)
Proceeds from selling fixed assets	3 558 622	5 729 533
Payments in loans to related parties	(8 201 167)	--
Net movement of treasury bills - more than three months	104 505 170	(89 878 356)
Payments to acquire Investment in associate and joint venture	(5 122 260)	(17 300 000)
Net cash flows provided from/(used in) investing activities	275 568	(198 780 848)
<u>Cash flows from financing activities</u>		
Proceeds from the sale of investment in subsidiaries	--	5 825 158
Dividends Paid	(15 860 998)	(8 600 000)
cash collection from non controlling interest	4 900 009	--
Finance expenses paid	(5 269 205)	(3 716 216)
Net cash used in financing activities	(16 230 194)	(6 491 058)
Net change in cash and cash equivalents during the period	516 952 293	96 663 093
Cash and cash equivalents at beginning of the period	571 868 396	620 024 194
Exchange rate changes on cash and cash equivalents	(3 677 296)	(247 362)
Cash and cash equivalents at end of the period	1 085 143 393	716 439 925

Non-cash transactions

Non-cash transactions which include investments in associates and joint ventures which have been acquired from the parent company have been eliminated from the balance due from related parties in the amount of EGP 5.12 million. Additionally, non cash transaction in the amount of EGP 21 014 396 have been eliminated to reflect the settlement of the finance lease of the smart village building which has been bought and classified in fixed assets

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

Chief Financial Officer
Abdel Meguid Afifi

Chief Executive Officer
Ashraf Sabry

Chairman
Saifullah Coutry

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 6th of October under No. 1333 in 19 July 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 interim condensed consolidated financial statements were authorized for issuance at the Board of Directors meeting held on 7 October 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 consolidated 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 with the consolidated annual financial statements as of 31 December 2018.

4. Fixed assets - Net

<u>Cost</u>	<u>land and Building</u>		<u>Networks and Servers</u>		<u>Point of sales machines</u>		<u>Computers</u>		<u>Furnitures 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>	<u>EGP</u>	<u>EGP</u>	
As of January 1, 2018	--	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	35 167 612	1 238 127	1 026 051	--	--	107 302 230								
Disposals	--	--	(13 748 781)	--	--	--	--	--	(13 748 781)								
As of December 31, 2018	--	22 681 125	141 679 600	48 316 590	7 908 371	12 374 458	149 300	641 764	233 751 208								
Additions during the period	43 267 632	139 075	29 289 298	10 170 209	660 966	307 009	--	--	83 834 189								
Disposals	--	--	(2 916 976)	--	--	--	--	--	(2 916 976)								
As of June 30, 2019	43 267 632	22 820 200	168 051 922	58 486 799	8 569 337	12 681 467	149 300	641 764	314 668 421								
Accumulated depreciation																	
As of January 1, 2018	--	15 217 752	55 607 873	5 978 302	2 740 605	2 613 799	104 510	506 378	82 769 219								
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)								
As of December 31, 2018	--	18 524 859	77 552 874	13 323 884	4 004 219	4 673 747	134 370	621 211	118 835 164								
Depreciation for the Period	180 282	1 552 922	15 603 861	6 636 781	712 855	1 105 653	14 928	19 359	25 826 641								
Depreciation of disposals	--	--	(2 504 075)	--	--	--	--	--	(2 504 075)								
As of June 30, 2019	180 282	20 077 781	90 652 660	19 960 665	4 717 074	5 779 400	149 298	640 570	142 157 730								
Net book value																	
As of June 30, 2019	43 087 350	2 742 419	77 399 262	38 526 134	3 852 263	6 902 067	2	1 194	172 510 691								
As of December 31, 2018	--	4 156 266	64 126 726	34 992 706	3 904 152	7 700 711	14 930	20 553	114 916 044								

On April 1, 2019, the company revised the useful lives of its fixed assets and the useful life of the Point of Sales machines has been changed from 3 years to 4 years which resulted in a revision in the depreciation expense for the second quarter of 2019 in the amount of EGP 3.4 million

On April 11, 2019, the Board of Directors decided to pay the remaining obligations of the lease and then purchase the Smart Village building from the leasing company in accordance with the contract between the two parties, and on April 18, 2019, the remaining obligations of the lease were paid in a total amount of 23 847 047 EGP. The building's acquisition cost was 43 267 632 EGP.

5. Intangible assets – Net

<u>Cost</u>	<u>Programs' license</u>	<u>Programs</u>	<u>Total</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
As of January 1, 2018	17 715 102	71 407 299	89 122 401
Additions during the year	1 641 361	27 927 154	29 568 515
As of January 1, 2019	19 356 463	99 334 453	118 690 916
Additions during the period	2 350 000	29 119 864	31 469 864
As of June 30, 2019	21 706 463	128 454 317	150 160 780
<u>Accumulated amortization</u>			
As of January 1, 2018	5 515 789	21 669 579	27 185 368
Amortization for the year	1 667 231	7 033 327	8 700 558
As of January 1, 2019	7 183 020	28 702 906	35 885 926
Amortization for the period	1 196 123	4 746 759	5 942 882
As of June 30, 2019	8 379 143	33 449 665	41 828 808
Net Book value, As of June 30, 2019	13 327 320	95 004 652	108 331 972
Net Book value, As of December 31, 2018	12 173 443	70 631 547	82 804 990

Depreciation for fixed assets and intangible assets by an amount of EGP 31 769 526 are presented in fixed assets depreciation in the amount of EGP 25 826 641 note No (4) and intangible assets amortization in the amount of EGP 5 942 882 note No (5) as following:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
	<u>EGP</u>	<u>EGP</u>
Operating cost	14 916 826	7 382 058
General and Administrative Expenses	16 852 700	15 373 451
	31 769 526	22 755 509

6. Projects under construction

The increase in projects under construction goes back to additions in programs and licenses in the amount of EGP 307 514, taking into consideration the transfers to fixed assets in the amount of EGP 132 399.

7. Investment in an associates

	<u>No. of Shares</u>	<u>Ownership %</u>	<u>June 30, 2019</u> <u>EGP</u>	<u>December 31, 2018</u> <u>EGP</u>
Fawry Plus for banking services * (SAE)	60 000 000	38%	711 768	8 280 330
Bosta Inc. Delawara	8 744 819	15.97%	4 276 080	--
Tazcara for Information Technology (LLC)	10 000	20%	3 101	49 807
			<u>4 990 949</u>	<u>8 330 137</u>

The decrease in investment in associates is due to the recognition of the group's share of losses from Fawry Plus for Banking Services in the amount of EGP 7 568 561 in addition to a new investment in Bosta in the amount of EGP 5 122 260.

8. Investment in Joint venture

	<u>No. of Shares</u>	<u>Ownership %</u>	<u>June 30, 2019</u> <u>EGP</u>	<u>December 31, 2018</u> <u>EGP</u>
Waffarha.com (LLC)	23 500	30%	2 038 014	2 258 670
			<u>2 038 014</u>	<u>2 258 670</u>

The decrease in investment in joint venture is due to the recognition of the group's share of loss in Waffarha.com in the amount of EGP 220 656.

9. Accounts and notes receivable

This increase in accounts and notes receivables is due to an increase in the transactions which have been reflected in an increase in revenue and a relating increase in customers' receivables balance in the amount of EGP 28 697 191.

10. Customers' loans, (net)

	<u>June 30, 2019</u> <u>EGP</u>	<u>December 31, 2018</u> <u>EGP</u>
Customers' Loan – Fawry Micro Finance	29 094 469	364 483
Deduct: Provision for doubtful debt	(690 684)	(7 290)
	<u>28 403 785</u>	<u>357 193</u>

Provision for doubtful debt represented as following:

	<u>Balance as of</u> <u>December 31, 2018</u> <u>EGP</u>	<u>Net of formed</u> <u>during the period</u> <u>EGP</u>	<u>Used during</u> <u>the period</u> <u>EGP</u>	<u>Balance at</u> <u>June 30, 2019</u> <u>EGP</u>
Provisions for doubtful debts	7 290	683 394	--	690 684
	<u>7 290</u>	<u>683 394</u>	<u>--</u>	<u>690 684</u>

11. Debtors and other debit balances

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
	<u>EGP</u>	<u>EGP</u>
Vendors – advance payment	7 741 903	3 609 461
Prepaid expenses	8 192 009	5 073 383
Deposits with others	361 340	152 700
Withholding tax	5 540 569	19 322 718
E-Acceptance transactions under settlement	15 142 878	3 670 467
Other debit balances	11 924 124	7 431 406
Letter of guarantees	5 300 000	1 100 000
	<u>54 202 825</u>	<u>40 360 135</u>

The increase in debtors and other debit balances due to an increase in prepaid expenses by an amount of EGP 3.12 Million in addition to the increase in e-acceptance transactions under settlement in the amount of EGP 11.4 Million.

12. Due from related party

	<u>Account type</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
		<u>EGP</u>	<u>EGP</u>
PSI Netherlands Holding BV	Current account	--	14 717 773
Fawry Plus for Banking Services	Current account	1 908 395	451 454
Bosta Inc. Delaware	Current account	7 300 970	--
Tazcara for Information Technology (LLC)	Current account	687 324	--
		<u>9 896 689</u>	<u>15 169 227</u>

- On April 18, 2019, a share sale contract was signed with PSI Netherlands Holding BV (Holding Company) under which the ownership of 1 396 825 shares of Bosta, Inc., a Delaware Corporation was transferred for 300 000 U.S. dollars. Holding Company and a debt transfer contract was signed between the company and Bosta, Inc., a Delaware Corporation, under which the amount due from Bosta, Inc., a Delaware Corporation of the Holding Company was transferred to the company and the value of that transfer was settled from the balance due to the holding company in the amount of 163 000 U.S. dollars.
- During the second quarter of 2019, a debt transfer contract was signed between the company and the holding company, under which the amount due from Fawry Gulf of the holding company is transferred to the holding company and the value of that transfer was settled from the balance due from the holding company in the amount of USD 12 514 equivalent to the amount of EGP 213 667. The outstanding balance of the holding company was thus fully settled to the outstanding balance of EGP 0.

Below are the major transactions with related parties:-

<u>Nature of the Transaction</u>		<u>For the Period</u> <u>Ended June 30,</u> <u>2019</u> <u>EGP</u>
Fawry Plus For Banking Services	Loan to related parties	9 275 000
	Cash collection cost from the related party	(13 779 005)
	Credit interest revenue	1 528 677

13. Loans to related party

The main increase in loans to related party is due to the increase in the balance of Fawry Plus in the amount of EGP 8.2 Million.

14. Treasury Bills

	<u>June 30, 2019</u> <u>EGP</u>	<u>December 31, 2018</u> <u>EGP</u>
Treasury bills	21 600 000	267 500 000
Deduct:		
Unrealized return balance	(572 435)	(7 594 011)
	<u>21 027 565</u>	<u>259 905 989</u>

15. Cash and cash at banks

	<u>June 30, 2019</u> <u>EGP</u>	<u>December 31, 2018</u> <u>EGP</u>
Cash	36 119 655	15 003 604
Current bank accounts – local currency	296 478 994	230 805 604
Cash collecting agents	658 361 111	94 435 195
Time deposit – foreign currencies	65 737 834	87 962 667
Current bank accounts – foreign currencies	18 854 999	9 288 063
Cash and cash at banks	<u>1 075 552 593</u>	<u>437 495 133</u>

For the purpose of preparing the cash flow statements, the cash and cash equivalents are represented as follows:

	<u>June 30, 2019</u> <u>EGP</u>	<u>June 30, 2018</u> <u>EGP</u>
Cash and bank balances	1 075 552 593	692 454 674
Treasury bills – less than 3 months	9 590 800	23 985 251
	<u>1 085 143 393</u>	<u>716 439 925</u>

16. Capital

The company's authorized capital amounted to EGP 500 million, and the issued and paid-up capital amounted to EGP 353 652 060, divided among 35 365 206 shares of par value EGP 10 each. On 28 March 2019 the extraordinary general assembly meeting decided to split the share to 20 shares and therefore the par value for one share would be EGP 0.5 and so the number of shares will accordingly reach 707 304 120 shares. The commercial register was updated on 10 June 2019.

17. Provisions

	<u>Balance as at</u> <u>December 31, 2018</u>	<u>Formed during</u> <u>the period</u>	<u>Used during</u> <u>the period</u>	<u>Balance as at</u> <u>June 30, 2019</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Provision for claims	22 125 576	900 000	(5 163 434)	17 862 142
	<u>22 125 576</u>	<u>900 000</u>	<u>(5 163 434)</u>	<u>17 862 142</u>

18. Accounts and Notes Payable

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
	<u>EGP</u>	<u>EGP</u>
Accounts payable	2 449 254	26 009 364
Notes payable- Billers	101 490 345	80 000 019
	<u>103 939 599</u>	<u>106 009 383</u>

19. Creditors and other credit balances

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
	<u>EGP</u>	<u>EGP</u>
Accrued expenses	47 294 803	25 970 914
Accrued salaries	1 119 508	803 160
Health insurance contribution	939 750	1 038 991
Tax Authority	15 543 514	21 581 245
Social Insurance Authority	1 178 165	773 909
Other credit balances	21 759 432	13 098 108
	<u>87 835 171</u>	<u>63 266 327</u>

The main reason behind the increase in creditors and other credit balances is the increase in accrued expenses in the amount of EGP 21 323 889 which mainly represents accruals for merchants' fees and bank fees in addition to an increase in accrued expenses in the amount of EGP 3.6 which were incurred in relation to the company's Initial Public Offering at EGX.

20. Due to related party

	<u>Nature of relationship</u>	<u>Account type</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
			<u>EGP</u>	<u>EGP</u>
Fawry Plus for banking services	Associate	Current account	--	7 035 626
Waffarha.com	Joint Venture	Current account	--	97 201
			<u>--</u>	<u>7 132 827</u>

21. Contingent liabilities

Contingent liabilities are represented as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
	<u>EGP</u>	<u>EGP</u>
Letters of guarantee – local currency	500 274 625	409 844 625
	<u>500 274 625</u>	<u>409 844 625</u>

- The letters of guarantee facilities amounted to EGP 566.5 million as of June 30, 2018. And the company has signed promissory notes in the same amount as coverage to those facilities. The used amount from banks amounted to EGP 504.8 million in the form of letters of guarantee.
- According to the purchase agreement dated on October 1, 2018 with Waffarha.com Company. Fawry for Banking and Payment Technology Services shall pay prices difference for Waffarha.com old shareholders up to 150% of the first trench. In addition, if Waffarha.com recognized revenue certain level of revenue during 2019, Fawry for Banking and Payment Technology Services shall sell / purchase certain number of quotas for Waffarha.com old shareholders up to 15 Quotas.

22. Operating revenue

Operating revenue has increased due to an increase in volume of transactions during the period ended 30 June 2019.

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
	<u>EGP</u>	<u>EGP</u>
Application sales revenues –collection fees	370 132 402	272 082 251
Subscription revenues	1 413 536	1 541 501
Other operating revenues	5 777	111 844
Interest from microfinance activities	1 787 173	--
	<u>373 338 888</u>	<u>273 735 596</u>

23. Operating costs

The main reason behind the increase in operating costs is the increase of merchants' fees in the amount of EGP 36 754 107 which corresponds to the increased volume of transactions during the period. The operating costs are represented as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
	<u>EGP</u>	<u>EGP</u>
Merchants' and channel fees	157 696 428	120 942 321
Banks fees	7 239 905	6 206 419
Depreciation and amortization (Note No. 4,5)	14 916 826	7 382 058
Cash collection cost	12 255 285	11 687 919
Others	3 477 317	2 603 029
	<u>195 585 761</u>	<u>148 817 746</u>

24. General and administrative expenses

The main reason behind the increase in general and administrative expenses is the increase in salaries and wages in the amount of EGP 10 479 758, in addition to the increase in outsourcing, technical support and services with an amount of EGP 3 371 149.

25. Selling and distribution expenses

The main reason behind the increase in selling and distribution expenses is the increase of salaries and wages in the amount of EGP 15 652 630 in addition to an increase of EGP 1 498 587 in sales and distribution commissions.

26. Other Operating Expenses

During the period, Fawry for Micro Finance (a subsidiary) signed a contract with a company that is specialized in Micro Finance activities which provides strategic management services related to the Micro Finance services for a year starting from 15 January 2019 until 15 January 2020 with a total value of 352 500 Euro which is equivalent to EGP 8.034 million. An amount of EGP 3 450 157 has been accrued in the current period and this represents the amount relating to the period in income statement.

27. Credit interest

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
	<u>EGP</u>	<u>EGP</u>
Credit interest - current accounts, treasury bills and time deposits	27 775 668	28 897 444
Credit interest – loans to related party	1 528 667	174 252
	<u>29 304 345</u>	<u>29 071 696</u>

28. Other Expenses

Other expenses represent the expenses incurred during the period in relation to the company's Initial Public Offering.

29. Group's share of losses of investment in associates and joint venture entities

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
	<u>EGP</u>	<u>EGP</u>
Fawry Plus For Banking Services	(7 568 561)	(5 287 056)
Waffarha.com	(220 656)	--
Bosta Inc. Delaware	(846 180)	--
Tazcara for Information Technology (LLC)	(46 706)	(37 317)
	<u>(8 682 103)</u>	<u>(5 324 373)</u>

30. Earnings per share

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
	<u>EGP</u>	<u>EGP</u>
Net profit for the period for the parent company	23 730 679	25 551 488
Average number of shares	707 304 120	222 606 120
	<u>0.05</u>	<u>0.13</u>

31. Tax Position

Corporate tax

The company is subject to the income tax law no. 91 for year 2005 and its executive regulations and amendments.

The years from incorporation until 31 December 2014

- The Company was notified with Form No. (19) for the year 2009, and an appeal was filed on May 4, 2015 and the company's records are currently under inspection based on an actual basis.
- The Company was notified with Form No. (19) for the year 2010, and an appeal was filed on June 23, 2016 and the company's records are currently under inspection based on an actual basis.
- The Company was notified with Form No. (19) for the years 2011 and 2012, and an appeal was filed on February 27, 2017 and the company's records are currently under inspection based on an actual basis.
- The Company was notified with Form No. (19) for the years 2013 and 2014, and an appeal was filed on February 27, 2019 and the company's records are currently under inspection based on an actual basis.

The years from 2015 until 2018

- The company was not notified by the tax inspection.

Payroll tax

The years from inception until 31 December 2016

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

The years 2017 and 2018

The company's records have not inspected.

Stamp duty tax

The years from inception until 31 December 2014

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

The years from 2015 until 31 December 2017

- The company's records were not inspected.

Sales tax / VAT tax

The years from inception until 31 December 2014

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

The years from 2015 until 31 December 2017

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

The year 2018

- the company's records were not inspected.

Withholding tax

- The company's records were not inspected.

32. Comparative figures:

- Certain comparative figures have been reclassified to conform to the presentation of the financial statements for the current period.

33. Significant events during the period

- On 7 April 2019, the Minister of Investment and International Cooperation issued Decree No. 96 of 2019 amending certain provisions of the Egyptian Accounting Standards. The three 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 accounting standard (49) concerning leasing contracts in accordance with the Financial Leasing Law and the No. 176 of 2018. The standards have not been applied by the company, as the standards' amendments were not issued up till the date of the Financial statements' issuance; noting that the company has not yet determined the effect of the standard amendment implementation on its Financial statements.
- On 6 May 2019, the company's ordinary general assembly decided to distribute an amount of EGP 10.3 million to employees and distribute dividends in the amount of EGP 5.5 million on the shareholders.

34. Subsequent events

- On August 8, 2019, the Company listed its shares on the Egyptian stock exchange.

Chief Financial Officer

Abdel Meguid Afifi



Chief Executive Officer

Ashraf Sabry



Chairman

Saifullah Coutry

