

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

**Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2020
Together with Limited Review Report**

Translation of Review
Report Originally Issued in Arabic

Limited review report on the condensed consolidated interim financial statements

**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, 2020 and the related consolidated interim statements of profit or loss, 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, 2020, 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 15, 2020.


Kamel Magdy Saleh, FCA
FRA Register No. "69"
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 March 31, 2020

	<u>Note No.</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>
		<u>EGP</u>	<u>EGP</u>
Assets			
<u>Non-current assets</u>			
Fixed assets (net)	(4)	231 758 967	233 899 441
Intangible assets (net)	(5)	133 504 668	125 381 225
Projects under construction	(6)	11 892 106	8 092 539
Investments in associates	(7)	2 012 186	3 414 051
Investments in joint ventures	(8)	1 645 426	1 704 261
Total non-current assets		380 813 353	372 491 517
<u>Current assets</u>			
Inventory		107 820	109 339
Accounts and notes receivable	(9)	47 633 361	29 096 969
Loans to customers (net)	(10)	154 173 392	117 229 195
Advances to service providers		242 082 709	202 366 328
Debtors and other debit balances	(11)	57 960 473	47 189 197
Due from related parties	(12)	8 571 802	10 330 169
Loans to related parties	(13)	33 816 579	27 816 579
Treasury Bills	(14)	329 008 025	241 709 925
Cash and cash at banks	(15)	478 561 896	442 661 921
Total current assets		1 351 916 056	1 118 509 621
Total assets		1 732 729 408	1 491 001 138
<u>Equity</u>			
Issued and paid-up capital	(16)	353 652 060	353 652 060
Legal reserve		37 799 312	32 465 079
Retained earnings		195 983 266	98 414 435
Combination reserve		5 841 596	5 841 596
Net profit for the period/year		30 926 734	102 903 064
Total equity for the parent company		624 202 968	593 276 234
Non controlling interest		13 345 506	33 648 419
Total equity		637 548 474	626 924 653
<u>Non-Current liabilities</u>			
Deferred Tax Liability	(17)	4 616 547	3 958 566
Total non current liabilities		4 616 547	3 958 566
<u>Current liabilities</u>			
Provision	(18)	19 272 142	18 762 142
Accounts and notes payable	(19)	12 788 765	16 949 634
Accounts payable- billers	(20)	652 820 596	437 368 051
Merchants advances		212 106 257	218 095 480
Retailer's POS security deposits		25 877 130	23 116 484
Creditors and other credit balances	(21)	119 106 322	106 497 282
Due to related parties		708 436	--
Current income tax		47 884 738	39 328 846
Total current liabilities		1 090 564 386	860 117 918
Total equity and liabilities		1 732 729 408	1 491 001 138

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
Saifallah Coutry

Auditor's review report attached.

Fawry for Banking Technology and Electronic Payments S.A.E.**Condensed consolidated interim statement of Profit or Loss****For the three months ended March 31, 2020**

	<u>Note No.</u>	<u>Three months ended</u>	
		<u>31 March 2020</u>	<u>31 March 2019</u>
		<u>EGP</u>	<u>EGP</u>
			<u>Restated (note 36)</u>
Operating revenues	(23)	257 996 587	173 881 665
Less:			
Operating costs	(24)	(121 721 965)	(93 437 886)
Gross margin		136 274 622	80 443 779
Add (Less):			
General and administrative expenses	(25)	(56 123 187)	(36 778 598)
Board Compensation expenses		(127 500)	(405 000)
Selling and marketing expenses	(26)	(38 305 226)	(25 268 046)
Health insurance contribution		(854 019)	(421 804)
Formed provisions	(18)	(510 000)	(450 000)
Net impairment in customers' loans	(10)	(2 706 938)	(91 876)
Gain on sale of fixed assets		380 262	1 613 257
Other revenues		799 797	661 028
Operating profit		38 827 811	19 302 740
Credit interest	(28)	14 488 429	18 909 362
Finance costs		(2 917 839)	(3 743 538)
Share of investments in associate losses	(29)	(1 460 700)	(3 750 335)
Foreign currency exchange loss		244 661	(2 764 217)
Profit for the period before tax		49 182 362	27 954 012
Current income tax		(10 495 481)	(7 446 023)
Deferred tax	(17)	(639 287)	399 985
Net profit for the period after tax		38 047 594	20 907 974
Distributed as follows:			
Net profit for the parent company		30 926 734	16 478 025
Net profit for the non controlling interest		7 120 860	4 429 949
Net profit for the period after tax		38 047 594	20 907 974
Earnings Per Share	(30)	0.04	0.02

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 three months ended March 31, 2020

	<u>Three months ended</u>	
	<u>31 March 2020</u>	<u>31 March 2019</u>
	<u>EGP</u>	<u>EGP</u>
		<u>Restated (note 36)</u>
Net profit for the period	38 047 594	20 907 974
Other comprehensive income	--	--
Total other comprehensive income	--	--
Total comprehensive income for the period	38 047 594	20 907 974
Distributed as follows:		
Comprehensive income for the parent company	30 926 734	16 478 025
Comprehensive income for the non controlling interest	7 120 860	4 429 949
Total comprehensive income for the period	38 047 594	20 907 974

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



Translation of financial statements
Originally Issued in Arabic

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, 2020

Note No.	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	353 652 060	--	--	28 993 362	46 678 447	5 841 596	56 642 314	491 807 779	12 414 564	504 222 343
The effect of initial application of EAS 49	(36) --	--	--	--	14,463,845	--	--	14,463,845	--	14,463,845
Balance as of January 1, 2019 (restated)	353 652 060	--	--	28 993 362	61 142 292	5 841 596	56 642 314	506 271 624	12 414 564	518 686 188
Comprehensive Income Items										
Net profit for the period (restated)	(36) --	--	--	--	--	--	16 478 025	16 478 025	4 429 949	20 907 974
Total comprehensive income (restated)	--	--	--	--	--	--	16 478 025	16 478 025	4 429 949	20 907 974
The Company's shareholders transactions										
Transferred to retained earnings and legal reserve	--	--	--	3 559 633	53 082 681	--	(56 642 314)	--	--	--
Total company's shareholders transactions	--	--	--	3 559 633	53 082 681	--	(56 642 314)	--	--	--
Balance as of March 31, 2019 (restated)	(36) 353 652 060	--	--	32 552 995	114 224 973	5 841 596	16 478 025	522 749 649	16 844 513	539 594 162
Balance as of January 31, 2020	353 652 060	--	--	32 465 079	98 414 435	5 841 596	102 903 064	593 276 234	33 648 419	626 924 653
Comprehensive Income Items										
Net profit for the period	--	--	--	--	--	--	30 926 734	30 926 734	7 120 860	38 047 594
Total comprehensive income	--	--	--	--	--	--	30 926 734	30 926 734	7 120 860	38 047 594
The company's shareholders transactions										
Transferred to retained earnings and legal reserve	--	--	--	5 334 233	97 568 831	--	(102 903 064)	--	--	--
Non-controlling interest share from dividends distributed in subsidiaries	--	--	--	--	--	--	--	--	(27 423 773)	(27,423,773)
Total Company's shareholders transactions	--	--	--	5 334 233	97 568 831	--	(102 903 064)	--	(27 423 773)	(27 423 773)
Balance as of March 31, 2020	353 652 060	--	--	37 799 312	195 983 266	5 841 596	30 926 734	624 202 967	13 345 506	637 548 474

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

Chief Financial Officer
Abdel Meguid Arifi

Chief Executive Officer
Ashraf Sabry

Chairman
Saifallah Couby

Fawry for Banking Technology and Electronic Payments S.A.E.
Consensed consolidated interim statement of cash flows
For the three months ended March 31, 2020

		Three months ended	
	Note	March 31, 2020	March 31, 2019
		EGP	EGP
			Restated (note 36)
Cash flows from operating activities:			
Net profit for the period before tax		49 182 362	27 954 012
Adjusted by:			
Depreciation and amortization during the period	(6-7)	20 432 575	16 951 351
Formed provisions	(22)	510 000	450 000
Net impairment in customers' loans	(13)	2 706 938	91 876
Credit interest	(32)	(14 488 429)	(18 909 362)
Share of investments in associate and joint venture's losses		1 460 700	3 750 335
Unrealized foreign currency exchange gain		(244 661)	2 764 217
Gain on sale of fixed assets		(380 262)	(1 613 257)
Finance expenses		2 917 839	3 743 538
Operating profit before changes in working capital		62 097 063	35 182 710
Changes in Working capital			
Decrease in inventory		1 519	6 286 467
(Increase) in advances to service providers		(39 716 381)	(39 960 237)
(Increase) in debtors and other debit balances		(10 771 276)	(21 651 072)
(Increase) in accounts and notes receivable		(18 536 392)	(10 977 182)
(Increase) in customers' loans, net		(39 651 135)	(4 593 806)
Decrease in due from related parties		1 758 367	2 344 047
(Decrease)/Increase in accounts and notes payable		(4 160 869)	49 008 987
Increase in accounts payable- billers		215 452 545	38 132 757
(Decrease) in merchants prepaid balances		(5 989 223)	(3 544 100)
Increase in retailer's POS security deposits		2 760 646	106 607
Increase in creditors and other credit balances		12 609 040	5 368 990
Increase/ (Decrease) in due to related parties		708 436	(5 810 794)
Proceeds from credit interest		9 621 378	18 909 362
Net cash provided from operating activities		186 183 718	68 802 736
Cash flows from investing activities			
(Payments) to acquire fixed assets		(11 614 302)	(38 799 613)
(Payments) for projects under construction		(3 799 567)	(147 826)
(Payments) to acquire intangible assets		(12 598 712)	--
Proceeds from selling fixed assets		1 124 787	1 881 819
Payments in loans to related parties		(6 000 000)	(3 677 500)
Net movement of treasury bills - more than three months		(205 897 144)	78 662 107
Net cash flows (used in) provided by investing activities		(238 784 938)	37 918 987
Cash flows from financing activities			
Non-controlling interest share from dividends distributed in subsidiaries		(27 423 773)	--
Finance expenses paid		(2 917 839)	(3 743 538)
Net cash (used in) financing activities		(30 341 612)	(3 743 538)
Net change in cash and cash equivalents during the period		(82 942 831)	102 978 185
Cash and cash equivalents at beginning of the period		620 642 024	571 868 316
Exchange rate changes on cash and cash equivalents		244 661	(2 764 217)
Cash and cash equivalents at end of the period	(15)	537 943 854	672 082 284

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.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2020

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 June 15, 2020.

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 conjunction with the consolidated annual financial statements as of 31 December 2019.

Initial application of new Egyptian Accounting Standards "EAS"

The Supreme Committee met to review the Egyptian accounting standards, and limited review and other assurance according to the decision of the Prime Minister No. 909 of 2011 in order to study the effects of Ministerial decision No. 69 of 2019 that was issued for the purpose of adding and modifying some of the Egyptian accounting standards to be applied from the beginning of the current year 2020.

According to the current circumstances that the country is going through as a result of the outbreak of the new COVID-19 and the related economic and financial implications associated with it, in addition to the implementation of preventive measures and facing the spread of imposing restrictions on the presence of human resources in companies at full capacity on a regular basis.

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, 2020

The Committee agreed to postpone the application of the new Egyptian Accounting Standards and the accompanying amendments issued by decision No. 69 mentioned above to the interim financial statements that will be issued during the year 2020 that companies apply these standards and these amendments to the annual financial statements of these companies at the end of 2020 and include all accumulated effects for the year by the end of 2020.

The committee preferred to record of the accumulated effects for the whole year to the annual financial statements, with companies' committing to disclose in their interim financial statements during 2020 about this fact and its accounting impact, if any.

4. Fixed assets - Net

	Note No.	Land	Building	Networks and Servers	Point of sales machines	Computers	Furniture and Office equipment	Leasehold Improvements	Vehicles	Tools and Equipment Super Fawry	Fawry Branches	Total
		EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost												
As of January 1, 2019 (restated)*	(36)	25 970 500	41 129 500	22 681 125	141 679 732	48 316 595	7 908 369	12 374 459	149 300	641 766	--	300 851 346
Additions during the year		--	--	34 769 344	64 105 933	3 452 843	1 326 431	357 929	--	--	3 286 435	107 298 915
Disposals		--	--	--	(6 041 373)	--	--	--	--	--	--	(6 041 373)
As of December 31, 2019		25 970 500	41 129 500	57 450 469	199 744 292	51 769 438	9 234 800	12 732 388	149 300	641 766	3 286 435	402 108 887
As of January 1, 2020		25 970 500	41 129 500	57 450 469	202 691 346	51 769 439	9 234 800	12 732 388	149 300	641 766	3 286 435	405 055 943
Additions during the period		--	--	30 987	10 147 153	924 846	363 981	--	--	--	147 335	11 614 302
Disposals		--	--	--	(1 451 388)	--	--	--	--	--	--	(1 451 388)
As of March 31, 2020		25 970 500	41 129 500	57 481 456	211 387 110	52 694 285	9 598 781	12 732 388	149 300	641 766	3 433 770	415 218 856
Accumulated depreciation												
As of January 1, 2019 (restated)*	(36)	--	2 142 162	18 524 859	77 552 873	13 323 883	3 994 150	4 683 951	134 370	621 213	--	120 977 461
Depreciation for the year		--	1 028 238	15 157 939	29 306 337	3 269 403	1 410 496	2 206 882	14 928	20 526	54 574	52 469 323
Depreciation of disposals		--	--	--	(5 237 338)	--	--	--	--	--	--	(5 237 338)
As of December 31, 2019		--	3 170 400	33 682 798	101 621 873	16 593 286	5 404 646	6 890 833	149 298	641 739	54 574	168 209 446
As of January 1, 2020		--	3 170 400	33 682 798	101 621 873	16 593 286	5 404 646	6 890 833	149 298	641 739	--	168 154 873
Depreciation for the Period		--	257 059	5 020 446	8 793 827	741 815	427 146	548 379	--	--	168 633	15 957 305
Depreciation of disposals		--	--	--	(706 863)	--	--	--	--	--	--	(706 863)
As of March 31, 2020		--	3 427 459	38 703 244	109 708 836	17 335 101	5 831 792	7 439 212	149 298	641 739	168 633	183 405 215
Net book value												
As of March 31, 2020		25 970 500	37 702 041	18 778 212	101 678 274	35 359 184	3 766 989	5 293 176	2	--	3 210 563	231 758 967
As of December 31, 2019		25 970 500	37 959 100	23 767 671	98 122 419	35 176 152	3 830 154	5 841 555	2	27	3 231 861	233 899 441

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 balance have been adjusted as of 1 January 2019 in order to reflect the initial application of EAS (49) "lease contracts" (Note no. 36)

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, 2020

5. Intangible assets – Net

Cost	Programs' license	Programs	Total
	EGP	EGP	EGP
As of January 1, 2019	19 356 463	99 334 453	118 690 916
Additions during the year	15 701 964	39 807 543	55 509 507
As of December 31, 2019	35 058 427	139 141 996	174 200 423
Additions during the period	155 000	12 443 712	12 598 712
As of March 31, 2020	35 213 427	151 585 708	186 799 135
Accumulated amortization			
As of January 1, 2019	7 183 020	28 702 906	35 885 926
Amortization for the year	3 418 884	9 514 387	12 933 270
As of December 31, 2019	10 601 904	38 217 292	48 819 197
Amortization for the period	923 748	3 551 523	4 475 270
As of March 31, 2020	11 525 652	41 768 815	53 294 467
Net Book value As of March 31, 2020	23 687 775	109 816 893	133 504 668
Net Book value, As of December 31, 2019	24 456 521	100 924 704	125 381 225

6. Projects under construction

The increase in projects under construction is mainly due to the additions in programs and licenses in the amount of EGP 3 383 752.

7. Investment in an associates

	No. of Shares	Ownership	March 31, 2020	December 31, 2019
		%	EGP	EGP
Fawry Plus for banking services	60 000 000	38%	--	--
Bosta	8 744 819	15.97%	2 012 186	3 414 051
Tazcara for Information Technology	10 000	20%	--	--
			2 012 186	3 414 051

The decrease in the item is due to the recognition of the group's share in the losses of Bosta Company by an amount of EGP 1 401 865 during the period.

8. Investment in Joint venture

	Ownership	March 31, 2020	December 31, 2019
	%	EGP	EGP
Waffarha.com (LLC)	30%	1 645 426	1 704 261
		1 645 426	1 704 261

The decrease in investment in joint venture is due to the recognition of the group's share of loss in Waffarha.com by the amount of EGP 58 835 during the period.

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, 2020

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 17 786 392 in the addition to the increase in the notes receivable by the amount of EGP 750 000.

10. Customers' loans, (net)

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
	<u>EGP</u>	<u>EGP</u>
Customers' Loan – Micro Finance	160 069 820	120 418 685
<u>Deduct:</u> Customers financing risk provision (obligatory provision)	(5 896 428)	(3 189 490)
	<u>154 173 392</u>	<u>117 229 195</u>

Net impairment in customers' loans represented as following:

	<u>Balance as of</u> <u>December 31,</u> <u>2019</u> <u>EGP</u>	<u>Net of formed</u> <u>during the</u> <u>period</u> <u>EGP</u>	<u>Balance at</u> <u>March 31,</u> <u>2019</u> <u>EGP</u>
Net Customers financing risk provision	3 189 490	2 706 938	5 896 428
	<u>3 189 490</u>	<u>2 706 938</u>	<u>5 896 428</u>

11. Debtors and other debit balances

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
	<u>EGP</u>	<u>EGP</u>
Vendors – advance payment	933 318	366 059
Prepaid expenses	11 893 933	7 283 891
Deposits with others	518 200	512 700
Withholding tax	25 734 830	24 444 197
Other debit balances	11 504 396	9 556 726
Accrued revenues	7 375 796	5 026 624
	<u>57 960 473</u>	<u>47 189 197</u>

The increase in debtors and other debit balances due to an increase in prepaid expenses by an amount of EGP 4.6 and an increase in other debit balance by an amount of EGP 1.9 Million in addition to the increase in accrued revenues by an amount of EGP 2.3 million.

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, 2020

12. Due from related party

	<u>Account type</u>	<u>March 31,</u> <u>2020</u> <u>EGP</u>	<u>December 31,</u> <u>2019</u> <u>EGP</u>
Fawry Plus for Banking Services	Current account	--	2 026 750
Bosta	Current account	7 300 970	7 300 970
Waffarha	Current account	434 059	303 576
Tazcara for Information Technology	Current account	836 773	698 873
		<u>8 571 802</u>	<u>10 330 169</u>

The following are significant related parties' transactions:

	<u>Nature of the Transaction</u>	<u>For the period ended</u> <u>March 31, 2020</u> <u>EGP</u>
Fawry Plus For Banking Services (Associate company)	Loan to related parties	6 000 000
	Cash collection cost from the related party	(6 303 491)
	Credit interest revenue from the related party	1 033 000

13. Loans to related party

The increase in the loans to related parties mainly due to the increase in the loans granted balance to Fawry Plus for Banking services Co. (associate company) by an amount of EGP 6 Million during the period.

14. Treasury Bills

	<u>March 31, 2020</u> <u>EGP</u>	<u>December 31, 2019</u> <u>EGP</u>
Treasury bills	354 000 000	249 100 000
<u>Deduct:</u>		
Unrealized interest	(24 991 075)	(7 390 075)
	<u>329 008 925</u>	<u>241 709 925</u>

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, 2020

15. Cash and cash at banks

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
	<u>EGP</u>	<u>EGP</u>
Cash	48 807 235	18 321 674
Current bank accounts – local currency	202 894 382	217 317 326
E-Acceptance transactions under settlement	20 995 047	19 905 922
Cash collecting agents	185 886 597	146 963 287
Time deposit – local currencies	10 008 767	7 526 610
Time deposit – foreign currencies	8 071 369	26 125 628
Current bank accounts – foreign currencies	1 898 499	6 501 474
Cash and cash at banks	478 561 896	442 661 921

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

	<u>March 31, 2020</u>	<u>March 31, 2019</u>
	<u>EGP</u>	<u>EGP</u>
Cash and bank balances	478 561 896	643 471 233
Treasury Bills – less than 3 months	59 381 958	28 611 051
	537 943 854	672 082 284

16. Capital

The company's authorized capital amounted to EGP 353 652 060, divided among 707 304 120 shares of par value EGP 0.5 each.

17. Deferred tax assets/(liabilities)

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
	<u>EGP</u>	<u>EGP</u>
Deferred tax assets	2 170 955	2 828 936
Deferred tax liabilities	(6 787 502)	(6 787 502)
	(4 616 547)	(3 958 566)

18. Provisions

	<u>Balance as at</u> <u>December 31, 2019</u>	<u>Formed during</u> <u>the period</u>	<u>Balance as at</u> <u>March 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Provision for claims	18 762 142	510 000	19 272 142
	18 762 142	510 000	19 272 142

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For the three months ended March 31, 2020

19. Accounts and Notes Payable

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
	<u>EGP</u>	<u>EGP</u>
Accounts payable	9 932 494	14 294 769
Notes payable	2 856 271	2 654 865
	<u>12 788 765</u>	<u>16 949 634</u>

20. Accounts payable – Billers

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
	<u>EGP</u>	<u>EGP</u>
Billers payable	556 349 383	322 148 856
Billers' Notes payable	96 471 213	115 219 195
	<u>652 820 596</u>	<u>437 368 051</u>

21. Creditors and other credit balances

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
	<u>EGP</u>	<u>EGP</u>
Accrued expenses	28 175 305	24 415 820
Accrued commissions	27 869 777	23 635 261
Unearned revenue	2 720 391	2 662 009
Health insurance contribution	3 510 694	2 656 674
Tax Authority	37 582 617	40 968 718
Social Insurance Authority	2 815 991	133 047
Under settlement transactions	11 299 741	7 509 236
Other credit balances	5 131 806	4 516 517
	<u>119 106 322</u>	<u>106 497 282</u>

The main reason behind the increase in creditors and other credit balances is the increase in accrued expenses and commissions by the amount of EGP 7.9 million that mainly represents accruals for merchants' fees and bank fees in addition to an increase of under settlement transactions by an amount of EGP 3.8.

22. Contingent liabilities

The occasional liabilities are represented in the uncovered part of the letters of guarantee issued for the benefit of some parties and entities as follows:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
	<u>EGP</u>	<u>EGP</u>
Letters of guarantee – local currency	646 444 625	485 604 625
	<u>646 444 625</u>	<u>485 604 625</u>

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For the three months ended March 31, 2020

- The letters of guarantee facilities obtained from banks amounted to EGP 761.5 million as of March 31, 2020 utilized amount from the banks facilities amounted to EGP 646.4 million in the form of issued letters of guarantee.
- Pursuant to the purchase agreement dated on October 1, 2018, if waffarha.com recognized revenue exceeds certain level of the financial year ended December 31, 2019, Fawry for Banking and Payment Technology Services shall pay prices difference for Waffarha.com old shareholders up to 150% of the first trench (Note No.10). In addition, if Waffarha.com recognized revenue exceed / less certain level of revenue for the financial year ended December 31, 2019, Fawry for Banking and Payment Technology Services shall sell / purchase certain number of quotas for Waffarha.com old shareholders up to 15 Quotas.

23. Operating revenue

Operating revenue has increased due to an increase in volume of transactions during the period ended 31 March 2020.

	<u>March 31, 2020</u>	<u>March 31, 2019</u>
	<u>EGP</u>	<u>EGP</u>
collection fees	239 575 205	173 019 728
Subscription revenues	1 586 162	707 251
Other operating revenues	959 670	3 175
Interest from microfinance activities	15 875 550	151 511
	<u>257 996 587</u>	<u>173 881 665</u>

24. Operating costs

The main reason behind the increase in operating costs is the increase of merchants' fees in the amount of EGP 28 million which corresponds to the increased volume of transactions during the period. The operating costs are represented as follows:

	<u>March 31, 2020</u>	<u>March 31, 2019</u>
	<u>EGP</u>	<u>EGP</u>
Merchants' and channel fees	100 730 484	72 611 302
Banks fees	3 812 998	3 421 278
Depreciation and amortization (Note No. 27)	7 660 562	8 031 255
Cash collection cost	6 614 823	5 986 000
Others	2 903 098	3 388 051
	<u>121 721 965</u>	<u>93 437 886</u>

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Notes to the Condensed Consolidated interim Financial Statements

For the three months ended March 31, 2020

25. 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 12.7 million, the increase in depreciation and amortization by an amount of EGP 3.8 million. In addition to the increase in outsourcing, technical support and services with an amount of EGP 2.13 million.

	<u>March 31, 2020</u>	<u>March 31, 2019</u>
	<u>EGP</u>	<u>EGP</u>
		<u>Restated note (36)</u>
Salaries and wages	21 989 249	9 244 552
Technical support and service centers	8 620 426	6 488 658
Rent expense	583 905	122 417
Depreciation and amortization expense (note 27)	12 772 013	8 904 191
Insurance expenses	2 302 518	1 751 551
Headquarter expense	1 469 834	1 009 032
Human resources and training expenses	797 297	159 398
Travelling expenses	479 833	6 261 397
Professional fees	3 232 113	465 078
Other	3 875 999	2 372 324
	<u>56 123 187</u>	<u>36 778 598</u>

26. Selling and marketing expenses

The main reason for the increase in selling and distribution expenses is the increase of the salaries by the amount of EGP 4 924 328, the increase in selling and marketing commission by an amount of 5 430 461. In addition to the increase of marketing and advertising expenses by an amount of EGP 2 682 391 during the period.

	<u>March 31, 2020</u>	<u>March 31, 2019</u>
	<u>EGP</u>	<u>EGP</u>
Salaries	18 919 325	13 994 997
Selling and marketing commissions	12 350 208	6 919 747
Marketing and advertising expenses	7 035 693	4 353 302
	<u>38 305 226</u>	<u>25 268 046</u>

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Notes to the Condensed Consolidated interim Financial Statements

For the three months ended March 31, 2020

27. Depreciation and amortization

The depreciation and amortization for the period amounting to 20 432 575 EGP was charged to the statement of profits and losses represented in 15 957 305 EGP representing the depreciation of fixed assets Note No. (4) And an amount of 4 475 270 EGP represents the consumption of intangible assets Note No. (5) As follows:

	<u>March 31, 2020</u>	<u>March 31, 2019</u>
	<u>EGP</u>	<u>EGP</u>
Operating costs	7 660 562	8 031 255
General and administrative expenses	12 772 013	8 904 191
	<u>20 432 775</u>	<u>16 935 446</u>

28. Credit interest

	<u>March 31, 2020</u>	<u>March 31, 2019</u>
	<u>EGP</u>	<u>EGP</u>
Credit interest - current accounts	3 283 351	5 989 685
Credit interest - treasury bills	9 971 486	12 250 924
Credit interest - time deposits	200 592	--
Credit interest - loans to related parties	1 033 000	668 753
	<u>14 488 429</u>	<u>18 909 362</u>

29. Group's share of (losses)/profit of investment in associates and joint venture entities

	<u>March 31, 2020</u>	<u>March 31, 2019</u>
	<u>EGP</u>	<u>EGP</u>
Fawry Plus For Banking Services	--	(3 812 643)
Waffarha.com	(58 835)	95 874
Bosta Inc. Delaware	(1 401 865)	--
Tazcara for Information Technology	--	(33 566)
	<u>(1 460 700)</u>	<u>(3 750 235)</u>

30. Earnings per share

Earnings per share are calculated by dividing the net profit for the period for the parent company by the average number of shares during the period.

	<u>March 31, 2020</u>	<u>March 31, 2019</u>
	<u>EGP</u>	<u>EGP</u>
Net profit for the period for the parent company	30 926 734	16 478 025
Average number of shares during the period	707 304 120	737 304 120
	<u>0.04</u>	<u>0.02</u>

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, 2020

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 2012

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

The years from 2013 until 2014

- The Company was notified with Form No. (19) And an appeal was filed on the required dates and the company's records are currently under inspection based on an actual basis.

The years from 2015 until 2019

- Tax return were filed on the required dates and due taxes were settled. The company was not notified by the tax inspection until the date of the financial statements.

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 2019

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 2019

- 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 years from 2018 until 31 December 2019

- The company's records were not inspected.

Withholding tax

- The company's records were not inspected.

32. Significant events during the period

During the first quarter of 2020, the world exposed to the spread of the Corona virus (COVID-19), as this virus was characterized by its rapid spread all over the world, until the World Health Organization declared a health emergency, on January 30, 2020, and the declaration of the virus as a global pandemic on March 11, 2020. The spread of this virus had a negative impact on the economies of many countries, which was reflected on the performance of financial markets and the volume of global trade.

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, 2020

On March 19, 2020, international air flights was suspended, and on March 25, 2020, the Egyptian government imposed a two-week curfew and extended it for more two weeks, which had negative impact on Egyptian economy.

The company conducted a study to assess the potential risks related to the company's ability to provide electronic payment services through various payment channels provided by the Company, human resources, in order to ensure the continuing of company's activities without any interruption, and the company's management concluded that it was not expected to have a substantial negative impact on its business and operations. Accordingly, the first quarter of the current financial year witnessed an increase in demand for electronic payments services as a result of the measures were taken by the Egyptian government and the Central Bank of Egypt to encourage the use of various electronic payment methods which are reflected on the company's revenue in the first quarter for the current year.

The management is monitoring the situation closely and evaluating its impact on the company's activities on a continuous basis in anticipation of any developments that may result in negative effects of this pandemic, enabling the company to modify the necessary plans to address possible negative effects, if any.

33. Subsequent events

On April 8, 2020 - The Egyptian Government has officially announced a curfew across the Republic from 8 p.m. to 6 a.m. and excluded from the implementation of the first article of this decision, concerning the curfew, the service of international information network and communications network operators, electronic procurement applications and ATM cards, all delivery of services, beverages and goods to customers, whether demand through electronic applications or other, and all employees in these sectors with adhering to all necessary medical precautions.

On May 31, 2020, the Company's Ordinary General Assembly decided to distribute EGP 9.6 Million to employees and distribute EGP 100 Million to shareholders in the form of free shares.

34. Legal position

During the third quarter of 2019, a company filed a lawsuit against Fawry Banking and payment technology services "the company" to pay amount of EGP 30 million for the contract dues from year 2015 to 30 June 2019 in addition the legal accrued interest on this amount and according to that, the company did not took place any transactions related to this the aforementioned contract, the company and the company's external legal advisor opinion regarding this case is likely to be favored of Fawry Banking and payments technology services without any financial liabilities on the company as a result of this case.

35. Comparative figures:

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

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, 2020

36. The effect of the initial application of EAS 49 (Lease Contracts)

Certain figures of comparative opening balances in the prior year financial statements as of January 1, 2019 have been adjusted to reflect the effect of the initial application of EAS (49) "Lease contracts". on the contracts that are subject to Law no. 95 for the year 1992 which were previously accounted for in accordance with EAS no. 20 only.

The following is a summary of the effect on the previously issued financial statements for the financial periods ended March 31, 2019 and the opening balances on January 1, 2019:

EGP	Before Adjustment January 1, 2019	After adjustment January 1, 2019	Adjustment effect
Statement of financial position			
Fixed assets (Net)	114 916 044	179 873 883	64 957 839
Prepaid rent expense - Finance lease.	21 014 396	--	(21 014 396)
Retained earnings	46 678 447	61 142 292	(14 463 845)
Finance lease liabilities	--	(25 395 406)	(25 394 406)
Deferred tax liabilities	--	(4 085 192)	(4 085 192)

EGP	Before Adjustment March 31, 2019	After adjustment March 31, 2019	Adjustment effect
Statement of Financial Position			
Fixed assets (Net)	117 655 403	182 356 182	64 700 779
Prepaid rent expense - Finance lease.	19 355 365	--	(19 355 365)
Retained earnings	99 761 128	114 224 973	(14 463 845)
Net profit for the period	17 595 267	20 907 974	(3 312 707)
Finance lease liabilities	--	(23 483 670)	(23 483 670)
Deferred tax liabilities	--	4 287 522	(4 085 192)

Income Statement

General and administrative expenses	41 416 173	36 778 598	(4 637 575)
Finance costs	2 418 670	3 743 538	1 324 868
Net profit for the period after tax	17 595 267	20 907 974	3 312 707

Chief Financial Officer**Abdel Meguid Afifi****Chief Executive Officer****Ashraf Sabry****Chairman****Saifullah Coutry**