

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

**Condensed Consolidated Interim Financial Statements
For the six months ended June 30, 2021
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 June 30, 2021 and the related consolidated interim statements of profit or loss, 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 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 June 30, 2021, 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 – August 15, 2021.



Fawry for Banking Technology and Electronic Payments S.A.E.
Condensed consolidated interim statement of financial position
As of June 30, 2021

	<u>Note No.</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>
		<u>EGP</u>	<u>EGP</u>
Assets			
Non-current assets			
Fixed assets (net)	(4)	234 182 973	249 779 641
Goodwill	(7)	48 846 790	--
Intangible assets (net)	(5)	218 532 845	169 386 163
Projects under construction	(6)	28 260 397	11 889 489
Micro finance loans (net)	(12)	74 275 625	46 330 308
Investments in associates	(8)	3 970 541	6 549 557
Investments in joint ventures	(9)	1 049 343	1 188 993
Financial investments at fair value through OCI	(17)	31 416 676	--
Right of use assets	(42)	59 237 481	--
Total non-current assets		699 772 671	485 124 151
Current assets			
Inventories	(11)	986 209	4 894 389
Accounts and notes receivable	(10)	66 557 094	53 471 408
Micro finance loans (net)	(12)	246 958 389	204 907 574
Advances to service providers		491 907 050	385 426 890
Debtors and other debit balances	(13)	67 010 945	67 809 063
Due from related parties	(14)	4 577 154	6 212 787
Loans to related parties		--	37 602 912
Treasury Bills	(15)	991 343 011	562 333 838
Cash and cash at banks	(16)	1 046 566 980	623 737 310
Total current assets		2 915 906 832	1 946 396 171
Total assets		3 615 679 503	2 431 520 322
Equity and Liabilities			
Equity			
Issued and paid-up capital	(18)	853 652 060	353 652 060
Legal reserve		47 129 042	37 799 312
Reserve for employee stock ownership plan (ESOP)	(44)	13 362 204	--
Retained amount from retained earnings for capital increase	(18)	--	100 000 000
Combination reserve		11 745 574	5 841 596
Compulsory reserve for EAS 47 Application Risk		2 612 539	2 612 539
Retained earnings		353 495 962	268 270 884
Total equity for the owners of the Parent Company		1 281 997 381	768 176 391
Non controlling interest		39 044 593	28 727 823
Total equity		1 321 041 974	796 904 214
Non-Current liabilities			
Deferred Tax Liability	(19)	15 938 056	5 729 739
Long term loans	(43)	168 225 000	--
Lease Liabilities		49 157 531	--
Total non current liabilities		233 320 587	5 729 739
Current liabilities			
Provision	(20)	22 552 229	20 802 142
Banks facilities - overdraft	(21)	296 519 181	222 983 552
Accounts and notes payable	(22)	19 167 212	29 251 646
Accounts and notes payable- billers	(23)	1 141 135 192	770 253 418
Merchants advances		329 431 064	353 441 286
Retailer's POS security deposits		52 247 869	38 982 402
Creditors and other credit balances	(24)	164 439 835	137 044 872
Lease Liabilities		13 181 243	--
Current income tax		22 643 117	56 127 050
Total current liabilities		2 061 316 942	1 628 886 368
Total equity and liabilities		3 615 679 503	2 431 520 322

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

M.A.
Chief Financial Officer
Abdel Meguid Afifi

Chief Executive Officer
Ashraf Sabry

Chairman
Saifullah Coutry

Auditor's limited review report attached.

Fawry for Banking Technology and Electronic Payments S.A.E.**Condensed consolidated interim statement of Profit or Loss****For the Six-months period ended June 30, 2021**

Note No.

		<u>Six-months period ended</u>		<u>Three-months period ended</u>	
		<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
		<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Operating revenues	(26)	742 560 433	549 265 841	393 568 723	291 269 254
Less:					
Operating costs	(27)	(327 380 165)	(252 551 034)	(172 529 751)	(130 829 069)
Gross margin		415 180 268	296 714 807	221 038 972	160 440 185
Add (Less):					
General and administrative expenses	(28)	(178 581 694)	(113 929 450)	(98 033 275)	(57 806 263)
Board of Directors allowances		(1 437 067)	(405 000)	(1 045 000)	(277 500)
Selling and marketing expenses	(29)	(124 187 574)	(86 309 638)	(65 587 584)	(48 004 412)
Social contribution for Health and insurance		(2 477 744)	(1 744 313)	(1 442 361)	(890 294)
Provisions formed	(20)	(1 750 087)	(1 020 000)	(1 000 087)	(510 000)
Net impairment loss on customers' loans	(12)	(6 818 904)	(2 625 141)	(3 859 536)	81 797
Net gain from incentives of spreading pos points of CBE initiative	(41)	21 725 295	--	--	--
Gain on sale of fixed assets		3 144 919	563 142	1 237 286	182 880
Other revenues		601 947	1 379 591	373 511	579 794
Operating profit		125 399 359	92 623 998	51 681 926	53 796 187
Credit interest	(30)	52 764 004	28 460 182	29 471 233	13 971 753
Finance costs		(12 758 795)	(6 877 906)	(7 169 205)	(3 960 067)
Lease interest expense		(4 086 311)	--	(2 020 954)	--
Share of losses on investment in associates	(32)	(2 718 666)	(2 265 519)	(1 706 934)	(804 819)
The change from investment in associate to investment in subsidiaries		22 800 000	--	--	--
Foreign currency exchange gain		93 975	289 391	17 036	44 730
Other expenses		(2 600 000)	--	(2 600 000)	--
Profit for the period before tax		178 893 566	112 230 146	67 673 102	63 047 784
Current income tax		(31 534 978)	(25 139 931)	(11 317 296)	(14 644 450)
Deferred tax		(10 208 317)	(1 116 115)	(5 002 981)	(476 828)
Net profit for the period after tax		137 150 271	85 974 100	51 352 825	47 926 506
Distributed as follows:					
Net profit for the shareholders of the parent Company		113 300 772	70 462 616	37 154 945	39 535 882
Net profit for the non-controlling interest		23 849 499	15 511 484	14 197 880	8 390 624
Net profit for the period after tax		137 150 271	85 974 100	51 352 825	47 926 506
Earnings per share (EGP/share)	(34)	0.12	0.08	0.04	0.04

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

Chief Financial Officer
Abdel Meguid AfifiChief Executive Officer
Ashraf SabryChairman
Saifullah Coutry

Fawry for Banking Technology and Electronic Payments S.A.E.
Condensed consolidated interim statement of comprehensive income
For the Six-months period ended June 30, 2021

	<u>Six-months period ended</u>		<u>Three months ended</u>	
	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Net profit for the period	137 150 271	85 974 100	51 352 825	47 926 506
Other comprehensive income	--	--	--	--
Total other comprehensive income	--	--	--	--
Total comprehensive income for the period	137 150 271	85 974 100	51 352 825	47 926 506
Distributed as follows:				
Comprehensive income for the parent Company	113 300 772	70 462 616	37 154 945	39 535 882
Comprehensive income for the non controlling interest	23 849 499	15 511 484	14 197 880	8 390 624
Total comprehensive income for the period	137 150 271	85 974 100	51 352 825	47 926 506

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

Fawry for Banking Technology and Electronic Payments S.A.E.
Condensed consolidated interim statement of changes in equity
For the six-months period ended June 30, 2021

Note No.	Issued and paid up capital	Legal reserve	Reserve for employee stock ownership plan (ESOP)	Retained amount from retained earnings for capital increase	Combination reserve	Compulsory reserve for EAS 47 Application Risk	Retained earnings	Total equity of the parent	Non controlling interest	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Balance as of January 1, 2020	353 652 060	32 465 079	--	--	5 841 596	--	201 317 499	593 276 234	33 648 419	626 924 653
Comprehensive income items										
Net profit for the period	--	--	--	--	--	--	70 462 616	70 462 616	15 511 484	85 974 100
Total comprehensive income (restated)	--	--	--	--	--	--	70 462 616	70 462 616	15 511 484	85 974 100
The Company's shareholders transactions										
Transferred to retained earnings and legal reserve	--	5 334 233	--	--	--	--	(5 334 233)	(10 272 800)	--	(10 272 800)
Dividend distribution	--	--	--	--	--	--	--	--	--	--
Non-controlling interest share from dividends distributed in subsidiaries	--	5 334 233	--	--	--	--	(15 607 033)	(10 272 800)	(27 423 773)	(27 423 773)
Total company's shareholders transactions	--	37 799 312	--	--	5 841 596	--	256 173 062	653 466 050	21 736 130	675 202 180
Balance as of June 30, 2020	353 652 060	37 799 312	--	100 000 000	5 841 596	2 612 539	268 270 884	768 176 391	28 727 823	796 904 214
Balance as of January 1, 2021	--	--	--	--	--	--	--	--	--	--
Comprehensive income items										
Net profit for the period	--	--	--	--	--	--	113 300 772	113 300 772	23 849 499	137 150 271
Total comprehensive income	--	--	--	--	--	--	113 300 772	113 300 772	23 849 499	137 150 271
The company's shareholders transactions										
Transferred to retained earnings and legal reserve	--	9 329 730	--	--	--	--	(9 329 730)	--	--	--
Reserve for employee stock ownership plan (ESOP)	--	--	13 362 204	--	--	--	--	13 362 204	--	13 362 204
Retained amount from retained earnings for capital increase	100 000 000	--	--	(100 000 000)	--	--	--	--	--	--
Capital increase	400 000 000	--	--	--	--	--	--	400 000 000	--	400 000 000
Additions on combination reserve	--	--	--	--	5 903 978	--	--	5 903 978	776 022	6 680 000
Dividend distribution	--	--	--	--	--	--	(18 745 967)	(18 745 967)	--	(18 745 967)
Non-controlling interest share from dividends distributed in subsidiaries	--	--	--	--	--	--	--	--	(19 586 048)	(19 586 048)
Non-controlling interest share from the acquisition of subsidiaries	--	--	--	--	--	--	--	--	5 277 297	5 277 297
Total Company's shareholders transactions	500 000 000	9 329 730	13 362 204	(100 000 000)	5 903 978	--	(28 075 697)	400 520 215	(13 532 729)	386 987 486
Balance as of June 30, 2021	853 652 060	47 129 042	13 362 204	--	11 745 574	2 612 539	353 495 962	1 281 997 378	39 044 593	1 321 041 974

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

Fawry for Banking Technology and Electronic Payments S.A.E.
Condensed consolidated interim statement of cash flows
For the Six-months period ended June 30, 2021

	<u>Note No</u>	<u>Six-months period ended</u> <u>June 30, 2021</u> <u>EGP</u>	<u>June 30, 2020</u> <u>EGP</u>
Cash flows from operating activities:			
Net profit for the period before tax		178 893 566	112 230 146
Adjusted by:			
Depreciation and amortization	(31)	59 946 358	41 407 838
Provisions formed	(20)	1 750 087	1 020 000
Net impairment loss on customers' loans	(12)	6 818 904	2 625 141
ESOP expense		13 362 204	--
Credit interest		(52 764 004)	(28 460 182)
Net gain from incentives of spreading pos points of CBE initiative		(21 725 295)	--
Share of investments in associate and joint venture's losses	(32)	2 718 666	2 265 519
The change from investment in associate to investment in subsidiaries	(35)	(22 800 000)	--
Unrealized foreign currency exchange difference		(93 975)	(289 391)
Gain on sale of fixed assets		(3 144 919)	(563 142)
Finance expenses		12 758 795	6 877 906
Operating profit before changes in working capital		175 720 388	137 113 835
Changes in Working capital			
(Increase)/decrease in inventories		3 908 180	3 797
(Increase) in advances to service providers		(106 480 160)	(201 999 738)
(Increase) in debtors and other debit balances		9 190 346	(8 272 608)
(Increase) in accounts and notes receivable		(7 399 685)	(52 295 589)
(Increase) in customers' loans, net		(76 815 036)	(58 577 090)
Decrease (increase) in due from related parties		7 894 440	(7 677 846)
Increase (decrease) in accounts and notes payable		(10 084 434)	479 672
Increase in accounts payable- billers		367 061 690	340 169 633
(Decrease) Increase in merchants prepaid balances		(40 387 405)	30 687 187
Increase in retailer's POS security deposits		13 265 467	3 502 795
Increase in creditors and other credit balances		(39 231 581)	14 371 877
		296 642 210	197 505 925
Income tax paid		(30 910 068)	(19 436 935)
Proceeds from credit interest		52 764 004	28 460 182
Net cash provided from operating activities		318 496 146	206 529 172
Cash flows from investing activities			
(Payments) for fixed assets acquisition		(58 346 095)	(21 080 858)
(Payments) for projects under construction		(16 370 908)	(2 566 214)
(Payments) to acquire intangible assets		(60 873 442)	(30 244 232)
Proceeds from sale of fixed assets		9 726 631	1 175 059
Proceeds from incentives of spreading pos points of CBE initiative		68 206 579	--
Payments for investments at fair value through OCI statement		(31 416 676)	--
Proceeds from sale of subsidiaries shares		6 674 157	--
Net movement of cash from acquisition of subsidiaries	(35)	(6 138 341)	--
Proceeds/(Payments) of loans to related parties		37 602 912	(10 000 000)
Net movement of treasury bills - more than three months		(429 009 173)	(202 331 369)
Net cash flows (used in) investing activities		(479 944 356)	(265 047 614)
Cash flows from financing activities			
Proceeds from capital increase		400 000 000	--
Payments of dividend distribution		(38 332 015)	(37 696 573)
Proceeds from loans		168 225 000	--
Proceeds from bank facilities		73 535 629	23 292 111
Payments of lease liability		(6 485 913)	--
Finance expenses paid		(12 758 795)	(6 877 906)
Net cash (used in) financing activities		584 183 906	(21 282 368)
Net change in cash and cash equivalents during the period		422 735 695	(79 800 810)
Cash and cash equivalents at beginning of the period		623 737 310	620 642 024
Exchange rate changes on cash and cash equivalents		93 975	289 391
Cash and cash equivalents at end of the period	(16)	1 046 566 980	541 130 605

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

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

Notes to the Condensed Consolidated interim Financial Statements

For the Six months ended June 30, 2021

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 authorized for issuance at the Board of Directors meeting held on August 15, 2021.

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 that 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 2020.

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 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.

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.

A decree was issued by the Prime Minister No. 1871 of 2020 to postpone the application of the following Egyptian accounting standards: Standard (47) - Financial Instruments, Standard (48) - Revenue from Contracts with Clients and Standard (49) - Lease Contracts To be applied to financial statements issued for periods starting from or after January 1, 2021.

On May 9, 2021, the Committee agreed to postpone the application of the Egyptian Accounting Standard (47) - Financial Instruments until the end of the year ending December 31, 2021.

1.1.1. Initial application of new Egyptian Accounting Standards "EAS"

Summary of the most important amendments

The new Egyptian Accounting Standard No. (47), "Financial Instruments", supersedes the corresponding related issues included in the Egyptian Accounting Standard No. (26), "Financial Instruments: Recognition and Measurement". Accordingly, Egyptian Accounting Standard No. 26 was amended and reissued after cancelling the paragraphs pertaining to the issues addressed in the new Standard No. (47) and the scope of the amended Standard No. (26) Was specified and intended to deal only with limited cases of Hedge Accounting according to the choice of the enterprise.

1. Pursuant to the requirements of the Standard, financial assets are classified based on their subsequent measurement whether at amortized cost, or fair value through other comprehensive income or at fair value through profit or loss, in accordance with the enterprise business model for managing financial assets and the contractual cash flow characteristics of the financial asset.
2. When measuring the impairment of financial assets the Incurred Loss Model is replaced by the Expected Credit Loss (ECL) Models, which requires measuring the impairment of all financial assets measured at amortized cost and financial instruments measured at fair value through other comprehensive income from their initial recognition date regardless whether there is any indication of the occurrence of loss event.
3. based on the requirements of this standard the following standards were amended :
 - Egyptian Accounting Standard No. (1) "Presentation of Financial Statements" as amended in 2019.
 - Egyptian Accounting Standard No. (4) "Statement of Cash Flows".
 - Egyptian Accounting Standard No. (25) "Financial Instruments: Presentation.
 - Egyptian Accounting Standard No. (26) "Financial Instruments: Recognition and Measurement".
 - Egyptian Accounting Standard - EAS No. (40) - "Financial Instruments: Disclosures "

On 9 May 2021 The Committee agreed to postpone the application of EAS (47) – financial instruments till the end of the financial year 31 December 2021.

1.1.2. The new Egyptian Accounting Standard No. (48) "Revenue from contracts with customers"

Summary of the most important amendments

The value of the revenue is measured at fair value to the amount received or due to the establishment after excluding any amounts collected for the account of other parties or entities such as VAT, withholding taxes, as well as any commercial discount or quantity discount permitted by the enterprise.

The application of the new accounting standard will have no effect on the amount or timing of the recognition of revenues recognized in accordance with the requirements of IAS 48, where the use of the amendment was approved retroactively while demonstrating the cumulative effect of the initial application of this standard, and the results of the previous year were not adjusted.

The basic principle of Egyptian Accounting Standard 48 is that the recognition of revenue from contracts with customers must reflect:

- The rate at which performance obligations are met, corresponding to the transfer of control of a commodity or service to the customer.
- The amount the seller expects to receive for its activities.
- The way in which control of a commodity or service is transferred is crucial, as this conversion determines the recognition of revenue.
- Control of a commodity or service may be transferred continuously (revenues on the basis of progress) or on a specific date (recognition upon completion)

Potential impact on financial statements

Management implemented the application during the first quarter of 2021 and there is no substantial impact on the company's financial statements.

1.1.3. The new Egyptian Accounting Standard No. (49) "Lease Contracts"

Summary of the most important amendments

- 1- This new accounting standard shall supersede and revoke Standard No. (20)," Accounting Rules and Standards related to Financial Leasing" issued in 2015.
- 2- The Standard introduces a single accounting model for the lessor and the lessee where the lessee recognizes the usufruct of the leased asset as part of the company's assets and recognizes a liability that represents the present value of the unpaid lease payments under the company's liabilities, taking into account that the lease contracts are not classified in respect of the lessee as operating or finance lease contracts.
- 3- As for the lessor, he shall classify each lease contract either as an operating lease or a finance lease contract.
- 4- As for the finance lease, the lessor must recognize the assets held under a finance lease contract in the Statement of Financial Position and present them as amounts receivable with an amount equivalent to the amount of the net investment in the lease contract.
- 5- As for operating leases, the lessor must recognize the lease payments of operating lease contracts as income either based on the straight-line method or based on any other regular basis.

The date of implementation

EAS 49 will be applied to financial periods starting on or after January 1, 2021 and allows with early adoption if Egyptian accounting standard (48) "Revenue from contracts with customers" is applied at the same time.

With the exception of the date of the above, Standard 49 applies to leases that were subject to the Financial Leasing Act No. 95 of 1995 - and its amendments were processed in accordance with Egyptian Accounting Standard No. (20) "Accounting rules and standards relating to financing leases", as well as contracts Financing leasing, which arises under the Regulation of Financing Leasing and Privatization Act No. 176 of 2018, from the beginning of the annual reporting period in which Law No. 95 of 95 was repealed and Law No. 176 of 2018 was repealed. In accordance with the decision of the Minister of Investment and Cooperation No. (69) for 2019 on amending the provisions of Egyptian accounting standards, leasing companies and tenants under the financing leases of non-banking financial companies and companies with papers on the Egyptian Stock Exchange must apply the standard of financing leases on a date Its purpose is 30 September 2019, taking into account the obligation to disclose the accounting impact of applying the standard to financial statements issued from 1 January 2019 until the end of each financial period for which financial lists are prepared.

1.1.4. Share-based payments

The company introduced Employees Share Ownership Plan (ESOP) program in accordance with the shareholders' approval at the extraordinary general assembly meeting on February 22, 2021. The Company assessed the program as an equity-settled, share-based compensation plan. The fair value of equity instruments recognized for provided services from employees in exchange of granting free shares or allocated shares is recognized in the employees' related costs in the income statement, the total amount to be recognized as expenses over the vesting period will be determined by reference to the fair value of the granted equity instruments, taking into consideration the modification of that fair value with the terms and conditions on which the instruments will be issued, and the effect of the revisions to the initial estimates, if any, is recognized in the income statement with a corresponding settlement of equity over the remaining vesting period. Net proceeds to be received from employees after deducting any direct transaction costs are added to the capital (at nominal value) and the share premium account when the granted shares to the employees are exercised.

4. Fixed assets - Net

Cost	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	Cash counting Machines	Total
		EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
As of January 1, 2020		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
Additions during the year		--	--	1 426 991	115 301 026	5 286 852	2 511 115	143 131	--	--	1 474 916	--	126 144 031
Disposals		--	--	--	(46 787 006)	--	--	--	--	--	--	--	(46 787 006)
As of December 31, 2020		25 970 500	41 129 500	58 877 460	268 258 312	57 056 290	11 745 915	12 875 519	149 300	641 766	4 761 351	--	481 465 913
As of January 1, 2021		25 970 500	41 129 500	58 877 460	268 258 312	57 056 290	11 745 915	12 875 519	149 300	641 766	4 761 351	--	481 465 913
The effect of acquisition of subsidiary	(35)	--	--	--	--	429 225	1 337 581	13 357 586	--	1 782 773	--	--	17 713 402
Additions during the period		--	--	1 324 149	44 025 665	5 441 108	898 959	22 245	--	98 369	6 272 443	263 157	58 346 095
Disposals*		--	--	--	(59 183 007)	--	--	--	--	(192 000)	--	--	(59 375 007)
As of June 30, 2021		25 970 500	41 129 500	60 201 609	253 100 970	62 926 623	13 982 455	26 255 350	149 300	2 330 908	11 033 794	1 069 394	498 150 404
Accumulated depreciation													
As of January 1, 2020		--	3 170 400	33 682 798	101 621 871	16 593 286	5 404 646	6 890 833	149 298	641 739	54 576	--	168 209 447
Depreciation for the year		--	1 028 238	9 944 345	40 037 461	12 972 362	1 694 547	2 195 248	--	--	714 929	--	68 587 130
Depreciation of disposals		--	--	--	(5 110 304)	--	--	--	--	--	--	--	(5 110 304)
As of December 31, 2020		--	4 198 638	43 627 143	136 549 028	29 565 648	7 099 193	9 086 081	149 298	641 739	769 505	--	231 686 273
As of January 1, 2021		--	4 198 638	43 627 143	136 549 028	29 565 648	7 099 193	9 086 081	149 298	641 739	769 505	--	231 686 273
Depreciation for the Period		--	514 119	9 189 281	19 707 671	2 758 429	1 211 804	4 270 859	--	106 792	619 715	214 499	38 593 168
Depreciation of disposals		--	--	--	(6 312 011)	--	--	--	--	--	--	--	(6 312 011)
As of June 30, 2021		--	4 712 757	52 816 424	149 944 687	32 324 077	8 310 997	13 356 940	149 298	748 531	1 389 220	214 499	263 967 430
Net book value													
As of June 30, 2021		25 970 500	36 416 743	7 385 185	103 156 282	30 602 546	5 671 458	12 898 410	2	1 582 377	9 644 575	854 895	234 182 973
As of December 31, 2020		25 970 500	36 930 862	15 250 317	131 709 284	27 490 642	4 846 722	3 789 438	2	27	3 991 846	--	249 779 641

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.

*Disposals include points of sale deployed under the central bank's initiative, Note (41).

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

Notes to the Condensed Consolidated interim Financial Statements

For the Six months ended June 30, 2021

5. Intangible assets – Net

<u>Cost</u>	<u>Software license</u> <u>EGP</u>	<u>Programs</u> <u>EGP</u>	<u>Total</u> <u>EGP</u>
As of January 1, 2020	35 058 427	139 141 995	174 200 422
Additions during the year	3 974 224	59 835 613	63 809 837
As of December 31, 2020	39 032 651	198 977 608	238 010 259
Additions during the period	10 201 742	50 710 923	60 912 665
As of June 30, 2021	49 234 393	249 688 531	298 922 924
<u>Accumulated amortization</u>			
As of January 1, 2020	10 601 905	38 217 292	48 819 197
Amortization for the year	4 275 033	15 529 867	19 804 899
As of December 31, 2020	14 876 938	53 747 158	68 624 096
Amortization for the period	1 268 642	10 497 341	11 765 983
As of June 30, 2021	16 145 580	64 244 500	80 390 079
Net Book value As of June 30, 2021	33 088 813	185 444 032	218 532 845
Net Book value, As of December 31, 2020	24 155 713	145 230 450	169 386 163

6. Projects under construction

The increase in projects under construction is mainly due to the additions in programs and software licenses by the amount of EGP 16.3.

7. Goodwill

In the first quarter of 2021, the group's management has a control of Fawry Plus Banking Services S.A.E. The amount of Goodwill has been measured and determined applying provisional fair values (Note No. 35).

	<u>June 30, 2021</u> <u>EGP</u>	<u>December 31, 2020</u> <u>EGP</u>
Balance at the beginning	--	--
Goodwill from acquisition of a subsidiary	48 846 790	--
	48 846 790	--

8. Investment in an associate

<u>Description</u>	<u>No. of</u> <u>Shares</u>	<u>Ownership</u> <u>%</u>	<u>June 30,</u> <u>2021</u> <u>EGP</u>	<u>December 31,</u> <u>2020</u> <u>EGP</u>
Bosta	8 744 819	15.97%	3 970 541	6 549 557
Tazcara for Information Technology	10 000	20%	--	--
Fawry Plus for banking services (*)	60 000 000	38%	--	--
			3 970 541	6 549 557

(*) As a result of the acquisition which took place during the first quarter of year 2021 the investee was transferred from investments in associates to investments in subsidiaries (Note no. 35).

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

Notes to the Condensed Consolidated Interim Financial Statements

For the Six months ended June 30, 2021

9. Investment in Joint venture

	<u>Ownership</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>
		<u>EGP</u>	<u>EGP</u>
Waffarha.com (LLC)	30%	1 049 343	1 188 993
		1 049 343	1 188 993

10. Accounts and notes receivable

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Accounts receivables - Billers and banks	65 431 882	52 346 196
Notes receivables	1 125 212	1 125 212
	66 557 094	53 471 408

11. Inventories

This decrease in inventories is due to decrease in Fawry Integrated Systems inventories - (a subsidiary company) by EGP 3.9 million that's mainly represent POS Machines.

12. Micro finance loans, (net)

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Loans to customers - Short term	258 797 952	213 508 450
Less: Customers financing risk provision (Compulsory provision)	(11 839 563)	(8 600 876)
Loans to customers - short term (net)	246 958 389	204 907 574
Loans to customers - Long term	80 492 813	48 967 280
Less: Customers financing risk provision (Compulsory provision)	(6 217 188)	(2 636 972)
Loans to customers - Long term (net)	74 275 625	46 330 308
	321 234 014	251 237 882

Micro finance risk provision represented as following:

	<u>Balance as of</u>	<u>Net of formed</u>	<u>Balance at</u>
	<u>December 31,</u>	<u>during the period</u>	<u>June 30,</u>
	<u>2020</u>		<u>2021</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Micro finance risk provision	11 237 848	6 818 902	18 056 751
(Compulsory provision) - net	11 237 848	6 818 902	18 056 751

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

Notes to the Condensed Consolidated interim Financial Statements

For the Six months ended June 30, 2021

13. Debtors and other debit balances

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Vendors- advance payments	5 951 966	2 616 921
Prepaid expenses	17 219 162	9 540 314
Deposits with others	968 552	566 200
Withholding tax	5 380 031	28 693 567
Other debit balances	19 578 115	18 725 222
Accrued interest – Microfinance portfolio	8 458 428	3 967 299
Accrued Revenue	9 454 691	3 699 539
	<u>67 010 945</u>	<u>67 809 063</u>

The increase in debtors and other debit balances due to the increase in Vendors – advance payments balance by an amount of EGPM 3.335 also the increase in prepaid expenses balance by an amount of EGPM 7.679, Increase in accrued revenue balance by an amount of EGPM 5.755 and decrease in withholding tax balance by an amount of EGPM 23.313.

14. Due from related party

<u>Description</u>	<u>Nature</u>	<u>Account type</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>
			<u>EGP</u>	<u>EGP</u>
Fawry Plus for Banking Services	Subsidiary	Current account	--	4 781 474
Waffarha	associate	Current account	220 211	220 211
Tazcara for Information Technology	associate	Current account	1 356 943	1 211 102
Al Alameya for consultations & information system (ISIS)	Mutual party	Current account	3 000 000	--
			<u>4 577 154</u>	<u>6 212 787</u>

15. Treasury Bills

	<u>June 30, 2020</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Treasury bills	1 072 823 840	565 900 690
<u>Deduct:</u>		
Unrealized interest	(81 480 829)	(3 566 852)
	<u>991 343 011</u>	<u>562 333 838</u>

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

Notes to the Condensed Consolidated interim Financial Statements

For the Six months ended June 30, 2021

16. Cash and bank balances

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Cash	87 951 149	--
Current accounts at banks – local currency	265 804 712	125 758 156
E-Acceptance transactions under settlement	44 409 981	18 674 737
Cash collections - agents	433 837 276	376 239 906
Time deposit – local currency	195 522 750	90 074 795
Time deposit – foreign currency	15 113 746	7 957 107
Current accounts at banks – foreign currency	3 927 366	5 032 609
Cash and cash and bank balances	1 046 566 980	623 737 310

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Cash and bank balances	1 046 566 980	623 737 310
Treasury Bills – less than 3 months	--	--
	1 046 566 980	623 737 310

17. Investments at fair value through OCI

<u>Company Name</u>	<u>No. of shares</u>	<u>% of share</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>
			<u>EGP</u>	<u>EGP</u>
El Menus Co.	105 263	1%	15 716 676	--
Birimore Co. *		1%	15 700 000	--
			31 416 676	--

As part of the company's plans to expand in the fintech segment, the company acquired non-controlling stakes in two companies operating in the field of financial technology and are recognized in investments at fair value through comprehensive income.

* The necessary procedures are being completed to acquire 1% of Brimore's shares and the full amount has been paid.

18. Capital

The issued and paid-up capital amounted to 353 652 060 distributed over 707 304 120 shares with a nominal value of EGP 0.5, and on December 31, 2020, the General Assembly of the company decided to increase the capital by 100 million Egyptian pounds by distributing free shares financed from the retained earnings of the Company and registered that increase in the commercial register on February 3, 2021, as well as on December 31, 2020, the General Assembly of the Company decided to increase the capital by 400 million Egyptian pounds by cash increase in nominal value through underwriting to the old shareholders and was registered by this increase in the commercial register on 20 June 2021 to become the issued and paid-up capital of 853 652 060 distributed on 1 707 304 120 shares with a name value of EGP 0.5.

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

Notes to the Condensed Consolidated interim Financial Statements

For the Six months ended June 30, 2021

19. Deferred tax assets/(liabilities)

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
<u>Description</u>	<u>EGP</u>	<u>EGP</u>
Deferred tax assets	4 603 452	2 828 936
Deferred tax liabilities	(20 541 508)	(8 558 675)
	<u>(15 938 056)</u>	<u>(5 729 739)</u>

20. Provisions

	<u>Balance as at</u> <u>December 31, 2020</u>	<u>Formed during</u> <u>the period</u>	<u>Balance as at</u> <u>June 30, 2021</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Provision for claims	20 802 142	1 750 087	22 552 229
	<u>20 802 142</u>	<u>1 750 087</u>	<u>22 552 229</u>

21. Banks overdrafts

On April 7, 2020, a finance agreement was concluded with a local bank to grant the company a credit facility with a maximum amount of EGP 150 million at the prevailing market rates, The credit facility will be used for the payment of the advances to billers (Telecommunication companies), the duration of the credit facility starts from April 7, 2020 to February 28, 2021 and the balance reached 147.2 million Egyptian pounds on June 30, 2021 (December 31, 2020: 79.9 million Egyptian pounds).

On June 15, 2020, a finance agreement was concluded with a local bank to grant the Company a credit facility with a maximum amount of 100 million EGP at the prevailing market rates, the duration of the credit facility starts from June 15, 2020, and the balance reached 98.2 million Egyptian pounds on June 30, 2021 (December 31, 2020: 94 million Egyptian pounds).

On August 7, 2019, a finance agreement was concluded with a local bank to grant the Company a credit facility with a maximum amount of EGP 50 million at the prevailing market rates, and the balance on June 30, 2021 : Nil (December 31, 2020: 49 million Egyptian pounds)

22. Accounts and Notes Payable

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Accounts payable	15 997 635	27 522 865
Notes payable	3 169 577	1 728 781
	<u>19 167 212</u>	<u>29 251 646</u>

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

Notes to the Condensed Consolidated Interim Financial Statements

For the Six months ended June 30, 2021

23. Accounts and notes payable – Billers

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Billers payable	885 348 352	630 187 367
Billers' Notes payable	255 786 840	140 066 051
	<u>1 141 135 192</u>	<u>770 253 418</u>

24. Creditors and other credit balances

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
<u>Description</u>	<u>EGP</u>	<u>EGP</u>
Accrued expenses	54 457 811	28 940 695
Accrued interest	7 844 684	--
Accrued commissions	40 825 899	33 806 311
Unearned revenue	2 353 717	2 776 749
Health insurance contribution	2 365 579	4 065 636
Tax Authority	36 996 165	49 382 164
Social Insurance Authority	3 009 657	5 575 208
Under settlement Transactions	6 732 235	7 955 177
Other credit balances	9 854 088	4 542 932
	<u>164 439 835</u>	<u>137 044 872</u>

25. 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>June 30, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Letters of guarantee – local currency	836 699 625	826 744 625
	<u>836 699 625</u>	<u>826 744 625</u>

The letters of guarantee facilities in the date of condensed consolidated financials amounted to EGP 1,128.5 million as of June 30, 2021 utilized amount from the banks facilities amounted to EGP 836 million in the form of issued letters of guarantee.

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

Notes to the Condensed Consolidated interim Financial Statements

For the Six months ended June 30, 2021

26. Operating revenue

Operating revenue has increased due to an increase in volume of transactions during the period ended June 30, 2021.

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
<u>Description</u>	<u>EGP</u>	<u>EGP</u>
collection fees	659 186 712	513 646 297
Other operating revenues	21 954 910	5 674 559
Interest from Micro finance activities	61 418 811	29 944 985
	<u>742 560 433</u>	<u>549 265 841</u>

27. Operating costs

The main reason for the increase in operating costs is the increase of merchants' fees by the amount of EGP 38 million that corresponds to the increased volume of transactions during the period, increase of other cost by amount of EGP 6.3 million, increase in cost of financing portfolio loans by amount of EGP 5.4 million, and increase in cash collection cost by amount of EGP 17.6 million.

28. General and administrative expenses

The main reason for the increase in general and administrative expenses is the increase in salaries and wages in the amount of EGP 43.2 million including an amount of EGP 13.3 million related to (ESOP) expense for shares granted to employees during the period. In addition to the increase in outsourcing, technical support and services related costs with an amount of EGP 6.8 million.

29. Selling and marketing expenses

The main reason for the increase in selling and distribution expenses is the increase of the salaries by an amount of EGP 26.5 million, the increase in selling and marketing commission by an amount of EGP 3.9 million, In addition to the increase of marketing and advertising expenses by an amount of EGP 6.5 million during the period.

30. Credit Interest

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Credit interest - current accounts and time deposits	7 559 610	4 712 176
Credit interest – treasury bills	45 204 394	21 694 259
Credit interest – loans to related party	--	2 053 747
	<u>52 764 004</u>	<u>28 460 182</u>

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

Notes to the Condensed Consolidated interim Financial Statements

For the Six months ended June 30, 2021

31. Depreciation and amortization

The depreciation and amortization for the period amounting to EGP 59 946 358 was charged to the statement of profit as follows:

<u>Description</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Operating costs	25 145 796	14 353 664
General and administrative expenses	34 800 562	27 054 174
	<u>59 946 358</u>	<u>41 407 838</u>

32. Group's share of loss of investment in associates and joint venture entities

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Waffarha.com	(139 650)	(117 670)
Bosta Inc. Delaware	(2 579 016)	(2 147 849)
	<u>(2 718 666)</u>	<u>(2 265 519)</u>

33. Segment information

The group has two major sectors representing the important sectors of the group, offering different and services that managed in a separate way because they require different skills and have different types of clients. The managers of each department review internal management reports in a periodic manner.

The accounting policies of the reportable sectors are the same as the group's accounting policies on December 31, 2020, and the profits of each sector represented in the profits it makes, which reviewed regularly without any distribution of income tax expense, and this is considered the most appropriate measurement for the purpose of allocating resources to segments and assessing their performance.

A. Segment profit or loss statement

EGP	<u>Revenue</u>		<u>Profit/(Loss)</u>	
	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Banking technology and E-payment segment	681 141 622	519 320 856	168 953 349	105 979 682
Micro-Finance segment	61 418 811	29 944 985	9 940 217	6 250 464
Total	742 560 433	549 265 841	178 893 566	1 12 230 146
Net profit before tax			178 893 566	1 12 230 146
Income tax			41 743 295	26 256 046
Net profit after tax			137 150 271	85 974 100

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

Notes to the Condensed Consolidated interim Financial Statements

For the Six months ended June 30, 2021

B. Segment Assets

EGP	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Banking technology and E-payment segment	3 663 817 741	2 473 963 576
Micro-Finance segment	375 123 368	261 253 902
Assets before disposals	4 038 941 109	2 735 217 478
Elimination of internal transactions between segments	(422 861 606)	(303 697 156)
Assets after disposals	3 615 679 503	2 431 520 322
Total consolidated Assets	3 615 679 503	2 431 520 322

34. 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>June 30, 2020</u>	<u>June 30, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Net profit for the period for the parent company	113 300 772	70 462 616
Average number of shares during the period	951 748 564	907 304 120
Earnings per share for the period	<u>0.12</u>	<u>0.08</u>

35. Acquisition of subsidiary

During the first quarter of 2021 Fawry for Banking Technology and Electronic Payments S.A.E acquired a percentage of 60.46% from the total shares of Fawry Plus for Banking Solutions S.A.E., The goodwill recognized represent the excess of the cash consideration paid over the fair values of the Company's identifiable net assets.

The group's management has applied the requirements of The Egyptian Standard (No.29) with regard to accounting for business combination carried out in stages and the group's management has re-measured the equity interest previously held in the invested company at fair value at the date of control and recognized the profits resulting from the remeasurement of the investment in the consolidated statement of profit or loss of 22 800 000 Egyptian pounds.

The fair value of identifiable assets acquired, liabilities and potential liabilities assumed resulting from the acquisition of Fawry Plus for Banking Services S.A.E. has been provisionally determined, and the provisional fair value of the net assets acquired at the date of the acquisition was EGP 13 283 507.

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

Notes to the Condensed Consolidated Interim Financial Statements

For the Six months ended June 30, 2021

	<u>January 1, 2021</u>
	<u>EGP</u>
Provisional fair value of net assets acquired and liabilities assumed	<u>13 283 507</u>
Deduct:	
Non-controlling interest (provisional fair value)	5 252 299
Fair value of previously held interest	22 800 000
Fair value of consideration paid	<u>34 077 998</u>
Total goodwill	<u>48 846 790</u>

According to article No. 45 of the Egyptian Accounting Standard No. (29), the initial accounting for the business combination was not completed until the end of the reporting period, as the group's management is still preparing a study for the purchase price allocation at the date of the combination for the purpose of allocating the consideration paid over the fair values of the acquired assets, assumed liabilities and goodwill. The company will perform during the measurement period, which is the period post the acquisition date, where there will be a reasonable time for the company to determine and measure the fair values of the following at the acquisition date:

- A. Identifiable acquired assets, contingent liabilities and any non-controlling interests in the acquired subsidiary.
- B. The consideration transferred to acquire the subsidiary
- C. Previously owned equity interest in the acquired subsidiary.

Net cash acquired from the acquisition of a subsidiary:

	<u>EGP</u>
Cash Consideration paid	34 077 999
Less : Cash and cash equivalents for subsidiaries	<u>(27 939 658)</u>
	<u>6 138 341</u>

Profit on deemed disposal of investment in associate – Fawry plus for banking services Co.

	<u>EGP</u>
Fair value of previously held interest	22 800 000
Less : Book value for the investment at date of control	<u>--</u>
	<u>22 800 000</u>

36. Tax Position

Corporate tax

The Company's profit is subject to tax in accordance with the provisions of 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 2017

- 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.

The years from 2018 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 have 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.

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

Notes to the Condensed Consolidated interim Financial Statements

For the Six months ended June 30, 2021

37. Significant events during the period

- On February 23, 2021, the Company's Board of Directors decided to authorize the CEO and Managing Director of the company to negotiate with some shareholders of Fawry Plus for Banking Services S.A.E, to acquire their entire shares in Fawry Plus for Banking Services.
- On February 23, 2021, the Company's General Assembly approved the application of the system of incentive and motivation for employees, directors and executive board members of the company by allocating shares and/or grant free shares and to authorize the Chairman and/or CEO and Managing Director of the company to take all necessary measures The approval of the General Authority for Financial Supervision was approved on May 10, 2021.
- On March 30, 2021, the company requested approval from the Financial Regulatory Authority to publish an announcement inviting former shareholders to subscribe in the shares of the increase in the issued capital of the company from EGP 453 652 060 to EGP 853 652 060, an increase of EGP 400,000,000 distributed over 800,000,000 shares with a nominal value of EGP 0.5 per share and the shares of the increase are still subscription.
- On April 29, 2021, the AGM decided to distribute 15.7 million Egyptian pounds to employees.
- During the first quarter of 2020, the world was exposed to the spread of the Corona virus emerging (COVID-19), as this virus was characterized by its rapid spread in the countries of the world, until the World Health Organization declared a health emergency, on January 30, 2020, and the declaration of the virus as a global epidemic on March 11, 2020 The spread of this virus had a negative impact on the economies of many countries, which was reflected in the reality of the performance of financial markets and the volume of global trade.
- On March 19, 2020, international air traffic was suspended, and on March 25, 2020. The Egyptian government imposed a curfew for a period of two weeks and renewed it for another two weeks, which negatively affected the Egyptian economy in general.
- April 8, 2020 - The Egyptian government officially announced that it would prohibit the movement or movement of citizens, in all parts of the republic, on all roads from eight o'clock in the evening until six o'clock in the morning; An exception is made from the application of the provision of the first article of this decision, which is related to curfews, the service of operators of the international information network and communication networks, electronic applications and ATM cards, and all services for food, beverages and merchandise delivery to customers, whether the request is through electronic or other applications, and workers in any of These activities are excluded, while adhering to all applicable health precautions.
- On June 23, 2020 the Egyptian government officially announced the abolition of the curfew with the imposition of precautionary measures and the reopening of restaurants and cafes as of Saturday, 27 June 2020 with a capacity of 25%, the closure of shops and malls from nine in the evening instead of the sixth and the closure of restaurants and cafes at ten in the evening and the continued closure of gardens, parks and beaches And the continuation of the mass transportation work until midnight and the reopening of theaters and cinemas with a capacity of 25%.

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

Notes to the Condensed Consolidated interim Financial Statements

For the Six months ended June 30, 2021

The Company has conducted a study with a view to assessing the potential risks related to the company's ability to provide electronic payment services through the multiple payment channels that the Company provides, human resources, in order to ensure the company's activities continue without interruption or interruption. On its business and activities, the first half of the current fiscal year witnessed an increase in demand for electronic payment services, in light of the measures taken by the Egyptian government and the Central Bank of Egypt to encourage the use of various electronic payment methods, and this was reflected in the increase in the company's revenues in the first half of this year. The administration is closely monitoring the situation and continuously evaluating its impact on the Company's activities in anticipation of any developments that may result in negative effects of this pandemic, enabling the Company to amend the plans necessary to meet potential negative impacts, if any.

In this regard, the Group's management conducted a study to assess the potential risks related to the group's ability to provide its services through its multiple products and its impact on the activities of the group as a whole, human resources, in order to ensure that the group's activities continue without interruption or interruption and the study includes the following elements:

- Risk of impairment in investments
- Collection risks related to microfinance, other debit balances and related parties on their due dates.
- Liquidity risks related to payment of liabilities to creditors, Billers and merchants.

The management of the Company concluded that it is unexpected to have a substantial negative impact on its business and activities. The department is following the situation closely and assessing its impact on the company's activities on an ongoing basis in anticipation of any developments that may have negative effects on that pandemic, enabling the company to modify the plans necessary to counter the potential negative effects, if any.

38. Subsequent events:

On August 1, 2021, The General Assembly of Fawry for Banking Technology and Electronic Payments S.A.E. agreed to purchase the 14 million shares owned by Banque Misr in Fawry plus for Banking Services Co., which represent 14.98 % of its capital at EGP 1.15 per share.

On August 15, 2021 Fawry Microfinance company's board of directors approved the establishment of an investment monetary fund for liquidity in Egyptian Pounds in cooperation with Misr Capital Company .

39. Legal position

During the third quarter of 2019, a third-party 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.

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

Notes to the Condensed Consolidated interim Financial Statements

For the Six months ended June 30, 2021

40. Comparative figures:

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

41. Incentives related to the Central Bank of Egypt's initiative

During the fiscal year 2020, the Company entered into agreements with some Egyptian banks with the aim of cooperating in purchasing, deploying and managing points of sale under the Central Bank of Egypt 's initiative to promote for the use and acceptance of electronic payments which was issued during May 2020, the aforementioned initiative included the disbursement of an incentive for each electronic point of sale installed according to the type of machine and its geographical location.

The total incentive included in the profit or loss that the Company obtained in exchange for deploying and installing points of sale under that initiative was an amount of 68 206 579 EGP, while the cost of purchasing the POS equipment amounted to 46 481 283 EGP which were derecognized from fixed assets (note 4).

42. Right of use assets

The right of use assets is the value of the right of use resulting from the lease contracts of subsidiaries' headquarters and their branches.

	<u>Total</u> <u>EGP</u>
Cost	
On January 1, 2021.	68 824 688
Additions	--
On June 30, 2021	68 824 688
Accumulated Amortization	
On January 1, 2021.	--
Amortization for the period	9 587 207
On June 30, 2021	9 587 207
Net Book value	
On June 30, 2021	59 237 481

43. Long term loans

- Loan resulting from the acquisition of Fawry Plus - subsidiary - during the current period through the shareholders of Fawry Plus Co. Bank Misr and The International Commercial Bank dated on December 10, 2018 until the start of repayment in quarterly installments starting from March 31, 2021 and ending December 31, 2022 at an interest rate for the portion of the loan amount provided by Fawry Banking , The interest rate announced by the Central Bank of Egypt only, and for the portion of the loan amount provided by both bank Egypt and the commercial international Bank (CIB) have reached the loan value of both banks on June 30, 2021 amounting to EGP 8.2 million.

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

Notes to the Condensed Consolidated interim Financial Statements

For the Six months ended June 30, 2021

- During the fourth quarter of 2020 a subsidiary (Fawry for Microfinance Company) obtained a loan of EGP 160 million and the subsidiary withdrew an amount of EGP 160 million from the loan amount till June 30, 2021.

44. Share-based payments

- The Company introduced an Employees Share Ownership Plan (ESOP) program in accordance with the shareholders' approval at the extraordinary general assembly meeting held on February 22, 2021, The company granted free shares and allocated shares to some of its employees in accordance with the ESOP program which includes giving the right to some employees a completing a term of 3 years in service at The Company to have the right in ordinary shares by granting free shares or allocating shares by 50% of the fair value on the vesting date after completion of a term of 2 years in service at The Company and which will be issued on the date of the grants. The equity instruments for share-based payment are recognized at fair value on the grant date and are recorded in the income statement on a straight line basis during a three-years period for the grant of free shares and two years for the allocated shares at 50% of the shares' fair values on the vesting date, with a corresponding increase in equity based on the Company's estimate, at each reporting date, for the number of shares that will vest. The fair value of granted shares was determined based on the share price announced on the Egyptian Stock Exchange at the grant date.

Equity instruments during the year represents the following:

	<u>June 30, 2021</u>
	<u>No. of shares</u>
Outstanding at the beginning of the period	--
Granted during the period*	16 255 546
Forfeited during the period	--
Exercised during the period	--
	<hr/>
	<u>16 255 546</u>

* The number of shares granted during the period is 16 255 546 shares, which are 8 127 773 free shares and 8 127 773 allocated shares at 50% of the fair value at the vesting date.