

**EL Sewedy Electric Company
(An Egyptian Joint Stock Company)
Interim consolidated financial statements
for the financial period
ended 30 September 2019
and limited review report**

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Translated from Arabic

Report on limited review of interim consolidated financial statements

To: The members of Board of Directors of El Sewedy Electric Company

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of El Sewedy Electric Company as of 30 September 2019 and the related interim consolidated statements of income, other comprehensive income, cash flows and changes in equity for the nine months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our limited review.

Scope of Limited Review

We conducted our limited review in accordance with Egyptian Standard on Review Engagements (2410) "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity." A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the Company, and applying analytical and other review procedures. A limited 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 on these interim consolidated financial statements.

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of El Sewedy Electric Company as at 30 september 2019, and of its consolidated financial performance and its consolidated cash flows for the nine months then ended in accordance with Egyptian Accounting Standards.


Public Accountants and Consultants
KPMG Hazem Hassan
Public Accountants and Consultants

Cairo on 7 November 2019

EL Sewedy Electric Company
(An Egyptian joint stock company)
Consolidated interim statement of financial position
As of 30 September 2019

	Note No.	30/09/2019 <u>L.E</u>	31/12/2018 <u>L.E</u>
Assets			
Non current assets			
Fixed assets	(3-3) (6)	4 281 179 423	4 299 596 260
Project under progress	(3-3) (7)	1 387 169 999	1 393 649 330
Investments available for sale	(3-4) (8)	20 096 412	20 106 095
Equity-accounted investees	(3-4) (1-9)	1 214 277 022	1 317 273 595
Paid under investment	(3-4) (2-9)	1 050 386 894	-
Trade and other receivables	(3-4) (11)	1 525 733 176	2 430 070 435
Intangible assets	(3-5) (12)	1 247 015 483	189 543 449
Deferred tax assets	(3-16) (13)	361 270 841	302 558 414
Total non current assets		11 087 129 250	9 952 797 578
Current assets			
Inventories	(3-6) (14)	9 926 786 649	9 334 088 479
Trade, notes and other receivables	(3-4) (15)	21 469 603 111	17 713 039 523
Due from related parties	(29)	634 030 656	483 068 527
Investment fund / treasury bills	(3-4) (16)	845 497 157	2 317 669 866
Investment certificates	(10)	-	20 000 000
Banks and cash in hand	(17)	8 276 391 146	6 347 745 383
Total current assets		41 152 308 719	36 215 611 778
Total assets		52 239 437 969	46 168 409 356
Shareholders' equity			
Issued and paid capital	(3-9) (1-18)	2 184 180 000	2 184 180 000
Reserves	(2-18)	436 836 000	416 209 242
Own shares	(19)	(1 422 160)	(1 422 160)
Retained earnings		11 631 650 909	11 632 446 467
Translation reserve		1 172 347 724	1 420 979 250
Equity attributable to owners of the company		15 423 592 473	15 652 392 799
Non controlling interests		520 323 143	516 570 862
Total equity		15 943 915 616	16 168 963 661
Liabilities			
Non current liabilities			
long term loans	(3-11) (20)	1 836 800 821	251 035 810
Deferred tax liabilities	(3-16) (13)	681 325 311	631 269 662
Provisions	(3-12) (23)	177 621 869	169 319 148
Other liabilities		817 449 260	848 268 720
Total non current liabilities		3 513 197 261	1 899 893 340
Current liabilities			
Banks facilities and overdraft	(3-11) (21)	7 037 555 549	7 284 053 439
short term loans	(3-11) (20)	1 479 806 563	1 138 320 941
Trade, notes and other payables	(3-4) (22)	22 393 018 196	18 159 492 441
Due to related parties	(29)	461 548 309	356 209 224
Provisions	(3-12) (23)	1 410 396 475	1 161 476 310
Total current liabilities		32 782 325 092	28 099 552 355
Total liabilities		36 295 522 353	29 999 445 695
Total Equity and Liabilities		52 239 437 969	46 168 409 356

* The accompanying notes in the pages from (6) to (43) are an integral part of these consolidated interim financial statements .

Chief Financial Officer

Mr. Sherif Mohamed Mohamed El Zeiny

Managing Director

Eng. Ahmed Ahmed Sadek Elsewedy

Chairman

Mr. Sadek Ahmed Elsewedy

Limited review report "attached"

EL Sewedy Electric Company
(An Egyptian joint stock company)
Consolidated income statement
For the period ended 30 September 2019

Translated from Arabic

		<u>Financial Period</u> <u>From 1/1/2019</u> <u>To 30/9/2019</u> <u>LE</u>	<u>Financial Period</u> <u>From 1/1/2018</u> <u>To 30/9/2018</u> <u>LE</u>	<u>Financial Period</u> <u>From 1/7/2019</u> <u>To 30/9/2019</u> <u>LE</u>	<u>Financial Period</u> <u>From 1/7/2018</u> <u>To 30/9/2018</u> <u>LE</u>
Operational revenues	(5),(3-13)	34 546 495 073	30 315 662 575	12 992 866 220	10 214 939 370
Operational costs	(5),(3-14)	(29 249 231 533)	(25 133 295 986)	(11 256 713 949)	(8 436 988 585)
Gross profits		5 297 263 540	5 182 366 589	1 736 152 271	1 777 950 785
Other operating income	(24)	366 438 804	241 924 314	311 089 220	112 117 075
Selling and distribution expenses	(3-14)	(515 672 921)	(540 404 361)	(156 188 501)	(181 449 549)
Administrative expenses	(3-14)	(1 433 843 026)	(1 003 380 280)	(510 523 737)	(328 886 870)
Other operating expenses	(25)	(470 545 944)	(466 437 954)	(319 315 804)	(188 577 828)
Operating profits		3 243 640 453	3 414 068 308	1 061 213 449	1 191 153 613
Financing income		399 772 879	818 201 855	56 315 192	245 249 314
Financing expenses		(330 711 158)	(260 442 729)	(106 582 302)	(87 598 264)
Net financing Income (expenses)	(26)	69 061 721	557 759 126	(50 267 110)	157 651 050
Share of profit of equity accounted investees		295 611 406	439 399 910	102 659 591	120 624 318
(Loss) from disposal of subsidiaries	(5)	(4 930 016)	(5 326 369)	(4 636 665)	
Net profits for the period before tax		3 603 383 564	4 405 900 975	1 108 969 265	1 469 428 981
Current income tax	(3-16)	(795 304 550)	(718 576 625)	(234 944 667)	(272 952 857)
Deferred tax (expense)	(3-16)	(22 941 904)	(109 425 371)	(42 428 549)	(33 570 549)
Net profits for the period after tax		2 785 137 110	3 577 898 979	831 596 049	1 162 905 575
Attributable to :					
Equity holders of the holding company		2 717 223 414	3 503 508 908	828 952 472	1 129 375 752
Non controlling interest		67 913 697	74 390 071	2 643 577	33 529 823
		2 785 137 111	3 577 898 979	831 596 049	1 162 905 575
Basic earnings per share (L.E/share)	(32),(3-17)	1.24	1.61	0.38	0.52

* The accompanying notes in the pages from (6) to (43) are an integral part of these consolidated interim financial statements .

EL Sewedy Electric Company
(An Egyptian joint stock company)
Consolidated interim other comprehensive income statement
For the period ended 30 September 2019

Translated from Arabic

	<u>Financial Period</u> <u>From 1/1/2019</u> <u>To 30/9/2019</u>	<u>Financial Period</u> <u>From 1/1/2018</u> <u>To 30/9/2018</u>	<u>Financial Period</u> <u>From 1/7/2019</u> <u>To 30/9/2019</u>	<u>Financial Period</u> <u>From 1/7/2018</u> <u>To 30/9/2018</u>
	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>
Net profits for the period after tax	2 785 137 110	3 577 898 979	831 596 049	1 162 905 575
<u>Other comprehensive income items</u>				
Foreign operations translation difference	(263 709 546)	(151 151 213)	(51 728 832)	(7 382 203)
Total comprehensive income	2 521 427 564	3 426 747 766	779 867 217	1 155 523 372
attributable to :				
Owners of the company	2 468 591 887	3 386 913 384	780 802 927	1 123 487 797
Non controlling interests	52 835 677	39 834 382	(935 710)	32 035 575
	2 521 427 564	3 426 747 766	779 867 217	1 155 523 372

* The accompanying notes in the pages from (6) to (43) are an integral part of these consolidated interim financial statements .

EL Sewedy Electric Company
(An Egyptian joint stock company)
Consolidated interim statement of changes in Equity
For the period ended 30 September 2019

	Issued and Paid Up Capital	Legal Reserve	Treasury Stocks	Retained Earnings	Translation Reserve	Parent Company Equity Share	Non Controlling Interest	Total Owner's Equity
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Balance as of 1 January 2018 before adjustment	2 184 180 000	298 934 085	(1 422 160)	9 429 130 905	1 601 600 949	13 512 423 779	643 304 985	14 155 728 764
Adjustments : fiancaill lease				31903062		31 903 062		31 903 062
Balance as of 1 January 2018 after adjustment	2 184 180 000	298 934 085	(1 422 160)	9 461 033 967	1 601 600 949	13 544 326 841	643 304 985	14 187 631 826
Impact adjustments of Retained Earning				(140 368 910)		(140 368 910)	85 318 317	(55 050 593)
Other comprehensive income								
Net profits for the period	-	-	-	3 503 508 908	-	3 503 508 908	74 390 071	3 577 898 979
Other comprehensive income items	-	-	-	-	(116 595 524)	(116 595 524)	(34 555 689)	(151 151 213)
Total other comprehensive income	-	-	-	3 503 508 908	(116 595 524)	3 386 913 384	39 834 382	3 426 747 766
Transactions with owners of the company								
Transferred to legal reserve	-	117 275 157	-	(117 275 157)	-	-	-	-
Dividends to shareholders	-	-	-	(1 746 206 272)	-	(1 746 206 272)	-	(1 746 206 272)
Dividends to employees	-	-	-	(13 906 793)	-	(13 906 793)	-	(13 906 793)
Total transactions with owners of the company		117 275 157		(1 877 388 222)	-	(1 760 113 065)	-	(1 760 113 065)
Change in ownership interests and non controlling interests								
Disposal of subsidiary company				(17 601 923)		(17 601 923)	(95 766 591)	(113 368 514)
Employee dividend form Subsidry company				(148 641 390)		(148 641 390)	(38 212 131)	(186 853 521)
Subsidiaries dividends to non controlling interest	-	-	-	(351 211 678)	-	(351 211 678)	(17 882 888)	(369 094 566)
Total changes in ownership interests and non controlling interests	-	-	-	(517 454 991)	-	(517 454 991)	(151 861 610)	(669 316 601)
Balances as of 30/9/2018	2 184 180 000	416 209 242	(1 422 160)	10 429 330 752	1 485 005 425	14 513 303 259	616 696 074	15 129 899 333
Balance as of 1 January 2019	2 184 180 000	416 209 242	(1 422 160)	11 632 446 467	1 420 979 250	15 652 392 799	516 570 862	16 168 963 661
Retained Earnings adjustments	-	-	-	(186 230 543)	-	(186 230 543)	45 822 361	(140 408 182)
Other comprehensive income								
Net profits for the year	-	-	-	2 717 223 413	-	2 717 223 413	67 913 697	2 785 137 110
Other comprehensive income items	-	-	-	-	(248 631 526)	(248 631 526)	(15 078 020)	(263 709 546)
Total other comprehensive income	-	-	-	2 717 223 413	(248 631 526)	2 468 591 887	52 835 677	2 521 427 564
Transactions with owners of the company								
Transferred to Legal reserve	-	20 626 758	-	(20 626 758)	-	-	-	-
Dividends to shareholders	-	-	-	(1 746 206 275)	-	(1 746 206 275)	-	(1 746 206 275)
Dividends to employees	-	-	-	(56 609 808)	-	(56 609 808)	-	(56 609 808)
Total transactions with owners of the company	-	20 626 758	-	(1 823 442 841)	-	(1 802 816 083)	-	(1 802 816 083)
Change in ownership interests and non controlling interests								
Dividends to employees from subsidiaries	-	-	-	(318 357 630)	-	(318 357 630)	(78 383 369)	(396 740 999)
Subsidiaries dividends to non controlling interest	-	-	-	(389 987 957)	-	(389 987 957)	(16 522 388)	(406 510 345)
Total changes in ownership interests and non controlling interest	-	-	-	(708 345 587)	-	(708 345 587)	(94 905 757)	(803 251 344)
Balances as of 30/9/2019	2 184 180 000	436 836 000	(1 422 160)	11 631 650 909	1 172 347 724	15 423 592 473	520 323 143	15 943 915 616

* The accompanying notes in the pages from (6) to (43) are an integral part of these consolidated interim financial statements .

El Sewedy Electric Company
(An Egyptian joint stock company)
For the period ended 30 September 2019

	Note No.	Financial Period From 1/1/2019 To 30/9/2019 L.E	Financial Period From 1/1/2018 To 30/9/2018 L.E
Cash flows from operating activities:			
Net profits for the period before tax		3 603 383 564	4 405 900 975
Adjustments :-			
Depreciation	(6)	516 297 670	458 969 771
Amortization	(25)	12 094 339	16 882 017
Provisions and receivable impairment (Net)		82 319 453	274 494 356
Net finance (income)		(69 061 721)	(557 759 126)
Share of profits of equity accounted investees	(9)	(295 611 406)	(439 399 910)
Capital gain	(24)	(11 882 343)	(3 429 397)
loss from disposal of subsidiaries		4 930 016	5 326 369
Operating profit before changes in working capital		3 842 469 572	4 160 985 055
Changes in :			
-Trade, notes and other receivables		(2 800 732 045)	(1 361 442 379)
-Inventories		(592 698 169)	(858 226 474)
-Related parties		(45 623 044)	18 361 819
-Trade, notes and other payables		2 247 113 620	112 569 183
Net cash provided by operating activities		2 650 529 934	2 072 247 204
Cash flows from investing activities:			
Paid for acquisition of fixed assets and project under progress		(530 709 663)	(1 251 411 867)
Paid for intangible assets		(1 069 566 373)	(32 404 668)
Change in investment available for sale		9 683	(1 058)
Paid under investement		(1 013 973 648)	-
Dividends received from equity accounted investees		-	506 268 286
Change in equity-accounted investees		398 607 979	54,644,354.00
Proceeds from sale of fixed assets and projects under progress		51 190 504	1 985 626 468
proceeds(paid) treasury bills & mutual funds		1 472 172 709	
Proceeds from own shares and investment funds		20 000 000	
Net cash flows (used in) investing activities		(672 268 809)	1 262 721 515
Cash flows from financing activities			
Dividends paid to NCI		15 838 170	(38 212 131)
(Paid) collected from loans, bank facilities and overdraft		1 680 752 743	(287 137 454)
Dividends paid to shareholders		(1 746 206 275)	(1 746 206 272)
Net cash flows (used in) financing activities		(49 615 362)	(2 071 555 857)
Net change in cash and banks		1 928 645 763	1 263 412 862
Cash and banks at the beginning of the period		6 347 745 383	4 840 105 622
Cash and banks at the end of the period		8 276 391 146	6 103 518 484

* The accompanying notes in the pages from (6) to (43) are an integral part of these consolidated interim financial statements .

EL Sewedy Electric Company

Notes to the interim consolidated financial statements for the period ended 30 September 2019

1. Company background

El Sewedy Electric Company “previously El Sewedy Cables” is an Egyptian Joint Stock Company, established under the Investment Incentives and Guarantees Law No. 8 of 1997 and was registered in the commercial registration under No. 14584 on 1 June 2005.

The Company’s Extra-ordinary General Assembly held on 19/4/2010 decided to change the company name from “EL Sewedy Cables” to “EL Sewedy Electric“. This change was authenticated in the company commercial register on 4/10/2010. The company has obtained the approval for the change of its name from Misr for Central Clearing, Depository and Registry Company on 31/10/2010, and changed the name in the Egyptian Stock Exchange on 3/11/2010.

The Company’s purpose is to establish and operates a production facility for power cables, transformers, terminators, joint accessories, copper and aluminum terminators either coated or not coated production, with low, med and high potential & production of (PVC). In addition to designing, building, managing, operating and maintaining power generation units and power nets. The duration of the company is 25 years from 1/6/2005 (the date of its registration in the commercial register).

The consolidated financial statement includes the holding company and its subsidiaries “The group”.

2. Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards and the Egyptian laws and regulations.

The consolidated financial statements were approved by the Board of Directors on 7 November 2019.

Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial derivatives measured at fair value and available for sale investments.

Functional and presentation currency

These consolidated financial statements are presented in Egyptian Pound, which is the company’s functional currency.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

3-1 Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment.

Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition, if an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Non-controlling interests

NCI are measured at their proportionate share of the acquirer's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and in joint ventures. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement.

Interests in associates and the joint ventures are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees.

Transactions eliminated on consolidation

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

Acquisitions from entities under common control

Business combinations arising from acquisition of interests in entities that are under the control of the shareholders that controls the group are accounted for as of the acquisition date. The assets and liabilities acquired are recognized at the carrying amounts and the difference recorded in equity between the assets of these entities and the paid acquisition value. The components of equity of the acquired entities are added to the same components within the net assets of acquired entities than the paid value in investment.

3-2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined.

Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign currency differences are generally recognized in profit or loss. However, foreign currency differences arising from the translation of the following items are recognized in OCI:

- Available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognized in OCI are reclassified to profit or loss.
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective, and
- Qualifying cash flow hedges to the extent that the hedges are effective.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Egyptian pound at the exchange rates at the reporting date.

Foreign currency differences are recognized in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI.

When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

3-3 Fixed assets

Recognition & measurement

Items of fixed assets are measured at cost less accumulated depreciation and accumulated impairment losses at the reporting date of the consolidated financial statements. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self constructed assets includes the cost of materials and direct labor, any others costs directly attributable to bringing the asset to a working conditions for its intended use. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

Subsequent costs

Subsequent costs are capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

Project under progress

Project under progress are recognized by cost. The cost includes all expenditure that are directly related to and necessary for the asset to be ready for using and the purpose for which acquired. The project under progress are transferred to fixed assets when finished and available for usage.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Land is not depreciated. The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Asset	Years
Buildings	8 -50 years
Machinery and equipment	5-10 years
Furniture	4 -17 years
Vehicles	5-8 years

Lease hold improvements are depreciated over 3 years or the lease period whichever is less.

Depreciation methods, useful lives and residual values for fixed assets are reviewed at the end of each financial period, and have been adjusted if needed.

Capital lease

Rental expenses of capital lease in-addition to the operating costs such as maintenance and repair of the leased assets are charged to the income statement on a straight – line basis over the period of lease. In case of purchasing the leased assets at the end of the contract using the contract bargain purchase option, these assets should be recorded as fixed assets with the bargain option amount agreed in the lease contract, and are depreciated over the remaining estimated useful life according to the applied depreciation policy.

3-4 Financial instruments

Non-derivative financial instruments

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. The Group classifies non-derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities category.

Non-derivative financial assets and financial liabilities-Recognition and derecognition

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial assets – Measurement:

Financial assets at fair value through profit or loss:

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.

Held-to-maturity financial assets:

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Loans and receivables:

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Available-for-sale financial assets:

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Investment in funds

Investments in funds are recorded according to its latest announced recoverable value.

Investment in treasury bills

Treasury bills are stated at the balance sheet at its nominal value after deducting the balance of interest not due. There is no losses from the impairment of the value of these bills because it is governmental bills and can be sold at the Central Bank of Egypt adjustment rate.

Non-derivative financial liabilities-Measurement:

A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognised in profit or loss.

Other non-derivate financial liabilities are initially measured at fair value less any directly attributable transactions costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

3-5 Intangible assets and goodwill

Recognition and measurement

Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Other intangible assets

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the assets.

Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it related to research and development projects under progress and recognized as intangible asset. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

Amortization

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss.

Goodwill is not amortized

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Concession assets with a limited duration

are characterised by having a contractual structure that makes it possible for the costs incurred in the project to be clearly determined (both at the initial investment stage and at the operating phase) and the related revenue to be reasonably projected over the life of the project. They are registered under in other intangible assets under intangible concessions (IFRIC 12).

Concession in which it recovery risk associated with the investment is assumed by the operator. The main characteristic of this concession are as follows:

- The concession infrastructure is owned by the grantor in most cases.
- The concession grantor, which can be a public or private sector entity, controls or regulates the service offered by the concession operator and the conditions under which it should be provided.
- The infrastructure is operated by the concession operator as established in the concession tender specifications for an established concession term. At the end of this period, the assets are handed over to the concession grantor, and the concession operator has no right whatsoever over these assets.

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- The concession operator receives revenue for the services provided either directly from the users or through the concession grantor.
The accounting criteria applied by the Company in respect of these concessions arrangements are as follows:
 - Capitalisation of the borrowing costs incurred during the construction period and non-capitalisation of the borrowing costs subsequent to the entry into service of the related assets.
 - Amortisation of the concession infrastructure on a straight-line basis over the concession term.
 - Concession operators amortise these assets so that the carrying amount of the investment made plus the costs considered necessary to return the assets in working order is zero at the end of the concession term.

3-6 Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the normal course of business minus the estimated cost for completion and any selling costs. Net realizable value of the quantity of inventory held to satisfy firm sales is based on the contract price. If the sales are for less than the inventory quantities held, the net realizable value of the excess is based on general selling price. Provisions arise from firm sales contracts in excess of inventory quantities held or from firm purchase contracts.

Cost of raw materials is determined using the weighted average method. In case of finished goods and work in process, cost includes direct material and direct labor cost and an appropriate share of production cost.

3-7 Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale or distribution rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classifications as held for sale and subsequent gains and losses on measurement are recognized in profit or loss.

Once classified as held for sale, intangibles assets and property plant and equipment are no longer amortized or depreciated, and any equity accounted investee is no longer equity accounted.

3-8 Impairment

Non-derivative financial assets:

Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- Default of delinquency by a debtor,
- Restructuring of an amount due to the group on terms that the Group would not consider otherwise,
- Indications that a debtor or issuer will enter bankruptcy,

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- Adverse changes in the payment status of borrowers or issuers,
 - The disappearance of an active market for a security because of financial difficulties, or
 - Observable data indicating that there is a measurable decrease

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Group considers a decline of 20% to be significant and a period of nine months to be prolonged.

Financial assets measured at amortised cost:

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

Any impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account.

When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off.

If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss.

If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.

Equity-accounted investees

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Non-financial assets:

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs that are expected to benefit from synergies of the combination.

The recoverable amount of an asset or CGU is the greater if its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows discounted to their present money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an assets or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, of no impairment loss had been recognized.

3-9 Share capital

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction are accounted for in accordance with EAS (24).

Repurchase and reissue of ordinary shares (treasury shares):

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury shares reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

3-10 Dividends

Dividends are recognised as a liability in the financial period in which the dividends are approved by the shareholders general meeting.

3-11 Interest bearing borrowings

Interest bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortized cost with any difference between cost and redemption value been recognized over the period of borrowing on an effective interest basis.

Interest and commissions on credit facilities and loans that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of those assets till the date of availability for use. All borrowing costs that do not meet the capitalization criteria are recognized as expense in the consolidated income statement as incurred

3-12 Provisions

Provisions are recognized when the Group has a legal or constructive obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and the liability can be reliably estimated. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market adjustments of the time value of money and the risks specific to the liability. The provisions are reviewed at each balance sheet date and amended, (when necessary), to represent the best current estimate.

3-13 Recognition of revenue

Sales revenue

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods. Risk and rewards of ownership are transferred when goods are received at the customer's warehouse; however, for some international shipments transfer occurs upon loading the goods onto the relevant carrier.

Revenue of construction contracts

Revenues from construction contracts are recognized using the percentage-of-completion method. The percentage-of-completion is measured by correlating costs incurred to date to estimated total costs for each contract.

Contract costs include all direct material, equipment, labor, subcontract and those indirect costs related to contract performance, such as indirect labor and maintenance costs. General and administrative costs allocable to particular contracts are charged to contract costs. All other general and administrative costs are charged to expense as incurred. Changes in job performance, job conditions, estimated profitability and final contract settlements may result in revisions to costs and income and are recognized in the period in which the facts requiring such revisions become known.

Provision for estimated losses including allocable general and administrative expenses on uncompleted contracts is made in the period in which such losses are determined. Claims for additional contract revenue are recognized when realization is assured and the amount can be reasonably determined.

Finance income and finance costs

The Group's finance income and finance costs include:

Interest income

Interest expense

Dividend income

Dividends on preference shares issued classified as financial liabilities

The net gain or loss on the disposal of available-for-sale financial assets

The net gain or loss on financial assets at fair value through profit or loss

The foreign currency gain or loss on financial assets and financial liabilities

The gain on the measurement to fair value of any pre-existing interest in an acquire in a business combination

The fair value loss on contingent consideration classified as a financial liability

Impairment losses recognized on financial assets (other than trade receivables)

The net gain or loss hedging instruments that are recognized in profit or loss; and

The reclassification of net gains previously recognized in OCI.

Interest income or expense is recognized using the effective interest method. Dividend income is recognized in profit or loss on the date on which the group's right to receive payment is established.

Revenues from Available For Sale

Revenues are recognized when the group has the right to the revenues

3-14 Expenses

Operating expenses, selling and distribution, general administrative expenses and other expenses are recognized using the accrual basis of accounting and as such are recognized in the income statement as incurred.

3-15 Employees benefits**Social Insurance Scheme**

The Group contributes in the governmental social insurance system for the benefits of its employees according to the social insurance Law No. 79 of 1975 and its amendments. The Group's contributions are recognized in income statement using the accrual basis of accounting. The Group's obligation in respect of employees' pensions is confined to the amount of the aforementioned contributions.

Share-based payment arrangements

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

3-16 Income tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

Current tax:

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax:

Deferred tax is recognized in respect to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized:

Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss;

Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of the future taxable profits improve.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the group expects, at the reporting date, to recover or settle the carrying amount of its assets or liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

3-17 Earnings per share

Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year.

3-18 lease contracts

Operating lease contracts

The lease is classified as operating lease, and classified as leases expense by using straight line method based on the life time of the contract in the income statement.

4- Use of estimates and judgments

The preparation of the financial statements in conformity with Egyptian Accounting Standards requires management to make estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Measurement of fair values

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations, including the level in the fair value hierarchy in which such valuations should be classified.

When using deductible cash flow method as a revaluation method, the future cash flows are estimated on the base of the best estimates for the management. The used discount rate is determined according to the price at reporting date for the same financial instruments of its nature and activities.

5- Operating segments

The Group has the following strategic divisions which are reportable segments. These divisions offer different product and services and are managed separately because they require different technology and marketing structure

The following summary describe the operation of each reportable segment:

Segment report

Process

Cables

The cables segment manufactures, markets and trade the cables

Constructions

This segment execute construction related to power of generation units and electricity distribution networks

Electricity products

This segment manufactures electric meters, transformers, electric Joints and also market and trade the products

Operating segments

	Power and Special Cables		Turn Key	Electric Products and Accessories		Elimination	Consolidated
	Egypt	International	projects	Egypt	International		30-Sep-19
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Local Sales	8 626 815 084	3 560 913 923	12 357 017 838	1 448 710 738	496 867 538		26 490 325 121
Export Sales and construction revenues	4 530 267 672	160 848 646	939 957 242	378 115 895	2 046 980 497		8 056 169 952
Total revenue without inter segment sales	13 157 082 756	3 721 762 569	13 296 975 080	1 826 826 633	2 543 848 035	–	34 546 495 073
Inter segment revenues	7 264 060 903	58 762 991	989 732 036	579 856 434	106 548 161	(8 998 960 525)	–
Total revenue	20 421 143 659	3 780 525 560	14 286 707 116	2 406 683 067	2 650 396 196	8 998 960 525	34 546 495 073
Total Cost	(18 782 299 494)	(3 387 869 428)	(12 317 682 954)	(1 724 369 699)	(2 035 970 483)	8 998 960 525	(29 249 231 533)
Gross Profit	1 638 844 165	392 656 132	1 969 024 162	682 313 368	614 425 713	–	5 297 263 540
Total selling & marketing expenses	(217 979 934)	(67 526 269)	(31 860 567)	(72 458 157)	(125 847 994)		(515 672 921)
Segment profit	1 420 864 231	325 129 863	1 937 163 595	609 855 211	488 577 719	–	4 781 590 619
Other operating income							366 438 804
Loss from disposal of subsidiaries							(4 930 016)
Share of profit equity accounted investee							295 611 406
General and administrative expenses							(1 433 843 026)
Other operating expenses							(470 545 944)
Net financing revenue							69 061 721
Current income tax							(795 304 550)
Deferred tax (expense)							(22 941 904)
Net profit for the period							2 785 137 110
Depreciation	103 182 749	113 216 440	208 115 069	37 202 630	39 799 964	Unallocated 14 050 074	515 566 926
Assets	14 837 781 886	1 651 717 950	21 902 835 775	1 602 506 419	1 235 613 613	11 008 892 326	52 239 347 969
Liabilities	3 721 099 260	801 707 736	18 906 093 321	800 927 126	1 030 206 667	11 035 488 243	36 295 522 353
Additions to fixed assets Transfer from construction in progress	201 767 879	41 994 751	399 255 118	53 771 624	3 618 100	141 464 893	841 872 365

Operating segments	Power and Special Cables Egypt <u>L.E</u>	International <u>L.E</u>	Turn Key projects <u>L.E</u>	Electric Products and Accessories Egypt <u>L.E</u>	International <u>L.E</u>	Elimination <u>L.E</u>	Consolidated 30-Sep-18 <u>L.E</u>
Local Sales	8 478 103 888	3 166 732 206	7 003 166 002	1 547 363 381	500 898 128	-	20 696 263 605
Export Sales and construction revenues	5 478 815 140	398 201 054	1 537 866 694	344 538 312	1 859 977 770	-	9 619 398 970
Total revenue without inter segment sales	13 956 919 028	3 564 933 260	8 541 032 696	1 891 901 693	2 360 875 898	-	30 315 662 575
Inter segment revenues	9 151 607 024		1 393 810 247	562 916 767	58 216 033	(11 166 550 071)	-
Total revenue	23 108 526 052	3 564 933 260	9 934 842 943	2 454 818 460	2 419 091 931	(11 166 550 071)	30 315 662 575
Total Cost	(21 027 430 155)	(3 393 072 155)	(8 275 856 216)	(1 831 875 791)	(1 771 611 740)	11 166 550 071	(25 133 295 986)
Gross Profit	2 081 095 897	171 861 105	1 658 986 727	622 942 669	647 480 191	-	5 182 366 589
Total selling and marketing expenses	(267 330 907)	(54 824 272)	(25 015 341)	(70 894 571)	(122 339 270)	-	(540 404 361)
Segment profit	1 813 764 990	117 036 833	1 633 971 386	552 048 098	525 140 921	-	4 641 962 228
Other operating income							241 924 314
Income from disposal of subsidiaries							(5 326 369)
Share of profit equity accounted investee							439 399 910
General and administrative expenses							(1 003 380 280)
Other operating expenses							(466 437 954)
Net financing income							557 759 126
Current income tax							(718 576 625)
Deferred tax							(109 425 371)
Net profit for the year							3 577 898 979
Depreciation	92 949 230	114 817 532	127 260 623	33 949 666	81 293 997	<u>Unallocated</u> 8 698 723	458 969 771
Assets	14 032 675 253	2 293 935 205	4 775 313 996	11 619 362 856	2 067 231 264	9 527 598 671	44 316 117 245
Liabilities	3 745 947 177	1 073 206 663	4 419 682 416	7 248 221 920	2 750 797 439	9 979 699 032	29 217 554 647
Additions to fixed assets and project under progress	113 179 468	81 056 129	172 472 632	43 347 759	5 469 882	6 984 810	422 510 680

Translated from Arabic

El Sewedy Electric company

Notes to the consolidated interim financial statements - 30 September 2019

For the period ended 30 September 2019

6 Fixed assets

	Land	Buildings	Machineries & equipments	Furniture & office supplies	Vehicles	leasehold improvements	Total
	L.E	L.E	L.E	L.E	L.E	L.E	L.E
Cost							
Balance as of 1/1/2019	376 472 303	2 319 816 627	5 744 077 431	424 975 635	267 684 328	87 762 500	9 220 788 824
Additions during the period	87 908 223	120 712 866	77 541 688	112 229 621	57 316 809	12 109 926	467 819 133
Disposals during the period	(136 754)	(572 015)	(32 814 081)	(2 210 576)	(6 065 897)	(22 721 976)	(64 521 299)
Transfer from Project in progress	-	24 892 580	345 318 154	1 121 464	1 429 953	1 291 081	374 053 232
Adjustments,translation difference	(80 217 857)	(198 900 498)	(390 500 112)	(9 366 659)	(9 349 839)	90 999 438	(597 335 527)
	384 025 915	2 265 949 560	5 743 623 080	526 749 485	311 015 354	169 440 969	9 400 804 363
Depreciation							
Accumulated depreciation as of 1/1/2019	-	749 036 983	3 641 757 695	319 458 903	168 538 160	42 400 823	4 921 192 564
Adjustments from financial lease (34)	-	730 744					730 744
Depreciation	-	59 846 513	368 207 277	48 111 469	34 050 413	5 351 254	515 566 926
Accumulated depreciation of disposal	-	(572 015)	(15 365 254)	(1 750 772)	(3 827 181)	(7 871 006)	(29 386 228)
Adjustments,translation difference	-	35 528 715	(310 423 511)	(5 440 233)	(6 388 093)	(1 755 944)	(288 479 066)
Accumulated depreciation as of 30/9/2018	-	844 570 940	3 684 176 207	360 379 367	192 373 299	38 125 127	5 119 624 940
Net carrying amount as of 30/9/2019	384 025 915	1 421 378 620	2 059 446 873	166 370 118	118 642 055	131 315 842	4 281 179 423
Net carrying amount as of 31/12/2018	376 472 303	1 570 779 644	2 102 319 736	105 516 732	99 146 168	45 361 677	4 299 596 260

The company agreed to sell its new administrative building (under construction). According to the terms of the sale agreement the company Extra ordinary General Assembly (EXGA) is to approve the sale and the company should register the building in the name of the buyer. The EXGA was invited on 23 April 2014 and decided to postpone its approval on the sale. On 18 June 2015 the company sent a warning letter to the buyer to hand over the building because of his failure to meet the special conditions under the contract related to the finishing which should have been completed by 31 December 2013 or after by a maximum of 3 months from that date. The company sent warning required the buyer to return back all documentation that was delivered to the buyer in relation to this sale by minutes dated 31 January 2013. The EXGA decided in its meeting dated 12 January 2016 that the company should take legal action against the buyer for violation of the contract terms.

El Sewedy Electric company

Notes to the consolidated interim financial statements - 30 September 2019

1d 6 Fixed assets

	Land	Buildings	Machineries & equipments	Furniture & office supplies	Vehicles	leasehold improvements	Total
	L.E	L.E	L.E	L.E	L.E	L.E	L.E
Cost							
Balance as of 1/1/2018	486 549 810	2 272 634 938	5 312 957 826	363 196 592	245 821 088	39 984 685	8 721 144 939
Adjustments from financial lease (34)		48 716 262					48 716 262
Additions during the year	36 331 601	10 413 568	404 626 401	69 240 162	34 681 989	33 286 337	588 580 058
Disposals during the year	(167 403 180)	(16 979 362)	(37 370 402)	(7 795 407)	(12 181 272)	(898 801)	(242 628 424)
Additions from CIP	25 440 755	28 152 995	128 276 077	775 568	898 326	15 613 777	199 157 498
Adjustments of foreign currency	(4 446 683)	(23 121 774)	(64 412 471)	(441 280)	(1 535 803)	(223 498)	(94 181 509)
Cost as of 31/12/2018	<u>376 472 303</u>	<u>2 319 816 627</u>	<u>5 744 077 431</u>	<u>424 975 635</u>	<u>267 684 328</u>	<u>87 762 500</u>	<u>9 220 788 824</u>
Depreciation							
Accumulated depreciation as of 1/1/2018	-	688 617 130	3 268 736 574	281 604 681	152 782 384	24 386 415	4 416 127 184
Adjustments from financial lease (34)	-	8 525 346					8 525 346
Depreciation	-	78 795 552	458 458 844	43 590 139	27 314 912	19 091 860	627 251 307
Accumulated depreciation of disposal	-	(16 729 967)	(31 989 811)	(5 424 263)	(10 934 536)	(825 110)	(65 903 687)
Adjustments,translation difference	-	(10 171 078)	(53 447 912)	(311 654)	(624 600)	(252 342)	(64 807 586)
Accumulated depreciation as of 31/12/2018	<u>-</u>	<u>749 036 983</u>	<u>3 641 757 695</u>	<u>319 458 903</u>	<u>168 538 160</u>	<u>42 400 823</u>	<u>4 921 192 564</u>
Net carrying amount as of 31/12/2018	<u>376 472 303</u>	<u>1 570 779 644</u>	<u>2 102 319 736</u>	<u>105 516 732</u>	<u>99 146 168</u>	<u>45 361 677</u>	<u>4 299 596 260</u>

EL Sewedy Electric Company

Notes to the interim consolidated financial statements for the period ended 30 September 2019

7. Projects under progress

	30/09/2019	31/12/2018
	<u>EGP</u>	<u>EGP</u>
Buildings	944 353 351	777 438 160
Tools & Equipment	414 446 831	368 008 650
Computers	2 594 870	16 109 223
Others	25 774 947	232 093 297
	<u>1 387 169 999</u>	<u>1 393 649 330</u>

8. Investments available for sale

	30/09/2019	31/12/2018
	<u>EGP</u>	<u>EGP</u>
Misr for Mechanical and Electrical Projects (Kahromica) - An Egyptian Joint Stock Company (the share proportion is 10%)	20 000 000	20 000 000
Others	96 412	106 095
	<u>20 096 412</u>	<u>20 106 095</u>

9. investments

9-1 Equity-accounted investees

The assets, liabilities and income from Equity accounted investments are as follow:

	30/09/2019	31/12/2018
	<u>Million EGP</u>	<u>Million EGP</u>
Assets	3 450	4 383
Liabilities	2 236	3 065
Profits	296	616

* The disclosure No. (29) Includes the equity accounted companies.

9-2 Paid Under Investments

The amount of paid under investments 1 050 386 894 L.E on 30 September 2019 which equivalent to 55,88 Million Euro represent the amount paid for the acquisition for four companies specialized on energy production located on Greece as follows:

Company Name	Amount EGP	Indirect % of Investment
Kalisti Energiaki (SA)	202 582 235	%99.84
Aioliki Aderes (SA)	649 059 573	%99.84
Aioliki Kylindrias (SA)	133 762 617	%99.84
Hydroelectiki Achaia (SA)	64 982 469	%99.84
	<u>1 050 386 894</u>	

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Notes to the interim consolidated financial statements for the period ended 30 September 2019

10. Investment certificates

	30/09/2019 <u>EGP</u>	31/12/2018 <u>EGP</u>
Investment in Suez canal bank for Suez canal (investment certificates)	-	20 000 000
	<u>-</u>	<u>20 000 000</u>

11. Trade and other receivables

	30/09/2019 <u>EGP</u>	31/12/2018 <u>EGP</u>
Clients receivables (construction) long term	1 525 733 176	2 430 070 435
	<u>1 525 733 176</u>	<u>2 430 070 435</u>

12. Intangible assets

	30/09/2019 <u>EGP</u>	31/12/2018 <u>EGP</u>
Goodwill	12 204 789	12 204 789
concession assets with a limited duration	1 070 037 028	
Other Intangible assets	164 773 666	177 338 660
	<u>1 247 015 483</u>	<u>189 543 449</u>

Goodwill resulted from acquisitions which resulted in EGP 12.5 million at the acquisition date and the intangible assets amortization amounted to EGP 12 094 339 for the period ended 30 September 2019 (EGP 21 842 603 at 31 December 2018).

13. Deferred tax

	30/09/2019 <u>EGP</u>	31/12/2018 <u>EGP</u>
Deferred tax assets	361 270 841	302 558 414
Deferred tax liability	(681 325 311)	(631 269 662)

Unrecognized deferred tax asset

	30/09/2019 <u>EGP</u>	31/12/2018 <u>EGP</u>
Clients and debtors	386 359 527	398 025 000
Provisions	317 339 207	299 428 978
	<u>703 698 734</u>	<u>697 453 978</u>

Deferred tax assets relating to these items have not been recognized because the necessary conditions for the reversal of the temporary differences have not been met.

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Notes to the interim consolidated financial statements for the period ended 30 September 2019

14. Inventories

	30/09/2019 <u>EGP</u>	31/12/2018 <u>EGP</u>
Raw Materials	5 209 095 036	3 738 051 160
Work in progress	1 210 144 981	1 230 992 997
Finished goods	2 469 916 063	2 945 860 802
Goods in transit	1 037 630 569	1 419 183 520
	<u>9 926 786 649</u>	<u>9 334 088 479</u>

Some of inventories items are recorded according to their net realizable value. The difference between the book value of these items and their net realizable value is EGP 924 million at 30 September 2019 (EGP 944 million at 31 December 2018).

15. Trade, notes and other receivables

	30/09/2019 <u>EGP</u>	31/12/2018 <u>EGP</u>
Trade receivables	6 987 384 901	6 165 999 360
Due from receivables turnkey	4 646 271 425	3 846 726 416
Notes receivables	1 539 646 638	1 305 835 748
Other receivables*	8 296 300 141	6 394 477 999
	<u>21 469 603 111</u>	<u>17 713 039 523</u>

Trade, notes and other receivables are recorded after deducting impairment losses of EGP 1.622 Billion at 30 September 2019. (EGP 1.785 Billion at 31 December 2018)

* Other receivables include advance payments to suppliers of EGP 2.530 Billion, accrued revenue of EGP 855 million, retention insurance of EGP 1,538 Billion and prepaid expenses of EGP 675 million at 30 September 2019.

16. Investment funds/treasury bills

	30/09/2019 <u>EGP</u>	31/12/2018 <u>EGP</u>
Present value of investment in treasury bills	875 050 000	2 386 325 087
(Less):-		
Interest not due	(29 552 843)	(68 655 221)
	<u>845 497 157</u>	<u>2 317 669 866</u>

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Notes to the interim consolidated financial statements for the period ended 30 September 2019

17. Banks and cash in hand

	30/09/2019 <u>EGP</u>	31/12/2018 <u>EGP</u>
Banks - call deposits	1 649 728 316	1 742 019 953
Banks - current accounts	6 560 975 106	4 563 087 280
Cash in hand	65 687 724	42 638 150
	<u>8 276 391 146</u>	<u>6 347 745 383</u>

18. Share capital and Reserves

18-1 Authorized share capital

The Company's authorized share capital is EGP 5 billion.

Issued and paid in share capital

The issued and fully paid-in share capital of the Company at 1 January 2017 was amounted to EGP 2 234 180 000 divided over 223 418 000 share with par value EGP 10 each. The Extraordinary General Assembly of the Company decided on 4 May 2017 to cancel 5 million treasury shares and accordingly the company's issued and paid capital become EGP 2 184 180 000 distributed over 218 418 000 share with a nominal value of EGP 10 per share.

The Extraordinary General Meeting of the Company approved on 22 May 2018 the split of the nominal value of the Company's shares to one Egyptian pound instead of ten Egyptian pounds. This amendment was recorded in the Commercial Register of the Company on 8/8/2018.

18-2 Reserves

	30/09/2019 <u>EGP</u>	31/12/2018 <u>EGP</u>
Legal reserve (*)	436 836 000	416 209 242
	<u>436 836 000</u>	<u>416 209 242</u>

(*) Legal reserve

According to the Companies Law and the statutes of the Company, 5% of the annual net profit is set aside to form a legal reserve. The transfer to legal reserve cease once the reserve reach 20% of the issued share capital. The reserve is not distributable, however, it can be used to increase the share capital or offset losses. If the reserve falls below the defined level, then the Company is required to resume setting aside 5% of the annual profit until it reaches 20% of the issued share capital again.

19. Own shares

The Board of Directors of the Company held a Board meeting on 9 October 2016 decided to buy 3.6 million own shares at a price of EGP 62.5 per share. The fair value of the shares was a price of EGP 73.8 per share determined by an independent financial advisor (HC Securities and Investment Company). The board decided to buy the shares in the period from 11 October 2016 to 17 October 2016.

The Board also held a meeting on 18 October 2016 and decided to buy 1.4 million own shares at a price of EGP 62.5 per share based on the same study of fair value of the shares during the period from 20 October 2016 until 26 October 2016.

Accordingly the company own shares represented 5 million shares or 2.24% of the total shares capital. The decision was made in order to invest cash liquidity in local currency. The Extraordinary General Assembly

EL Sewedy Electric Company

Notes to the interim consolidated financial statements for the period ended 30 September 2019

decided on 4 May 2017 to cancel the own shares amounting to EGP 50 million at par. The General Assembly also decided to amend articles (6),(7) of the company statute. The shares cancelation was recorded in the Commercial Register on 19 July 2017.

The value of own shares purchased in accordance with the resolutions of the Board of Directors above is EGP 313 300 846. The cancelation of these shares resulted in the reduction of issued and paid up capital of EGP 50 million, the general reserve by EGP 43.8 million and retained earnings reduced by EGP 219.5 million.

20. Loans

Short and long term loans granted to the company and its subsidiaries are classified as follows:-

	30/09/2019	31/12/2018
	<u>EGP</u>	<u>EGP</u>
Current liabilities		
Loans - Current portion	1 479 806 563	1 138 320 941
	<u>1 479 806 563</u>	<u>1 138 320 941</u>
Non-current liabilities		
Secured bank loans – Non current	1 836 800 821	251 035 810
	<u>1 836 800 821</u>	<u>251 035 810</u>

The average interest rate for loans and credit facilities is 15.25 % for the Egyptian pounds including CBE lending rate and 5 % over Libor for the US Dollars and 4.5% for Euro.

Loans granted to the company and its subsidiaries are secured by promissory notes from subsidiaries approximately EGP 878 million, USD 41 million, Euro 71 million ,DZD 476 million ,joint guarantees of EGP 4.104 Billion and machinery and equipment.

21. Banks credit facilities and overdraft

Credit facilities and overdraft amounted to EGP 7 037 555 549 at 30 September 2019 (EGP 7 284 053 439 at 31 December 2018) secured by promissory notes and joint guarantees. The interest of the Central Bank of Egypt borrowing and lending rate for the Egyptian Pound plus 1.5% for Egyptian pound facilities, 2.25 % over Libor and 0.1 % monthly commission on the highest debit balance for US Dollar and 1.5 % over Libor for the Euro facilities.

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Notes to the interim consolidated financial statements for the period ended 30 September 2019

22. Trade, notes and other payables

	30/09/2019 <u>EGP</u>	31/12/2018 <u>EGP</u>
Trade and notes payables	4 295 030 427	4 749 888 548
Prepayments and due to clients	13 225 549 798	9 492 732 495
Other credit balances and accrued expenses*	<u>4 872 437 971</u>	<u>3 916 871 398</u>
	<u>22 393 018 196</u>	<u>18 159 492 441</u>

*Other credit balances include income tax and other accrued taxes of EGP 514 million, retention payable of EGP 298 million and accrued expenses of EGP 1 117 million.

23. Provisions

	30/09/2019 <u>EGP</u>	31/12/2018 <u>EGP</u>
Balance as at 1/1	1 330 795 458	1 174 321 875
Formed during the period/year	243 913 973	244 096 063
Used during the period/year	(103 745 363)	(25 964 525)
Provisions no longer required	(6 354 873)	(133 279 508)
Translation differences and adjustments	<u>123 409 149</u>	<u>71 621 553</u>
	<u>1 588 018 344</u>	<u>1330 795 458</u>

Provisions include an amount of EGP 1 410 369 475 as of 30 September 2019 within the current liabilities in the consolidated statement of financial position (EGP 1 161 476 310 at 31 December 2018) and the non-current portion in the non-current liabilities of EGP 177 621 869 (EGP 169 319 148 at 31 December 2018).

24. Other operating income

	Financial period From 1/1/2019 To 30/9/2019	Financial period From 1/1/2018 To 30/9/2018	Financial period From 1/7/2019 To 30/9/2019	Financial period From 1/7/2018 To 30/9/2018
	EGP	EGP	EGP	EGP
Capital gain	11 882 343	3 429 397	9 531 464	991 679
Reversal of receivable impairment	264 104 337	73 383 209	264 030 612	4 951 315
Provision no longer required	6 354 873	80 564 010	5 502 590	72 237 348
Others	<u>84 097 251</u>	<u>84 547 698</u>	<u>32 024 554</u>	<u>33 936 733</u>
	<u>366 438 804</u>	<u>241 924 314</u>	<u>311 089 220</u>	<u>112 117 075</u>

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Notes to the interim consolidated financial statements for the period ended 30 September 2019

25. Other operating expenses

	Financial period From 1/1/2019 To 30/9/2019 Financial period	Financial period From 1/1/2018 To 30/9/2018 Financial period	Financial period From 1/7/2019 To 30/9/2019 Financial period	Financial period From 1/7/2018 To 30/9/2018 Financial period
Provisions	243 913 973	276 026 453	113 862 390	191 053 863
Impairment Receivables	212 610 053	171 963 145	200 633 868	(8 806 182)
Amortizations	12 094 339	16 882 017	3 824 318	6 491 784
Others	1 927 579	1 566 339	995 228	(161 637)
	470 545 944	466 437 954	319 315 804	188 577 828

26. Net financing income (cost)

	Financial period From 1/1/2019 To 30/9/2019 Financial period	Financial period From 1/1/2018 To 30/9/2018 Financial period	Financial period From 1/7/2019 To 30/9/2019 Financial period	Financial period From 1/7/2018 To 30/9/2018 Financial period
Finance Income				
Interest earned	413 859 759	633 278 363	113 719 938	163 446 969
Changes In Present Value	158 792 840	261 728 857	38 357 767	80 460 704
Foreign exchange gain	(172 879 720)	(76 805 365)	(95 762 513)	1 341 641
	399 772 879	818 201 855	56 315 192	245 249 314
Finance Cost				
Interest expense	(330 711 158)	(260 442 729)	(106 582 302)	(87 598 264)
	(330 711 158)	(260 442 729)	(106 582 302)	(87 598 264)
	69 061 721	557 759 126	(50 267 110)	157 651 050

27. Capital commitments

The Group's capital commitment as at 30 September 2019 is EGP 334 million (EGP 332 million at 31 December 2018). The commitments are expected to be settled in the next financial year.

28. Contingencies

	30/09/2019 <u>EGP</u>	31/12/2018 <u>EGP</u>
Uncovered portion of letters of guarantees and letter of credits	20 813 834 400	11 984 178 228

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Notes to the interim consolidated financial statements for the period ended 30 September 2019

29. Related parties

Related parties are represented in the Company's shareholders and the companies in which the shareholders own directly or indirectly shares that give them the ability to control or significantly influence these companies. The main transactions with the related parties are sale of finished products. The total value of sales to the affiliates during the period is EGP 2 176 million as of 30 September 2019. The significant related parties' balances are as follows:

	30/09/2019	31/12/2018
	<u>EGP</u>	<u>EGP</u>
Stated under current assets		
“Due from related parties”		
ELSewedy Cables-Qatar	62 888 875	106 430 206
ELSewedy for Tools and Cables	35 349 517	-
Pilling Technology	99 886 814	-
Senyar Industries Qatar Holding	10 535 427	15 167
El rowad co- Dubai	17 329 510	35 940 000
Construction technology company	-	7 203 966
Iskra Malaysia	-	1 524 232
Zesco Company	1 375 775	65 574 766
Ola for real estate development	63 732 198	35 258 010
Doha cables-Qatar	1 531 031	30 548 216
El Sewedy for constructions Co.Algeria	17 371 434	31 995 573
Glencore Company	25 161 428	44 401 708
Elsewedy for Electrical Industries(Egylux)	40 349 465	1 004 063
Aswan 21	37 800	-
Pyramids for Industrial parks development	111 618 327	21 538 826
Pyramids Zonafranca	7 278 263	7 437 852
3W Net works – Qatar	8 303 688	9 504 395
3W Net works – Egypt	-	5 976 191
Elsewedy Electric Engineering and trading – Zambia	48 828 828	48 353 249
GAMA – Rowad	5 718 403	-
RME CHAD	4 013 821	-
Giad cables	23 403 321	29 424 389
Emas	9 295 663	-
Calisty energetic (Greece)	9 112 170	-
El yolky calendaeece (Greece)	6 703 090	-
Others	24 205 806	937 718
	<u>634 030 656</u>	<u>483 068 527</u>

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	30/09/2019	31/12/2018
	<u>EGP</u>	<u>EGP</u>
Stated under current liabilities		
“Due to related parties”		
Pyramids for Real Estate Development	37 793 690	32 823 071
Pyramids Zonafranca	5 460 885	2 468 078
Al Ola for Industrial Parks Development	17 931 163	2 681 085
BV Power Plant	129 278 698	-
Al Arabiya for Steel Industries	42 140 285	-
Elastymould-Egypt	8 444 736	24 862 157
Maali Holding	11 960 898	11 816 474
El Sewedy Cables-Qatar	32 333 142	35 649 420
Doha Cables-Qatar	7 667 056	13 540 278
Senyar- Holding	48 990 000	53 910 000
El Rajhee Construction	32 965 281	38 664 981
El Sewedy for electric equipment & cables	3 116 387	67 690 166
Elsewedy Electric Engineering and trading – Zambia	8 248 801	9 077 217
EMAS	15 283 881	-
Hassan Giad	16 381 554	18 026 731
El Rowad Mozambique	2 853 558	3 027 120
International Company for Development	3 783 682	3 930 508
Shareholders Divideneds	23 098 943	17 909 556
El yolky calendaece (Greece)	6 458 866	-
Others	7 256 803	20 132 382
	<u>461 548 309</u>	<u>356 209 224</u>

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Notes to the interim consolidated financial statements for the period ended 30 September 2019

Subsidiaries and jointly controlled

The following are the most important subsidiaries entities owned by the company as at 30 September 2019:-

	Date of acquisition	Country	Nature of contribution	% of share
Egyptian Company For Advanced Industries	21-06-2005	Egypt	Direct	٩٨,50
United Metals Co.	23-06-2005	Egypt	Direct	٩٩,٨٠
Egytech Cables Co.	25-12-2005	Egypt	Direct	٩٩,99
United Industries Co.	25-12-2005	Egypt	Direct	٩٩,٩٨
El Sewedy for Electric International Co.(previously External cables)	19-04-2006	Egypt	Direct	٩٩,٩٦
United Wires Co.	02-11-2006	Egypt	Direct	٩٩,٩٤
Egyplast Co.	24-12-2006	Egypt	Direct	٩٩,98
El Sewedy Cables – Egypt	21-02-2007	Egypt	Direct	٩٩,٨٧
Elsewedy Transformer	30-04-2011	Egypt	Direct	٩٩,٨٧
Elsewedy Electric Co. For Transmission	21-10-2007	Egypt	Direct	٩٩,9٨
El Sewedy Power	27-09-2007	Egypt	Direct	٩٩,٨٨
El Sewedy Sedco for Petroleum Services	10-01-2008	Egypt	Direct	٩٧,٠٠
Iskra Emco Energy Measurement – Misr	18-02-2008	Egypt	Indirect	٩٩,١٢
Iskra Emco Slovenia	1-1-2008	Solvenia	Indirect	٩٩,٧٠
Egyptian Company for Insulators	30-6-2008	Egypt	Direct/Indirect	٧٤,٨٣
Elsewedy Electric Co. For Trading and Distribution.	21-12-2008	Egypt	Direct/Indirect	٩٩,8
Siag El Sewedy for Towers	17-08-2008	Egypt	Direct	٩٩,٠٠
El Sewedy for Wind Energy Generation	10-07-2008	Egypt	Direct	٩٩,90
Power System Projects Company	31-12-2008	Egypt	Direct	٩٩,٩٩
Rowad Engineering Co.	30-6-2010	Egypt	Indirect	51
Etalsamia for manufacturing electrical tools against explosion	30-6-2010	Egypt	Indirect	٩٩,٩8
SMD for developments and managements Co.	14-1-2018	Egypt	Direct	٩٩,٩٩
Souq Misr for malls Co.	11-3-2018	Egypt	Direct	٩٩,٩٩

Subsidiaries for El Sewedy for Electric International Co (External cables previously).

El Sewedy Cables – Algeria	03-10-2006	Algeria	Indirect	99.٩١
El Sewedy Cables Limited	24-12-2006	Saudi	Indirect	60.00
El Sewedy Electric Limited Zambia	31-03-2009	Zambia	Indirect	60.00
El Sewedy Cables Ethiopia	31-03-2009	Ethiopia	Indirect	95.00
Red Sea for copper – Egypt	31-12-2009	Egypt	Direct /Indirect	100
United Co. For Electrical Industries	31-3-2010	Saudi	Indirect	60
3W Network – Emirates	30-6-2010	Emirates	Indirect	99.97
National Extrusion and manufacturing of metal	23-5-2013	Egypt	Direct/Indirect	99.98

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El Sewedy Cables-Dubai	30-9-2016	Emirates	Indirect	49
El Sewedy Electric for engineering projects-Kuwait	27-10-2010	Kuwait	Indirect	49

Equity accounted investee's

Elasty Mould	22/2/2006	Egypt	Indirect	49.60
Elsewedy Electric Engineering and trading – Zambia	31/3/2009	Zambia	Direct	49.90
Ola for real estate development	30/9/2009	Egypt	Direct and indirect	50.00
Elsewedy Cables	20/4/2006	Qatar	Indirect	٣٨,٣٠
Senyar	9/5/2008	Qatar	Indirect	٥٠,٠٠
Doha Cables	9/5/2008	Qatar	Indirect	٤٧,٢٩
Pyramids	27/9/2007	Egypt	Direct and indirect	50.00
Zona Franca	30/6/2010	Egypt	Indirect	47.5

On 9 June 2015 EL Sewedy Power Company – a subsidiary of El Sewedy Electric and El Sewdy Electric Company agreed to sell MTOI, a Spanish company (previously M. Torres) fully owned by both mentioned companies, for 1 Euro in addition to Euro 250K to be paid in November 2015. According to the agreement, MTOI will pay the credit balance due to EL Sewedy Power almost of Euro 4.6 million on an annual installments starting at November 2015 to November 2018 with interest of 2% over Eurobor. Both MTOI and the buyer are jointly liable for paying the credit balance according to the contract. There is no cash inflows on the transaction consolidated cash flow.

The Company sold its shares in Elsewedy Cables-syria, Elsewedy Electric-syria and SedPlast Syria.

30. Tax status

El-sewedy Electric Company is subject to Investment Guarantees and Incentives law No.8 for 1997 and its executive regulations and the rest of group companies are subject to taxes in Egypt or abroad. The companies enjoying tax exemption are as follow:

Subsidiaries in Egypt enjoying tax exemption from corporate income tax

	End of tax exemption
Sedco for electrical industries (Etalsamia previously)	31/12/2019

31. Shares based payment

The general assembly dated 13 April 2008 decided to issue 200 000 shares with par value of EGP 10 each as employees share based payments according to the ministerial decree No 282 for 2005. The Extraordinary General assembly's dated 19 April 2010 and 26 April 2011 decided a shares dividend (3 shares for each 10 shares).

The employee right at each year end during the three years scheme to exercise part of the shares based payments were in the following rates:-

First year	20%
Second year	30%
Third year	50%

The fair value of the services rendered in return of the shares granted as at 31 December 2011 is as follows:

Number of share options granted in 31December 2008	126 000
Share dividends (3 for each 10)	52 383
Exercised up to 31 December 2011	(161 227)
Canceled shares to employees up to 31 December 2011	(17 156)
	-
Fair Market value at 31 December 2011	4 227 700

EL Sewedy Electric Company

Notes to the interim consolidated financial statements for the period ended 30 September 2019

The granted options were fully exercised and there is a remaining balance of shares of 142 216 available for share based payments that belongs to the system. The Group is in the process of renewing the share based payments system.

32. Earnings per share

	Financial period From 1/1/2019 To 30/9/2019 EGP	Financial period From 1/1/2018 To 30/9/2018 EGP	Financial period From 1/7/2019 To 30/9/2019 EGP	Financial period From 1/7/2018 To 30/9/2018 EGP
Profits attributable to the shareholders of the company	2 785 137 111	3 577 898 979	831 596 050	1 162 905 575
Weighted average number of shares				
Issued and paid capital	2 184 180 000	2 184 180 000	2 184 180 000	2 184 180 000
Treasury shares				
Treasury shares (reward system)	(1 422 160)	(1 422 160)	(1 422 160)	(1 422 160)
Weighted average number of shares	2 182 757 840	2 182 757 840	2 182 757 840	2 182 757 840
Earnings per share	1.24	1.61	0.38	0.52

33. Financial instruments and the related risks

The main risks related to the company activities are:

- Credit risk
- Liquidity risk
- Market risk

The Company risk management policies are established to identify and analyze the risk faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company activities. The Company through its training and management standards and procedures aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Company does not use derivative financial instruments.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and cause the other party to incur financial loss. This risk arises from the receivable and debtors.

	(EGP million)	
	30/09/2019	31/12/2018
Receivable and debtors	22 995	20 143
Due from related parties	٦٣٤	483
Cash and investments	8 276	6 347
Total	31 905	26 973

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Receivable aging

	(EGP million)	
	30/09/2019	31/12/2018
Not due	8 184	8 651
Due for 30 days.	4 857	2 608
Due for 31 to 120 days	3 806	3 468
Due for 121 to 180 days	2 217	2 980
Due for more than 180 days	1 533	1 490
Others	2 298	946
	22 995	20 143

Liquidity risk

Payments to suppliers and creditors are due within a period of 90 days from receipt of goods or services.

	(EGP Thousand)	
	Less than one year <u>EGP</u>	More than one year <u>EGP</u>
Creditors and due to related parties	22 854 567	817 449
Due to banks	8 517 362	1 836 801

Foreign currency risk

The following are the balances of monetary assets and liabilities in foreign currencies:

	30 September 2019			31 December 2018		
	USD	Euro	GBP	USD	Euro	GBP
Financial assets	644 263	116 980	18 814	627 460	116 496	8 947
Financial liabilities	664 080	92 012	289	683 485	108 465	1 219

The following are the significant foreign currency exchange rates during the period:

	Closing rates		Average rates	
	30/09/2019	31/12/2018	30/09/2019	31/12/2018
USD	16.33	17.97	17.46	17.88
Euro	17.82	20.57	19.78	21.11

Sensitivity analysis

A reasonably possible strengthening (Weakening) of EGP against the US dollar and Euro at 30 September 2019 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below.

This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

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Effect Change 10%

	(Thousand)	
	30/09/2019	31/12/2018
USD	(32 361)	(100 565)
Euro	44 493	15 714
Total	12 132	(84 851)

Interest rate risk

The following are the group interest bearing financial instruments:

	(EGP million)	
	Net book value	
	30/09/2019	31/12/2018
Fixed interest rates		
Financial assets	2 495	3 925
Financial liabilities	(3 317)	(2 725)
	(821)	1 200
Variable interest rates		
Financial assets	6 561	4 545
Financial liabilities	(7 038)	(5 949)
	(477)	(1 404)

The average interest rates are as follows:

	EGP	EURO	USD
Financial assets	12.75	2	1.75
Financial liabilities	15.75	5	2 + Libor

34. Finance Lease Contract

Finance lease contracts (Sale and Lease back)

The company has entered into financing lease with international leasing company (Incolease) in 28 March 2010 to lease the company Head Office with a contractual leasing value of USD 9 189 700 and the following is summary for contract:

Description	Payments of Lease		Contract Duration	Purchase amount	Lease amount quarterly
	Payment of principle	Payment of interest			
	USD	USD	Month	L.E	USD
Contract from 28 March 2018 till 28 December 2014	8 873 635	316 065	57	1	459 485

(*) ElSewedy Electric Company had purchased the building from Leasing Company (Incolease) by 1 L.E as defined in the contract and the building become owned by Elsewedy Electric Company.

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- According to policies applied in the preparation of the annual financial statements on 30 September 2019. These policies are applied in all periodic financial statements presented in the interim financial statements, taking in to account new issuance and amendments to the Egyptian accounting standards by decision of the minister of investment and international cooperation related to lease contract that were subject to law No. 95 of 1995 and its amendments, which were settled from the beginning of the comparison period. The comparative figures and opening balances for the comparative year have been adjusted following the change in the accounting policy for financial leasing contracts to conform to new version of the Egyptian Accounting Standards in this regard.

Description	30/9/2019	31/12/2018
	L.E	L.E
Increase in Fixed Assets	48 716 262	48 716 262
Increase in Accumulated depreciation	9 256 090	8 525 346
Increase in retained Earning	-	31 147 960
Increase in Deferred tax liability	8 878 539	9 042 956

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35. Comparative Period :

35-1 Some of comparative figures have been re-classified to match with the presentation of the current period, the main statement of financial position accounts which affected by the reclassification are:

	Before Classification		After Classification
	31/12/2018	reclassification	31/12/2018
	EGP	EGP	EGP
Other liabilities	1 017 587 868	(169 319 148)	848 268 720
Provisions	992 157 162	169 319 148)	1 161 476 310

35-2 The Effect on financial Position comparative figures were as follows:

	Before Classification		After Classification
	31/12/2018	reclassification	31/12/2018
	EGP	EGP	EGP
Increase in Fixed Assets	4 259 405 344	40 190 916	4 299 596 260
Increase in deferred Tax Liabilities (Leasing)	-	9 042 956	9 042 956
Increase in Retained Earnings	11 601 298 507	31 147 960	11 632 446 467

- The effect on Income Statement were as follows:

	Before Classification	Effect	After Classification
	From 1/7/2018	From 1/7/2018	From 1/7/2018
	Till 30/9/2018	Till 30/9/2018	Till 30/9/2018
	EGP	EGP	EGP
Increase in depreciation	(328 643 289)	(243 581)	(328 886 870)
Decrease in deferred tax expense	(33 625 355)	54 806	(33 570 549)

	Before Classification	Effect	After Classification
	From 1/1/2018	From 1/1/2018	From 1/1/2018
	Till 30/9/2018	Till 30/9/2018	Till 30/9/2018
	EGP	EGP	EGP
Increase in depreciation	(1 002 649 536)	(730 744)	(1 003 380 280)
Decrease in deferred tax expense	(109 589 788)	164 417	(109 425 371)

- The effect on cash flows statement as follows:

	Before Classification	Effect	After Classification
	From 1/1/2018	From 1/1/2018	From 1/1/2018
	Till 30/9/2018	Till 30/9/2018	Till 30/9/2018
	EGP	EGP	EGP
Fixed Assets depreciation	458 969 771	730 744	459 700 515

36. New accounting standards and amendments to current accounting standards :

On March 18, 2019, the Minister of Investment and International Cooperation introduced amendments to some provisions of the Egyptian Accounting Standards issued thereby by virtue of Decree No. 110 of 2015, which include some new accounting standards as well as introducing amendments to certain existing standards. The Management is currently assessing the potential impact on the financial statements when applying the amendment introduced to the Standard. The most prominent amendments are as follows:

New or Amended Standards	A Summary of the Most Significant Amendments	The Possible Impact on the Financial Statements	Date of Implementation
1- The new Egyptian Accounting Standard No. (47) "Financial Instruments"	1-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. 2- 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. 3- When measuring the impairment of financial assets the Incurred Loss Model is replaced by the Expected Credit Loss (ECL) Models, which	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.	This standard applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted; provided that the amended Egyptian Accounting Standards Nos.(1), (25), (26) and (40) are to be simultaneously applied.

	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.		
	4- 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] 2-Egyptian Accounting Standard No. (4) -“Statement of Cash Flows”. 3-Egyptian Accounting Standard No. (25) - “Financial Instruments: Presentation. 4-Egyptian Accounting Standard No. (26) - “Financial Instruments: Recognition and Measurement”. 5- Egyptian Accounting Standard - EAS No. (40) - “Financial Instruments: Disclosures “		-These ammendments are effective as of the date of implementing Standard No. (47)]
The new Egyptian Accounting Standard No. (48) - “Revenue from Contracts with Customers”	1.The new Egyptian Accounting Standard No. (48) - “Revenue from Contracts with Customers” shall supersede the following standards and accordingly such standards shall be deemed null and void: 2.Egyptian Accounting Standard No. (8) - “Construction Contracts” as amended in 2015. 3.Egyptian Accounting Standard No. (11) – “Revenue” as amended in 2015. 4.For revenue recognition, Control Model is used instead of Risk and Rewards Model. 5.incremental costs of obtaining a contract with a customer are recognized as an asset if the enterprise expects to recover those costs and the costs of fulfilling the contract are to be	The Management is currently assessing the potential impact of implementin g the amendment of the standard on the financial statements	Standard No(48) applies to financial periods beginning on or after January1st, 2020, and the early implementation thereof is permitted

	recognized as an asset when certain conditions are met 6.the standard requires that contract must have a commercial substance in order for revenue to be recognized 7.Expanding in the presentation and disclosure requirements		
The new Egyptian Accounting Standard No. (49) "Lease Contracts	1- The new Egyptian Accounting Standard No. (49) "Lease Contracts" 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 Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.	This standard No. (49) applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted if Egyptian Accounting Standard No. (48) "Revenue from Contracts with Customers" is simultaneously applied. Except for the above-mentioned date of enforcement, Standard No. (49) applies to lease contracts that were subjected to Finance Lease Law No. 95 of 1995 and its amendments and were treated according to Egyptian Accounting Standard No. 20, "Accounting rules and standards related to financial leasing " as well as the finance lease contracts that arise under and are subjected to Law No. 176 of 2018 to the effect of regulating both financial leasing and factoring activities starting from the beginning of the annual reporting period in which Law No. (95) of 1995 was revoked and Law No. (176) of 2018 was issued.
Egyptian Accounting Standard No.	A number of paragraphs were introduced and amended in order to amend the	The Management is currently	This standard No. (38) applies to financial periods beginning on or after January 1st, 2020, and

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(38))as ammended " Employees Benefits "	Accounting Rules of Settlements and Curtailments of Benefit Plans	assessing the potential impact of implementin g the amendment of the standard on the financial statements.	the early implementation thereof is permitted.
Egyptian Accounting Standard No. (42))as ammended " Consolidated Financial Statements"	Some paragraphs related to the exclusion of the Investment Entities from the consolidation process were added . This amendment has resulted in introducing an amendment to some of the standards related to the subject of the Investment Entities. The standards that were ammended are as follows: - (ESA 15) Related Party Disclosures - (ESA 17)Consolidated and Separate Financial Statements - (ESA 18) Investments in Associates - (ESA 24) Income Taxes - (ESA 29)Business Combinations - ESA(30) Periodical Financial Statements - EAS (44) Disclosure of Interests in Other Entities.	The Management is currently assessing the potential impact of implementin g the amendment of the standard on the financial statements.	This standard applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted. -The new or ammended paragraphs pertaining to the ammended standards concerning the investment entities shall apply on the effective date of Egyptian Accounting Standard No. (42) "Consolidated Financial Statements", as ammended and issued in 2019
Issuance of Egyptian Accounting Interpretation No.(1)"Public Service Privileges Arrangements " ...	This interpretation provides guidance on the accounting by operators of public service privileges arrangements from a public entity to a private entity for the construction, operation and maintenance of the infrastructure for public utilities such as roads, bridges, tunnels, hospitals, airports, water supply facilities, power supplies and communications networks. ..., etc This interpretation gives the option of continuing to apply the prior treatment of public service privilages arrangements that prevailed prior to January 1st,2019 on entities that used to recognize and measure the assets of these arrangements as fixed assets in accordance with Egyptian Accounting Standard No. 10 "Fixed Assets and Depreciation"until their useful lives are expired .	The Management is currently assessing the potential impact of implementin g the amendment of the standard on the financial statements	Interpretation No.(1) applies to financial periods beginning on or after January 1st, 2019,

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Egyptian Accounting Standard No. (22) as amended "Earnings per Share"	The scope of implementation of the Standard was amended to be applied to the separate, or consolidated financial statements issued to all enterprises.	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements	This amendment is introduced and shall apply to financial periods beginning on or after January 1st, 2019.
Egyptian Accounting Standard No. (34) as amended "Real Estate Investment"	The Fair Value Model option for all enterprises is no longer used when the subsequent measurement of their real estate investments is made and compliance shall apply only to the Cost Model. while only real estate investment funds are obliged to use the Fair Value Model, upon the subsequent measurement of all their real estate assets. Based on this amendment, the following standards were amended : - Egyptian Accounting Standard No. (32) Non-current Assets Held for Sale and Discontinued Operation - Egyptian Accounting Standard No. (31) Impairment of Assets	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements	This amendment is introduced and shall apply to financial periods beginning on or after January 1st, 2019.
Egyptian Accounting Standard No. (4) as amended "Statement of Cash Flows"	This standard requires the entity to provide disclosures that enable users of the financial statements to assess changes in liabilities arising from finance activities, including both changes arising from cash flows or non-cash flows .	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements	This amendment is introduced and shall apply to financial periods beginning on or after January 1st, 2019.