

MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

**LIMITED REVIEW REPORT AND
INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 March 2022**

MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

**Interim condensed separate financial statements
For the three-month period ended 31 March 2022**

Limited review report

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Limited review report on the interim condensed Separate financial statements

To : The Board of Directors of Middle East Glass Manufacturing Company (S.A.E.)

Introduction

We have reviewed the accompanying interim condensed separate statement of financial position at 31 March 2022 of Middle East Glass Manufacturing Company (S.A.E.) and the related interim condensed separate statements of profit or loss, other comprehensive income, changes in equity and cash flows for the three months then ended. Management is responsible for the preparation and fair presentation of these interim Separate financial statements in accordance with Egyptian Accounting Standard 30 "Interim financial reporting". Our responsibility is to express a conclusion on this interim condensed Separate financial statements based on our review.

Scope of limited review

We conducted our limited review in accordance with Egyptian Standard on Review Engagements No. 2410, "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, and applying analytical and other limited 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 this interim financial statements.

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim condensed separate financial statements is not prepared in all material respects, in accordance with Egyptian Accounting Standard 30 "Interim financial reporting".


Mohamed Elmoataz
R.A.A. 12747
F.R.A. 133

30 May 2022
Cairo

MIDDLE EAST GLASS MANUFACTURING COMPANY S.A.E.
INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2022

(All amounts in Egyptian Pounds)	Note	31 March 2022	31 December 2021
Assets			
Non-current assets			
Property, plant and equipment	4	197,865,229	189,141,905
Intangible assets		977,573	770,101
Investments in subsidiaries		631,882,817	631,882,817
Deferred tax assets		9,888,740	-
Total non-current assets		840,614,359	821,794,823
Current assets			
Inventory		50,719,278	53,984,038
Trade and notes receivables		87,205,070	103,392,294
Contract assets		8,179,049	8,906,099
Prepaid expenses and other debit balances		89,080,857	56,317,240
Due from related parties		605,269,557	574,248,668
Financial assets at amortized cost		-	12,943,326
Cash and cash equivalents		286,640,346	297,039,629
Total current assets		1,127,094,157	1,106,831,294
Total assets		1,967,708,516	1,928,626,117
Equity			
Issued and paid up capital		50,322,580	50,322,580
Legal reserve		25,161,260	25,161,260
Share premium reserve		172,217,162	172,217,162
Other reserves		13,129,007	13,129,007
Payments under capital increase		432,825,002	432,825,002
Retained earnings		495,732,825	455,993,850
Total equity		1,189,387,836	1,149,648,861
Liabilities			
Non-current liabilities			
Bank borrowings	5	357,550,896	307,814,900
Retirement benefits obligations		8,401,055	7,433,004
Deferred tax liabilities		-	4,386,140
Total non-current liabilities		365,951,951	319,634,044
Current liabilities			
Provisions		17,215,194	18,146,939
Bank overdrafts	5	95,855,033	97,996,933
Trade and notes payables		66,004,050	51,465,117
Accrued expenses and other payables		110,900,980	88,307,180
Due to related parties		1,347,783	110,043,722
Income tax liability		49,535,512	31,820,343
Current portion of long-term loans	5	71,510,177	61,562,978
Total current liabilities		412,368,729	459,343,212
Total liabilities		778,320,680	778,977,256
Total equity and liabilities		1,967,708,516	1,928,626,117

- The accompanying notes from 1 to 7 form an integral part of these interim condensed separate financial statements.
- Limited review report attached



Mohamed Khalifa
Chief Financial Officer



Peter Carpenter
Director



Abdul Galil Beshar
Chairman

Cairo on 30 May 2022

MIDDLE EAST GLASS MANUFACTURING COMPANY S.A.E.
INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2022

Condensed Separate statement of profit or loss

(All amounts in Egyptian Pounds)	<u>Note</u>	<u>31 March</u> <u>2022</u>	<u>31 March</u> <u>2021</u>
Revenue from contracts with customers		226,593,937	169,126,228
Cost of sales		<u>(172,351,994)</u>	<u>(123,719,905)</u>
Gross profit		54,241,942	45,406,323
Selling and marketing expenses		(5,279,377)	(5,826,635)
General and administrative expenses		(12,364,643)	(11,728,605)
Other operating income	3/A	49,534,178	3,066,739
Other operating expenses		<u>(2,587,617)</u>	<u>(1,978,352)</u>
Operating profit		83,544,483	28,939,470
Finance costs	3/B	(33,840,111)	(9,029,109)
Interest income		<u>1,017,308</u>	<u>1,064,579</u>
Profit before income tax		50,721,680	20,974,940
Income tax	3/C	<u>(10,982,705)</u>	<u>(5,590,941)</u>
Net profit for the period		<u>39,738,975</u>	<u>15,383,999</u>
Basic earnings per share		0.79	0.31

- The accompanying notes from 1 to 7 form an integral part of these interim condensed separate financial statements.

**MIDDLE EAST GLASS MANUFACTURING COMPANY S.A.E.
INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2022**

Condensed Separate statement of other comprehensive income

	31 March	31 March
(All amounts in Egyptian Pounds)	2022	2021
Net profit for the period	39,738,975	15,383,999
Other comprehensive income	-	-
Total other comprehensive income for the period	39,738,975	15,383,999

- The accompanying notes from 1 to 7 form an integral part of these interim condensed separate financial statements.

MIDDLE EAST GLASS MANUFACTURING COMPANY S.A.E.
INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

Condensed Separate statement of changes in equity
Three-months period ended 31 March 2022

(All amounts in Egyptian Pounds)	Issued and paid up capital	Payment under capital increase	Reserves	Retained earnings	Total
Balance at 1 January 2021	50,322,580	432,825,002	210,507,429	397,505,366	1,091,160,377
Effect of adoption of new accounting standard (EAS 47 & EAS 48)	-	-	-	206,744	206,744
Adjusted balance as at 1 January 2021	50,322,580	432,825,002	210,507,429	397,712,110	1,091,367,121
Total other comprehensive income for the period	-	-	-	15,383,999	15,383,999
Balance at 31 March 2021	<u>50,322,580</u>	<u>432,825,002</u>	<u>210,507,429</u>	<u>413,096,109</u>	<u>1,106,751,120</u>
Balance at 1 January 2022	50,322,580	432,825,002	210,507,429	455,993,850	1,149,648,861
Total other comprehensive income for the period	-	-	-	39,738,975	39,738,975
Balance at 31 March 2022	<u>50,322,580</u>	<u>432,825,002</u>	<u>210,507,429</u>	<u>495,732,825</u>	<u>1,189,387,836</u>

- The accompanying notes from 1 to 7 form an integral part of these interim condensed separate financial statements.

MIDDLE EAST GLASS MANUFACTURING COMPANY S.A.E.
INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

Condensed separate statement of cash flows
For the three-months period ended 31 March 2022

(All amounts in Egyptian Pounds)	Note	31 March 2022	31 March 2021
Cash flows from operating activities			
Net profit for the period before tax		50,721,680	20,974,940
<u>Adjusted by:</u>			
Interest expenses		8,035,526	9,029,109
Depreciation and amortization	4	8,400,166	7,950,464
Interest income		(1,017,307)	(522,813)
Gain on sale of property, plant and equipment		231,831	-
Provisions formed		1,217,627	-
Provisions used		(931,745)	-
Unrealized foreign exchange loss/ (gain)		59,683,190	(469,534)
Operating profit before changes in working capital		126,340,967	36,962,166
Changes in working capital			
Inventory		(3,987,809)	2,009,624
Trade and notes receivables		25,847,895	(6,380,669)
Prepaid expenses and other receivables		(42,840,587)	(17,392,401)
Due from related parties		(30,416,963)	3,324,385
Trade and notes payables		14,538,933	(11,805,840)
Accrued expenses and other payables		16,077,023	(1,141,183)
Due to related parties		(108,695,939)	5,314,842
Payment of employees' retirement benefits			(13,871)
Cash (used in)/ generated from operations		(3,136,480)	10,877,053
Interest paid		(1,518,746)	(9,029,109)
Net cash(used in)/ generated from operating activities		(4,655,226)	1,847,944
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(17,749,091)	(8,187,058)
Proceeds from sale of property, plant and equipment		186,300	-
Payment for purchase of treasury bills		(9,740,610)	(11,543,670)
Proceeds from sale of treasury bills		21,284,282	-
Interest income received		2,416,962	213,435
Net cash flows (used in) investing activities		(3,602,157)	(19,517,293)
Cash flows from financing activities			
Bank overdrafts		(2,141,900)	(2,387,236)
Net cash flows used in financing activities		(2,141,900)	(2,387,236)
Net decrease in cash and cash equivalent		(10,399,283)	(20,056,585)
Cash and cash equivalents at beginning of the period		297,039,629	114,093,069
Cash and cash equivalents at end of the period		286,640,346	94,036,484

- The accompanying notes from 1 to 7 form an integral part of these interim condensed separate financial statements.

MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

(IN THE NOTES ALL AMOUNTS ARE SHOWN IN EGYPTIAN POUNDS UNLESS OTHERWISE STATED)

1. General information

Middle East Glass Manufacturing Company S.A.E. (the Company) was established in 1979 as an Egyptian joint stock company under the provisions of Law No. 43 of 1974 as amended by Law No. 230 of 1989 as amended by Law No. 8 of 1997, and is registered in the commercial register under number 193770 Cairo. The address of the Company's registered office is Nasr City, 6 Mokhayam El-Daem Street ,6thDistrict, Industrial Zone, Cairo – Arab Republic of Egypt.

The Company is listed on the Egyptian Stock Exchange (EGX).

The Company and its subsidiaries together comprise "the Company". The Company's main activity is manufacturing all kinds of glass bottles and the acquisition of other entities that operate in the same field.

The parent of the Company is MENA Glass Holdings Limited with 51.43% ownership.

<u>Subsidiaries</u>	<u>Share</u>	<u>Activity</u>
Middle East Glass Containers Sadat	99.99992%	Manufacturing Glass Containers
MEG Misr for Glass MEG	99.99993%	Manufacturing Glass Containers
Misr for Glass Manufacturing	Owned 99.9997% by MEG Misr for Glass MEG	Manufacturing all kinds of Glass Bottles and the acquisition of other entities that operate in the same field

These interim separate financial statements have been approved for issuance by the Chairman of the Board of Directors on 30 May 2022

2. Basis of preparation of the interim condensed Separate financial statements

This interim condensed Separate financial statements for the three-month reporting period ended 31 March 2022 has been prepared in accordance with Egyptian Accounting Standard 30 "Interim Financial Reporting".

This interim condensed Separate financial statements does not include all the notes of the type normally included in an annual financial statements. Accordingly, this interim condensed Separate financial statements is to be read in conjunction with the annual separate financial statements for the year ended 31 December 2021 and any public announcements made by the Company during the interim reporting period.

MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

(IN THE NOTES ALL AMOUNTS ARE SHOWN IN EGYPTIAN POUNDS UNLESS OTHERWISE STATED)

3. Profit or loss information

A) Significant items

	Three-month period ended	
	31 March 2022	31 March 2021
Export subsidy	3,501,816	2,255,370
Insurance recovery relating to fire*	45,595,924	-

* Other operating income during the period includes an amount of 45 million Egyptian Pounds, represents compensation resulted from final evaluation of the claim with the insurance company in respect of the fire accident occurred during 2019 in one of the company's production lines.

B) Finance costs

	Three-month period ended	
	31 March 2022	31 March 2021
Bank interest	(8,035,526)	(9,029,109)
Net Loss from foreign currency exchange	(25,548,716)	-
Other finance cost	(255,869)	-
Total finance costs	(33,840,111)	(9,029,109)

Also On March 21, 2022, the Central Bank of Egypt announced a depreciation in the exchange rate of the Egyptian pound and an increase in interest rates on lending and deposits by 1%. Accordingly, as a result of the depreciation in the exchange rate of the Egyptian pound, the US dollar was traded on the date of issuance of these financial statements in local banks between 18 and 18.50 Egyptian pounds. This has resulted in foreign exchanges losses of EGP 25,548,716.

C) Income tax

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The average annual tax rate used for the period to 31 March 2022 is 22% compared to 27% for the three months ended 31 March 2021. The reason for this decrease during the period is the increase in deferred tax assets calculated on unrealised foreign exchange loss on unrealised foreign exchange loss.

MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

**NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022**

(IN THE NOTES ALL AMOUNTS ARE SHOWN IN EGYPTIAN POUNDS UNLESS OTHERWISE STATED)

4. Property, plant and equipment

	Land	Buildings	Machinery, equipment & moulds	Vehicles & transportation	Furniture & office equipment	Computers & Software	Projects under construction	Total
31 December 2021								
Cost								
Balance at beginning of the year	32,580,601	49,943,380	489,698,496	8,365,251	2,146,033	11,077,872	7,675,766	601,487,399
Additions	2,614,454	1,277,767	22,670,991	4,816,455	122,883	795,925	4,387,023	36,685,498
Disposals	-	-	(8,097,105)	(1,417,401)	-	-	(3,855,419)	(13,369,925)
Transfers from projects under construction	-	-	510,433	-	-	-	(510,433)	-
Balance at the end of the year	35,195,055	51,221,147	504,782,815	11,764,305	2,268,916	11,873,797	7,696,937	624,802,972
Accumulated depreciation								
Balance at beginning of the year	-	(34,046,774)	(364,269,471)	(4,573,864)	(1,590,453)	(7,440,896)	-	(411,921,458)
Depreciation expense	-	(1,774,446)	(26,824,213)	(1,293,959)	(165,960)	(1,399,054)	-	(31,457,632)
Disposals depreciation	-	-	6,300,623	1,417,400	-	-	-	7,718,023
Balance at the end of the year	-	(35,821,220)	(384,793,061)	(4,450,423)	(1,756,413)	(8,839,950)	-	(435,661,067)
Net book value at the end of the year	35,195,055	15,399,927	119,989,754	7,313,882	512,503	3,033,847	7,696,937	189,141,905
31 March 2021								
Cost								
Balance at beginning of the period	35,195,055	51,221,147	504,782,815	11,764,305	2,268,916	11,873,797	7,696,937	624,802,972
Additions	2,067,386	40,160	13,338,834	-	12,327	321,655	1,736,268	17,516,630
Disposals	-	-	(7,560,244)	-	-	-	-	(7,560,244)
Transfers from projects under construction	-	-	657,125	-	-	-	(657,125)	-
Balance at the end of the period	37,262,441	51,261,307	511,218,530	11,764,305	2,281,243	12,195,452	8,776,080	634,759,358
Accumulated depreciation								
Balance at beginning of the period	-	(35,821,220)	(384,793,061)	(4,450,423)	(1,756,413)	(8,839,950)	-	(435,661,067)
Depreciation expense	-	(435,977)	(7,051,386)	(478,421)	(45,569)	(363,822)	-	(8,375,175)
Disposals depreciation	-	-	7,142,113	-	-	-	-	7,142,113
Balance at the end of the period	-	(36,257,197)	(384,702,334)	(4,928,844)	(1,801,982)	(9,203,772)	-	(436,894,129)
Net book value at the end of the period	37,262,441	15,004,110	126,516,196	6,835,461	479,261	2,991,680	8,776,080	197,865,229

MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

**NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022**

(IN THE NOTES ALL AMOUNTS ARE SHOWN IN EGYPTIAN POUNDS UNLESS OTHERWISE STATED)

Property, plant and equipment (continued)

The balance of project under construction as of 31 March 2022 is represented as flows:

	31 March 2022	31 December 2021
Furnace	3,093,829	3,389,018
Machineries	5,382,115	4,074,483
Others	300,136	233,436
	8,776,080	7,696,937

5. Bank borrowings and overdraft

	31 March 2022	31 December 2021
A. Current portion		
Bank borrowings	71,510,177	61,562,978
Bank overdrafts	95,855,033	97,996,933
Total current portion	167,365,210	159,559,911
B. Non-current portion		
Bank borrowings	357,550,896	307,814,900
Total non-current portion	357,550,896	307,814,900
Total	524,916,106	467,374,811

In November 2019, the Company signed medium term loan agreements with the International Finance Corporation ("IFC") and Commercial International Bank "CIB") to refinance its existing medium-term debt and to provide funding for capital expenditure to increase production capacity, including furnace rebuilds, new production equipment, printing machines, resource efficiency improvements and streamlining of the cullet processing operation. The full amount of the facilities was disbursed in 2020 and resulted in settlement of all existing medium-term bank borrowings.

The loans have a seven-year tenor with 18-month grace and carries interest at 6-month LIBOR plus a margin.

The loans are secured with the following security package:

- First ranking real estate mortgage over the lands and buildings owned by the Company.
- Commercial establishment mortgage over Company movable assets.
- Restrictions over transfers of subsidiaries' shares owned by the Company.

MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

**NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022**

(IN THE NOTES ALL AMOUNTS ARE SHOWN IN EGYPTIAN POUNDS UNLESS OTHERWISE STATED)

6. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due, due to shortage of funding. Company's exposure to liquidity risk results primarily from the lack of offset between assets of maturities of assets and liabilities.

Management makes cash flow projections on periodic basis, and takes the necessary actions to negotiate with suppliers, follow-up the collections from customers and manage inventory balances in order to ensure sufficient cash is maintained to discharge the Company's liabilities. The Company's management monitors liquidity requirements to ensure it has sufficient cash and cash equivalents to meet operational needs while maintaining sufficient cash cover to meet the cash outflows to settle the obligations of loans and borrowings to be able to maintain financial terms, guarantees and covenants at all times.

The Company limits liquidity risk by maintaining sufficient bank facilities and reserves, by monitoring cash forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Balances due to suppliers are normally settled with an average of 120 days from the date of purchase.

The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 March 2022 and 31 December 2021, based on contractual payment dates and current market interest rates.

	Less than 6 month	Between 6 month & 1 year	Between 1 & 2 years	More than 2 years
31 March 2022				
Trade and notes payable	66,004,050	-	-	-
Accrued expenses and other payables*	88,815,155	-	-	-
Due to related parties	-	1,347,784	-	-
Bank overdraft	-	95,855,033	-	-
Loans and borrowings	35,755,090	35,755,089	71,510,179	286,040,715
Future interest payment	11,176,216	12,395,439	21,133,208	35,763,890
Total	201,750,510	145,353,345	92,643,387	321,804,605
31 December 2021				
Trade and notes payable	51,465,117	-	-	-
Accrued expenses and other payables*	70,318,395	-	-	-
Due to related parties	-	110,043,722	-	-
Bank overdraft	-	97,996,721	-	-
Loans and borrowings	30,781,490	30,781,490	61,562,980	246,251,919
Future interest payment	8,463,564	9,339,104	16,051,585	29,184,700
Total	161,028,566	248,161,037	77,614,565	275,436,619

* Accrued expenses and other payables presented above excludes advances from customers, social insurance authority and tax liabilities.

MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

**NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022**

(IN THE NOTES ALL AMOUNTS ARE SHOWN IN EGYPTIAN POUNDS UNLESS OTHERWISE STATED)

7. Financial instruments by category

Financial assets:

<u>Financial assets</u>	<u>Loans & receivables</u>		<u>Fair value P&L</u>	
	<u>31 March 2022</u>	<u>31 December 2021</u>	<u>31 March 2022</u>	<u>31 December 2021</u>
Assets as per statement of financial position				
Trade and notes receivables	87,205,070	103,392,294	-	-
Contract assets	8,179,049	8,906,099	-	-
Other receivables*	47,192,872	40,692,598	-	-
Cash and cash equivalents	286,640,346	297,039,629	-	-
Due from related parties	605,269,557	574,248,668	-	-
Financial assets at amortized costs	-	12,943,326	-	-

<u>Financial liabilities</u>	<u>Other financial liabilities</u>		<u>Fair value P&L</u>	
	<u>31 March 2022</u>	<u>31 December 2021</u>	<u>31 March 2022</u>	<u>31 December 2021</u>
Liabilities as per statement of financial position				
Bank borrowings	429,061,073	369,377,878	-	-
Trade and notes payables	66,004,050	51,465,117	-	-
Bank overdrafts	95,855,033	97,996,933	-	-
Accrued expenses and other payables**	88,815,155	70,318,586	-	-
Due to related parties	1,347,783	110,043,722	-	-

* Other receivables presented above excludes prepaid expenses, advances to suppliers and tax receivable.

** Accrued expenses and other payables presented above excludes advances from customers and social insurance authority and tax liabilities.