



INTERNATIONAL OFFERING CIRCULAR 2019



Quality For All

TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND DIAGNOSTIC REAGENTS (RAMEDA) S.A.E.

(a joint stock company incorporated under the laws of the Arab Republic of Egypt)

Combined Offering of 376,606,000 Shares including an International Offering of 357,775,700 Shares

This offering circular (the **Offering Circular**) relates to an offering (the **International Offering**) of 357,775,700 existing ordinary shares, each with a par value of EGP 0.25, of Tenth of Ramadan for Pharmaceutical Industries and Diagnostic Reagents (Rameda) S.A.E. (the **Company**) by Greville Investing Limited (the **Selling Shareholder**). In this Offering Circular, the International Offering, together with the Egyptian Retail Offering (as defined below), is referred to as the **Combined Offering**, the term **Shares** refers to the Company's issued ordinary shares and the term **International Offer Shares** refers to the Shares offered in the International Offering. The Combined Offering includes a domestic offering (the **Egyptian Retail Offering**) to the public in the Arab Republic of Egypt (**Egypt**) by the Selling Shareholder of 18,830,300 existing Shares (the **Egyptian Retail Offer Shares**, and together with the International Offer Shares, the **Combined Offer Shares**) at the offer price per share in the Combined Offering (the **Offer Price**).

This Offering Circular relates to the International Offering only. Egyptian retail investors should refer to and will be purchasing Shares solely in reliance on the public subscription notice to be issued in connection with the Egyptian Retail Offering (the **Public Subscription Notice**), and may not rely on this Offering Circular.

Alongside the Combined Offering, the Company intends to implement a capital increase by way of a closed subscription (the **Closed Subscription**), whereby the Selling Shareholder will subscribe for 125,000,000 newly issued shares in the Company (the **Closed Subscription Shares**) at the Offer Price, which will result in the Selling Shareholder holding 51% of the then outstanding Shares of the Company. The Selling Shareholder will not utilize the proceeds from the Combined Offering to fund its participation in the Closed Subscription, but will instead make use of a bridge loan made available by HSBC Bank Egypt S.A.E., and affiliate of one of the Joint Global Coordinators, to the Selling Shareholder to be repaid out of the proceeds from the Combined Offering.

Offer Price: EGP 4.66 per Combined Offer Share

Investing in the Shares involves a high degree of risk. See “Risk Factors” beginning on page 10.

There is currently no market for the Shares. Application has been made to the Financial Regulatory Authority (the **FRA**) for the Shares to be admitted to trading on the Egyptian Stock Exchange (the **EGX**) (**Listing**). Unconditional dealings in the Shares are expected to commence on the EGX, subject to the fulfilment of certain requirements, on or about 11 December 2019. All dealings before the commencement of unconditional dealings will be on a “when issued” basis and will be of no effect if commencement of trading does not take place. Such dealings will be at the sole risk of the parties concerned.

This Offering Circular does not constitute an offer to sell, or the solicitation of an offer to buy, Shares in any jurisdiction where such offer or solicitation is unlawful. The Shares have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**), and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. The International Offer Shares are being offered (a) outside the United States in offshore transactions in reliance on Regulation S under the Securities Act (**Regulation S**) and (b) in the United States to certain qualified institutional buyers (**QIBs**) as defined in, and in reliance on, Rule 144A under the Securities Act (**Rule 144A**) or another exemption from the registration requirements of the Securities Act. Prospective investors are notified that sellers of the International Offer Shares may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A. The International Offer Shares are not transferable except in accordance with the restrictions described under the section entitled “*Selling and Transfer Restrictions*”.

HSBC

Joint Global Coordinators

Investec

Joint Bookrunner

CI Capital Investment Banking

IPO Adviser

Compass Capital

The date of this Offering Circular is 29 November 2019.

In this Offering Circular, the **Company** refers to Tenth of Ramadan for Pharmaceutical Industries and Diagnostic Reagents (Rameda) S.A.E. and **Rameda** or the **Group** refers to the Company and its consolidated subsidiaries, unless the context requires otherwise. **Joint Global Coordinators** refers to HSBC and Investec. **Joint Bookrunners** refers to HSBC, Investec and CI Capital Investment Banking S.A.E. (**CI Capital Investment Banking**). **IPO Adviser** refers to Compass Capital for Financial Investments S.A.E. (**Compass Capital**) as IPO Adviser.

By accepting delivery of this Offering Circular, you agree to the following:

The Company accepts responsibility for the contents of this Offering Circular and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Offering Circular is, to the best of the Company's knowledge, in accordance with the facts and contains no omission likely to affect its import.

This Offering Circular is being furnished by the Company solely for the purpose of enabling prospective investors to consider the purchase of the International Offer Shares. No representation or warranty, express or implied, is made, nor any responsibility assumed, by any of the Joint Bookrunners, the IPO Adviser or any of their affiliates or advisers as to the accuracy or completeness of any information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise or representation by any of the Joint Bookrunners, the IPO Adviser or any of their affiliates or advisers as to the past or the future. Any reproduction or distribution of this Offering Circular, in whole or in part, any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the International Offer Shares is prohibited, except to the extent that such information is otherwise publicly available. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing.

Each of the Joint Bookrunners and the IPO Adviser is acting exclusively for the Company and the Selling Shareholder and no-one else in connection with the International Offering and will not be responsible to any other person for providing the protections afforded to its clients or for providing advice in relation to the International Offering.

This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to purchase or otherwise acquire any Shares. In making an investment decision, prospective investors should rely on their own investigation and analysis of the Group and their own determination of the suitability of any such investment, with particular reference to their own investment objectives and experience and any other factors that may be relevant to such prospective investors in connection with an investment in the International Offer Shares. Any decision to buy International Offer Shares should be based solely on the information contained in this Offering Circular. No person has been authorised to give any information or to make any representations in connection with the Combined Offering other than those contained in this Offering Circular. If any such information is given or any such representations are made, such information or representations must not be relied upon as having been authorised by the Company or any member of the Group, the Selling Shareholder, the Joint Bookrunners, the IPO Adviser or any of their respective affiliates, advisers or selling agents or any other person. At any time following the date of this Offering Circular, the information contained in this Offering Circular may no longer be correct and the Group's business, results of operations or financial condition may have changed.

No representation is made by the Company, or any member of the Group, the Selling Shareholder, the Joint Bookrunners, the IPO Adviser or any of their respective representatives to prospective investors as to the legality of an investment in the International Offer Shares. Prospective investors should not construe anything in this Offering Circular as legal, business, financial, investment, tax or related advice. Prospective investors should consult their own advisers as to the legal, business, financial, investment, tax and related aspects of an investment in the International Offer Shares.

This Offering Circular does not constitute or form part of an offer to sell, or a solicitation of an offer to buy, any security other than the International Offer Shares. The distribution of this Offering Circular and this offering of the International Offer Shares may, in certain jurisdictions, be restricted by law and this Offering Circular may not be used for the purpose of, or in connection with, any offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised, or to any person to whom it is unlawful to make such an offer or solicitation. Persons into whose possession this Offering Circular comes are required by the Company, the Selling Shareholder, the Joint Bookrunners, the IPO Adviser to inform themselves of and observe all such restrictions and obtain any consent, approval or permission required. None of the Company, any member of the Group, the Selling Shareholder, the Joint Bookrunners or the IPO Adviser accepts any legal responsibility for any violation by any person, whether or not a prospective investor, of any such restrictions.

The Company, the Selling Shareholder, the Joint Bookrunners and the IPO Adviser reserve the right to reject any offer to purchase the International Offer Shares in whole or in part and to sell to any prospective investor less than the full amount of International Offer Shares sought by such prospective investor.

Save with respect to the Egyptian Retail Offering, no action has been or will be taken in any jurisdiction that would permit a public offering of the Combined Offer Shares or the possession, circulation or distribution of this Offering Circular or any other material relating to the Company or the Combined Offer Shares in any jurisdiction where action for that purpose is required. Accordingly, the Combined Offer Shares may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Combined Offer Shares may be distributed or published in or from any country or jurisdiction except under circumstances that would result in compliance with any applicable rules and regulations of any such country or jurisdiction.

In connection with the International Offering, the Joint Bookrunners, the IPO Adviser and any of their respective affiliates acting as an investor for its own account may purchase the International Offer Shares and in that capacity may retain, purchase or sell for its own account such International Offer Shares or related investments and may offer or sell such International Offer Shares or other investments otherwise than in connection with the International Offering. Accordingly, references in this offering circular to the International Offer Shares being offered or placed should be understood as including any offering or placement of International Offer Shares to the Joint Bookrunners, the IPO Adviser and any of their respective affiliates. None of the Joint Bookrunners or the IPO Adviser intends to disclose the extent of any such investment or transactions other than in accordance with any legal or regulatory obligation to do so.

NEITHER THE U.S. SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THE COMBINED OFFERING, OR THE COMBINED OFFER SHARES OR DETERMINED IF THIS OFFERING CIRCULAR IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

STABILISATION

There will be no stabilisation activities undertaken in connection with the International Offering. Although there is a stabilisation mechanism outlined below that is in accordance with Egyptian law, investors should note that this is different to what may be expected or what may have been observed in other developed and emerging market offerings.

In connection with the Egyptian Retail Offering, CI Capital Investment Banking may effect transactions in the Shares with a view to supporting or maintaining the market price of the Shares at a level higher than that which might have otherwise prevailed in the open market. The Selling Shareholder will finance an amount equal to 100% of the gross proceeds of the sale of the Egyptian Retail Offer Shares sold in the Egyptian Retail Offering at the Offer Price (the **Stabilisation Fund**) and make such funds available to CI Capital Investment Banking one day prior to commencement of trading. During the period beginning on the date of the commencement of trading of Shares on the EGX, and ending 30 days after that date (such period, the **Stabilisation Period**), purchasers of Egyptian Retail Offer Shares in the Egyptian Retail Offering may submit sell orders and CI Capital Investment Banking will submit an open purchase order for Shares at the Offer Price, which will remain open until the end of the Stabilisation Period. At the end of the Stabilisation Period, the open purchase order submitted by CI Capital Investment Banking will be matched with the sale orders and executed on the EGX. CI Capital Investment Banking will, at the end of the Stabilisation Period, remit to the Selling Shareholder any funds then remaining in the Stabilisation Fund and will transfer to the Selling Shareholder any remaining Shares purchased during the Stabilisation Period using the Stabilisation Fund.

CI Capital Investment Banking will disclose any such stabilisation transactions to the EGX at the end of the Stabilisation Period.

NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

This Offering Circular has been prepared on the basis that all offers of Combined Offer Shares will be made pursuant to an exemption under the Prospectus Regulation from the requirement to produce a prospectus for offers of securities. Accordingly, any person making or intending to make any offer within the EEA of the Combined Offer Shares should only do so in circumstances under which no obligation arises for the Company, the Selling Shareholder or the Joint Global Bookrunners to publish a prospectus for such offer. None of the Company, the Selling Shareholder or the Joint Global Coordinators has authorised, or will authorise, the making of any offer of the Combined Offer Shares through any financial intermediary, other than offers made

by the Joint Global Bookrunners which constitute the final placement of the Combined Offer Shares contemplated in this Offering Circular.

In relation to each Member State of the EEA that has implemented the Prospectus Regulation (each, a **Relevant Member State**), no Combined Offer Shares have been offered or will be offered pursuant to the Combined Offering to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Combined Offer Shares which has been approved by the competent authority in that Relevant Member State, or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Regulation, except that offers of Combined Offer Shares to the public may be made at any time under the following exemptions under the Prospectus Regulation, to the extent that they have been implemented in that Relevant Member State:

- to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) in such Relevant Member State subject to obtaining the prior consent of the Joint Bookrunners for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Regulation, subject to obtaining the prior consent of the Joint Bookrunners for any such offer,

provided that no such offer of Combined Offer Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Regulation or any measure implementing the Prospectus Regulation in a Relevant Member State.

Each Person in a Member State who receives any communication with respect to, or who acquires any Shares under, the offers contemplated here in this Offering Circular will be deemed to have represented, warranted and agreed to and with the Company, the Selling Shareholder and each of the Joint Bookrunners that:

- (a) it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Regulation; and
- (b) in the case of any Combined Offer Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Regulation, the Combined Offer Shares acquired by it in the Combined Offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Regulation, or in the circumstances in which the prior consent of the representatives of the Joint Global Coordinators has been given to the offer or resale or where Combined Offer Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of such Shares to it is not treated under the Prospectus Regulation as having been made to such persons.

For the purpose of this provision, the expression an **offer to the public** in relation to any Combined Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Combined Offering and any Combined Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Combined Offer Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Regulation in that Relevant Member State and the term **Prospectus Regulation** includes any relevant implementing measure in each Relevant Member State.

Solely for the purpose of the product governance requirements contained within (a) EU Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments, as amended (**MiFID II**), (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II and (c) local implementing measures (together, the **MiFID II Product Governance Requirements**), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any “manufacturer” (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Offer Shares have been subject to a product approval process. As a result, it has been determined that the Offer Shares are (a) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II and (b) eligible for distribution through all distribution channels as are permitted by MiFID II (the **Target Market Assessment**). Notwithstanding the Target Market Assessment, the price of the Offer Shares may decline and investors could lose all or part of their investment. The Offer Shares offer no guaranteed income and no capital protection, and an investment in the Offer Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient

resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Combined Offering. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Joint Bookrunners in the International Offering will only procure investors who meet the criteria of professional clients and eligible counterparties. For the avoidance of doubt, the Target Market Assessment does not constitute (a) an assessment of suitability or appropriateness for the purposes of MiFID II or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Offer Shares. Each distributor is responsible for undertaking its own target market assessment with respect to the Offer Shares and determining appropriate distribution channels.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

None of the Shares have been or will be registered under the Securities Act or with any securities authority of any state of the United States, and the Shares may not be offered, sold, pledged or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. The International Offer Shares are only being offered pursuant to exemptions from, or in transactions not subject to, registration under the Securities Act, including (a) in the United States only to QIBs in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or another exemption from the registration requirements of the Securities Act, and (b) outside the United States only in offshore transactions, as defined in, and in accordance with, Regulation S. Prospective investors are hereby notified that sellers of the International Offer Shares may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A. A description of these and other restrictions on sales and transfers, and distribution of this Offering Circular, is set out in “*Selling and Transfer Restrictions*” in this Offering Circular.

NOTICE TO PROSPECTIVE INVESTORS IN THE ARAB REPUBLIC OF EGYPT

The Shares may not be offered or sold in any form of general solicitation or general advertising or in a public offering in Egypt, unless the pre-approval of the FRA (previously the Egyptian Financial Supervisory Authority) has been obtained. The Egyptian Retail Offer Shares shall be offered through the Public Subscription Notice to be approved by the FRA, to the general public, while Shares offered and sold in the Combined Offering may only be offered or sold in Egypt through a private placement to Egyptian qualified investors in accordance with applicable Egyptian law and regulations including, without limitation, the applicable provisions of the Capital Market Law (CML) and the provisions of the FRA’s Directive No. 48 for the year 2019.

Each purchaser of the International Offer Shares offered in the private placement in Egypt will be deemed to have represented that it is an Egyptian qualified investors within the meaning of the CML and the FRA’s Directive No. 48 for the year 2019.

In Egypt, qualified investors include:

- (a) in the case of individuals, individuals with liquid assets of EGP 5 million or more and preferably with experience in the field of securities of at least 5 years;
- (b) in the case of a public entities, (i) public insurance and pension funds, and (ii) corporations with a minimum paid-up capital of EGP 1 million; or
- (c) in the case of financial institutions, (i) Egyptian banks or branches of a foreign bank regulated by the Central Bank of Egypt, (ii) investment banks, (iii) portfolio formation and management companies, (iv) insurance or reinsurance companies, (v) venture capital companies, (vi) private equity companies, (vii) mortgage finance companies, (viii) financial leasing companies, (ix) factoring companies, (x) private insurance funds with an investment portfolio of at least EGP 100 million, (xi) investment funds, (xii) investment funds of Arab, regional and financial institutions, and (xiii) regional and international financial institutions, provided that they either (A) have an equity amount of at least EGP 20 million at book value, (B) hold investments in existing securities at the date of the International Offering with a value of at least EGP 10 million in companies other than the Company, or (C) have a licensed purpose encompassing subscription to securities.

AVAILABLE INFORMATION

For so long as the International Offer Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, the Company will, during any period in which it is neither subject

to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the **Exchange Act**), nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, furnish, on request, to any holder or beneficial owner of any restricted securities, or any prospective purchaser designated by any holder or beneficial owner, the information required to be delivered to those persons pursuant to Rule 144A(d)(4) under the Securities Act.

ENFORCEMENT OF ARBITRAL DECISIONS AND CIVIL LIABILITIES IN EGYPT

Each of the United Kingdom, the United States and Egypt is a party to the United Nations (New York) Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the **New York Convention**). Consequently, Egyptian courts should recognise and enforce in Egypt a valid arbitral award made in the United Kingdom or the United States or any other state that is a signatory to the New York Convention, on the basis of the rules of the New York Convention, subject to qualifications provided for in the New York Convention and compliance with Egyptian procedural regulations and arbitration law. However, in practice, it may be difficult to enforce arbitral awards in Egypt due to:

- the relatively limited experience of Egyptian courts in enforcing international commercial arbitral awards;
- the Egyptian courts' inability or unwillingness to enforce such awards; or
- legal grounds (for example, the concept of "public order") or technical grounds (for example, the lack of capacity of the parties or the invalidity of an arbitration clause).

In addition, the Company is an Egyptian joint stock company and the Company's shareholders' (the **Shareholders**) liability therein is limited to their respective capital contributions. All of the executive officers and all of the directors of the Company are residents of Egypt. All of the assets of the Group are located outside the United States and the United Kingdom, principally in Egypt. It may not be possible for investors to effect service of process within the United States and the United Kingdom upon the Company or such persons or to enforce against any of them judgments obtained in the United States or the United Kingdom courts predicated upon the civil liability provisions of the securities laws of the United States and the United Kingdom, respectively.

Enforcement of foreign judgments in Egypt is subject to the following conditions:

- (c) the foreign courts rendering the relevant judgment offer reciprocal treatment to judgments obtained in the courts of Egypt. If such reciprocal treatment is not offered by the court where judgment is obtained, then the Egyptian courts will re-examine the merits of the case in the same manner as that adopted by such courts;
- (d) the courts of Egypt are not exclusively competent to hear the dispute which constituted the object of the foreign judgment while the foreign courts are shown to have been competent to hear the dispute in accordance with their own respective laws;
- (e) the parties to the dispute were duly notified and properly represented in the proceedings;
- (f) the foreign judgment is final and conclusive in accordance with the relevant law; and
- (g) the foreign judgment does not conflict with a prior Egyptian judgment in the same case and is not contrary to public order or morality in Egypt and the order is technically sound in all respects.

Judgments of the courts of the United States or the United Kingdom may not be enforceable in Egypt because there are no bilateral treaties between Egypt and the United States or the United Kingdom on the enforcement of judgments and the courts of the United States and the United Kingdom and therefore may be deemed not to offer reciprocal treatment to judgments obtained in the courts of Egypt. The rights of investors as shareholders may be affected by the laws of Egypt and investors may have difficulty effecting service of process on the Company or the Selling Shareholder or enforcing judgments obtained outside Egypt. Please see *"Risk Factors—Risks Relating to Egypt—The enforceability in Egypt of foreign judgements against the Company or the Directors is subject to certain limitations"*.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains certain forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts and events, and can be identified by the use of words and phrases like "according to estimates", "anticipates", "assumes", "believes", "could", "estimates", "expects", "intends", "is of the opinion", "may", "plans", "potential", "predicts", "projects", "should", "to the knowledge of", "will", "would" or, in each case their negatives or other similar expressions, which are intended to identify

a statement as forward-looking. This applies, in particular, to the Group's strategy and objectives (as detailed in "*Business—Strategy*"), statements containing information on future financial results, plans, or expectations regarding the Group's business and management, the Group's future growth or profitability and general economic and regulatory conditions and other matters affecting the Group.

Forward-looking statements reflect the Directors and the Group's senior management's current views of future events and are based on assumptions and involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. The occurrence or non-occurrence of an assumption could cause the actual financial condition and results of operations of the Group to differ materially from, or fail to meet expectations expressed or implied by, those forward-looking statements. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Group. The Group's business is subject to a number of risks and uncertainties that could also cause a forward-looking statement, estimate or prediction to become inaccurate. These risks include:

- risks associated with the identification, acquisition, registration, manufacture and marketing of new molecules and the related products;
- risks associated with expanding the business (whether organically or by acquisition) and entering new export markets;
- risks associated with the successful integration of recently acquired businesses;
- changes in law, regulation and governmental policy
- changes in the competitive environment;
- changes in political, social or economic conditions in Egypt and regionally;
- the impact of war, terrorist activity or civil unrest; and
- changes in financial market conditions, market fluctuations or market downturns.

Accordingly, investors should not rely on the forward-looking statements in this Offering Circular and investors are advised to read this Offering Circular in its entirety, including in particular the following sections of this Offering Circular: "*Risk Factors*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*". These sections include more detailed descriptions of factors that might have an impact on the Group's business, financial condition and the industries in which the Group operates. In light of these factors, the events described in the forward-looking statements in this Offering Circular may not occur.

The forward-looking statements contained in this Offering Circular speak only as of the date of this Offering Circular. The Company does not give any assurance regarding the future accuracy of the opinions set forth herein or as to the actual occurrence of any predicted developments. Subject to the requirements of applicable law or the EGX Listing Rules, each of the Company, each member of the Group and the Joint Bookrunners expressly disclaims any obligation or undertaking to update or publicly revise any forward-looking statements, whether as a result of new information, future events or otherwise. The Group's actual results may differ from these forward-looking statements.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Statements

The financial statements included in this Offering Circular consist of English translations of:

- the audited consolidated financial statements of the Group as at and for the year ended 31 December 2018, including comparatives as at and for the year ended 31 December 2017, and the related notes thereto (the **2018 Annual Financial Statements**);
- the audited consolidated financial statements of the Group as at and for the year ended 31 December 2017, including comparatives as at and for the year ended 31 December 2016, and the related notes thereto (the **2017 Annual Financial Statements**);
- the audited consolidated financial statements of the Group as at and for the year ended 31 December 2016, and the related notes thereto (the **2016 Annual Financial Statements** and together with the 2018 Annual Financial Statements and the 2017 Annual Financial Statements, the **Annual Financial Statements**);

- the unaudited consolidated financial statements of the Group as at and for the nine month period ended 30 September 2019 including comparatives for the nine month period ended 30 September 2018 and the related notes thereto (the **Interim Financial Statements** and, together with the Annual Financial Statements, the **Group Financial Statements**); and
- the audited consolidated financial statements of the Group as at and for the six month period ended 30 June 2019, including comparatives as at and for the six month period ended 30 June 2018, and the related notes thereto,

each prepared in accordance with Egyptian Accounting Standards (**EAS**) and applicable laws and regulations.

Certain comparative figures as of and for the year ended 31 December 2017 which appear in the 2018 Annual Financial Statements and certain comparative figures as of and for the year ended 31 December 2016 which appear in the 2017 Annual Financial Statements, were reclassified from the 2017 Annual Financial Statements and the 2016 Annual Financial Statements, respectively, due to adjustments reflecting certain reclassifications in order for those figures to conform, in each case, with the presentation of the Group's results in the current year. No equivalent changes were made in the 2017 Annual Financial Statements and 2016 Annual Financial Statements, and investors should be aware that, to the extent identified above, the financial information as at and for the year ended 31 December 2016 contained in the 2016 Annual Financial Statements is not comparable with that contained in the 2017 Annual Financial Statements and the financial information as at and for the year ended 31 December 2017 contained in the 2017 Annual Financial Statements is not comparable with that contained in the 2018 Annual Financial Statements. In this Offering Circular, figures as of and for the year ended 31 December 2017 have been extracted from the comparative results appearing in the 2018 Annual Financial Statements and figures as of and for the year ended 31 December 2016 have been extracted from the comparative results appearing in the 2017 Annual Financial Statements.

The Annual Financial Statements have been audited in accordance with Egyptian Standards on Auditing (**ESA**) and applicable Egyptian laws by Allied for Accounting & Auditing, independent auditors, as stated in their audit reports included elsewhere in this Offering Circular. EAS differs from the International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**). For a description of significant differences between IFRS and EAS as they relate to the Group Financial Statements, please see "*Appendix A—Summary of Significant Differences between IFRS and EAS*". In addition, EAS differs from generally accepted accounting principles in the United States (**U.S. GAAP**) and this Offering Circular does not attempt to identify any differences between EAS and U.S. GAAP. It is possible that the net effect of differences between the application of EAS and IFRS or EAS and U.S. GAAP, respectively, may be, individually or in the aggregate, material. If any reconciliation were performed or an attempt were made to quantify relevant differences between EAS and IFRS or EAS and U.S. GAAP as they apply to the Group, particular items could vary materially and adversely from the corresponding item as presented under EAS. In making an investment decision, a prospective investor must rely on its own examination of the Group, the terms of the Combined Offering, including without limitation the risks involved and the financial information included in this Offering Circular and should consult its own professional advisers for an understanding of the differences between EAS and IFRS or EAS and U.S. GAAP and how these differences might affect the financial information in this Offering Circular.

Rounding

Rounding adjustments have been made in calculating some of the financial information and percentages included in this Offering Circular. As a result, numerical figures shown as totals in some tables may not be exact arithmetic aggregations of the figures that precede them. Where used in tables, the figure "0" means that the data for the relevant item has been rounded to zero and the symbol "—" means that there is no data with respect to the relevant item.

Operating Data

All data relating to the Group's businesses, such as production capacities, volumes, unit price, utilization rates, sales breakdown by product, and number of employees, cited in "*Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", and elsewhere in this Offering Circular, were derived from the Group's management accounts and information, which were not reviewed or audited by the Group's independent auditors.

CURRENCY PRESENTATION

In this Offering Circular references to **Egyptian pounds** and **EGP** are to the lawful currency of The Arab Republic of Egypt; references to **U.S. dollars** or **USD** are to the lawful currency of the United States. All the amounts presented in the Group Financial Statements have been rounded off to the nearest million with one decimal point.

NO INCORPORATION OF WEBSITE

The Company's website is www.ramedapharma.com. The information on that website (including any materials that are hyper-linked), and any other website mentioned in this Offering Circular or any website directly or indirectly linked to these websites has not been verified and does not form part of this Offering Circular, and investors should not rely on it.

MARKET AND INDUSTRY INFORMATION

Information relating to markets, market size, market share, market position, growth rates and other industry data pertaining to the business of the Group contained in this Offering Circular consists of internal estimates based on data reports compiled by professional organisations and analysts, on data from other external sources, including IQVIA Holdings Inc. (**IQVIA**), formerly IMS Health and Quintiles, an information, services and technology company for the healthcare industries and clinical research, and on the Group's and the Group's senior management's knowledge of the markets that the Group serves. In many cases, there is no readily available external information (whether from trade associations, government bodies or other organizations) to validate market-related analyses and estimates, requiring the Company to rely on internally developed estimates. While the Company has compiled, extracted and reproduced market or other industry data from external sources, including third parties or industry or general publications, it has not independently verified that data. Accordingly, neither a prospective investor nor any other person, firm or company may rely on the accuracy and completeness of that information. The Company confirms that all third party information contained in this Offering Circular has been accurately reproduced and as far as the Company is aware and is able to ascertain from the information published by these third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third-party information has been used in this Offering Circular, the source of such information has been identified. Similarly, while the Directors believe the Company's internal estimates are reasonable, these estimates have not been verified by any independent sources.

For information for which the source is identified as "IQVIA", the full citation of such source is "IQVIA Egypt Pharmaceutical Data View Database ET PH MOL M04-2108, ET PH MOL M12-13 Copyright 2018. All rights reserved." IQVIA is a multinational company and one of the world's largest contract research organisations. The Directors believe that IQVIA data is the most reliable and comprehensive source for data on the pharmaceutical industry in Egypt. Like other Egyptian pharmaceutical companies, the Company relies on IQVIA because it represents the best available information across a broad range of current and historical industry and market data points as well as market projections. Certain of the information gathered by IQVIA is gathered through self-reporting by market participants which is inherently subject to a degree of inaccuracy, however, on the whole, the Group's senior management believes that the IQVIA data on which it relies is comprehensive and accurate and a valuable tool in developing and executing its business plan. For the avoidance of doubt, IQVIA was not involved in the preparation of this Offering Circular, has not reviewed its contents and in no way endorses any of the statements contained herein.

For information related to Egypt, annual information is presented based on periods from 1 July through 30 June the fiscal year maintained by the Government of Egypt (the **Egyptian Government**) for budgeting and official statistics. Some statistics are presented based on information provided by the Central Agency for Public Mobilization and Statistics of Egypt (**CAPMAS**) and the Central Bank of Egypt (the **CBE**).

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SUMMARY

This summary highlights information contained elsewhere in this Offering Circular. Any decision to invest in the International Offer Shares should be based on consideration of this Offering Circular as a whole, including the section entitled "Risk Factors" and the Group Financial Statements.

Overview

The Group is the fastest growing pharmaceutical company in Egypt measured by its sales value CAGR from 2013 to 2018, ranking first among the top 25 pharmaceutical companies in Egypt. The Group is principally engaged in the manufacture and sale of a wide range of branded generic pharmaceutical products (both prescription and over-the-counter), as well as over-the-counter nutraceuticals, cosmeceuticals, food supplements, medical devices and veterinary products. The Group has developed an attractive portfolio which includes 97 marketed products relating to 67 molecules and a pipeline of 354 products relating to 219 molecules, across 11 of the 16 therapeutic areas in the Egyptian pharmaceutical industry. The Group is predominately focused on six therapeutic areas, the top three of which each accounted for approximately 44.4%, 23.4% and 14.3% of the Group's private sales in 2018 (systemic anti-infectives, alimentary tract and metabolism, and genitourinary system and sex hormones, respectively) and three of which the Group has identified as emerging therapeutic areas experiencing high growth rates in Egypt (cardiovascular system, nervous system, and blood and blood-forming organs).

In addition to driving growth in its existing portfolio, the Group seeks to grow its portfolio both through the identification of molecules being marketed in other countries which the Group then undertakes to register and launch in Egypt and through ordinary course acquisitions from other Egyptian pharmaceutical companies of molecules already registered or in the final stages of registration in Egypt. As a generic pharmaceutical company, the Group does not conduct its own research and development to create innovative or new molecules.

New product launches have been a main driver of the Group's growth. For example, in 2018, sales of products launched since the beginning of 2012 accounted for 52% of the Group's sales of goods (net). The Directors expect new product launches to contribute to continued revenue growth going forward. The Group plans to launch 21 molecules in the near term.

The Group acquires new molecules in the ordinary course of its business. Between 2012 and 2018, the Group acquired 33 new molecules, of which 21 molecules have been launched, including Protofix and Joypox, to which 8.4% and 6.3% of the Group's revenues in 2018 were attributable, respectively.

The Group benefits from several different revenue sources, predominantly selling its own products privately to domestic distributors, but also selling its products under contracts secured through domestic institutional sales and public tenders and through export agents. To monetise its spare production capacity, the Group also selectively engages in toll manufacturing arrangements (also commonly referred to as contract manufacturing) when the product manufacturing requirements of such arrangements are compatible with the Group's production capabilities and capacity utilisation. The following table presents the Group's revenues by segment and as a percentage of revenues for the years and periods indicated.

	Nine month period ended 30 September				Year ended 31 December					
	2019		2018		2018		2017		2016	
	(unaudited)				(EGP millions, except percentages)					
Toll manufacturing	28.2	4.6%	28.8	5.0%	39.5	4.9%	31.0	4.9%	12.3	3.1%
Export sales	33.9	5.5%	37.0	6.5%	60.5	7.5%	50.7	8.1%	30.3	7.7%
Domestic sales										
<i>Tenders</i>	140.8	22.8%	146.4	25.6%	177.5	22.0%	157.4	25.1%	111.5	28.3%
<i>Veterinary sales</i>	1.7	0.3%	4.2	0.7%	4.2	0.5%	6.1	1.0%	3.1	0.8%
<i>Private sales</i>	414.2	66.9%	355.6	62.2%	523.5	65.0%	383.3	61.0%	236.8	60.1%
Total domestic sales	556.6	90.0%	506.2	88.5%	705.2	87.6%	546.8	87.0%	351.5	89.2%
Revenues	618.7	100%	572.0	100%	805.2	100%	628.5	100%	394.1	100%

The Group's headquarters and modern and well-invested production facility are located in 6th of October City in the Giza Governorate west of Cairo. The Group's production facility features 20 production lines situated in three independent factories, located within the same production facility, providing the Group with diversified production capabilities. Following the acquisition of the Group by a consortium of financial investors led by Compass Capital in 2011 and the subsequent turnaround plan formulated by the new management, the Group

has made extensive capital expenditures, which have now been largely completed, to renovate and streamline its production facility, diversify its production capabilities and increase its production capacity. The Group is committed to the highest standards of quality, health and safety. Its production facility complies with the latest Good Manufacturing Practice (**GMP**) requirements and has been granted multiple ISO certifications from the International Standardization Organization.

These factory upgrades, capacity increases and additions of new lines, together with new product launches, have enabled the Group to grow its revenues significantly. The Group's revenues were EGP 618.7 million for the nine month period ended 30 September 2019 compared to EGP 572.0 million for the nine month period ended 30 September 2018. The Group's revenues were EGP 805.2 million, EGP 628.5 million and EGP 394.1 million for the years ended 31 December 2018, 2017 and 2016, respectively, reflecting a CAGR of 42.9% over the three year period.

The Group is led by a strong and experienced senior management team who have driven the turnaround of the business through difficult market conditions and have established a pathway to the future growth and success of the business.

Competitive Strengths

The Group's senior management believes that the Group benefits from the following key strengths:

- Strong position in the growing generic pharmaceutical industry in Egypt.
- Well positioned existing portfolio of market leading products in the main and high growth therapeutic areas of Egypt's underpenetrated pharmaceutical industry.
- Proven ability to identify, acquire and register new molecules.
- Successful track record in launching new products.
- Well positioned to benefit from the shift in Egypt's epidemiological profile as well as the Egyptian Government's relatively recent healthcare initiatives.
- Newly renovated production facility resulting in increased capacity, de-risking production and broadening production capabilities while offering growth potential.
- Experienced management team with a strong track record.

For more information, see "*Business—Competitive Strengths*".

Strategy

The Group's senior management believes the key elements of the Group's strategy are as follows:

- Penetrate large and fast-growing therapeutic areas.
- Register new molecules and related products.
- Selectively identify and acquire molecules.
- Offer products at attractive price points with higher margins and further develop the brand.
- Capture market share and favourable pricing by being first to market.
- Shift the Group's product portfolio over time towards products which treat and manage chronic conditions and lifestyle diseases.
- Diversify the Group's product range by entering the markets for nutraceuticals, cosmeceuticals and food supplements.
- Leverage diverse manufacturing capability, increased production capacity and low capacity utilisation to increase production and toll manufacturing.
- Expand the Group's business regionally.

For more information, see "*Business—Strategy*".

Summary of the Combined Offering

This Offering Circular relates to the International Offering only. Prospective Egyptian retail investors may not rely on this Offering Circular and should instead refer to the Public Subscription Notice to be issued in connection with the Egyptian Retail Offering. All information included in this Offering Circular relating to the Egyptian Retail Offering has been included for informational purposes only.

Company	Tenth of Ramadan for Pharmaceutical Industries and Diagnostic Reagents (Rameda) S.A.E.
Selling Shareholder	Greville Investing Limited
Joint Global Coordinators and Joint Bookrunners	HSBC and Investec
Joint Bookrunner	CI Capital Investment Banking
IPO Adviser	Compass Capital
International Offering	The offering of 357,775,700 International Offer Shares by the Selling Shareholder (a) to investors outside the United States in a number of countries, including Egypt, in reliance on Regulation S, and (b) in the United States to QIBs in reliance on Rule 144A or another exemption from the registration requirements of the Securities Act. The International Offering includes a private placement of existing Shares in Egypt in reliance on the CML, its Executive Regulations and the CMA's Directive No. 31 of the year 2002 and guidelines concerning private placements.
Egyptian Retail Offering	The offering of 18,830,300 Egyptian Retail Offer Shares by the Selling Shareholder in a domestic offering to the public in Egypt, under the CML, its Executive Regulations and the regulations of the FRA and the EGX pursuant to Egyptian law. The number of Egyptian Retail Offer Shares set out herein may decrease if the Right of Reallocation is exercised.
Combined Offering	The International Offering and the Egyptian Retail Offering.
Offer Price	EGP 4.66 per Combined Offer Share. The Offer Price for the Shares in the Egyptian Retail Offering and the International Offering will be the same.
Right of Reallocation	The right of the Joint Bookrunners to reallocate Shares from the Egyptian Retail Offering to the International Offering.
Pricing Date	26 November 2019.
Closing Date	On or about 10 December 2019.
Closed Subscription	Alongside the Combined Offering, the Company intends to implement a capital increase by way of a closed subscription (the Closed Subscription), whereby the Selling Shareholder will subscribe for 125,000,000 newly issued shares in the Company (the Closed Subscription Shares) at the Offer Price, which will result in the Selling Shareholder holding 51% of the then outstanding Shares of the Company. The Selling Shareholder will not utilize the proceeds from the Combined Offering to fund its participation in the Closed Subscription, but will instead make use of a bridge loan made available by HSBC Bank Egypt S.A.E., and affiliate of one of the Joint Global Coordinators, to the Selling Shareholder to be repaid out of the proceeds from the Combined Offering.
Stabilisation	There will be no stabilisation activities undertaken in connection with the International Offering. In connection with the Egyptian Retail Offering, CI Capital Investment Banking may effect transactions in the Shares with a view to supporting or maintaining the market price of the Shares at a level higher than that which might have otherwise prevailed in the open market. The Selling Shareholder will finance the Stabilisation Fund with an amount equal to 100% of the gross proceeds of the sale of the Egyptian Retail Offer Shares sold in the Egyptian

Retail Offering at the Offer Price, and make such funds available to CI Capital Investment Banking one day prior to commencement of trading. During the Stabilisation Period (i.e. the period beginning on the date of the commencement of trading of Shares on the EGX and ending 30 days after that date), purchasers of Egyptian Retail Offer Shares in the Egyptian Retail Offering may submit sell orders and CI Capital Investment Banking will submit an open purchase order for Shares at the Offer Price, which will remain open until the end of the Stabilisation Period. At the end of the Stabilisation Period, the open purchase order submitted by CI Capital Investment Banking will be matched with the sale orders and executed on the EGX. CI Capital Investment Banking will, at the end of the Stabilisation Period, remit to the Selling Shareholder any funds then remaining in the Stabilisation Fund and will transfer to the Selling Shareholder any remaining Shares purchased during the Stabilisation Period using the Stabilisation Fund. If some or all underlying direct or indirect shareholders of the Selling Shareholders had, subject to obtaining the required regulatory approvals, exchanged their shares in the Selling Shareholder for that number of Shares represented by their proportionate interest in the Selling Shareholder before the lapse of the Stabilisation Period, the abovementioned funds and/or Shares will be transferred to the Selling Shareholder and/or such underlying direct or indirect shareholders pro-rata to their respective shareholdings in the Company following such exchange.

CI Capital Investment Banking will disclose any such stabilisation transactions to the EGX at the end of the Stabilisation Period.

Lock-up Pursuant to the EGX Listing Rules, and subject to certain limited exceptions, the Company is required to lock up 51% of the Shares held by the Selling Shareholder for the later of 24 months or two full financial years following commencement of trading of the Shares. In the event the locked up shares represent less than 25% of the Company's issued share capital, the remaining percentage to 25% shall be completed by board of directors' shareholding among other shareholders (the **Mandatory Lock-up**). During the Mandatory Lock-up period, the Company can increase its share capital; however, the percentage of locked-up Shares cannot decrease during this period, except for any free shares resulting from such capital increases. The Selling Shareholder will comply with the Mandatory Lock-up requirement following completion of the Closed Subscription.

In addition, each of the Company and the Selling Shareholder has agreed that, subject to certain exceptions, for a period of 180 days following the Closing Date, neither they nor, in the case of the Company, any member of the Group will, without the prior written consent of the Joint Bookrunners, offer, issue, allot, lend, mortgage, assign, charge, pledge, sell or contract to sell or issue, issue options in respect of, or otherwise dispose of, directly or indirectly, or announce an offering or issue of, any Shares (or any interest therein or in respect thereof) or any other securities exchangeable for or convertible into, or substantially similar to, Shares or enter into any transaction with the same economic effect as, or agree to do, any of the foregoing, (the **Transaction Lock-up**). The Transaction Lock-up relates to 100% of the Shares. The Transaction Lock-up is subject to certain customary exceptions including for (a) the issuance and sale of the Closed Subscription Shares to be sold pursuant to the Closed Subscription and (b) the ESOP contemplated in this Offering Circular for authorization, and the issuance and allocation or sale of Shares thereunder as authorised, in each case, by the Company's general or extraordinary meeting of shareholders. In addition to these carve-outs, the Transaction Lock-up is subject to carve-outs for any transfers of Shares to the Selling Shareholder's underlying shareholders by the Selling Shareholder following the Combined Offering which will result in those shareholders who participate in the transfer holding Shares which will be locked up for the periods of the Transaction Lock-up and the Mandatory Lock-up. The transfer

will require (among other things) such underlying shareholders of the Selling Shareholder to enter into a deed of adherence pursuant to which they agree to assume their pro rata share of the Selling Shareholder's obligations and liabilities under the terms of the international underwriting agreement, including the 180 day Transaction Lock-up. In addition, such underlying shareholders of the Selling Shareholder will also be subject to the Mandatory Lock-up (per local regulations).

Voting Rights and

Ownership

Shareholders are entitled to receive notice of and attend general meetings of the Company. Shareholders are entitled to one vote for each Share registered in their name.

Taxation

For a discussion of certain Egyptian and United States federal tax consequences of purchasing and holding the Shares, please see "*Taxation*".

Under current Egyptian law, dividends paid by the Company with respect to the Shares are subject to Egyptian dividend withholding taxes. Please see "*Taxation—Egyptian Taxation*".

Use of Proceeds

All of the proceeds from the International Offering and the Egyptian Retail Offering will be received by the Selling Shareholder; however, through the Closed Subscription, the Selling Shareholder has undertaken to subscribe for 125,000,000 Closed Subscription Shares. A minimum of approximately EGP 582.5 million (the **Capital Increase Amount**) will be withheld from the proceeds of the Combined Offer Shares to be received by the Selling Shareholder and used to repay the facility established to fund the Closed Subscription. The Selling Shareholder has agreed to pay certain fees and commissions and certain expenses incurred in connection with the Combined Offering. The Company will also pay certain expenses relating to the Combined Offering and the Closed Subscription, as well as applicable stamp duty taxes payable on the Closed Subscription Shares issued in the Closed Subscription.

The Company expects to receive net proceeds from the Closed Subscription of approximately a minimum of EGP 517,500,000 million, after the deduction of its share of the commissions and other expenses of the Combined Offering to be borne by the Company and certain expenses of the Closed Subscription, amounting to approximately EGP 65,000,000.

The Group's senior management intends to use the net proceeds of the Closed Subscription to fund the Group's operational expansion, principally through molecule acquisitions but also through selective and opportunistic company acquisitions. The Group's senior management currently expects to be able to deploy the net proceeds of the Closed Subscription within 12 months of the Closed Subscription although they cannot meaningfully quantify the exact timing and use at this time as the Company has not yet agreed to acquire specific molecules or companies. Pending any such uses of proceeds, the Group's senior management intends to invest the net proceeds of the Closed Subscription in cash deposits, term deposits and other treasury operations. The level of treasury operations (including the potential repayment of debt) will directly depend on the size and timing of molecule and company acquisitions as well as prevailing market conditions (such as interest rate levels) from time to time. Additionally, while the Group's senior management regularly monitors potential molecule or company acquisitions, there can be no certainty provided on the timing of any acquisitions, although the Group's senior management continue to engage with potential sellers of molecules on an ongoing basis.

Payment and Settlement . .

It is expected that settlement of the Shares will occur on the Closing Date. The transfer of Shares to prospective purchasers of such Shares will be affected in accordance with the relevant transfer and settlement procedures prescribed by the EGX, the FRA and the MCDR for the transfer of shares on the EGX.

Delivery of the Shares sold by the Selling Shareholder will be made in accordance with the clearance and settlement systems of the EGX and MCDR.

The International Offer Shares are being offered by the Joint Bookrunners subject to receipt and acceptance and subject to their respective right to reject any order in whole or in part.

Listing and Trading of

Shares

The Company received approval for its registration with the FRA and the Company's shares were listed and admitted to trading on the EGX on 20 November 2019. Trading in the shares on the EGX is expected to commence on 11 December 2019 (with the possibility of extension by the FRA at its sole discretion) and only upon the satisfaction of certain conditions set forth in the EGX Listing Rules, including without limitation, completion of the Combined Offering. Furthermore, the commencement of trading in the Shares shall be subject to completing the issuance and registration of the Closed Subscription Shares. Prior to the Combined Offering, there has been no market for the Shares and the Shares have not been traded on the EGX. Trading of the Shares is expected to commence on or about the Closing Date.

EGX trading symbol for the Shares: RMDA

ISIN: EGS381B1C015

Restrictions on Transfer of

Shares

The Shares will be subject to certain restrictions on transfer. All transfers of Shares must be transacted on the EGX through a registered broker. Please see "*Selling and Transfer Restrictions*".

Risk Factors

An investment in the Shares involves a high degree of risk. Prospective investors should consider carefully the risks and other information contained in this Offering Circular prior to making any investment decision. The risks described in this Offering Circular could have a material adverse effect on the Group's business, results of operations, financial condition and future prospects and on the value of the Shares. Please see "*Risk Factors*".

Summary Financial Information

The following summary financial information should be read together with the other information contained in this Offering Circular, including the information contained in the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” as well as the Group Financial Statements included elsewhere in this Offering Circular. This financial information is historical and is not indicative of results to be expected in any future period.

The following summary financial information has been derived from the Group Financial Statements included elsewhere in this Offering Circular. Figures as of and for the year ended 31 December 2017 have been extracted from the comparative results appearing in the 2018 Annual Financial Statements and figures as of and for the year ended 31 December 2016 have been extracted from the comparative results appearing in the 2017 Annual Financial Statements. Please see “Presentation of Financial and Other Information—Financial Statements” for more information.

EAS differs from IFRS. For a description of significant differences between EAS and IFRS, please see “Appendix A—Summary of Significant Differences between IFRS and EAS”.

	For the nine month period ended 30 September		For the year ended 31 December		
	2019	2018	2018	2017	2016
	(unaudited)				
	(EGP millions, except percentages)				
CONSOLIDATED STATEMENT OF PROFIT OR LOSS					
DATA					
Revenues	618.7	572.0	805.2	628.5	394.1
Cost of revenues	(357.1)	(293.9)	(401.3)	(326.9)	(220.7)
Gross profit	261.6	278.1	403.9	301.5	173.4
Selling and marketing expenses	(107.5)	(89.8)	(116.3)	(98.7)	(78.9)
General and administrative expenses	(26.6)	(29.0)	(39.4)	(21.5)	(18.4)
Other income	3.1	2.7	4.6	2.7	1.7
Impairment of trade and notes receivable	(2.0)	(0.8)	(1.4)	—	—
Other expenses ⁽¹⁾	—	—	—	(0.3)	—
Finance income ⁽²⁾	—	—	—	—	0.8
Finance expenses ⁽³⁾	(81.3)	(61.5)	(83.7)	(66.4)	(43.7)
Provisions ⁽⁴⁾	(3.8)	(1.6)	(1.6)	—	—
Net foreign exchange gain/(loss)	(1.6)	1.1	1.1	(1.6)	—
Profits for the period/year before income taxes	42.0	99.3	167.1	115.6	34.8
Income taxes	(10.8)	(22.6)	(38.4)	(26.2)	(7.9)
Profits for the period/year	31.1	76.6	128.8	89.4	26.9
CONSOLIDATED STATEMENT OF CASH FLOWS DATA					
Net cash flows provided from (used in) operating activities	93.4	(118.9)	2.7	(16.5)	26.5
Net cash flows (used in) investing activities	(74.3)	(54.8)	(250.7)	(42.1)	(21.3)
Net cash flows provided from (used in) financing activities	(13.8)	160.5	236.8	69.3	(6.3)
Net change in cash and cash equivalent during the period/year	5.2	(13.1)	(11.2)	10.7	(1.1)
Net foreign exchange difference	(0.1)	0.2	1.1	(0.7)	0.2
Cash and cash equivalent—beginning of the period/year	3.9	14.0	14.0	4.0	4.9
Cash and cash equivalent balance—end of the period/year	9.0	1.2	3.9	14.0	4.0
OTHER FINANCIAL DATA ⁽⁵⁾					
Adjusted EBIT ⁽⁶⁾	134.6	173.6	263.6	183.1	79.5
Adjusted EBIT margin ⁽⁷⁾	21.7%	30.4%	32.7%	29.1%	20.2%
Adjusted EBITDA ⁽⁸⁾	159.3	192.0	288.9	206.2	103.1
Adjusted EBITDA margin ⁽⁹⁾	25.8%	33.6%	35.9%	32.8%	26.1%
Gross profit margin ⁽¹⁰⁾	42.3%	48.6%	50.2%	48.0%	44.0%

(1) Other expenses in 2017 includes loss on sale of fixed assets and has been disclosed under provisions/other expenses in 2018 Annual Financial Statements.

(2) Finance income in 2016 represents net foreign exchange gain.

(3) Finance expenses in 2016 include impairment of trade and notes receivable of EGP 0.6 million.

(4) Provisions has been disclosed as provision/other expenses in the 2018 Annual Financial Statements.

- (5) The Group presents adjusted EBIT, adjusted EBIT margin, adjusted EBITDA and adjusted EBITDA margin to enhance prospective investors' understanding of its operating results. Adjusted EBIT, adjusted EBIT margin, adjusted EBITDA and adjusted EBITDA margin should not be considered by prospective investors as an alternative to profit for the period/year, net cash flows from operating activities or any other measure of performance under EAS.
- (6) Adjusted EBIT is defined as profit for the period/year before finance expenses (including bank charges), income taxes, IPO expenses, impairment of trade and notes receivable, writedown/reversal of writedown in inventories and provision for expected claims.
- (7) Adjusted EBIT margin is calculated as adjusted EBIT divided by revenues.
- (8) Adjusted EBITDA is defined as profit for the period/year before finance expenses (including bank charges), income taxes, depreciation and amortisation, IPO expenses, impairment of trade and notes receivable, writedown/reversal of writedown in inventories and provision for expected claims.
- (9) Adjusted EBITDA margin is calculated as adjusted EBITDA divided by revenues.
- (10) Gross profit margin is calculated as gross profit divided by revenues.

	As at 30 September 2019 <i>(unaudited)</i>	As at 31 December		
		2018	2017	2016
CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATA				
ASSETS				
<i>Non-current assets</i>				
Fixed assets	301.4	219.9	228.0	234.2
Assets under construction	176.5	213.1	9.6	10.1
Intangible assets	105.1	100.6	70.6	45.2
Total Non-current assets	583.1	533.5	308.2	289.6
<i>Current assets</i>				
Inventories	226.8	278.1	171.3	131.0
Trade and notes receivable	386.3	366.1	271.5	190.5
Due from related parties	19.5	0.0	0.0	0.0
Prepayments and other receivables	37.6	39.7	39.4	17.6
Cash on hand and at banks	9.5	4.3	14.0	4.0
Total current assets	679.7	688.2	496.2	343.1
TOTAL ASSETS	1,262.8	1,221.8	804.4	632.7
EQUITY AND LIABILITIES				
Paid up capital ⁽¹⁾	160.9	160.9	160.9	160.9
Legal reserve	16.6	10.2	5.7	4.4
Other reserves	0.3	0.3	0.3	0.3
Retained earnings	294.6	172.0	91.5	71.2
Profits for the period/year	31.6	129.0	89.4	26.9
Total equity of Parent Company	504.0	472.4	347.9	263.7
Non-controlling interest	(0.7)	(0.2)	0.0	0.0
TOTAL EQUITY	503.3	472.2	347.9	263.7
LIABILITIES				
<i>Non-current liabilities</i>				
Long term loans	71.9	—	37.4	51.5
Deferred tax liability	21.0	20.2	20.9	20.9
Total non-current liabilities	92.9	20.2	58.3	72.4
<i>Current liabilities</i>				
Provisions	11.7	7.6	0.6	1.1
Credit facilities	459.1	424.7	273.9	190.1
Current portion of long term loans	53.2	154.0	25.5	20.4
Trade and notes payable	56.9	58.4	39.2	46.0
Due to related parties	3.7	0.0	—	—
Dividends payable	—	—	0.5	—
Income taxes payable	10.1	39.0	26.2	8.1
Accrued expenses and other payables	71.8	45.7	32.2	30.9
Total current liabilities	666.6	729.4	398.2	296.6
TOTAL LIABILITIES	759.5	749.6	456.5	369.0
TOTAL LIABILITIES AND EQUITY	1,262.8	1,221.8	804.4	632.7

(1) Disclosed as "Capital" in the Annual Financial Statements.

RISK FACTORS

Investing in the Shares involves risk. Prospective investors should consider carefully the risks described below and the other information included in this Offering Circular prior to making any decision as to whether to invest in the Shares. Should any of the following risks occur, they could have a material adverse effect on the Group's business, results of operations and financial condition.

The description of risks below does not purport to be exhaustive. Additional risks and uncertainties that are currently unknown to, or considered immaterial by, the Group may also have a material adverse effect on the Group's business, results of operations and financial condition.

If any of the risks that Management currently believes to be material actually occurred, or if any other risks that Management have not identified or that they currently consider not to be material occur or become material risks, the trading price of the Shares could decrease and investors may lose all or part of their investment.

The risks and uncertainties that are described below are not presented in any assumed order of priority relating to significance or likelihood of occurrence. It is not possible to quantify the significance to the Group of each individual risk factor as each of the risk factors mentioned below may materialise to a greater or lesser degree and have a material adverse effect on the Group's business, results of operations and financial condition.

Risks Relating to Egypt

Political, social and economic conditions in Egypt may adversely affect the Group's business, results of operations and financial condition.

All of the Group's operations are currently conducted in Egypt and substantially all of the Group's sales are currently to customers in Egypt. Accordingly, the Group's results of operations and financial condition are and will continue to be affected by Egyptian political, social and economic factors.

Since the widespread protests against the Hosni Mubarak regime, which led to Mr. Mubarak's resignation as president in early 2011 (the **Egyptian Revolution**), Egypt has experienced periods of protest, violence and political unrest, which have led to significant economic disruption. Following the Egyptian Revolution, the Supreme Council of the armed forces assumed power, suspending the constitution until democratic elections were held in mid-2012. In those elections Mohamed Morsi, the Muslim Brotherhood's Freedom and Justice Party candidate, was elected as president. In July 2013, after further widespread protests and violence calling for the ousting of President Morsi, he was removed by the Egyptian military and replaced by an interim government. In January 2014, a new Constitution, prepared by a panel of judges and legal scholars, was adopted by referendum. Following the adoption of the new Constitution, Egypt held further presidential elections in May 2014 and its current president, Abdel Fattah Al-Sisi, was elected. President Al-Sisi assumed office on 8 June 2014. Parliamentary elections subsequently took place in late 2015. In January 2016, the Egyptian House of Representatives held its first session, the first parliamentary session in over three years. Shortly thereafter, the Egyptian House of Representatives approved a program of structural reforms presented to it by the government of the Arab Republic of Egypt (the **Egyptian Government**). The program, which the Egyptian Government is progressing, is intended to restore macroeconomic stability and promote inclusive growth in the country and underpins on-going financial support from multilateral creditors such as the International Monetary Fund (**IMF**). Presidential elections were again held in Egypt in March 2018. President Al-Sisi was re-elected for a second four-year term, winning more than 97% of the vote. In February 2019, Egypt's Parliament approved a motion proposing certain amendments to the Constitution, including extending the presidential term to six years and changing the appointment process for various entities within the Egyptian judiciary. Removing the presidential two term limit under the Constitution was also proposed. The proposed amendments were approved by a constitutional referendum in April of 2019. Egypt is expected to continue to face political, social and economic challenges and the Egyptian Government may be unable to continue to successfully implement its reform measures and the potential instability that might accompany such reform measures may cause political and social instability or economic slowdown in Egypt. Likewise, any change in policy or any delay or reversal of economic and other reforms may also lead to political or social instability or economic uncertainty, which could, in turn, negatively affect Egypt and its economy.

In recent years, Egypt has experienced a number of terrorist attacks including attacks on tourists and tourist sites, and, in April 2017, President Al-Sisi declared a three-month state of emergency and ordered the deployment of the military across Egypt to protect vital infrastructure. Sporadic terrorist attacks, many resulting in fatalities, have continued during 2017, 2018 and 2019, including for example, an attack on a bus carrying tourists in Giza in December 2018 and an explosion killing members of the military on a security mission in

Sinai in February 2019. The state of emergency has repeatedly been extended and most recently was extended in October 2019 for a further three months. There can be no assurance that extremists or terrorist groups will not continue or escalate violent activities in Egypt.

In late September 2019, Cairo and several other Egyptian cities experienced several days of civil unrest in the form of anti-government protests in response to corruption allegations against President Al-Sisi. Protesters alleged government corruption and the misuse of public funds, particularly in relation to overspending on large infrastructure projects, which are mostly overseen by the Egyptian Army. The protests are also believed to be a response to generally rising prices for goods, fuel and utilities, and declining living conditions and rising poverty for certain segments of Egyptian society. Over the course of several weeks, the Egyptian Government responded by making, by some accounts, over 2,000 of arrests, but also by easing some austerity measures. Although the protests have been largely quelled for the time being, there can be no assurance that there will not be a resumption of similar civil unrest.

Notwithstanding the positive effects of the ongoing implementation of the Egyptian Government's structural reform program, the ultimate success of which cannot be assured, these political and social developments as well as the terrorist attacks which have occurred since the Egyptian Revolution, have had and may continue to have a material negative macroeconomic impact on the Egyptian economy. Although, gross domestic product (GDP) growth rates in 2018 have recovered above 2010 levels, GDP (in USD current price terms) has decreased by 10.2% since 2012 and gross national product (GNP) remains below 2012 levels. In particular, since the Egyptian Revolution, Egypt has experienced a material decline in tourism, upon which the Egyptian economy relies heavily, although the tourism sector has experienced some recovery since mid-2017. Egypt also continues to experience a high level of unemployment, with an unemployment rate of 9.9% in 2018, according to the International Labour Organisation, ILOSTAT database. See "*The Arab Republic of Egypt*" for additional information on the Egyptian economy. Adverse economic conditions in Egypt may negatively impact demand for pharmaceutical products generally by limiting the ability of many Egyptians to purchase discretionary prescription medication, which in turn would negatively affect the level of pharmaceutical sales. Although, generic pharmaceutical products like the Group's may fare better than innovator products (that is, products manufactured by the original manufacturers of brand name products) under such circumstances, the Group's sales may nevertheless be negatively impacted as well.

There can be no assurance that social, political and economic developments in Egypt will not directly or indirectly negatively affect the Egyptian economy which in turn could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's results of operations have been and may continue to be impacted by fluctuations in the rate of exchange between the Egyptian pound and the U.S. Dollar and, to a lesser extent, other currencies, as well as the effect of exchange controls.

Substantially all of the Group's revenues are denominated in Egyptian pounds. The Group also sells its products in a small number of countries outside of Egypt including Iraq, Libya, Yemen, Sudan, South Sudan and Niger, generating approximately 7.5% of the Group's revenues in 2018, and intends to seek to increase both the volume of its export sales and the number of countries in which it makes such sales. The Group purchases active pharmaceutical ingredients (APIs), which are typically denominated in, or priced by reference to, U.S. dollars, and other raw materials from counterparties in a number of countries including China, India and, to a lesser extent, Switzerland. Raw materials, primarily APIs and packaging materials, account for a majority of the Group's cost of revenue and from 2016 to 2018, on average, accounted for 57.7% of the Group's cost of revenue. The Group's other expenses and debt servicing costs are principally denominated in Egyptian pounds. To the extent the Group incurs expenses in one currency but generates revenues in another, any change in the values of those non-Egyptian pound currencies relative to the Egyptian pound could affect the Group's margins and profitability.

The value of the Egyptian pound against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in political and economic conditions and the foreign exchange policy adopted by the CBE and the rate has moved from EGP 5.8 to 1 USD in 2011 to EGP 16.3 to 1 USD in 2019. For example, in March 2016, the Egyptian pound was devalued by the CBE against the U.S. dollar by 13%, representing the then-largest devaluation of the Egyptian pound since 2011. The exchange rate of the Egyptian pound depreciated considerably further against the U.S. dollar and other major foreign currencies when Egypt moved to a liberalised exchange rate regime in November 2016 as part of a broader package of measures aimed at encouraging macroeconomic stability and in line with IMF recommendations under the establishment and requirements for disbursements of the three-year extended fund facility. Pursuant to the new exchange rate regime, banks and other market participants are at liberty to quote and trade at any exchange rate, and bid and

ask exchange rates are expected to be determined by supply and demand. Immediately upon implementation of the new exchange rate regime, the Egyptian pound depreciated by approximately 67% against the U.S. dollar, weakening to EGP 14.6350 per USD 1.00 (buy rate, as stated by the CBE as the official exchange rate) on 3 November 2016, as compared to EGP 8.7700 (buy rate) per USD 1.00 on 2 November 2016. Since 3 November 2016, the U.S. dollar to Egyptian pound exchange rate (buy rate) has fluctuated between a low of USD 1.00 = EGP 14.6350 on 3 November 2016 and a high of USD 1.00 = EGP 19.1530 on 20 December 2016. As of 31 October 2019 the exchange rate (buy rate) published by the CBE was USD 1.00 = EGP 16.0769. See *“The Arab Republic of Egypt”* for additional information regarding exchange rates and the Egyptian economy.

Notwithstanding the liberalisation of the Egyptian pound, foreign exchange transactions have at times been and continue to be impacted by a number of other factors. From time to time, there has been a shortage of U.S. dollars in the Egyptian market to service foreign currency transactions. In response, the CBE has historically limited foreign currency remittance to the importation of strategic goods and limited the amounts of remitted foreign currency for both personal and business purposes. Although these restrictions on the remittance of foreign currency outside of Egypt have been phased out as foreign exchange reserves have recovered and now exceed pre-Egyptian Revolution levels, there can be no assurance that shortages of U.S. dollars will not occur in the future and that the CBE will not implement similar limitations on remittances in the future, which could potentially impact the Group’s ability to convert dividends from Egyptian pounds to U.S. dollars and, more generally, could adversely affect Egypt’s GDP, which in turn could have a material adverse effect on the Group’s business, results of operations or financial condition.

Though the value of the Egyptian pound has been relatively more stable since mid-2017, the Egyptian pound may depreciate further and continue to exhibit relatively higher volatility than it has historically displayed, adversely affecting the Group’s margins and profitability. Moreover, should the CBE or the Egyptian Government introduce policies which result in a further devaluation of the Egyptian pound, the Group’s ability to acquire machinery, APIs and other raw materials from outside of Egypt may be impaired, which in turn could have a material adverse effect on the Group’s business, results of operations or financial condition.

Egypt is subject to inflation and interest rate risks which could have an adverse effect on the Group’s business and results of operations.

The Egyptian economy has experienced significant inflationary pressures over the last decade and remains subject to continued risk of high or increasing inflation. Annual headline inflation, as measured by the consumer price index (CPI), has been high in recent years. It was 10.1% in 2014, 10.4% in 2015, 13.7% in 2016 and 29.6% in 2017, but decreased to 14.4% in 2018. Factors contributing to this inflationary environment include, among others, the devaluation and liberalisation of the Egyptian pound in November 2016, a reduction in fuel and energy subsidies, rising fuel and energy prices unrelated to those reforms and other measures taken as part of the Egyptian Government’s structural reform program.

The CBE has implemented a number of measures to try to contain inflationary pressures. For example, the CBE increased certain benchmark interest rates by an aggregate of 700 basis points between November 2016 and July 2017 (for example, increasing the CBE’s overnight deposit rate to 18.75%). Since then the CBE has started easing its monetary stance as inflation levels have begun to normalise, cutting certain benchmark interest rates by 100 basis points in each of February and March 2018 (for example, decreasing the CBE’s overnight deposit rate to 16.75%). Subsequently, in each of February, August, September and November 2019, the CBE further reduced certain benchmark interest rates by an additional 450 basis points in the aggregate. Although price stability is central to the CBE’s monetary policy, there can be no guarantee that the CBE will be able to achieve or maintain price stability and thus control inflation. A failure to control inflation would likely result in increases in the Group’s Egyptian pound denominated costs, including the cost of labour, utility costs and the raw materials that the Group sources in Egypt. Because the Egyptian Ministry of Health and Population (MOHP) sets prices of the Group’s pharmaceutical products, the Group would likely not be able to pass, or at least face delays in passing, any such costs increases on to its customers given the MOHP’s regulations regarding the timing of pricing reviews, unless the MOHP decided to act on an ad hoc basis such as it did in response to a significant devaluation of the Egyptian pound relative to the U.S. dollar in November 2016. Accordingly, there can be no assurance that inflation will not have a material adverse effect on the Group’s business, results of operations and financial condition.

Changes to the Egyptian healthcare regulatory regime impacting the pricing of pharmaceuticals may negatively impact Group's business, results of operations and financial condition.

In Egypt, the MOHP sets the price of pharmaceutical products and could price a product the Group is seeking to market at a price that is lower than the Group's expectations which could have a negative effect on the Group's future financial performance. Furthermore, existing regulations that affect the price of pharmaceutical products may change either before or after the Group's products are approved for marketing in Egypt. As a consequence, the Group may not be able to achieve or maintain price levels sufficient to realise an adequate return on its investment, which could have a material adverse effect on the Group's business, results of operations and financial condition.

In addition, in January 2018, a new health insurance law (the **Universal Health Insurance Law**) was passed, which among other things, includes provisions for mandatory universal health insurance for all Egyptian citizens residing in Egypt (excluding military personnel and their families). Under the Universal Health Insurance Law, the Egyptian Government will cover the monthly contribution (equal to 5% of the annual minimum wage) otherwise required to be paid by those insured, for the citizens who the Egyptian Government has determined are unable to afford the cost of healthcare themselves. The Universal Health Insurance Law will be implemented in phases on a geographical basis beginning in the Port Said, Ismailia and Sinai governorates, and is expected to cover all of Egypt by 2033 at the latest.

While the Directors believe that the Group is well placed to capture a share of the growing pharmaceutical industry which is expected to result from this and other current Egyptian Government healthcare initiatives, whether the law can be implemented in the manner contemplated, if at all, and the impact the new law has on the Egyptian healthcare system, including the pharmaceutical industry, cannot be certain. Additionally, the Universal Health Insurance Law contemplates the establishment within the newly created General Authority for Universal Health Insurance of a permanent committee, including independent experts and specialists that will be responsible for pricing medical services. The committee is not expected, however, to be responsible for pharmaceutical pricing which remains governed by the current MOHP pricing regime.

The Egyptian Government's approach to healthcare subsidies is also shifting, with increasing means-tested coverage designed to support low income individuals. The result has been a shift towards private healthcare by Egypt's middle and high income population, while increasing access to healthcare for lower income earners.

Complying with new or amended governmental regulations relating to or affecting the price of pharmaceutical products could adversely affect manufacturers and marketers of those products, and the Egyptian Government may, in the future, implement further regulations that could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group operates its production facility in Egypt, where the Group is exposed to the risk of adverse sovereign action.

The Group manufactures all of its products at its single production facility in Egypt, where the Group is exposed to the risk of adverse sovereign action. In the past, Egypt has adopted protective policies, including the nationalisation of major private enterprises, and some Egyptian governments have repudiated or renegotiated contracts with, or expropriated assets from, companies operating in Egypt. The Egyptian Government may also implement export controls on certain products or place restrictions on foreign ownership or operation of certain assets. Although as of the date of this Offering Circular, no such nationalisations, expropriations or export controls have been proposed, there can be no assurance that the Egyptian Government will not adopt such policies going forward. Expropriation of assets, renegotiation of existing agreements, leases or permits by the Egyptian Government could each have a material adverse effect on the Group's business, results of operations and financial condition.

The Group is subject to tax audits and investigations, and changes in tax laws or their interpretation could adversely affect the Group's results of operations.

The Group is subject to tax in Egypt. The Egyptian tax system is still developing and as a result, it is subject to ambiguities, inconsistencies and anomalies that may not exist in countries with more developed economies. As a result, the Group's ability to deal with tax audits or investigations in a satisfactory manner or to defend itself against claims or challenges by tax authorities in relation to its compliance with applicable tax laws and regulations may be affected. The tax authorities in Egypt have up to five years from the date of submission of a tax declaration to initiate an audit on a company's tax declaration and, once opened, they have an unlimited time in which to challenge a company's tax position through such audit. The Group has been subject to tax audits and investigations in the past and expects to be the subject of such audits and investigations in the

future. If the Group's tax position is successfully challenged in an audit, it may be liable for additional tax, fines and penalties and if the tax rates or basis changes the Group may be subject to higher taxes than anticipated. Moreover, changes to the tax laws or practice, or in their application, may impact the Group's profitability and financial position. Moreover, there can be no guarantee that the rates of taxation envisaged by the Group will be the ongoing rates of taxation paid by the Group. The basis on which the Group is taxed and the rates of tax to which it is subject may change. The impact of such tax challenges, changes and uncertainties could have a material adverse effect on the Group's business, results of operations and financial condition.

Unrest in other regional or emerging markets could cause the Egyptian economy to suffer, which could have an adverse effect on the Group.

Egypt is located in a region that has been subject to ongoing political and security concerns, particularly in recent years. International investors' reactions to events occurring in one "emerging market" country of the region sometimes appear to demonstrate a "contagion" effect, which can drive down the value of investments for the entire region or class of investment. If such a "contagion" effect occurs, Egypt and, in turn, the Group, could be adversely affected by negative economic, security or financial developments in other emerging market countries. Egypt has been adversely affected by "contagion" effects in the past, including as a result of political instability, violence and war in Syria, Tunisia, Sudan, Yemen and Libya, other recent events of volatility in the Middle East and North Africa (MENA), as well as global events, such as the Eurozone crisis and the global financial crisis. The measures, or similar events which may occur in the future, could have an adverse effect on the region which could lead to an adverse effect on Egypt. For example, the effects of an exit by the United Kingdom from the European Union (commonly referred to as Brexit), the ongoing trade dispute between the United States and China, or a potential global recession are uncertain and could adversely impact the financial condition of the global economy, which in turn may adversely affect the Egyptian economy and the Group's operations. Moreover, disruptions experienced in the international and various domestic capital markets in recent years have at times led to reduced liquidity and increased risk premiums for certain market participants, and emerging market countries, such as Egypt, may be particularly susceptible to these disruptions, reductions in the availability of credit or increases in financing costs in Egypt, which could have a negative impact on the Group. There can be no assurance that economic and political conditions in the regional or emerging market countries will not have a material adverse effect on the Group's business, results of operations or financial condition.

The Egyptian legal system may create an uncertain environment for investment and business activity.

Like other emerging market countries, the legal system in Egypt is in some respects still developing a framework to support a market economy and may be more likely to undergo changes than other more established jurisdictions. This may create uncertainties which do not exist in countries with more developed legal systems. The evolution of Egypt's legal system, particularly with respect to tax laws during the transitional period which has followed the Egyptian Revolution, and the existence of certain ambiguities, inconsistencies or anomalies in the law, its implementation and judicial practice may adversely affect businesses operating in Egypt or may impact the decision-making process with respect to investment. Enforcement of contractual rights through the courts may be subject to difficulties and delays. The foregoing may have an adverse effect on the Group's ability to protect certain contractual rights, or to defend itself against certain claims by others, including challenges by regulatory and governmental authorities in relation to the Group's compliance with applicable laws and regulations and could have a material adverse effect on the Group's business, results of operations or financial condition.

Egyptian corporate law and governance standards applicable to listed companies may differ in certain significant respects from those in more developed markets.

The corporate affairs of the Group are governed by laws governing companies incorporated in Egypt and listed on the EGX. The rights of the shareholders and the responsibilities of the directors under Egyptian law are different in certain respects from those applicable to companies organised in the United States, the United Kingdom and other jurisdictions with major capital markets. In particular, Egyptian law significantly limits the circumstances under which shareholders of an Egyptian company may bring shareholder derivative actions. Regulations governing the Egyptian securities market are not as extensive as those in the United States, the United Kingdom and certain other markets.

In addition, although Egyptian law imposes restrictions and penalties on insider trading and price manipulation, the Egyptian securities market is not regulated or supervised to the same degree, and regulations may be less rigorously enforced, than in more established securities markets such as those in the United States, the United

Kingdom and certain other markets. In recent years, the corporate governance and accounting, financial and other disclosure standards applicable to Egyptian companies, and publicly listed companies, in particular, have been subject to significant updates, including most recently, the amendment and restatement of the EGX Listing Rules as of 16 September 2019. The interpretation and application of these recently introduced rules are still evolving. Many aspects of laws and regulations in Egypt relating to public companies and the capital markets have not yet been subject to judicial or regulatory interpretation or review and are, therefore, still subject to certain uncertainties relating to their application. Despite the recent improvements, the implementation of corporate governance, accounting, financial and other disclosure standards under Egyptian law may still be less extensive than those in the United States, the United Kingdom or other jurisdictions with major capital markets, and the level of publicly available information, responsibilities of board members and rights of securities holders in Egypt may be different in certain material respects from what is customary in jurisdictions with major capital markets. Please see “*Presentation of Financial and Other Information*” and “*Description of Share Capital and Applicable Egyptian Law*”.

Official statistics and market data published in Egypt may not be complete or reliable.

Although a number of ministries, agencies and entities of the Egyptian Government, including the Egyptian Ministry of Planning, Monitoring, and Administrative Reform, the Central Agency for Public Mobilisation and Statistics and the CBE, produce statistics on Egypt and other data on its economy, there can be no assurance that such information is as accurate or reliable as that compiled in more developed countries. Management has not independently verified such official statistics or other data, and any discussion of matters relating to Egypt in this Offering Circular is therefore subject to uncertainty due to questions regarding the completeness and reliability of such information. As a result, it may be difficult to reliably analyse trends and conditions over time or at all.

The enforceability in Egypt of foreign judgements against the Company or the Directors is subject to certain limitations.

The ability of a Shareholder to bring an action against the Company may be limited under law. The Company is a joint stock company incorporated under Egyptian law. The rights of Shareholders are governed by Egyptian law and by the articles of association of the Company, as amended from time to time (the **Articles**). These rights may differ from the rights of shareholders in other jurisdictions. All of the executive officers and Directors are residents of Egypt, and all of the Group’s assets are located in Egypt. Consequently, it may not be possible for a Shareholder to effect service of process upon the Directors and executive officers within the Shareholder’s country of residence or to enforce against the Directors and executive officers judgments of courts of the Shareholder’s country of residence based on civil liabilities under that country’s securities laws.

Further, Shareholders may not be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than Egypt against the Directors or executive officers. In addition, a court of competent jurisdiction in Egypt or elsewhere may not impose civil liability on the Directors or executive officers in any original action based solely on foreign securities laws. Please see “*Enforcement of Arbitral Decisions and Civil Liabilities in Egypt*”.

Risks Relating to the Group’s Business, Activities and Industry

The Group may be unable to successfully identify, acquire, register, manufacture and market new molecules and the related products in a timely and efficient manner or at all.

A significant element of the Group’s growth strategy has involved and is expected to continue to involve both (a) the selective acquisition from third parties of molecules and the related products that either have already been registered or are in the process of being registered and (b) the identification, registration and launch in the Egyptian market of new molecules and the related products that have been developed and introduced in other markets. Accordingly, the Group’s future results of operations depend, to a significant extent, on its ability to successfully identify, acquire, register, manufacture and market new molecules and the related products in a timely and efficient manner.

All of the Group’s newly launched products (whether acquired from third parties or identified following their introduction in other markets) must meet and continue to comply with applicable regulatory and safety standards in order to receive and satisfy conditions of regulatory approvals. The registration, manufacturing and marketing process is time consuming, diverts resources from other matters and involves a considerable degree of business risk. For example, the Group’s pipeline products which are either registered but not yet launched or currently undergoing registration and on which the Group has already expended significant resources, if and

when fully tested and registered, may not achieve the Group's growth projections or may not be able to be successfully or profitably produced or marketed.

The Group is also subject to regulatory requirements governing the approval, registration, manufacturing, labelling, marketing and sale of pharmaceutical products and, to a similar but lesser extent, nutraceutical and cosmeceutical products. The process for obtaining governmental approval for the manufacture and marketing of pharmaceutical products is rigorous and time consuming. Currently, the Group must obtain approval for its products from the MOHP so-called "box system", which limits the number of companies who may register to sell a particular product with similar molecules or specifications. The registration process must be completed prior to marketing or selling the Group's products in Egypt. In the period following the Egyptian Revolution, the registration process took up to five years due to backlogs and delays resulting from the prevailing political circumstances, however, it has since returned to more historically typical periods of one and a half to three years.

Molecule registrations granted by the MOHP are valid for a specified period of time, typically eight to ten years. Molecule registrations which are due to expire within one year are eligible for re-registration, and application for re-registration must be within the final year prior to the molecule registration expiration date. Molecule re-registration is a routine process in the Egyptian pharmaceutical market and re-registration typically takes approximately 24 to 42 months. So long as a re-registration application has been submitted to the MOHP for an expired molecule registration, the products associated with that molecule may still be marketed and sold. Although the molecule re-registration process is routine and molecule re-registrations are normally granted in the ordinary course, there can be no assurance that of the Group's re-registration applications will be successful or that delays in the re-registration process will not result in the Group's inability to market previously registered molecules pending re-registration. Any failure to successfully re-register expired molecule registrations, or any unforeseen delays in acquiring such re-registrations could force the Group to temporarily or permanently remove certain molecules from its product portfolio.

Additionally, in relation to the acquisition of molecules, while the Group has historically faced limited competition for such molecules, competition could increase and as a result it could be more difficult for the Group to make such acquisitions in the future on commercially reasonable terms or at all. Furthermore, the process of acquiring molecules is subject to risks that could negatively affect the Group's business, including risks related to: (a) the failure to win a bid for a molecule after expending significant resources, (b) spending cash and incurring debt, (c) the expenditure of significant management time and resources, (d) delays in the transfer of the ownership of the molecule with the MOHP, (e) the failure to receive approval on the initial test batches of the product using the newly acquired molecule and (f) the failure of the acquired molecule and related products to meet sales expectations once launched. If the Group is not able to successfully execute such molecule acquisitions, it may not be able to realise the benefits that the acquisitions were intended to create.

For export sales of its products, the Group, or its agent on its behalf, must apply for and receive approval from the applicable regulatory body in the export country before marketing and selling its products there. The approval process may be more or less rigorous from country to country, and the time required for approval may be longer or shorter than in Egypt. Bioequivalency studies conducted outside of any country may not be accepted by that particular country, and the approval of a pharmaceutical product in one country does not ensure that the product will be approved in another country. Moreover, if the Group obtains regulatory agency approval for a product, it may be limited with respect to the indicated uses for which the product may be marketed, which could in turn restrict the Group's potential market for the product. The discovery of previously unknown problems with any of the Group's products could result in restrictions on the use of a product including possible withdrawals of the product from the market.

Furthermore, the MOHP retains the power to cancel registrations previously granted and remove certain products from the market, for example, after discovering new information about the API or combination of APIs contained in a particular product. Such decisions impact all producers of the affected products, including the Group, and prevent those producers from selling such products. Examples of MOHP withdrawal decisions that have impacted one or more of the Group's products include: (a) a decision in 2015 to remove products combining erythromycin and trimethoprim, products containing Enrofloxacin or Bicozamycin and Maxipan film coated tablets from the market, which resulted in the Group no longer being able to sell Primomycine (capsules and dry mix) or Maxipan (tablets); (b) a decision in 2012 to remove Yohimbine HCL from the market, which resulted in the Group no longer being able to sell Superact (capsules); (c) a decision in 2011 to remove ketoconazole oral dosages from the market, which resulted in the Group no longer being able to sell Kizole (tablets) and (d) a decision in 2010 to remove products containing a combination of Ibuprofen and Paracetamol from the market, which resulted in the Group no longer being able to sell Megafen (tablets). None of these withdrawal decisions issued by the MOHP have had a significant impact on the Group.

The MOHP also retains the power to reclassify molecules from over-the-counter to prescription medications and such a decision may impact the market size of such molecules. Such decisions will impact all producers of products associated with such molecule, including the Group, and prevent them from marketing those products.

The failure to successfully identify, acquire, register, manufacture and market new molecules and the related products in a timely and efficient manner, including any delays in obtaining, or the failure to obtain and retain, the regulatory approvals necessary to bring new products to market, could have a material adverse effect on the Group's business, results of operations and financial condition.

A large portion of the Group's revenues are concentrated in sales of products related to its top five molecules.

Sales of products related to the Group's top five molecules accounted for 56.2% (EGP 452.9 million) of its revenues in 2018. Those top five molecules are Rametax, Colona, Rameceftrax, Protofix and Amofluxin. Sales of products related to the next five of the Group's top molecules accounted for 17.0% (EGP 136.9 million) of its revenues in 2018. Together the Group's top ten molecules accounted for 72.0% (EGP 579.4 million) of its revenues in 2018. Therefore, as is common throughout the pharmaceutical industry, the Group is subject to product concentration risk with respect to the products relating to these molecules. If the cost of the APIs or other raw materials used to manufacture any of the related products becomes more expensive, the MOHP suspends or revokes the required authorisations, the popularity of any of the related products decreases, competing products are introduced into the market or any other issues arise which disrupt, delay or prevent the Group's production of any of these products, the Group's revenues and margins from sales of products related to that particular molecule could decrease, which could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group operates its production facility in a single location and its operations there may be subject to interruption.

The Group operates a single production facility with three independent factories located within and its business is dependent upon the ongoing, efficient operations of the facility's systems and infrastructure. Inherent risks to these operations include force majeure events, electricity blackouts, water supply shortages, political instability, labour unrest, and failure of critical machinery or computer systems. For example, if an electricity blackout were to occur in the location of the Group's production facility, even though the Group has backup generators and systems in place to account for this risk, there can be no assurance that the backup generators will not fail or that it will be able to continue production during the blackout without interruption. Further, if Egypt were to experience political upheavals or an economic slowdown in the future, it could lead to labour unrest and strikes similar to those that occurred during the Egyptian Revolution (including a brief sit-in held by the Group's employees), despite the fact that the Group did not experience any material disruptions to its operations during that time or any time thereafter. Loss of or any disruption to the Group's single production facility or any of the three independent factories located within it would have a material adverse effect on the Group's business, results of operations and financial condition.

The Group or the Group's external toll manufacturers may be unable to obtain APIs or other raw materials they require, or the costs of such materials may increase substantially.

For most of its products, the Group depends on third-party manufacturers which are predominantly located in China and India and, to a lesser extent, Switzerland, to provide it with APIs and other raw materials. The requirements of the market authorisations for the products specify that these raw materials can only be sourced from a limited number of registered suppliers. In some instances, the Group uses sole sources of supply for a number of raw materials used in manufacturing its products and packaging components. The Group does not have long-term supply agreements for its raw materials. To the extent any of the Group's suppliers experience significant manufacturing problems with respect to any of the raw materials required by the Group, cease to manufacture or experience delays in the manufacture of raw materials for the Group or are no longer able or willing to supply the Group, or the Group faces any other curtailment in the availability of raw materials, it could result in production delays, and, in the case of products for which only one raw material supplier exists, could result in a material loss of sales, with consequent adverse effects on the Group's business. Furthermore, the price of APIs can fluctuate sharply over a short period of time. A substantial increase in API costs could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group also relies on its external toll manufacturers to meet its order requirements in a timely manner and in sufficient quantities and those external toll manufacturers face similar risks as those described above with regard to the procurement of the APIs and raw materials required to fulfil such requirements. For example, the

Group previously outsourced the production of its Prototfix vials which are produced on a lyophilized line that the Group did not have prior to the facility upgrades. During the nine months ended 30 September 2019, the Group experienced an unexpected shortage in the supply of Prototfix vials due to an unexpected disruption to the production capabilities of one of the Group's external toll manufacturers as a result of a fire in its production facility and the other external provider experienced a significant shutdown for required maintenance. As a result, the Group was forced to source Prototfix vials from an alternative supplier in India, leading to a significant increase in production costs which in turn resulted in a negative impact on the Group's adjusted EBITDA margin for the nine months ended 30 September 2019.

In addition, because regulatory authorities must generally approve raw material sources for pharmaceutical products, changes in raw material suppliers may result in production delays, higher raw material costs and loss of sales and customers. Accordingly, if for any reason the Group's suppliers are not able to or refuse to continue to supply it with the raw materials it requires on satisfactory terms or at all, it could take up to six months to identify, agree terms with and receive regulatory approval for a new supplier. Furthermore, when the Group imports APIs or other raw materials from outside of Egypt, those imports are subject to customs and other government clearance, duties and regulation by the countries of origin, political instability and currency fluctuations. In addition to the costs and delays attendant to regulatory approval of APIs and API suppliers, any significant interruption of the Group's supply of APIs or other raw materials could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group may encounter difficulty or may be unable to acquire attractive molecules or businesses or to otherwise expand in accordance with its strategy.

While the Group's molecule acquisition strategy predominantly focuses on the acquisition of molecules and the related products, the Group may strategically acquire other businesses that own molecules or otherwise in order to expand. The Group's ability to pursue this strategy successfully will depend on, among other things, the Group's ability to identify suitable acquisition targets. The Group's senior management must then negotiate with the owners of such targets in order to achieve a price which makes the acquisition commercially viable and it may be unable to successfully do so. Any such acquisition, once completed, typically entails a number of additional risks such as difficulties in integrating the technologies, operations and personnel of the company acquired by the Group. Additionally, key employees of the company acquired by the Group or key employees required to successfully market products that the Group acquires may seek employment elsewhere, including with the Group's competitors. As a result of such acquisitions, the Group may incur significant charges to earnings for the cost of such acquisitions and related expenses, including transaction costs, switching costs (and the cost of any associated downtime), closure costs and research and due diligence costs. Integration issues and charges that the Group may incur in connection with acquisitions could adversely affect its business, results of operations and financial condition.

The Group may be unable to successfully market its products and toll manufacturing services in order to generate and maintain the demand necessary to sustain and grow its business.

The Group's ability to market its products successfully depends, in part, on the acceptance and continued demand for its products by third-party intermediaries, including physicians, hospitals, pharmacies and government entities, as well as patients. Demand for the Group's products may be impacted by, among other factors, (a) the introduction of new products into the market which treat the same condition either more effectively or with fewer side-effects, (b) the perception of the Group's brand, and (c) trends in per capita spending in the pharmaceutical sector. Unanticipated side effects, product quality issues or unfavourable publicity concerning the Group or any of its products, could have a material adverse effect on the Group's ability to achieve acceptance by prescribing physicians, managed care providers, pharmacies, distributors and patients.

The Group also relies to a lesser extent on continued demand for its toll manufacturing services. Demand for the Group's toll manufacturing services depends on, among other factors, (a) the Group's reputation as a reliable manufacturer of regulatory compliant pharmaceuticals, (b) the modernity of the Group's production facility and production capability and (c) price competition from other pharmaceutical companies in Egypt offering toll manufacturing services. Failure to successfully market its products and services and to maintain a steady demand for such products and services could have a materially adverse effect on the Group's business, results of operations and financial condition.

The Group or any of its third-party suppliers may fail to comply with governmental regulations or changes in those regulations.

The Group is subject to complex, costly and evolving regulation by the Egyptian Government and those of governments of the countries in which it sells its products. In Egypt, the regulation of the Group's industry is principally carried out by the Egyptian Government, through the MOHP. Various statutes and regulations govern or influence the approval, registration, manufacturing, packing, labelling, storing, record keeping, advertising, promotion, pricing, sale and distribution of the Group's products in Egypt, and comparable regulations govern its pricing and sales in certain other countries in which the Group does business.

The MOHP conducts periodic inspections to confirm that the Group is in compliance with all applicable requirements. Plant inspections are conducted to determine whether the methods used by the Group in, and facilities and controls used for, the manufacture, processing, packing, and holding of pharmaceutical products conform to, and are operated and administered in conformity with all applicable regulations. Following these inspections, the MOHP may issue notices listing conditions that the inspectors believe may violate applicable regulations, and warning letters that could cause the Group to modify certain activities identified during the inspection.

The manufacturing of the Group's products is highly exacting and complex due to the precision required to produce safe, high-quality pharmaceutical products and the strict regulatory requirements governing their manufacture. Successful manufacturing of these types of products requires precise manufacturing process controls, raw materials that conform to very tight tolerances for specific characteristics and equipment that operates consistently within narrow performance ranges. Manufacturing complexities and testing requirements for such products increase the overall difficulty of manufacturing them and resolving manufacturing problems that the Group may encounter.

The Group has arrangements with suppliers and other third parties that depend on regulatory approvals of their processes and products. These third parties are subject to regulatory compliance similar to the Group's. If any of those third parties does not comply with its regulatory requirements, the Group could be adversely affected if their non-compliance results in an interruption in the Group's supply of APIs or other raw materials. Further, failure by the Group or any of its third-party suppliers to comply with governmental regulations or any adverse regulatory action could disrupt the Group's business and have a material adverse effect on its business, results of operations and financial condition.

Additionally, laws, regulations or policies currently affecting the Group's business change from time to time and may change again at any time. Regulatory authorities may also change their interpretation of those laws, regulations and policies. Accordingly, the Group's business may also be affected by future changes in laws, regulations and policies, interpretations thereof or regulatory approaches to compliance and enforcement. For example, from time to time the MOHP has changed its regulatory approach in relation to requiring prior approval of changes in ownership in pharmaceutical manufacturing facilities. Currently, by ministerial decree, any form of legal disposal of such a manufacturing facility is prohibited without first notifying the Central Administration of Pharmaceutical Affairs (CAPA), and such notification is required to be accompanied by certain undertakings, otherwise CAPA is empowered to revoke the factory license and take all necessary procedures to that effect. However, previously, prior approval of the MOHP was required for any such transfer and there can be no assurance that such prior approval will not be required by the MOHP in the future. Such notification and approval requirements could adversely affect the ability of a pharmaceutical company to effect such transactions when commercially expedient to do so. Other recent examples of legislative and regulatory changes that will likely impact the Group's business include the adoption and on-going implementation of the Universal Health Insurance Law and more recently a ministerial decree that introduced certain exceptions to the 12 product limit under the "box" registration system including, for example, where there is a shortage of particular pharmaceutical products. The impact of such changes in law, regulation, policies or interpretation is uncertain but may affect the Group's existing business and its ability to implement elements of its strategy which could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's pharmaceutical products are sold to a limited number of distributors and any disruption to the Group's relationship with those distributors, or any impairment of the ability of any one of those distributors to pay amounts due to the Group could have a material adverse impact on the Group's revenues.

The Group's products are distributed in Egypt principally through a relatively small number of distributors, as is customary in the pharmaceutical industry in Egypt. These distributors in turn sell the Group's products principally to pharmacies. The Group's five largest distributors accounted for 76.4% of the Group's sales of

goods (net) in 2018 and the Group's largest distributor, United Company for Pharmacists, accounted for 27.0% of the Group's sales of goods (net) during the same period. Although the distributors overlap in their geographic coverage, any change in their buying patterns or changes in their policies and practices in relation to their working capital or inventory management, or the loss of any significant client or contract, may result in a reduction or delay in their purchases of the Group's products. Although the contracts with these distributors may last up to three years and contain automatic renewal provisions, typically the distributor is under no obligation to make a set number or value of orders. Further, the Group is exposed to credit risk with respect to its distributors. If any of the Group's significant distributors were to enter bankruptcy proceedings or become unable to pay the Group monies owed for any reason, such failure to pay could have a material adverse effect on the Group's business, results of operations and financial condition.

Outside of Egypt, the Group distributes its products through export agents by way of distribution or agency agreements. In some countries including Yemen, the Group sells its products through a sole distributor. The Group's failure to negotiate these third-party arrangements successfully or any of these arrangements on commercially reasonable terms could result in a disruption of its export business, which could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group may encounter problems manufacturing its products or may lose its regulatory or third-party certifications which could require it to temporarily or permanently cease its manufacturing operations.

Problems can arise during the manufacturing process for a variety of reasons including equipment malfunction, failure to follow specific protocols and procedures, problems with raw materials and environmental factors. If problems arise during the production of a batch of product, that batch may have to be discarded. This could, among other things, lead to increased costs, lost sales (with regard to either the sale of the Group's products or its toll manufacturing services), damage to customer relations, time and expense spent investigating the cause and, depending on the cause, similar losses with respect to other batches or products. If problems are not discovered before the product is released to the market, recall and product liability costs may also be incurred. In addition, if the problems are severe or if the MOHP or another regulatory authority otherwise determines that the Group's manufacturing facilities or controls do not meet the relevant regulatory requirements, the Group may lose or have suspended its MOHP or other regulatory approvals and certifications, and it may be prohibited from manufacturing and distributing some or all products. Likewise, in relation to its toll manufacturing services, a customer could determine that the Group is no longer eligible to provide the customer such services. The suspension or loss of MOHP or other regulatory approvals and certifications, or a partial or complete shutdown of the Group's production facility, could severely harm the Group's reputation and may have a material adverse effect on the Group's business, results of operations and financial condition.

The generic pharmaceutical industry in Egypt is highly competitive and if the Group is unable to successfully compete its sales may decline and its business may be harmed.

The Group's products face intense competition from products of other generic pharmaceutical manufacturers as well as innovator pharmaceutical companies. Further, innovator pharmaceutical companies may create and distribute a new molecule which cures the same symptoms as a molecule already owned by the Group, leading to the molecule owned by the Group becoming effectively obsolete. In order to encourage domestic production, Egypt's "box" registration system limits the number of pharmaceutical companies that may sell a product in Egypt to 12 manufacturers in most instances, including one innovator, one imported generic product and ten domestically manufactured generic products. However, in November 2018, a ministerial decree introduced certain exceptions to the 12 manufacturer limit under the "box" registration system including, for example, where there is a shortage of particular pharmaceutical products, which could lead to additional competition for certain products. Moreover, product prices are regulated by MOHP decree, meaning industry participants engaged in private pharmaceutical sales must compete on the basis of other competitive factors. The Group's competitors may have greater resources than it and may succeed in developing technologies and manufacturing products that are more effective, more popular or less expensive than those which the Group develops or manufactures. These developments could render the Group's molecules and products obsolete or uncompetitive, which could have a material adverse effect on the Group's business, results of operations and financial condition.

In relation to its private sales to distributors, the Group faces competition from both domestic and multinational players operating in the Egyptian pharmaceutical industry who sell products which contain either the same molecule or different molecules that provide similar treatment. The Group also competes in relation to its tender, export and toll manufacturing sales of pharmaceutical products as well as the sales of its non-pharmaceutical products. The competition experienced by the Group varies by product type and sales method.

The Directors believe the primary factors driving competition in the sale of its products are: (a) marketing reach, (b) product availability, (c) brand recognition of the product or the company selling the product and (d) price.

Innovator pharmaceutical companies are continually seeking to defeat generic competition including by claiming that their proprietary rights have been infringed or by bringing their own generic versions to market.

There has been substantial litigation in the pharmaceutical industry in certain countries, such as the United States, with respect to the manufacturing, use and sale of generic pharmaceutical products. These lawsuits relate to the validity and infringement of patents or proprietary rights of third parties. Innovator pharmaceutical companies are increasingly patenting not only molecules and products but also manufacturing processes, formulations and API production processes as well.

While the current patent regime in Egypt only protects domestic patents and multinational innovator pharmaceutical companies do not typically register Egyptian patents for their products, there can be no assurance that innovator pharmaceutical companies will not decide to register Egyptian patents or claim that other manufacturers, including the Group, are infringing on their patents in the future. Were this to occur, the ability of companies in the generic pharmaceutical industry, including the Group, to compete with innovator products would be delayed and the ability of the Group to manufacture any patented API formulation or product would be prohibited for the duration of the patent. Any successful claim of patent or other intellectual property infringement against the Group or its API suppliers could result in the Group being subject to significant monetary damages, the seizure by the relevant court of any infringing products or an injunction preventing it from manufacturing and selling some of its products. In addition, a significant third-party claim could result in the Group's senior management's attention being distracted from current operations. Additionally, innovator pharmaceutical companies continually seek new ways to defeat generic competition, such as by developing and marketing their own generic pharmaceutical products when original patented products are about to face generic competition or by charging generic companies a licensing fee for the right to manufacture and market such patented products. The occurrence of any of these events could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group is subject to risks associated with cross-border sales and purchases, which could harm its operations.

In 2018, EGP 60.5 million, or 7.5%, of the Group's revenues were from export sales. The Group's current export markets include Iraq, Libya, Yemen, Sudan, South Sudan and Niger. As part of its business strategy and growth plan, the Group plans to market its products in additional countries regionally and in Africa, which is expected to result in an increase in cross-border sales. As discussed above, the Group also purchases a significant percentage of its raw materials from outside of Egypt. Cross-border operations are subject to risks, including but not limited to:

- difficulties and costs associated with complying with a wide variety of complex domestic and foreign laws, regulations and treaties, some of which are subject to change;
- legal uncertainties regarding, and timing delays associated with, customs procedures, tariffs, import or export licensing requirements and other trade barriers;
- differing local product preferences and product requirements;
- compliance with any applicable economic sanctions and restrictions on exports and other transfers of goods;
- increased difficulty in collecting delinquent or unpaid accounts;
- risk of loss in transport or other delays in the delivery of products caused by transportation problems; and
- differing tax regimes.

Any of these factors, individually or in the aggregate, could adversely affect the Group's business, results of operations and financial condition.

The Group's insurance policies may not be adequate to cover all losses incurred.

The Group maintains insurance policies covering its assets on terms which the Directors believe are typical of, and at times superior to, the generic pharmaceutical industry and in line with what they believe to be general

business practices in Egypt. Risks insured against include, but are not limited to, theft, fire, and explosion liability and certain business interruptions including those occurring as a result of fire or faulty machinery. There are, however, certain types of losses such as those arising from other types of business interruptions, natural disasters or property damage that are generally not economically feasible to insure against and for which the Group's operations are not insured. There can be no guarantee that the Group's existing insurance policies will fully cover it for any losses incurred or that the Group will be able to maintain insurance of the types or at the levels which it deems necessary or adequate or at rates which it considers reasonable.

The Group may be exposed to product liability claims that could cause it to incur significant costs or cease selling or recall some of its products.

Because product liability claims are not currently prevalent in Egypt, the Group has not sought product liability insurance. However, the pharmaceutical industry more generally is characterised by high levels of product liability claims and there can be no assurance that the prevalence of these claims in Egypt will not increase in the future. While claims of this type are primarily aimed at innovator pharmaceutical companies and their products, generic pharmaceutical companies such as the Group may also be held liable for or incur costs related to liability claims or may be required to recall a product if any of their products cause injury or are found unsuitable during testing, registration, manufacture, sale or use. The risk exists even with respect to products that have received, or may receive in the future, regulatory approval for commercial use. Product liability claims or recalls could result in significant expenditure for the Group and could result in negative publicity, which could adversely affect the sales of certain products. Product liability claims could also force the Group to withdraw some of its products from the market, in turn creating potential for further claims. Defending against such claims could require the Group's senior management to devote significant time, attention and resources to those matters, as well as to incur legal and other costs, thereby potentially harming the Group's business, results of operations and financial condition.

Significant disruptions of the Group's information technology systems or breaches of the Group's data security could adversely affect its business.

A significant invasion, interruption, destruction or breakdown of the Group's information technology systems and/or infrastructure by persons with authorised or unauthorised access could negatively impact its business and operations. The Group could also experience business interruption, information theft, legal claims and liability, regulatory penalties and/or reputational damage from cyber-attacks, which may compromise the Group's systems and lead to data leakage. The Group's systems could be the target of malware and other cyber-attacks. Although the Group has invested in measures to reduce these risks, it can give no assurance that these measures will be successful in preventing compromise and/or disruption of its information technology systems and related data. Any disruption or successful breach of the Group's information technology systems or data security could have a material adverse effect on the Group's business, results of operations and financial condition.

Risks Relating to the Group's Financial Situation

The Group has been in technical breach, and may in the future be in breach, of certain covenants included under the terms of its long term loans, which could result in the lender declaring an event of default and exercising its rights under the loan agreement, including calling for repayment of the loan in full.

The Group has entered into three long term loan agreements with CIB. The proceeds of the loans were used primarily to fund the recent upgrades of the Group's production facility and were obtained against a guarantee of a commercial mortgage over all of the Group's tangible and intangible assets, including all imported machinery and equipment financed under the loans. As of 30 September 2019, the aggregate principal amount outstanding under the three loans was EGP 125.1 million. The first of the long term loans, with a principal amount of EGP 5.0 million outstanding as of 30 September 2019, is repayable in 52 monthly instalments with the final instalment due in November 2019. The second long term loan, with a principal amount of EGP 53.1 million outstanding as of 30 September 2019, is repayable in 24 monthly instalments starting from 1 January 2020 with the final instalment due in December 2021. The third long term loan, with a principal amount of EGP 67.0 million outstanding as of 30 June 2019, is repayable in 24 monthly instalments starting from 1 January 2020 with the final instalment due in December 2021.

Under the terms of all three loans, the Group is required to maintain certain financial ratios, including a current ratio, which measures the Group's ability to meet its short term liabilities with its current assets, and a leverage ratio, which measures the Group's ratio of debt to equity. CIB tests the covenant ratios in the loan agreements on the basis of year-end financial statements only. As of 31 December 2018, the Group was in technical breach

of two financial ratio covenants: the Group had a current ratio of 1.07, which was below the permitted ratio of 1.6, and a leverage ratio of 1.85, which was above the permitted ratio of 1.57. On 17 April 2019, CIB delivered a letter to the Group stating that it tentatively accepts the yielded current ratio and leverage ratio for the year ended 31 December 2018 and that it will not call the loans. On 26 June 2019, after reviewing the Group's audited financial statements for the year ended 31 December 2018, CIB delivered a further letter to the Group confirming that it accepts the yielded ratios as of that date and that it will not call the loans. In that letter CIB indicated further that it will issue a final covenants clearance letter with respect to the remaining financial and non-financial covenants in the long term loan agreements following internal committee approval. The Group's senior management believes that as of 30 September 2019, the Group was not in default with regards to the remaining covenants in the long term agreements.

The covenant ratios under the long term loan agreements will again be tested on the basis of the Group's financial statements as of and for the year ended 31 December 2019. On 19 September 2019, the Company signed an amendment agreement with CIB in respect of second and third long term loan which modified the covenant clauses and rescheduled the settlement period to make the loans payable over 24 monthly instalments starting from 1 January 2020 until 1 December 2021. Consequently, as of 31 September 2019, the Company was not in breach of the loans' covenant clauses. There can be no assurance, however, that the Group will not be in breach of the financial ratio covenants under the long term loan agreements as of any date on which the covenants are required to be tested, or that in the future the Group will not breach any other covenant under the terms of the long term loan agreements. If this were to occur CIB will be entitled to declare an event of default and to exercise its rights under the long term loan agreements, which may include enforcing its rights to collateral pledged under the loan or calling the loans and demanding repayment in full of outstanding amounts. In the event an event of default is declared or there is a default under any of the Group's financing facilities (including a technical breach of covenants), one or more of the Group's other lenders could also seek to declare a cross default under other of the Group's outstanding financing facilities. In the event of early termination of any of the Group's financing facilities, the Group may be unable to re-finance its financing arrangements at that time or it may only be able to do so on less favourable terms. Such circumstances could adversely affect the Group's liquidity, which in turn could adversely affect the Group's business, results of operations and financial condition.

The five credit facilities that the Group has entered into include provisions commonly found in credit facilities with Egyptian banks, pursuant to which a lender may terminate the agreement at any time, or at any time after an initial term, at its own discretion. Additionally, the Group's failure to satisfy its obligations under its current or future financing arrangements could give rise to default risk.

As at 30 September 2019, the Group had outstanding EGP 456.0 million under five credit facilities and EGP 125.1 million under three long term loans. The credit facilities are primarily used to fund the Group's working capital requirements and the long term loans were primarily used to fund the recent upgrades of the Group's production facility. With respect to the Group's five outstanding credit facilities, and pursuant to an acceleration provision commonly found in Egyptian credit facilities, an outstanding amount of EGP 382.3 million is effectively terminable at will by four of the five lenders to the Group. The four lenders whose credit facilities are currently terminable at will are Al Ahly Bank of Kuwait—Egypt (**ABK**), Arab Bank, Audi Bank and Commercial International Bank (**CIB**). The Group's fifth credit facility amounting to 73.7 million with Abu Dhabi Islamic Bank (**ADIB**) is not terminable at will during the initial term, which runs for one year beginning on 1 January 2019; however, it becomes terminable at will if the agreement is automatically extended, which is expected to be from 1 January 2020.

While four of the five credit facilities are terminable at will and have maturities of less than one year and the fifth is expected to become terminable at will as of 1 January 2020, the Group is exposed to the risk that one or more of these facilities could be terminated before the scheduled payment due date. In addition, the Group's principal financing arrangements contain customary default and cross default provisions and covenants with which the Group must comply. Should one or more of the Group's lenders terminate a credit facility early or should a default occur under one of the Group's other financing arrangements, an acceleration of the payment date for any or all amounts under the relevant facility or facilities may occur, as well as cross defaults in other financing arrangements. In particular, as stated in the risk factor below, the Group's technical breach of its three long term loan agreements with CIB, though subsequently accepted by the lender, could lead to a claim of default under other Group facilities. In the event of early termination of the Group's financing arrangements, the Group may not be able to re-finance its financing arrangements at that time or it may only be able to do so on less favourable terms. Such circumstances could adversely affect the Group's liquidity, which in turn could have a material adverse effect on the Group's business, results of operations and financial condition.

Interest rate volatility may adversely affect the Group's cost of financing.

Interest rate risk refers to the risk that changes to market interest rates can cause financial income and expenses to fluctuate. The Group is exposed to interest rate risk principally through its floating rate short-term credit facilities and long-term loans. Currently, substantially all of the Group's borrowings are either short-term borrowings under credit facilities or long-term borrowings that bear floating interest rates equal to the CBE benchmark interest rate plus a margin. Consequently, there is a risk that the Group's interest expenses could increase which could have a material adverse effect on the Group's business, results of operations and financial condition.

Risks Relating to the Shares

There has been no prior public market for the Shares and an active trading market for the Shares may fail to develop or, if a market does develop, the Shares may experience price and volume fluctuations.

Prior to the Combined Offering, there has been no public market for any of the Company's securities in or outside of Egypt. There can be no assurance that an active trading market for the Shares will develop or, if a market does develop, that it will continue. After the Combined Offering and the Closed Subscription, the Directors expect that up to 49% of the Shares will be held by persons other than its existing Shareholders. The limited public market for the Shares may have a negative impact on the liquidity of the Shares and result in a low trading volume of the Shares, which could adversely affect the then prevailing market price for the Shares and may impair holders' ability to sell them in the amount and at the price and time the holders may wish to do so. For more information on the free float of the Shares, please see "Principal and Selling Shareholder".

The Offer Price may not be indicative of the market price for the securities after the listing. The Group's operating results or financial performance may fail to meet the expectations of analysts or investors due to the circumstances described in these risk factors or otherwise. The trading price of the Shares could also be subject to significant fluctuations in response to variations in the Group and its competitors' financial performance, general market conditions and other factors as well as the circumstances described in these risk factors or otherwise. Fluctuations in the Group's operating results or failure to meet the expectations of analysts or investors may cause the price of the Shares to decline, and investors may not be able to sell the Shares they purchased in the International Offering at or above their original price or at all. As a result, investors who purchase Shares in the International Offering could lose all or part of their investment in the Shares.

The value of the Shares may also be subject to significant fluctuation from time to time, which may not necessarily be related to the Group's financial performance. Consequently, the general decline in the market or any declines in the market for similar securities may have a material adverse effect on the trading market for, and the liquidity of, the Shares.

The market price of the Shares could be negatively affected by sales of substantial amounts of such Shares in the public markets, including following the expiry of the lock-up period, or the perception that these sales could occur.

As at the date of this Offering Circular, Greville Investing Limited holds, directly and indirectly, 99.9% of the Company's issued share capital. Immediately following the Combined Offering and the Closed Subscription, Greville Investing Limited will hold, directly and indirectly, 51% of the Shares.

The Company and the Selling Shareholder, as applicable, are subject to the Mandatory Lock-up and the Transaction Lock-up. The issue or sale, as applicable, of a substantial number of Shares by the Company or the Selling Shareholder in the public market after the lock-up restrictions in the Underwriting Agreement and related arrangements expire (or are waived by the Joint Global Coordinators), or the perception that these sales may occur, may depress the market price of the Shares and could impair the Company's ability to raise capital through the sale of additional equity securities.

The Selling Shareholder will continue to hold a majority of the Company's Shares following the Combined Offering and the Closed Subscription and may take certain actions that are to the disadvantage of other shareholders.

The Selling Shareholder will continue to hold a majority of the Shares following completion of the Combined Offering and the Closed Subscription and will be in a position to exercise significant control over the Group. In addition, the Selling Shareholder's interests may differ from those of the investors in the Combined Offering. For example, there is a possibility that the existing shareholders may take certain steps in respect of the Company's dividend policy, the election of members of the Board or the approval of significant transactions which may be to the disadvantage of the interests of other shareholders. When considering an investment in the

Shares, an investor should not assume that the existing shareholders will be guided by the interests of all of the Company's shareholders.

Following completion of the Combined Offering, certain of the Group's existing shareholders will continue to be able to exercise significant influence over it, its senior management and its operations.

Following completion of the Combined Offering, certain of the Group's existing shareholders may be able to, individually or together, exercise influence over the Group's management and operations and over its shareholders' meetings, such as in relation to the payment of dividends, substantial mergers or other business combinations, the acquisition or disposal of substantial assets, the issuance of equity or other securities and the appointment of the majority of the directors to the board of directors of the Company (the **Board**) and other matters. There can be no assurance that the interests of its existing shareholders would coincide with the interests of investors.

Furthermore, certain of the Group's existing shareholders' significant ownership may (a) delay or deter a change of control of the Company (including deterring a third party from making a takeover offer for the Company), (b) deprive shareholders of an opportunity to receive a premium for their Shares as part of a sale of the Company and (c) affect the liquidity of the Shares, each of which could have a material adverse effect on the market price of the Shares.

The pre-emption rights granted to holders of the Shares may be unavailable to certain shareholders, including U.S. shareholders.

In the case of an increase in the Company's capital, holders of the Shares are entitled to subscribe for new Shares in proportion to their respective holdings, unless the FRA approves that pre-emption rights will not apply based on a resolution approved at an extraordinary general assembly meeting of the Company (**Extraordinary General Assembly Meeting**) adopted by a three-quarters majority of the Shares present or represented at the relevant meeting whereby the shareholders agree to implement a private placement, in accordance with Article 32 of the Executive Regulations of the CML. If the pre-emption rights apply, holders of Shares in certain jurisdictions outside of Egypt, including the United States, may not be able to exercise the pre-emption rights unless the Shares are registered under the laws of the relevant jurisdiction or an exemption from the registration requirement is available. The Company cannot assure potential investors that any registration statement would be filed in that case.

The Company does not currently expect to pay cash dividends and the future payment of dividends, if any, is contingent on several factors.

The Group currently intends to retain any future earnings in order to support its growth strategy and does not expect to pay any dividends in the medium term. However, should it decide to do so in the future, the Company may distribute dividends in accordance with the Articles and the dividend policies adopted by the Shareholders.

Subject to mandatory legal requirements relating to legal reserves, the Company may distribute dividends to the Shareholders out of retained earnings or realised profits in the form of cash or bonus shares, or retain the realised profits. There can be no assurance that holders of the Shares will receive dividends in the future. The Company's ability to pay dividends is contingent on achieving adequate profits and the timing and amount of any future dividend payments will depend on the Group's existing and future financial condition, results of operations, liquidity needs, any restrictions on payment of dividends in its financing agreements and other matters that it may consider relevant from time to time, including, without limitation, capital expenditures, financial performance and equity market conditions. Even if the Group generates significant profits, the Company may not pay dividends if the Board or the general assembly of shareholders believe that shareholder value may be increased more effectively by using the profit for other purposes, for example through re-investment or in acquisitions. The Directors currently expect that in the next few years, reinvestment of cash surpluses in the business might be considered to have a better impact on long-term shareholder value than distribution as dividends. Please see "*Dividends and Dividend Policy*".

Fluctuations in the value of the Egyptian pound could significantly affect the value of an investment in the Shares in U.S. dollar terms and other major foreign currencies and any dividends the Company pays in relation to the Shares if converted into U.S. dollars and other major foreign currencies.

The quoted price of the Shares will be in Egyptian pounds. In addition, any dividends that the Company pays in relation to the Shares will be paid in Egyptian pounds. The exchange rate of the Egyptian pound has been volatile when measured against the U.S. dollar, the Euro and other major foreign currencies. As a result,

fluctuations in the value of the Egyptian pound in relation to other currencies, including the U.S. dollar, can affect the value of the Shares and dividend payments on conversion into those other currencies for investors outside Egypt. Please see “*Dividends and Dividend Policy*”.

Payments of dividends on the Shares will be subject to withholding tax.

Dividends paid by the Company to its Shareholders (non-resident natural persons and to corporate bodies, whether resident or non-resident) will be subject to withholding tax at a rate determined by the percentage of an investor’s shareholding in the Company and the period of time for which the investor has held the shares, except for dividends in the form of bonus shares. Shareholders holding 25% or more of the Company’s share capital or voting rights will be subject to tax on dividends at a rate of 5% of the distributed dividend (without deducting any costs or expenses), provided they hold the shares for a minimum of two years. Shareholders holding less than 25% of the Company’s share capital or voting rights will be subject to tax on dividends at a flat rate of 10% (without deducting any costs or expenses). Please see “*Taxation—Egyptian Taxation—Dividend Withholding Tax*” and “*Taxation—Certain United States Federal Income Tax Considerations—Taxation of Distributions*”.

Evolving tax legislation regarding capital gains may adversely affect Shareholders.

Recently, there have been a number of changes to the tax legislation in Egypt. The changes with most relevance to the holders of the Shares are those concerning the new capital gains tax on profits realised by trading listed securities. According to the Income Tax Law, capital gains realised from the sale of Egyptian shares listed on the EGX by both resident and non-resident shareholders are subject to a 10% capital gains tax. However, the application of this tax was suspended for two years beginning on 17 May 2015 (i.e. the date of the official announcement made by the Cabinet of Ministers regarding this exemption). On 2 November 2016, the Egyptian Higher Committee of Investment under the Chairmanship of President Al-Sisi, decided in its first meeting to delay the introduction of a capital gains tax on listed shares for a further three years until 17 May 2020 in order to attract foreign investments in Egypt. Please see “*Taxation—Egyptian Taxation*”. There can be no assurance that no further changes to tax legislation may be introduced, or of the effects of this legislation on holders of the Shares. Further, tax practice in Egypt and the interpretation of the Egyptian Tax Authority of tax legislation may be different from the strict interpretation or reading of the law.

Changes in taxation legislation or interpretation of tax legislation could affect the Company’s ability to provide returns to Shareholders.

Statements in this Offering Circular concerning the taxation of Shareholders or the Company are based on current Egyptian and U.S. tax law and published practice as at the date of this Offering Circular, which are subject to change. Any changes in the tax rates and tax legislation of Egypt or the U.S., or changes in the interpretation thereof could affect the Company’s ability to provide returns to Shareholders. Any change in the tax treatment of dividends or interest received by the Company may reduce the level of yield received by Shareholders.

The taxation of an investment in the Company depends on the individual circumstances of the relevant prospective investor. Prospective investors should consult an independent professional adviser with respect to their own tax position before deciding whether to invest in the Company.

Because the Group has historically operated as a private company, it has limited experience complying with public company obligations and fulfilling these obligations will be expensive and time consuming and may divert its senior management’s attention from the day-to-day operation of its business.

Historically, the Group has operated as a privately-owned company and, accordingly, has limited experience complying with the increasingly complex laws and regulations pertaining to public companies. In particular, the significant regulatory oversight and reporting obligations imposed on public companies will require substantial attention from the Group’s senior management and may divert their attention away from the day-to-day management of its businesses, which could have a material adverse effect on its business, financial condition and results of operations. Similarly, corporate governance obligations, including with respect to the development and implementation of appropriate corporate governance policies, and concurrent service on the Board and possibly multiple board committees, will impose additional burdens on the Group’s senior management.

In preparation for the listing, the Group has implemented a number of corporate governance and other policies, processes, systems and controls to comply with the requirements for a publicly listed company on the EGX. While the Directors believe the Group will be in full compliance with these requirements, it does not have a track record on which it can assess the performance of these policies, processes, systems and controls or an

analysis of their outputs. Any material inadequacies, weaknesses or failures in the Group's policies, processes, systems and controls could have a material adverse effect on its future business operations and prospects. In addition, in the event of noncompliance with corporate governance and other requirements, there may be further consequences affecting the Group's licences or other regulatory matters and such noncompliance could lead to penalties or suspension of its listing.

In addition, as a public company the Group will incur additional legal, accounting and other expenses that it did not incur as a private company. The Group will also incur costs associated with its public company reporting requirements. Further, the Group may need to hire additional accounting, financial and compliance staff with appropriate public company experience and technical accounting knowledge. The Group cannot predict or estimate the amount of additional costs that it may incur or the timing of such costs.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as regulatory and governing bodies provide new guidance. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. The Group intends to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of its senior management's time and attention from revenue-generating activities to compliance activities. If the Group's efforts to comply with new laws, regulations and standards were to differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against the Group and business, results of operations and financial condition.

The EGX is smaller and less liquid than other major exchanges and may be more volatile, which may adversely affect investors' ability to trade the Shares purchased in the International Offering.

The only trading market for the Shares will be the EGX and the Company has no plans to list the Shares on any other stock exchange in the near future. The EGX is considerably smaller and consequently less liquid than more developed securities markets, including, for example, those in the United States or the United Kingdom. As of 30 September 2019, the total market capitalization of all the companies listed on the EGX was approximately EGP 736.4 billion and a disproportionately large percentage of the market capitalization and trading volume of the EGX is represented by a small number of listed companies. As of 30 September 2019, the shares of 225 companies were traded on the EGX and the combined market capitalization of the ten companies with the greatest market capitalizations was approximately 48.3% of the market capitalization of all companies trading on the EGX. As of 30 September 2019, the combined market capitalization of the ten companies with the greatest market capitalizations on the EGX was approximately EGP 355.7 billion. The average daily trading value in the shares of the ten most traded companies on the EGX was approximately EGP 239.0 million during the year to date as of 30 September 2019, which represented approximately 29.3% of the average daily trading value of all stocks traded on the EGX in the year to date ending 30 September 2019, which was EGP 817.0 million (*Source: Bloomberg*).

Trading on the EGX, which is subject to volatility, has traditionally been characterised by a high degree of short-term speculative trading at least partially attributable to the relatively underdeveloped institutional investor base in Egypt.

The market value of the Shares may also be subject to significant fluctuation, which may not necessarily be related to the Group's financial performance. The relatively small size and low liquidity of the EGX in general and the limited public market for the Shares, in particular, may impair the ability of holders of the Shares to sell them in the amount and at the price and time the holder may wish to do so, and may increase the volatility of the price of the Shares.

Purchasers of the Shares must arrange for the Shares to be delivered through an FRA-licensed broker and deposited with an FRA-licensed custodian

All transfers of ownership of the Shares must be effected on the EGX by a FRA-licensed broker. Purchasers of Shares must arrange for their Shares to be delivered to a custodian authorised by the FRA (a **Local Custodian**) to hold dematerialised Shares. The Local Custodian designated by the purchaser will hold the Shares in accordance with the purchaser's instructions. Neither the Company nor the Selling Shareholder or the Joint Global Coordinators will have any responsibility for the performance by the Local Custodians or their agents of their respective obligations under the rules and procedures governing their operations.

USE OF PROCEEDS

All of the proceeds from the Combined Offering will be received by the Selling Shareholder; however, through the Closed Subscription, the Selling Shareholder has undertaken to subscribe for 125,000,000 Closed Subscription Shares and a minimum of approximately EGP 582.5 million will be withheld from the proceeds of the Combined Offer Shares to be received by the Selling Shareholder and used to repay the facility established to fund the Closed Subscription. The Selling Shareholder has agreed to pay certain fees and commissions and certain expenses incurred in connection with the Combined Offering. The Company will also pay certain expenses relating to the Combined Offering and the Closed Subscription, as well as applicable stamp duty taxes payable on the Closed Subscription Shares issued in the Closed Subscription.

The Company expects to receive net proceeds from the Closed Subscription of approximately a minimum of EGP 517,500,000 million, after the deduction of its share of the commissions and other expenses of the Combined Offering to be borne by the Company and certain expenses of the Closed Subscription, amounting to approximately EGP 65,000,000.

The Group's senior management intends to use the net proceeds of the Closed Subscription to fund the Group's operational expansion, principally through molecule acquisitions but also through selective and opportunistic company acquisitions. The Group's senior management currently expects to be able to deploy the net proceeds within 12 months of the Closed Subscription although they cannot meaningfully quantify the exact timing and use at this time as the Company has not yet agreed to acquire specific molecules or companies. Pending any such uses of proceeds, the Group's senior management intends to invest the net proceeds of the Closed Subscription in cash deposits, term deposits and other treasury operations. The level of treasury operations (including the potential repayment of debt) will directly depend on the size and timing of molecule and company acquisitions as well as prevailing market conditions (such as interest rate levels) from time to time. Additionally, while the Group's senior management regularly monitors potential molecule or company acquisitions, there can be no certainty provided on the timing of any acquisitions, although the Group's senior management continue to engage with potential sellers of molecules on an ongoing basis.

DIVIDENDS AND DIVIDEND POLICY

The Group currently intends to retain any future earnings in order to support its growth strategy and does not expect to pay any dividends in the foreseeable future. However, the Board expects to review and may revise the Group's dividend policy each year. Any future determination to declare dividends will be made at the discretion of the Board, subject to applicable laws, and will depend on a number of factors, including the availability of distributable profits, Group's financial condition, results of operations, capital requirements, contractual restrictions, investment requirements, general business conditions and other factors that the Board deems relevant. There can be no assurance that any dividends will be paid in the future or as to the level of any such dividends.

The declaration, amount and payment of dividends are determined, subject to the limitations set forth above, by an absolute majority vote of the shareholders represented at an ordinary general assembly meeting of the Company (**Ordinary General Assembly Meeting**), generally, but not necessarily, on the recommendation of the Board.

The Company may pay dividends only as permitted by law and subject to consideration of its investment requirements, financial condition (including the Group's level of indebtedness and liquidity requirements) and the Group's results of operations. Please see "*—Distribution of Net Profits and Legal Reserve*". Future dividends will depend on the Group's results of operations, financial position, dividends received from the Company's subsidiaries and affiliates, cash requirements, legal reserve and minimum capital requirements, future prospects, restrictive covenants in the Group's finance agreements and other factors deemed relevant by the Board and the Shareholders.

Distribution of Net Profits and Legal Reserve

The profit after-tax of the Group, after deducting all its general expenses and other expenses in each fiscal year, as increased or reduced, as the case may be, by any profit or loss of the Group carried forward from prior years (the **Net Profits**), is available for distribution in accordance with the requirements of Egyptian law and the Articles, pursuant to a shareholders' resolution in an Ordinary General Assembly Meeting. Pursuant to the Articles, the Net Profits shall be distributed in the following order:

- (a) The Company is required to establish and maintain a legal reserve (the **Legal Reserve**) to which an amount equal to 5% of the after-tax earnings must be allocated each year unless the legal reserve reaches 50% of the issued share capital. In the event the Legal Reserve falls below such percentage, the allocation should be resumed. As at 30 September 2019, the balance of the Group's Legal Reserve was EGP 16.6 million, representing 10.3% of the Company's issued and paid up capital as at such date.
- (b) The amount necessary for the distribution of a first share of the profits amounting to 5% to the shareholders in the capital of the Company, calculated on the basis of the amount paid from the value of their share provided that if the profits for one year are not sufficient for the distribution of such dividend, it may not be claimed for the profits of any subsequent years.
- (c) A percentage of the Net Profits shall be reserved for distribution to the employees of the Company in accordance with the rules set by the Board and as approved pursuant to a shareholders' resolution passed in an Ordinary General Assembly Meeting.
- (d) A maximum of 10% of the remaining Net Profits shall be used as payment with respect to the amount of the incorporation shares (if any); however the Company has no incorporation shares.
- (e) A maximum of 10% of the remaining Net Profits shall be distributed to the Board as remuneration.
- (f) The remaining Net Profits may either (i) be distributed among the Shareholders, (ii) be carried forward to the following year, as proposed by the Board, or (iii) be placed in an extraordinary reserve or extraordinary depreciation fund.

The Ordinary General Assembly Meeting may distribute all or part of the Net Profits, as outlined in the periodic financial statements prepared by the Group, and as certified by the Company's auditors.

The Articles provide that dividends are paid annually based on the generated Net Profits and Retained Earnings according to the Group Financial Statements. Subject to the Ordinary General Assembly Meeting approval and Egyptian law requirements, the Company must convene an Ordinary General Assembly Meeting no later than three months after the end of the fiscal year to review, among other things, the audited financial statements and determine dividends, if any, to be distributed. Dividends declared by resolution of the shareholders at an Ordinary General Assembly Meeting must be distributed within one month from the date of the Ordinary

General Assembly Meeting. Dividends are payable to the Shareholders of record whose names are recorded in the Misr for Central Clearing Depository and Registry (**MCDR**) records as of three business days prior to the actual distribution of such dividend.

In kind (bonus shares) dividends paid with respect to the Shares are not currently subject to Egyptian income or withholding taxes under the Egyptian income tax law, as amended. Please see “*Taxation—Egyptian Taxation*”. The Company does not assume responsibility for any withholding taxes on dividends.

In the years ended 31 December 2018 and 31 December 2017, the Company distributed dividends to its Shareholders in the amounts of EGP 4,530,500 and EGP 5,238,461, respectively. The Company did not distribute a dividend to its Shareholders in the year ended 31 December 2016.

CAPITALISATION

The following table sets forth the consolidated capitalisation of the Company as at 30 September 2019. Prospective investors should read this table in conjunction with the section entitled “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and the Group Financial Statements included elsewhere in this Offering Circular.

	As at 30 September 2019 <i>(unaudited)</i> (EGP millions)
Debt	
Total current debt	
Credit facilities	459.1
Current portion of long term loans	53.2
Total non-current debt	
Long term loans	71.9
Total debt	<u>584.3</u>
Equity	
Paid up capital	160.9
Legal reserve	16.6
Other reserve	0.3
Retained earnings	294.6
Profits for the period/year	31.6
Total equity of Parent Company	504.0
Non-controlling interest	(0.7)
Total equity	<u>503.3</u>
Total capitalisation⁽¹⁾	<u><u>1,087.6</u></u>

(1) Sum of total debt and total equity.

EXCHANGE RATE INFORMATION

The table below sets out certain information concerning the exchange rate for the Egyptian pound against the U.S. dollar as quoted by the CBE for the years and months indicated.

<u>Calendar year</u>	<u>High⁽¹⁾</u>	<u>Low⁽²⁾</u>	<u>Average⁽³⁾</u>	<u>Period End⁽⁴⁾</u>
		(EGP per	USD 1.00)	
2014	7.15	6.96	7.08	7.15
2015	7.94	7.54	7.71	7.74
2016	19.56	7.74	10.09	18.41
2017	18.92	15.85	17.89	17.79
2018	17.98	17.67	17.88	17.97

<u>Monthly in 2019</u>	<u>High⁽¹⁾</u>	<u>Low⁽²⁾</u>	<u>Average⁽³⁾</u>	<u>Period End⁽⁴⁾</u>
		(EGP per	USD 1.00)	
January	17.97	17.70	17.92	17.73
February	17.74	17.59	17.65	17.59
March	17.59	17.35	17.45	17.39
April	17.39	17.23	17.34	17.24
May	17.24	16.86	17.08	16.86
June	16.83	16.75	16.80	16.77
July	16.69	16.62	16.67	16.62
August	16.66	16.60	16.63	16.62
September	16.63	16.32	16.46	16.34
October	16.37	16.19	16.28	16.20

Source: CBE

(1) The lowest sell exchange rate during the year or month concerned.

(2) The highest sell exchange rate during the year or month concerned.

(3) The average of all daily sell exchange rates during the year or month concerned.

(4) The sell exchange rate in effect on the last day of business in Egypt for the year or month concerned.

On 28 November 2019, the sell exchange rate for the Egyptian pound against the U.S. dollar as quoted by the CBE was 16.17.

Under the Banking and Credits Law No. 88 of 2003, there are no exchange rate controls in Egypt. Currently, no restrictions on remittances apply to securities listed on the EGX which are purchased by foreign investors and funds.

In November 2016, the CBE moved to a liberalised exchange rate regime. As part of this regime, the CBE allowed the Egyptian pound effectively to float freely as part of a series of measures designed to address the macroeconomic and structural imbalances that affect the Egyptian economy. As a consequence, banks and other market participants are free to quote and trade at market rates.

SELECTED FINANCIAL INFORMATION

The following selected financial information should be read together with the other information contained in this Offering Circular, including the information contained in the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” as well as the Group Financial Statements included elsewhere in this Offering Circular. This financial information is historic and is not indicative of results to be expected in any future period.

The following summary financial information has been derived from the Group Financial Statements included elsewhere in this Offering Circular, which have been prepared by the Company in accordance with EAS and audited by Allied for Accounting & Auditing, independent auditors, as stated in their reports appearing elsewhere in this Offering Circular. Figures as of and for the year ended 31 December 2017 have been extracted from the comparative results appearing in the 2018 Annual Financial Statements and figures as of and for the year ended 31 December 2016 have been extracted from the comparative results appearing in the 2017 Annual Financial Statements. Please see “Presentation of Financial and Other Information—Financial Statements” for more information. For a description of significant differences between EAS and IFRS, please see “Appendix A—Summary of Significant Differences between IFRS and EAS”.

	For the nine month period ended 30 September		For the year ended 31 December		
	2019	2018	2018	2017	2016
	(unaudited)				
	(EGP millions, except percentages)				
CONSOLIDATED STATEMENT OF PROFIT OR LOSS DATA					
Revenues	618.7	572.0	805.2	628.5	394.1
Cost of revenues	(357.1)	(293.9)	(401.3)	(326.9)	(220.7)
Gross profit	261.6	278.1	403.9	301.5	173.4
Selling and marketing expenses	(107.5)	(89.8)	(116.3)	(98.7)	(78.9)
General and administrative expenses	(26.6)	(29.0)	(39.4)	(21.5)	(18.4)
Other income	3.1	2.7	4.6	2.7	1.7
Impairment of trade and notes receivable	(2.0)	(0.8)	(1.4)	—	—
Other expenses ⁽¹⁾	—	—	—	(0.3)	—
Finance income ⁽²⁾	—	—	—	—	0.8
Finance expenses ⁽³⁾	(81.3)	(61.5)	(83.7)	(66.4)	(43.7)
Provisions ⁽⁴⁾	(3.8)	(1.6)	(1.6)	—	—
Net foreign exchange gain/(loss)	(1.6)	1.1	1.1	(1.6)	—
Profits for the period/year before income taxes	42.0	99.3	167.1	115.6	34.8
Income taxes	(10.8)	(22.6)	(38.4)	(26.2)	(7.9)
Profits for the period/year	31.1	76.6	128.8	89.4	26.9
CONSOLIDATED STATEMENT OF CASH FLOWS DATA					
Net cash flows provided from (used in) operating activities	93.4	(118.9)	2.7	(16.5)	26.5
Net cash flows (used in) investing activities	(74.3)	(54.8)	(250.7)	(42.1)	(21.3)
Net cash flows provided from (used in) financing activities	(13.8)	160.5	236.8	69.3	(6.3)
Net change in cash and cash equivalent during the period/year	5.2	(13.1)	(11.2)	10.7	(1.1)
Net foreign exchange difference	(0.1)	0.2	1.1	(0.7)	0.2
Cash and cash equivalent—beginning of the period/ year	3.9	14.0	14.0	4.0	4.9
Cash and cash equivalent balance—end of the period/year	9.0	1.2	3.9	14.0	4.0
OTHER FINANCIAL DATA ⁽⁵⁾					
Adjusted EBIT ⁽⁶⁾	134.6	173.6	263.6	183.1	79.5
Adjusted EBIT margin ⁽⁷⁾	21.7%	30.4%	32.7%	29.1%	20.2%
Adjusted EBITDA ⁽⁸⁾	159.3	192.0	288.9	206.2	103.1
Adjusted EBITDA margin ⁽⁹⁾	25.8%	33.6%	35.9%	32.8%	26.1%
Gross profit margin ⁽¹⁰⁾	42.3%	48.6%	50.2%	48.0%	44.0%

(1) Other expenses in 2017 includes loss on sale of fixed assets and has been disclosed under Provisions/other expenses in 2018 Annual Financial Statements.

- (2) Finance income in 2016 represents net foreign exchange gain.
- (3) Finance expenses in 2016 include impairment of trade and notes receivable of EGP 0.6 million.
- (4) Provisions have been disclosed as provision/other expenses in the 2018 Annual Financial Statements.
- (5) The Group presents adjusted EBIT, adjusted EBIT margin, adjusted EBITDA and adjusted EBITDA margin to enhance prospective investors' understanding of its operating results. Adjusted EBIT, adjusted EBIT margin, adjusted EBITDA and adjusted EBITDA margin should not be considered by prospective investors as an alternative to profit for the period/year, net cash flows from operating activities or any other measure of performance under EAS.
- (6) Adjusted EBIT is defined as profit for the period/year before finance expenses (including bank charges), income taxes, IPO expenses, impairment of trade and notes receivable, writedown/reversal of writedown in inventories and provision for expected claims.
- (7) Adjusted EBIT margin is calculated as adjusted EBIT divided by revenues.
- (8) Adjusted EBITDA is defined as profit for the period/year before finance expenses (including bank charges), fincome taxes, depreciation and amortisation, IPO expenses, impairment of trade and notes receivable, writedown/reversal of writedown in inventories and provision for expected claims.
- (9) Adjusted EBITDA margin is calculated as adjusted EBITDA divided by revenues.
- (10) Gross profit margin is calculated as gross profit divided by revenues.

	As at 30 September 2019 <i>(unaudited)</i>	As at 31 December		
		2018	2017	2016
(EGP millions)				
CONSOLIDATED STATEMENT OF FINANCIAL POSITION				
DATA				
ASSETS				
<i>Non-current assets</i>				
Fixed assets	301.4	219.9	228.0	234.2
Assets under construction	176.5	213.1	9.6	10.1
Intangible assets	105.1	100.6	70.6	45.2
Total Non-current assets	583.1	533.5	308.2	289.6
<i>Current assets</i>				
Inventories	226.8	278.1	171.3	131.0
Trade and notes receivable	386.3	366.1	271.5	190.5
Due from related parties	19.5	0.0	0.0	0.0
Prepayments and other receivables	37.6	39.7	39.4	17.6
Cash on hand and at banks	9.5	4.3	14.0	4.0
Total current assets	679.7	688.2	496.2	343.1
TOTAL ASSETS	1,262.8	1,221.8	804.4	632.7
EQUITY AND LIABILITIES				
Paid up capital ⁽¹⁾	160.9	160.9	160.9	160.9
Legal reserve	16.6	10.2	5.7	4.4
Other reserves	0.3	0.3	0.3	0.3
Retained earnings	294.6	172.0	91.5	71.2
Profits for the period/year	31.6	129.0	89.4	26.9
Total equity of Parent Company	504.0	472.4	347.9	263.7
Non-controlling interest	(0.7)	(0.2)	0.0	0.0
TOTAL EQUITY	503.3	472.2	347.9	263.7
LIABILITIES				
<i>Non-current liabilities</i>				
Long term loans	71.9	—	37.4	51.5
Deferred tax liability	21.0	20.2	20.9	20.9
Total non-current liabilities	92.9	20.2	58.3	72.4
<i>Current liabilities</i>				
Provisions	11.7	7.6	0.6	1.1
Credit facilities	459.1	424.7	273.9	190.1
Current portion of long term loans	53.2	154.0	25.5	20.4
Trade and notes payable	56.9	58.4	39.2	46.0
Due to related parties	3.7	0.0	—	—
Dividends payable	—	—	0.5	—
Income taxes payable	10.1	39.0	26.2	8.1
Accrued expenses and other payables	71.8	45.7	32.2	30.9
Total current liabilities	666.6	729.4	398.2	296.6
TOTAL LIABILITIES	759.5	749.6	456.5	369.0
TOTAL LIABILITIES AND EQUITY	1,262.8	1,221.8	804.4	632.7

(1) Disclosed as “Capital” in the Annual Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the financial condition and results of operations of the Group should be read in conjunction with the information set out in "Selected Financial Information" and the Group Financial Statements. For a description of the Group Financial Statements please see "Presentation of Financial and Other Information".

The following discussion contains certain forward-looking statements that reflect the Group's plans, estimates and beliefs and involve risks and uncertainties. Actual results may differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to those differences include, but are not limited to, those discussed below and elsewhere in this Offering Circular, including under "Forward-looking Statements", "Risk Factors" and "Business".

The Group Financial Statements have been prepared in accordance with EAS which differs from IFRS. For a description of significant differences between IFRS and EAS as they relate to the Financial Statements, please see "Appendix A—Summary of Significant Differences between IFRS and EAS".

Overview

The Group is the fastest growing pharmaceutical company in Egypt measured by its sales value CAGR from 2013 to 2018, ranking first among the top 25 pharmaceutical companies in Egypt. The Group is principally engaged in the manufacture and sale of a wide range of branded generic pharmaceutical products (both prescription and over-the-counter), as well as over-the-counter nutraceuticals, cosmeceuticals, food supplements, medical devices and veterinary products. The Group has developed an attractive portfolio which includes 97 marketed products relating to 67 molecules and a pipeline of 354 products relating to 219 molecules, across 11 of the 16 therapeutic areas in the Egyptian pharmaceutical industry.

Key factors affecting results of operations

The Group's results have been affected, and are expected to continue to be affected, by a variety of factors, including the following:

- the Group's ability to identify, acquire, register, manufacture and market new molecules;
- the effectiveness of the Group's sales strategy and selling and marketing efforts;
- the pricing framework for generic pharmaceuticals in Egypt and the competitive landscape;
- the cost and availability of raw materials and foreign exchange rate fluctuations impacting their price;
- increases in the Group's production capacity and modernisation and expansion of the Group's production capabilities;
- seasonality; and
- the economic, political and regulatory environment in Egypt.

Identification, acquisition, registration, manufacture and marketing of new molecules

The Group's results of operations are and will continue to be impacted by the effectiveness and timeliness of its molecule identification, acquisition, registration, manufacturing and marketing activities. For example, between 2016 and 2018, the Group launched 10 molecules, for which the Group acquired the market authorisation from other Egyptian pharmaceutical players and 10 molecules for which it undertook the registration internally. The Group's senior management expects to launch a total of 9 new molecules in 2019 and aims to launch 12 new molecules in 2020. In order to bring a product to market successfully, the Group must identify molecules and related products from which it can generate attractive margins and growth and for which it can obtain the required regulatory approvals. The Group's expansion and diversification strategies rely both upon (a) the selective acquisition of target molecules at attractive valuations and (b) the identification and launch in the Egyptian market of new molecules that have been developed and introduced in other markets. In relation to the latter, the Group actively monitors the international pharmaceutical market in order to identify and select for launch the most recently available molecules and aims to be the first to launch the generic version of innovator products in Egypt. The Group's strategy additionally relies upon the successful and timely completion of the regulatory approval process, and ultimately on receipt of market authorisations for those molecules and the related products that the Group's senior management has selected for inclusion in the Group's product offering and the successful manufacture and commercialisation of those products.

The effectiveness of the Group's sales strategy and selling and marketing efforts

The Group has adopted a prescription-based sales strategy whereby its medical representatives engage with physicians and other influencers to create demand for its molecules and the related products. The Group focuses on offering high quality products through well-trained medical representatives who target key physicians with effective marketing materials. The Group's sales strategy also focuses on product mix in an effort to maximise profitability and to build a strong portfolio in each of the key therapeutic areas. The Group's sales strategy incorporates training and an incentive scheme to motivate its medical representatives and sales force to increase sales and improve profitability. In addition, in recent years, the Group has expanded and refocused its marketing and sales force, resulting in the total sales force growing from 251 medical representatives in 2016 to 570 as of 30 June 2019. As of 30 June 2019, the Group also had a team of 71 merchandising representatives responsible for marketing the Group's over-the-counter products to pharmacists. Moreover, the Group's senior management has overseen an extensive rebranding exercise, modernising its logo and package design. Its over-the-counter products are packaged in creative boxes with the aim of catching the eye of the consumer when shelved among other products in a pharmacy. The Group has also implemented measures such as increasing the number of doses per package of certain products to assist the patient in complying with treatment and completing the typically prescribed course of treatment through a single purchase of the product. The Directors believe that such efforts, as well as enhancing the Group's sales and marketing capabilities more generally, have had a positive impact on its financial performance and the Group's sales and are likely to continue to affect its financial performance going forward.

The pricing framework for generic pharmaceuticals in Egypt and the competitive landscape

Under the current "box" registration system adopted in Egypt, each pharmaceutical product with similar molecules or specifications the Group sells competes with up to 11 competitors (one innovator (i.e. the original manufacturer of a brand name product), one imported generic and nine other domestic generics). The current pricing mechanism, which was introduced in 2012, is that innovators' products are priced to match the price of the lowest price offered to the public in 36 reference countries, the first five generic pharmaceutical products thereafter are priced at 65% of the innovators' price and the remaining generic pharmaceutical products are priced at 60% of the innovators' price.

Under the previous pricing mechanism, which was introduced in 2009, the price of the innovator product in Egypt is set after applying a 10% discount to the lowest price available in any country in the world where the product is traded. Generic products were priced in accordance with the lowest customer price available in any country where the pharmaceutical is traded after applying a discount which depends whether the manufacturer is operating pursuant to a toll manufacturing arrangement, MOHP licenses, or is licensed and certified by the World Health Organization, among other certifications such as EMEA, TGA or FDA. For so called "Category 1" products, which applied to products certified by international agencies and produced in a factory licensed by the MOHP, the price was 30% lower from the innovator product. For "Category 2" products, which applied to products produced in factories licensed by the MOHP, the price was 40% lower than the innovator product. For "Category 3" products, which applied to products produced outside the selling company's facilities under a contract or license arrangement, the price was 60% lower than the innovator product. This pricing mechanism had no box system and led to significant price variations due to the regression of API over time.

While the majority of the Group's revenues have been from private sales to domestic distributors in each of the last three years (revenue from private sales represented 65.0% of revenues in 2018), the Group also makes tender sales to institutions (such as hospitals) through distributors who have fixed contracts with those institutions (rather than selling directly to the institutions) and through public tenders. Revenue from such tender sales represented 22.0% of revenues in 2018. The timing and outcome of these sales and tenders are unpredictable and the pricing achieved is generally less favourable than that achieved in private sales. Historically, the Group has focused on tender sales as part of its strategy to utilise excess capacity; however, going forward, the Group's senior management intends to prioritize private sales and selectively participate in tenders that achieve a minimum profitability criteria as it pursues its expansion and molecule diversification strategies.

The Group competes in relation to its private, tender and export sales of pharmaceutical products, its sales of toll manufacturing services and the sales of its non-pharmaceutical products. The competition experienced by the Group varies by product type, therapeutic area and sales method (e.g., private, tender and export). The Directors believe primary factors driving competition in the sales of its products are one or more of: (a) timely regulatory approval, (b) being the first product to launch in the Egyptian market, (c) product quality and quality perception, (d) manufacturing capabilities, (e) brand recognition of the product or the company selling the product and (f) a strong track record in molecule acquisitions. Where prices are regulated, the Group seeks to

compete through its sales strategy and selling and marketing efforts. It also aims to maximise margins through product mix strategies and by seeking to minimise manufacturing and operating costs. The Group's financial performance is and will continue to be affected by its ability to compete effectively given the competitive landscape and pricing dynamics in the markets in which it operates.

The cost and availability of raw materials and foreign exchange rate fluctuations impacting their price

Between 2016 and 2018, the Group's raw material costs represented an average of 57.7% of its cost of revenues, with the most significant portion of these costs relating to APIs. As raw materials represent the largest single line item in the Group's cost of revenues, the Group's profitability is closely related to the prices the Group pays for raw materials. Where possible, the Group acquires its raw materials from a diversified list of suppliers and plans strategic stockpiles in order to limit the Group's exposure to any fluctuations in pricing. However, the Group is required to purchase its API for each pharmaceutical product only from approved suppliers so it has less flexibility to seek the most competitive pricing for APIs. API prices tend to decline over time as more suppliers enter the market putting pressure on prices.

In 2018, approximately 71.9% of the Group's raw materials costs (principally the cost of APIs) were priced in U.S. dollars, while substantially all of the Group's other cost of revenues and operating expenses were in Egyptian pounds. At the same time, in 2018, 92.5% of the Group's revenues were denominated in Egyptian pounds, while the remaining 7.5% were export sales priced in U.S. dollars. Accordingly, fluctuations in the U.S. dollar to Egyptian pound exchange rate have had and are expected to continue to have an impact on the Group's revenues, cost of revenues, working capital requirements and results of operations, although there may be a lag in the timing of that impact as the Group works through inventories that were purchased before any exchange rate movement.

Following the floatation of the Egyptian pound in November 2016, the Egyptian pound underwent a significant devaluation and entered a period of volatility until mid-2017, which impacted the Group's results of operations and financial condition in Egyptian pounds by increasing its dollar-denominated costs relative to its Egyptian pound revenue. Following an Egyptian pharmaceutical-industry-led campaign, the MOHP responded to the devaluation by raising pharmaceutical prices in both 2016 and 2017. These price adjustments were implemented in order to counteract the effect of the devaluation and, although delayed, had a mitigating effect on the negative impact of the devaluation.

Before the Group can launch new molecules, it must source the required raw materials and secure the best possible price. The Group may encounter constraints on the availability of raw materials for newly launched molecules or difficulty in obtaining the required raw materials on favourable pricing terms, which may affect its ability to introduce new molecules according to its plans and may have an impact on margins associated with the related products, which may impact the Group's results of operations.

Increases in the Group's production capacity and modernisation and expansion of the Group's production capabilities

Between 2011 and 2014, the Group spent EGP 144.7 million to redesign, upgrade and modernise its production facility by, among other things, purchasing new machinery, incorporating new production lines and implementing debottlenecking initiatives to increase the Group's production capacity with respect to its cephalosporin and penicillin factories.

From 2016 to 2018, the Group formulated and executed a capital expenditures plan which was designed to make additional improvements to the Group's production facility and increase its production capacity in order to fuel the further growth of the Group. The plan included approximately EGP 250 million of capital expenditures on property, plant and equipment. The Group recently completed execution of this capital expenditure plan, which included the following:

- an additional cephalosporin injectable production line, increasing capacity from 44 million to 92 million vials per year (operations commenced in November 2019);
- an additional blow-fill-seal (BFS) production line, increasing capacity from 35 million to 144 million ampoules per year (operations commenced in April 2019);
- two new lyophilised production lines with a capacity of 13 million vials per year (operations commenced in November 2019); and
- replacement of its existing macro dosing cephalosporin production line (operations commenced in November 2019).

In December 2018, the Group also installed a new purified water station to accommodate the increased production capacity as well as to upgrade the current water station. In addition, the Group redesigned and upgraded the solid dosage production area, upgraded its heating, ventilation and air conditioning system in line with GMP standards and the adjusted the partitioning throughout the Group's facilities in order to optimize the factory layout and accommodate the relocation of production machinery. The Directors believe these capital expenditure projects are important steps in executing the Group's strategy of expanding its product offering and production capacity.

The Group's improvements and capacity increases were fully funded through long term loans and internally generated cash flows. The Group's modernisation and expansion activities, as well as the associated borrowings, have had and are expected to continue to have an impact on the Group's results of operations and financial condition.

However, while the Group's program to upgrade and modernise its production facility is now complete, delays in the completion of that program have negatively impacted the Group's results in the nine month period ended 30 September 2019 and are expected to do so in the Group's full year 2019 results. For example, the Group's production volumes have been impacted by delays in the completion of the project, in particular the upgrade of the solid dosage area, which commenced in January 2019 and was originally expected to be completed by the end of June 2019, however, was completed in September 2019. The upgrade program was completed in full in November 2019. Please see "*—Current Trading and Prospects*" for further information about these delays.

Production of certain of the Group's products has historically been outsourced to third-party manufacturers, including during the execution of the project to upgrade the Group's production facility. The Group expects that the increases in its production capacity and the expansion of its production capabilities resulting from the project will reduce the need to outsource production, particularly with respect to certain products such as Prototix vials. For the years ended 31 December 2018, 31 December 2017 and 31 December 2016, revenues from products produced by third-party manufacturers were EGP 25.1 million, EGP 30.2 million and EGP 19.6 million, respectively.

Seasonality

The Group's business and results of operations are impacted by seasonality, in particular, by the prevalence of certain illnesses or conditions which are more common at certain times of the year and the concentration of sales of products that address those illnesses or conditions during those seasons. For example, revenues in the fourth quarter of 2018 represented 29% of 2018 revenues and 34% of 2018 adjusted EBITDA, while revenues for the nine month period ended 30 September 2018 accounted for 71% of 2018 revenues and 66% of 2018 adjusted EBITDA. Given the facility upgrades which took place in the first nine months of 2019, the Group's senior management expects the fourth quarter of 2019 to have a greater impact on its financial results than in previous years.

The economic, political and regulatory environment in Egypt

All of the Group's operations are conducted in and substantially all of the Group's sales are to customers in Egypt. Accordingly, the Group's results of operations and financial condition are and will continue to be affected by Egyptian economic, political factors, including foreign exchange, inflation and interest rates; the political environment; and the regulatory environment in relation to the healthcare system in Egypt.

Since the Egyptian Revolution in 2011, Egypt has experienced a period of significant political and economic turmoil. In November 2016, the Government floated the Egyptian pound, in part, in order to ease a foreign exchange shortage that hampered trade and investment. The move was also largely seen as a necessary measure to foster growth, create jobs and strengthen overall economic conditions in Egypt over the longer term. The floatation initially caused a significant devaluation of the Egyptian pound, which resulted in increased rates of inflation, and a period of volatility in exchange rates. The CBE responded by increasing interest rates, which in 2017 reached a high of 19.75%, in order to seek to curb inflation. Since then, the reported headline year-on-year inflation has stabilised and, after peaking at 33.0% in July 2017, headline inflation as reported through the CPI has declined, reaching 4.8% in September 2019.

A significant portion of the raw materials used by the Group are priced in U.S. dollars. Consequently, exchange rate movements of the Egyptian pound relative to the dollar directly impact the Group's cost of revenues. Likewise, wage and price inflation in relation to goods and services the Group acquires in Egypt also impact the Group's cost of revenues and operating costs. Because prices for private sales of pharmaceutical products in Egypt are set by the MOHP, the Group is only able to pass on any resulting cost increases for those products to its customers if price increases are adopted by the regulator, as occurred in 2016 and 2017 following the

devaluation of the Egyptian pound. Specifically, in 2016, the MOHP increased the price for sales of private pharmaceutical products that cost less than EGP 30 per unit by 20%, and in 2017, the MOHP approved a private price increase of between 30% and 50% for a selected 15% of the registered molecule portfolio of each company in the industry. The following table shows the evolution of the USD to EGP exchange rate and the Group's corresponding gross profit margin.

	Nine month period ended 30 September 2019	Year ended 31 December		
		2018	2017	2016
Gross profit margin of the Group for the period/year	42.3%	50.2%	48.0%	44.0%
Period/year-end USD-EGP exchange rate as reported by the CBE . .	16.34	17.79	17.98	10.23

The Group's results of operations and financial condition are also impacted by the healthcare regulatory regime in Egypt more generally, which in turn can be affected by a number of factors including political changes. Such changes often lead to uncertainty and can lead to changes in regulation, whether positive or negative to the industry, as well as delays in regulatory decisions being made. For example, between 2011 and 2016, eight different Ministers of Health and Population were appointed, reflecting the political turmoil of the times. However, recent stability has led to the implementation of reform measures and policy changes such as the implementation of the nationwide health screening initiative, the introduction of the Universal Health Insurance Law and subsidy reforms. The Directors expect the implementation of the Universal Health Insurance Law to trigger additional spending in the Egyptian healthcare sector as spending accelerates to cover the significant portion of the population who previously had limited or no access to healthcare. This increased spending is across the healthcare sector generally, but the Directors believe generic pharmaceutical manufacturers are positioned to be a key beneficiary because their products are more affordable than innovator products, being typically priced at between 60% and 65% of innovator prices.

During the period under review, in addition to the pricing decisions taken by the MOHP in 2016 and 2017, another reform the Directors believe is favourable to the pharmaceutical industry was the adoption in 2015 of a new registration process for molecules in Egypt, which can have the effect of shortening the approval process. The new registration process allows certain steps (including price determination) to take place at an earlier stage. As a result, the Directors believe that navigating the registration process is more efficient under the new regime.

In comparison to the years immediately following the Egyptian Revolution, the Directors believe that the political, economic and regulatory environment in Egypt has stabilised, the economic outlook is more positive, and the CBE and other governmental institutions are implementing positive policies. Nevertheless, going forward, political, economic and regulatory conditions in Egypt will continue to have a significant impact on the Group's results of operations and financial condition.

Segmental Reporting

The Group reports its operating results in three segments:

- ***Toll manufacturing segment***, which provides medicine manufacturing services;
- ***Export segment***, which produces human consumable medicine for markets outside Egypt;
- ***Domestic sales segment***, which produces human and veterinary consumable medicine for Egypt market.

The private sales, veterinary and tenders segments have been aggregated to form the "Domestic sales" reportable operating segment.

See Note 4 to the Group Financial Statements for additional information regarding the Group's operating segments.

Alternative Performance Measures

The Group presents adjusted EBIT, adjusted EBITDA, adjusted EBIT margin, adjusted EBITDA margin and working capital to enhance prospective investors' understanding of its operating results and financial position. Adjusted EBIT, adjusted EBITDA, adjusted EBIT margin, adjusted EBITDA margin and working capital should not be considered by prospective investors as an alternative to profit for the period, net cash flows from operating activities or any other measure of performance under EAS. The Directors believe that, in particular, adjusted EBIT, adjusted EBITDA, adjusted EBIT margin and adjusted EBITDA margin are meaningful

measures of a company's operating performance and debt servicing ability because they assist in computing performance on a consistent basis between companies without regard to amortisation and depreciation accounting methods, which can vary significantly depending on accounting methods applied. Prospective investors should not place undue reliance on any alternative performance measure contained in this Offering Circular, including those presented in the following tables. The Directors believe that working capital is a meaningful measure of the Group's operational cash requirements and any associated financing requirements. Additionally, the alternative performance measures disclosed herein may not be comparable to those disclosed by other companies because such terms are not uniformly defined.

The following table provides a reconciliation of the Group's profit for the period/year to adjusted EBIT, adjusted EBIT margin, adjusted EBITDA and adjusted EBITDA margin for the nine month periods ended 30 September 2019 and 30 September 2018 and the years ended 31 December, 2018, 2017 and 2016, along with an explanation of how each of these alternative performance measures is calculated.

	Nine month period ended 30 September		Year ended 31 December		
	2019	2018	2018	2017	2016
	(EGP millions, except %)				
Profit for the period/year	31.1	76.6	128.8	89.4	26.9
Finance expenses	81.3	61.5	83.7	66.4	43.1
Income taxes	10.8	22.6	38.4	26.2	7.9
IPO expenses	—	9.5	10.7	—	—
Impairment of trade and notes receivable	2.0	0.8	1.4	—	0.6
Writedown/(Reversal of Writedown) in inventories	5.6	1.0	(1.0)	1.0	1.0
Provisions for expected claims	3.8	1.6	1.6	—	—
Adjusted EBIT⁽¹⁾	134.6	173.6	263.6	183.1	79.5
Adjusted EBIT margin⁽²⁾	21.7%	30.4%	32.7%	29.1%	20.2%
Profit for the period/year	31.1	76.6	128.8	89.4	26.9
Finance expenses	81.3	61.5	83.7	66.4	43.1
Income taxes	10.8	22.6	38.4	26.2	7.9
Depreciation and amortisation	24.8	18.3	25.3	23.2	23.6
IPO expenses	—	9.5	10.7	—	—
Impairment of trade and notes receivable	2.0	0.8	1.4	—	0.6
Writedown/(Reversal of Writedown) in inventories	5.6	1.0	(1.0)	1.0	1.0
Provisions for expected claims	3.8	1.6	1.6	—	—
Adjusted EBITDA⁽³⁾	159.3	192.0	288.9	206.2	103.1
Adjusted EBITDA margin⁽⁴⁾	25.8%	33.6%	35.9%	32.8%	26.1%

(1) Adjusted EBIT is defined as profit for the period/year before finance expenses (including bank charges), income taxes, IPO expenses, impairment of trade and notes receivable, write down/reversal of writedown in inventories and provisions for expected claims.

(2) Adjusted EBIT margin is calculated as adjusted EBIT divided by revenues.

(3) Adjusted EBITDA is defined as profit for the period/year before finance expenses (including bank charges), income taxes, depreciation and amortisation, IPO expenses, impairment of trade and notes receivable, write down/reversal of writedown in inventories and provisions for expected claims.

(4) Adjusted EBITDA margin is calculated as adjusted EBITDA divided by revenues.

The Group defines working capital as current assets excluding cash on hand and at banks and amounts due from related parties, minus current liabilities excluding provisions, credit facilities, and current portion of long term loans. For further information about the calculation of the Group's working capital, please see "*Liquidity and Capital Resources—Working Capital*" below.

Current Trading and Prospects

The Group's program to upgrade its production facility is now complete. The Group's production volumes have been impacted by unexpected delays in the completion of the project, in particular the upgrade of the solid dosage area, which commenced in January 2019 and was originally expected to be completed by the end of June 2019 but was not completed until early September. As of the date of this Offering Circular, all of the new production lines are operational. The delays were primarily caused by issues relating to the delivery and installation of certain of the machinery required for the new production lines and a resulting delay in the

scheduling and completion of required inspections and approvals from the MOHP. As a result of these unexpected delays, the solid dosage area was shut down for longer than initially expected resulting in a disruption to the Group's production schedules. Production commenced in April 2019 on the new BFS production line and in November 2019 on the replaced macro dosing cephalosporin production line, the new cephalosporin injectables line and the two new lyophilised lines. Under applicable regulatory procedures in Egypt, as operations on the new production lines commences, the Group will be required to provide the MOHP with samples of all new products produced from those lines. The MOHP then conducts three months of stabilisation testing on the products for conformity with applicable standards. Although the Group may produce products using all lines during this period of stabilisation testing, the Group must await the completion of these tests and receipt of final approval from the MOHP, which management currently anticipates will be received in February 2020, before they are able to market and sell the products.

The unexpected delay in the completion of the program to upgrade the Group's production facility also impacted its ability to launch new molecules as planned, resulting in the delay of the launch of certain products to the second half of 2019. Accordingly, the Group expects to have launched a total of nine new molecules in the second half of 2019 (of which four have already been launched) and plans to launch twelve new molecules in 2020. During the third quarter of 2019, the Group launched four new molecules. The average sales price of the Group's newly launched products is approximately EGP 70 to EGP 80. All of these newly launched products are associated with molecules acquired by the Group.

Overview of Principal Consolidated Statement of Profit or Loss Line Items

A description of the principal line items from the Group's consolidated statement of profit or loss for the period under review is set forth below.

Revenues

Revenues are comprised of sales of goods (net) and toll manufacturing services revenue.

Cost of revenues

Cost of revenues comprises raw materials, employee benefits expense, depreciation and amortisation, utilities charges, spare parts and materials, free samples distributed, repairs and maintenance, government fees and medical stamps, short-term leases, and other operating expenses.

Selling and marketing expenses

Selling and marketing expenses principally comprise salaries, social insurance and other fringe benefits associated with the Group's sales and marketing function, advertising and marketing expenses, rent and depreciation, which includes depreciation on right of use assets.

General and administrative expenses

General and administrative expenses mainly comprise salaries, social insurance and other fringe benefits not directly attributable to the production (and which includes contributions to social insurance), sales or marketing of the Group's products, professional fees, maintenance, hospitality, transportation, government donations, depreciation and other expenses.

Other income

Other income comprises net gains from the sale of property, plant and equipment, other miscellaneous income not arising in the ordinary course of business and foreign exchange gains.

Provisions/Other expenses

Provisions include provisions for expected credit losses. Other expenses comprise losses from the sale of fixed assets.

Finance expenses

Finance expenses are comprised of interest on debt and bank charges.

Income taxes

Income taxes includes current income tax and deferred income tax.

Results of Operations for the nine month period ended 30 September 2019

Revenues

The following table presents a breakdown of the Group's revenues by goods and services and as a percentage of revenues for the nine month periods ended 30 September 2019 and 30 September 2018.

	Nine month period ended 30 September			
	2019		2018	
	(unaudited) (EGP millions, except percentages)			
Sales of goods (net)	590.5	95.4%	543.2	95.0%
Toll manufacturing services revenue	28.2	4.6%	28.8	5.0%
Revenues	618.7	100%	572.0	100%

The following table presents an analysis of the Group's total revenues by type and as a percentage of revenues for the nine month periods ended 30 September 2019 and 30 September 2018.

	Nine month period ended 30 September			
	2019		2018	
	(unaudited) (EGP millions, except percentages)			
Toll Manufacturing	28.2	4.6%	28.8	5.0%
Export	33.9	5.5%	37.0	6.5%
Domestic				
<i>Tenders</i>	140.8	22.8%	146.4	25.6%
<i>Veterinary</i>	1.7	0.3%	4.2	0.7%
<i>Private sales</i>	414.2	66.9%	355.6	62.2%
Total domestic sales	556.6	90.0%	506.2	88.5%
Revenues	618.7	100%	572.0	100%

The Group's revenues increased by EGP 46.7 million, or 8.2%, to EGP 618.7 million for the nine month period ended 30 September 2019 from EGP 572.0 million for the nine month period ended 30 September 2018. This increase reflected an increase in sales of goods (net), which was partially offset by a decrease in toll manufacturing services revenue. The increase in sales of goods (net) was due to an increase in private sales, which was partially offset by decreases in tenders and veterinary sales. The increase in revenues resulted primarily from positive demand, an increase in average sale prices and a shift in the composition of the Group's product portfolio. The relatively modest increase principally resulted from the unexpected time and cost overruns relating to the upgrade of the Group's production facility primarily due to issues related to the delivery and installation of certain machinery required for the new production lines which in turn resulted from an early delay in the overall timetable. The early delay caused the project to run into several regional and national holiday periods which caused labour shortages and delays in scheduling and completion of MOHP's inspections and subsequently obtaining MOHP approvals. The original timeline envisaged the project to be completed in six months, however, as a result of these unexpected delays the project extended to nine months, which disrupted the Group's production schedules and results of operations. As a result, net volume manufactured in the nine month period ended 30 September 2019 was 30% below the figure for the nine month period ended 30 September 2018, resulting in a disruption to sales despite positive demand over the period, which was partially offset by an increase in average sales prices. During the nine months ended 30 September 2019, the Group's revenues were also impacted by an unexpected shortage in the supply of Protofix vials due to a disruption in external toll manufacturing. The Group outsourced the production of Protofix vials during the execution of the facility upgrade. This outsourcing was extended due to the unexpected delays discussed above and during that time, the external provider experienced an unexpected disruption to its production capabilities as a result of a fire in its production facility and additional production shutdowns for required maintenance.

The following table presents an analysis of the Group's sales by number of units sold and average price for the nine month periods ended 30 September 2019 and 30 September 2018.

	Nine month period ended 30 September	
	2019	2018
	(thousands, except average unit price in EGP)	
Private sales		
<i>Volume sold</i>	22,576.4	22,917.1
<i>Average unit price (EGP)⁽¹⁾</i>	19.0	16.3
Tenders		
<i>Volume sold</i>	27,703.1	33,925.9
<i>Average unit price (EGP)⁽¹⁾</i>	5.1	4.3
Toll manufacturing services		
<i>Volume sold</i>	19,665.5	28,259.6
<i>Average unit price (EGP)⁽¹⁾</i>	1.4	1.0
Export		
<i>Volume sold</i>	2,224.1	2,652.4
<i>Average unit price (EGP)⁽¹⁾</i>	15.2	14.0

(1) Average unit price is calculated prior to the deduction of bonuses and cash discounts.

Total volume sold decreased by 17.8% to 72.2 million units for the nine month period ended 30 September 2019 from 87.8 million units for nine month period ended 30 September 2018.

For the private sales segment, although volumes decreased by 1.5% to 22.6 million units for the nine month period ended 30 September 2019 from 22.9 million units for the nine month period ended 30 September 2018, the successful launches of higher priced molecules in the first nine months of 2018, such as Flibanorin and Optaminess, resulted in a 16.2% increase in the average unit price, which rose to EGP 19.0 for the nine month period ended 30 September 2019 from EGP 16.3 for the nine month period ended 30 September 2018, which in turn led to an overall increase in private sales, which increased by EGP 58.6 million or 16.5%, to EGP 414.2 million for the nine month period ended 30 September 2019 from EGP 355.6 million for the nine month period ended 30 September 2018.

For the tenders segment, volumes decreased by 18.3% from 33.9 million units for the nine month period ended 30 September 2018 to 27.7 million units for the nine month period ended 30 September 2019. This decrease in volume was mainly due to the expiration in the second half of 2018 of a tender contract for Rametax, the Group's top selling product. The Group expects tender volumes to rise in the fourth quarter of 2019 as the Group has been awarded a new tender contract for Rametax and other products for the second half of 2019.

For the toll manufacturing segment, volumes declined by 30.4% from 28.3 million units for the nine month period ended 30 September 2018 to 19.7 million units for the nine month period ended 30 September 2019. This decrease resulted from the factory shutdown which took place in the first nine months of 2019 to allow for the upgrade of the Group's manufacturing facilities, which led to lower toll manufacturing production volumes over the period.

For the export segment, volumes decreased by 16.1% from 2.7 million units for the nine month period ended 30 September 2018 to 2.2 million units for the nine month period ended 30 September 2019. This decrease was mainly attributable to an interruption in the production of Colona and Megafen tablets for export which resulted from the prolonged shutdown of the relevant production capability during the facility upgrade.

Cost of revenues

The following table presents a breakdown of the Group's cost of revenues for the nine month periods ended 30 September 2019 and 30 September 2018.

	Nine month period ended 30 September	
	2019	2018
	(unaudited) (EGP millions)	
Salaries, social insurance and other fringe benefits	49.1	45.1
Raw materials	216.7	175.8
Spare parts and materials	14.4	12.3
Government fees and medical stamps	5.1	6.8
Other operating expenses	21.1	16.4
Energy expenses	16.0	13.9
Depreciation and amortisation	22.7	17.3
Rent	4.7	1.3
Maintenance	7.3	5.0
Total cost of revenues	357.1	293.9

The Group's cost of revenues increased by EGP 63.2 million, or 21.5%, to EGP 357.1 million for the nine month period ended 30 September 2019 from EGP 293.9 million for the nine month period ended 30 September 2018. Cost of revenues as a percentage of total revenues increased to 57.7% for the nine month period ended 30 September 2019 from 51.4% for the nine month period ended 30 September 2018. Although the Group's cost of revenues increased in line with expectations, production levels fell by approximately 30% from the prior period as a result of shutdowns required as part of the upgrades to the Group's production facility, which in turn resulted in a higher average cost per unit. The increase in cost of revenues and the resulting decrease in gross profit margins principally reflected the loss of certain economies of scale resulting from the lower production levels during the period as a consequence of the shutdowns. Raw material costs were also impacted by a supply issue relating to Prototix vials, which the Group was temporarily required to purchase from an alternative supplier in India as a consequence of disruptions at the Group's two external contract manufacturers relating to a fire at one facility and unexpected maintenance shutdowns at another, resulting in an increase in production costs of approximately 44%, which in turn resulted in a negative impact on the Group's margins during the nine months ended 30 September 2019. The Group expects margins to return to historical levels in the fourth quarter of 2019 as the production facility becomes fully operational again. The increase in cost of revenues also resulted, to a lesser extent, from higher cost of salaries, social insurance and other fringe benefits resulting from an increase in headcount and annual increases in salary per employee. Other operating expenses also primarily increased due to an inventory impairment charge amounting to EGP 5.6 million for the nine month period ended 30 September 2019.

Gross profit

Reflecting the factors above, the Group's gross profit decreased by EGP 16.6 million, or 6.0%, to EGP 261.6 million for the nine month period ended 30 September 2019 from EGP 278.1 million for the nine month period ended 30 September 2018.

The Group's gross profit margins were 42.3% and 48.6% for the periods ended 30 September 2019 and 30 September 2018, respectively.

Selling and marketing expenses

The following table presents a breakdown of the Group's selling and marketing expenses for the nine month periods ended 30 September 2019 and 30 September 2018.

	Nine month period ended 30 September	
	2019	2018
	(unaudited) (EGP millions)	
Salaries, social insurance and other fringe benefits	58.5	43.6
Depreciation	0.3	0.3
Rent	2.0	1.5
Advertising and marketing	46.7	44.3
Total selling and marketing expenses	107.5	89.8

The Group's selling and marketing expenses increased by EGP 17.7 million, or 19.7%, to EGP 107.5 million for the nine month period ended 30 September 2019 from EGP 89.8 million for the nine month period ended 30 September 2018. The increase in selling and marketing expenses for the first nine months of 2019 as compared to the first nine months of 2018 was principally due to an increase in employee benefits expense resulting from an increase in the number of medical representatives required to execute the Group's strategy of executing new molecule launches generally, and specifically, to support the launch of new molecules in the second half of 2019.

The Group's selling and marketing expenses as a percentage of revenues were 17.4% and 15.7% for the nine month periods ended 30 September 2019 and 30 September 2018, respectively. Selling and marketing expenses have increased as a percentage of revenues due to an increase in the number of medical representatives which the Group expects will be required to support new molecule launches in the near term. The Group expects the increase in the selling and marketing as a percentage of revenues will be temporary as the positive impact on the Group's revenues which are expected to result from new molecule launches have not yet materialized.

General and administrative expenses

The following table presents a breakdown of the Group's general and administrative expenses for the nine month periods ended 30 September 2019 and 30 September 2018.

	Nine month period ended 30 September	
	2019	2018
	(unaudited) (EGP millions)	
Salaries, social insurance and other fringe benefits	17.8	13.6
Professional fees	3.0	10.8
Maintenance	0.3	0.6
Depreciation	1.7	0.8
Others	3.8	3.2
Bank charges	0.0	0.0
Total general and administrative expenses	<u>26.6</u>	<u>29.0</u>

The Group's general and administrative expenses decreased by EGP 2.4 million, or 8.3%, to EGP 26.6 million for the nine month period ended 30 September 2019 from EGP 29.0 million for the nine month period ended 30 September 2018. The decrease in general and administrative expenses for the first nine months of 2019 as compared to the first nine months of 2018 was principally due to a decrease in professional fees associated with the Group's preparation for an initial public offering which was offset by an increase in the cost of salaries, social insurance and other fringe benefits which resulted from an increase in employee headcount and the recruitment of new employees required to prepare the Group for a possible initial public offering, the execution of its expansion strategy and annual increases in salary per employee.

The Group's general and administrative expenses as a percentage of revenues were 4.3% and 5.1% for the nine month periods ended 30 September 2019 and 30 September 2018, respectively. The increase in general and administrative expenses as a percentage of revenues in 2019 reflected an increase in professional fees incurred.

Other income

The Group's other income increased by EGP 0.4 million, or 13.3%, to EGP 3.1 million for the nine month period ended 30 September 2019 from EGP 2.7 million for the nine month period ended 30 September 2018. The increase in other income for the first nine months of 2019 as compared to the first nine months of 2018 was principally due to an increase in sale of waste. The Group uses a tender process to sell excess scrap materials resulting from its manufacturing process (such as unused polymers, glass from ampules and unused cartons), which it refers to as sale of waste.

Impairment of trade and notes receivable

The Group's impairment of trade and notes receivable increased by EGP 1.2 million, or 154.6%, to EGP 2.0 million for the nine month period ended 30 September 2019 from EGP 0.8 million for the nine month period ended 30 September 2018. Impairment of trade and notes receivable for the first nine months of 2019 principally comprised the aging of trade and notes receivable.

Provisions

The Group's provisions increased by EGP 2.2 million, or 135.5%, to EGP 3.8 million for the nine month period ended 30 September 2019 from EGP 1.6 million for the nine month period ended 30 September 2018. Provisions for the first nine months of 2019 principally comprised provisions for expected claims.

Finance expenses

The Group's finance expenses increased by EGP 19.8 million, or 32.1%, to EGP 81.3 million for the nine month period ended 30 September 2019 from EGP 61.5 million for the nine month period ended 30 September 2018. The increase in finance expenses for the first nine months of 2019 as compared to the first nine months of 2018 was principally due to the increase in the Group's debt levels as a result of increased capital expenditures and working capital requirements, as well as an increase in inventory and an increase of 15% to 20% in facility utilisation related to the production facility upgrades and related shutdowns.

Profits for the period before income taxes

Reflecting the factors above, the Group's profits for the period before income taxes decreased by EGP 57.3 million, or 57.7%, to EGP 42.0 million for nine month period ended 30 September 2019 from EGP 99.3 million for the nine month period ended 30 September 2018.

Income taxes

The Group's income taxes decreased by EGP 11.8 million, or 52.0%, to EGP 10.8 million for the nine month period ended 30 September 2019 reflecting lower taxable income for the period from EGP 22.6 million for the nine month period ended 30 September 2018. The Group's effective tax rate was 25.83% and 22.78% for the nine month periods ended 30 September 2019 and 30 September 2018, respectively. See Note 26 of the Interim Financial Statements for a reconciliation of the Group's effective income tax rate to the statutory rate.

Profits for the period

Reflecting the factors above, the Group's profits for the period decreased by EGP 45.5 million or 59.4%, to EGP 31.1 million for the nine month period ended 30 September 2019 from EGP 76.6 million for the nine month period ended 30 September 2018.

Results of Operations for the years ended 31 December 2018, 2017 and 2016

Revenues

The following table presents a breakdown of the Group's revenues by goods and services and as a percentage of revenues for the years ended 31 December 2018, 2017 and 2016.

	Year ended 31 December					
	2018		2017		2016	
	(EGP millions, except percentages)					
Sales of goods (net)	765.7	95.1%	597.5	95.1%	381.8	96.9%
Toll manufacturing services revenue	39.5	4.9%	31.0	4.9%	12.3	3.1%
Revenues	<u>805.2</u>	<u>100%</u>	<u>628.5</u>	<u>100%</u>	<u>394.1</u>	<u>100%</u>

The following table presents an analysis of the Group's revenues by type and as a percentage of revenues for the years ended 31 December 2018, 2017 and 2016.

	Year ended 31 December					
	2018		2017		2016	
	(EGP millions, except percentages)					
Toll manufacturing	39.5	4.9%	31.0	4.9%	12.3	3.1%
Export	60.5	7.5%	50.7	8.1%	30.3	7.7%
Domestic sales						
<i>Tenders</i>	177.5	22.0%	157.4	25.1%	111.5	28.3%
<i>Veterinary</i>	4.2	0.5%	6.1	1.0%	3.1	0.8%
<i>Private sales</i>	523.5	65.0%	383.3	61.0%	236.8	60.1%
Total domestic sales	705.2	87.6%	546.8	87.0%	351.5	89.2%
Revenues	805.2	100%	628.5	100%	394.1	100%

The following table presents an analysis of the Group's sales by number of units sold and average price per unit for the years ended 31 December 2018, 2017 and 2016.

	Year ended 31 December		
	2018	2017	2016
	(thousands, except average unit price in EGP)		
Private sales			
<i>Volume sold</i>	32,635.0	28,720.0	28,288.6
<i>Average unit price (EGP)⁽¹⁾</i>	16.8	14.0	8.7
Tenders			
<i>Volume sold</i>	40,317.2	40,363.9	42,390.6
<i>Average unit price (EGP)⁽¹⁾</i>	4.4	3.9	2.7
Toll manufacturing services			
<i>Volume sold</i>	38,764.1	35,776.9	17,395.9
<i>Average unit price (EGP)⁽¹⁾</i>	1.0	0.8	0.7
Export			
<i>Volume sold</i>	4,039.4	3,386.6	4,136.2
<i>Average unit price (EGP)⁽¹⁾</i>	15.0	15.0	7.5

(1) Average unit price is calculated before the removal of bonuses and cash discounts.

2017 vs. 2018

The Group's revenues increased by EGP 176.8 million, or 28.1%, to EGP 805.2 million for the year ended 31 December 2018 from EGP 628.5 million for the year ended 31 December 2017. The increase was principally driven by increases in private sales and, to a lesser extent, tenders and export sales, which were partially offset by a decline in veterinary sales. The increase also reflected an increase in toll manufacturing service revenue. The principal driver for revenue growth was the increase in volumes which grew by 9.6% year-on-year. This was predominantly driven by an increase in the volume of existing products sold through private sales as well as by sales of newly introduced products. To a lesser extent, the increase in revenue was due to the increases in average unit prices of products sold, which grew by 17.4% following the ongoing introduction of new products at higher price points and also due to the MOHP-approved price increases which came into effect in the second quarter of 2017.

The increase in private sales reflected both an increase in the volume of units sold and the average price per unit sold. During the year ending 31 December 2018, the Group launched 14 new products relating to nine molecules whose cumulative contribution to revenues amounted to 6.4%.

The increase in tenders reflected a slight decrease in the volume sold but an increase in the average price per unit sold. This was primarily due to the renegotiation of tender contract prices in the fourth quarter of 2017 which followed the 2017 MOHP-approved price increases and impacted 2018 product prices and tenders.

The increase in export sales reflected an increase in volume. This was primarily due to the reintroduction of sales to Libya.

2016 vs. 2017

The Group's revenues increased by EGP 234.3 million, or 59.5%, to EGP 628.5 million for the year ended 31 December 2017 from EGP 394.1 million for the year ended 31 December 2016. The increase was principally driven by increases in private and tenders and to a lesser extent by an increase in export sales. The increase also reflected an increase in toll manufacturing revenue.

The increase in private sales reflected an increase in the average price per unit sold (which resulted primarily from the 2016 and 2017 MOHP price adjustments in response to the devaluation of the Egyptian pound), new product launches at higher average prices and, to a lesser extent, an increase in sales volumes. The increase in sales volumes was predominantly driven by the launch of new products during 2017. During the year ended 31 December 2017, the Group launched 12 new products relating to 9 molecules whose cumulative contribution to 2017 sales amounted to 2.2%.

The increase in tenders reflected the sale of fewer units but a higher average price per unit sold as the Group introduced new products at higher price points and also entered into new tender agreements with prices which reflect MOHP-approved price increases.

The increase in export sales reflected fewer units sold but at a significantly higher average price per unit. Export sales volumes were negatively affected by market conditions in Iraq, Libya and Yemen, the Group's largest export markets.

Cost of revenues

The following table presents a breakdown of the Group's cost of revenues for the years ended 31 December 2018, 2017 and 2016.

	Year ended 31 December		
	2018	2017	2016
	(EGP millions)		
Salaries, social insurance and other fringe benefits	59.8	47.7	37.8
Raw materials	241.2	187.1	119.2
Spare parts and materials	15.1	9.0	7.2
Government fees and medical stamps	7.1	8.5	5.8
Other operating expenses	24.6	30.4	12.6
Energy expenses	18.8	15.1	11.4
Depreciation and amortisation	23.9	21.9	21.2
Rent	3.4	1.9	1.1
Maintenance	7.5	5.4	4.4
Total cost of revenues	<u>401.3</u>	<u>326.9</u>	<u>220.7</u>

The Group's cost of revenues increased by EGP 74.4 million, or 22.8%, to EGP 401.3 million for the year ended 31 December 2018 from EGP 326.9 million for the year ended 31 December 2017. Cost of revenues as a percentage of revenues decreased to 49.8% for the year ended 31 December 2018 from 52.0% for the year ended 31 December 2017. Despite an increase in the Group's USD-denominated cost of goods sold, the Group achieved the improved margins through the introduction of new products with a higher average unit price, the 2017 MOHP price adjustments, increased sales volumes and economies of scale in production. Products produced prior to the receipt of a new pricing certificate in the second quarter of 2017 (which was based on the MOHP price adjustment) were required to be sold at the old price. Accordingly, raw materials purchased after the devaluation of the Egyptian pound in November 2016 and produced prior to the date that the new price certificate was issued were sold at a higher cost but at a lower price. Moreover, the Group had entered into a fixed-price contract in a tender prior to the November 2016 devaluation that was valid for a period of two years and was therefore contractually unable to pass on the increased cost in EGP terms as a result of the devaluation.

The Group's cost of revenues increased by EGP 106.2 million, or 48.1%, to EGP 326.9 million for the year ended 31 December 2017 from EGP 220.7 million for the year ended 31 December 2016. Cost of revenues as a percentage of revenues decreased to 52.0% for the year ended 31 December 2017 from 56.0% for the year ended 31 December 2016. The Group achieved the improved margins through both the introduction of new products with a higher average unit price and the price increases of the MOHP in addition to economies of scale in production.

Gross profit

Reflecting the factors discussed above, the Group's gross profit increased by EGP 102.4 million, or 34.0%, to EGP 403.9 million for the year ended 31 December 2018 from EGP 301.5 million for year ended 31 December 2017. The Group's gross profit increased by EGP 128.1 million, or 73.9%, to EGP 301.5 million for the year ended 31 December 2017 from EGP 173.4 million for the year ended 31 December 2016.

The Group's gross profit margins were 50.2%, 48.0% and 44.0% for the years ended 31 December 2018, 2017 and 2016, respectively.

Selling and marketing expenses

The following table presents a breakdown of the Group's selling and marketing expenses for the years ended 31 December 2018, 2017 and 2016.

	Year ended 31 December		
	2018	2017	2016
	(EGP millions)		
Salaries, social insurance and other fringe benefits	57.4	42.5	35.1
Depreciation	0.4	0.4	0.5
Rent	2.5	2.0	2.6
Advertising and marketing	56.0	53.8	40.8
Total selling and marketing expenses	<u>116.3</u>	<u>98.7</u>	<u>78.9</u>

The Group's selling and marketing expenses increased by EGP 17.7 million, or 19.7%, to EGP 116.3 million for the year ended 31 December 2018 from EGP 98.7 million for the year ended 31 December 2017. The increase in selling and marketing expenses in 2018 as compared to 2017 was principally due to increased salaries, social insurance and other fringe benefits associated with an increase in the number of marketing representatives and, to a lesser extent, marketing associated with new product launches.

The Group's selling and marketing expenses increased by EGP 19.7 million, or 25.0%, to EGP 98.7 million for the year ended 31 December 2017 from EGP 78.9 million for the year ended 31 December 2016. The increase in selling and marketing expenses in 2017 as compared to 2016 was principally due to an increase in sales and marketing activities due to new launches in addition to increases in costs due to inflation as well as an increase in employee benefits expense which resulted from an increase in headcount in the Group's sales teams and salary adjustments reflecting the devaluation of the Egyptian pound in November 2016.

The Group's selling and marketing expenses as a percentage of revenues were 14.4%, 15.7% and 20.0% for the years ended 31 December 2018, 2017 and 2016, respectively. Selling and marketing expenses have decreased as a percentage of revenues due to the continuous introduction of molecules with higher price points which results in economies of scale in relation to the Group's marketing activities.

General and administrative expenses

The following table presents a breakdown of the Group's general and administrative expenses for the years ended 31 December 2018, 2017 and 2016.

	Year ended 31 December		
	2018	2017	2016
	(EGP millions)		
Salaries, social insurance and other fringe benefits	18.5	14.9	12.8
Professional fees	14.7	2.2	1.8
Maintenance	0.7	0.3	0.3
Hospitality	—	0.4	0.2
Transportation	—	0.3	0.2
Donations	—	0.4	0.0
Bank charges	0.0	—	—
Depreciation	1.0	0.9	1.9
Others	4.5	2.1	1.3
Total general and administrative expenses	<u>39.4</u>	<u>21.5</u>	<u>18.4</u>

The Group's general and administrative expenses increased by EGP 17.8 million, or 82.7%, to EGP 39.4 million for the year ended 31 December 2018 from EGP 21.5 million for the year ended 31 December 2017. The increase in general and administrative expenses in 2018 as compared to 2017 was principally due to increased professional fees associated with the Group's preparation during the second half of 2018 for a potential initial public offering. IPO expenses in 2018 amounted to EGP 10.7 million.

The Group's general and administrative expenses increased by EGP 3.1 million, or 16.9%, to EGP 21.5 million for the year ended 31 December 2017 from EGP 18.4 million for the year ended 31 December 2016. The

increase in general and administrative expenses in 2017 as compared to 2016 was principally due to an increase over the period in employee benefits expenses which resulted from salary adjustments reflecting the high inflationary environment caused by the devaluation of the Egyptian pound in November 2016.

The Group's general and administrative expenses as a percentage of revenues were 4.9%, 3.4% and 4.7% for the years ended 31 December 2018, 2017 and 2016, respectively. The increase in general and administrative expenses as a percentage of revenues in 2018 as compared to 2017 reflected the increase in professional fees incurred. General and administrative expenses decreased as a percentage of revenues in 2017 as compared to 2016 despite a high inflationary environment due to economies of scale that have been achieved as the Group increases its sales.

Other income

The Group's other income increased by EGP 1.9 million, or 69.9%, to EGP 4.6 million for the year ended 31 December 2018 from EGP 2.7 million for the year ended 31 December 2017. The increase in other income in 2018 as compared to 2017 was principally due to miscellaneous income not earned in the ordinary course of business which comprised the sale of waste resulting from higher production volumes in 2018.

The Group's other income increased by EGP 0.9 million, or 53.5%, to EGP 2.7 million for the year ended 31 December 2017 from EGP 1.7 million for the year ended 31 December 2016, principally due to an increase in the sale of waste resulting from higher production volumes in 2017.

Provisions/Other expenses

The Group's provisions/other expenses were EGP 1.6 million for the year ended 31 December 2018 as compared to EGP 0.3 million in 2017 and other expenses of nil in 2016. The provisions/other expenses in 2018 related to provisions for expected credit loss and expected claims from tax authorities.

Finance expenses

The Group's finance expenses increased by EGP 17.3 million, or 26.0%, to EGP 83.7 million for the year ended 31 December 2018 from EGP 66.4 million for the year ended 31 December 2017. The increase in finance expenses in 2018 as compared to 2017 was principally due to the increase in the Group's debt levels as a result of increased capital expenditures as well as an increase in inventory related to the production facility upgrades and related shutdowns. Finance expenses also rose as a result of the rise in interest rates following the devaluation of the Egyptian pound in 2017.

The Group's finance expenses increased by EGP 22.7 million, or 51.9%, to EGP 66.4 million for the year ended 31 December 2017 from EGP 43.7 million for the year ended 31 December 2016. The increase was principally due to an increase in interest rates and debt servicing costs over the period, as the Group increased its level of debt in 2017 in line with its increased operating expenditure.

Profits before tax

Reflecting the factors above, the Group's profits before tax increased by EGP 51.5 million, or 44.5%, to EGP 167.1 million for the year ended 31 December 2018 from EGP 115.6 million for the year ended 31 December 2017. The Group's profits before tax increased by EGP 80.8 million, or 232.4%, to EGP 115.6 million for the year ended 31 December 2017 from EGP 34.8 million for the year ended 31 December 2016.

Income taxes

The Group's income taxes increased by EGP 12.2 million, or 46.4%, to EGP 38.4 million for the year ended 31 December 2018 from EGP 26.2 million for the year ended 31 December 2017. The increase in income taxes in 2018 as compared to 2017 was principally due to the Group's higher taxable income for the year.

The Group's income taxes increased by EGP 18.3 million, or 232.2%, to EGP 26.2 million for the year ended 31 December 2017 from EGP 7.9 million for the year ended 31 December 2016. The increase in income taxes in 2017 as compared to 2016 was principally due to the Group's higher taxable income for the year.

The corporate tax rate in Egypt was 22.5% in 2018, 2017 and 2016. The Group's effective tax rate was 22.95%, 22.65% and 22.66% for the years ended 31 December 2018, 2017 and 2016, respectively. See Note 25 to the 2018 Annual Financial Statements for a reconciliation of the Group's effective income tax rate to the

statutory rate for 2018 and 2017 and Note 27 to the 2017 Annual Financial Statements for a reconciliation of the Group's effective income tax rate to the statutory rate for 2016.

Profits for the year

Reflecting the factors above the Group's profits for the year increased by EGP 39.3 million, or 44.0%, to EGP 128.8 million for the year ended 31 December 2018 from EGP 89.4 million for the year ended 31 December 2017. The Group's profits for the year increased by EGP 62.5 million, or 232.4%, to EGP 89.4 million for the year ended 31 December 2017 from EGP 26.9 million for the year ended 31 December 2016.

Liquidity and capital resources

Liquidity

The Group's primary sources of liquidity are cash generated from sales, borrowings under credit facilities and long term loans and equity from the Group's shareholders.

As at 30 September 2019, the Group had cash on hand and at banks of EGP 9.5 million. As at 30 September 2019, the Group also had EGP 545.0 million in committed credit facilities, of which a total of EGP 459.1 million had been drawn. The Board approves the Group's treasury policies, and day-to-day treasury activities are handled by the Group's finance department in line with those treasury policies.

Working capital

The Group's working capital (an alternative performance measure that the Group defines as current assets excluding cash on hand and at banks and amounts due from related parties, minus current liabilities excluding provisions, credit facilities, and current portion of long term loans) is set forth as of the dates presented in the following table.

	As at 30 September 2019 (unaudited)	As at 31 December		
		2018	2017	2016
		(EGP millions)		
Inventories	226.8	278.1	171.3	131.0
Trade and notes receivable	386.3	366.1	271.5	190.5
Prepayments and other receivables	37.6	39.7	39.4	17.6
Trade and notes payable	(56.9)	(58.4)	(39.2)	(46.0)
Due to related parties	(3.7)	(0.0)	—	—
Income taxes payable	(10.1)	(39.0)	(26.2)	(8.1)
Accrued expenses and other payables	(71.8)	(45.7)	(32.2)	(30.9)
Working capital	<u>508.2</u>	<u>540.7</u>	<u>384.5</u>	<u>254.1</u>

As at 30 September 2019, inventories were EGP 226.8 million. Inventories increased by EGP 106.8 million between 31 December 2018 and 31 December 2017 and increased by EGP 40.3 million between 31 December 2017 and 31 December 2016. Inventory days on hand as at 30 September 2019 and as at 31 December 2018, 2017 and 2016 were 190, 269, 205 and 240 days, respectively. (Inventory days on hand is calculated by the Group as inventory divided by cost of revenues excluding depreciation and amortisation for the prior 12 months multiplied by 365 days. The cost of revenues excluding depreciation and amortisation for the 12-month period ended 30 September 2019 has been calculated by adding cost of revenues excluding depreciation and amortization for the nine month period ended 30 September 2019 to the cost of revenues excluding depreciation and amortization for the year ended 31 December 2018 and subtracting cost of revenues excluding depreciation and amortization for the nine month period ended 30 September 2018). In the first six months of 2019, inventory days on hand remained slightly above normal levels due to the over stocking that continued to take place for the solids production area. As at 31 December 2018, inventory days on hand increased compared to their level at 31 December 2017 as inventory levels were increased to maintain an adequate supply of products during the planned shutdown associated with the factory upgrade which took place in the second half of 2018. As at 31 December 2017, inventory days on hand decreased compared to their level at 31 December 2016 due to a rise in inventory which outpaced the devaluation effect and a decline in cost of revenues due to the devaluation of the Egyptian pound in 2017.

As at 30 September 2019, trade and notes receivable were EGP 386.3 million. Trade and notes receivable increased by EGP 94.6 million between 31 December 2018 and 31 December 2017 and increased by EGP 81.0 million between 31 December 2017 and 31 December 2016. Trade and notes receivable days on hand as at 30 September 2019 and as at 31 December 2018, 2017 and 2016 were 166, 166, 158 and 176 days, respectively. (Trade and notes receivable days on hand is calculated by the Group as trade and notes receivable divided by revenue for the prior 12 months multiplied by 365 days. The revenue for the 12 month period ended 30 September 2019 has been calculated by adding revenue for the nine month period ended 30 September 2019 to the revenue for the year ended 31 December 2018 and subtracting revenue for the nine month period ended 30 September 2018). The Group's senior management believes that, in Egypt, generic pharmaceutical producers without their own distribution networks typically sell products to distributors. Distributors typically have between 60 and 120 days to pay invoices from the Group. Credit terms for tender sales are typically 180 days, while export markets typically have between 90 and 120 days.

As at 30 September 2019, prepayments and other receivables were EGP 37.6 million. Prepayments and other receivables increased by EGP 0.3 million between 31 December 2018 and 31 December 2017 and increased by EGP 21.8 million between 31 December 2017 and 31 December 2016. Prepayment and other receivables days on hand as at 30 September 2019 and as at 31 December 2018, 2017 and 2016 were 32, 38, 47 and 32 days, respectively. (Prepayment and other receivables days on hand is calculated by the Group as prepayment and other receivables divided by cost of revenues excluding depreciation and amortisation for the prior 12 months multiplied by 365 days. The cost of revenues excluding depreciation and amortisation for the 12 month period ended 30 September 2019 has been calculated by adding cost of revenues excluding depreciation and amortization for the nine month period ended 30 September 2019 to the cost of revenues excluding depreciation and amortization for the year ended 31 December 2018 and subtracting cost of revenues excluding depreciation and amortization for the nine month period ended 30 September 2018). In the first six months of 2019, the increases in prepayments and other receivables primarily reflected the Group's capital expenditures.

As at 30 September 2019, trade and notes payable were EGP 56.9 million. Trade and notes payable increased by EGP 19.2 million between 31 December 2018 and 31 December 2017 decreased by EGP 6.8 million between 31 December 2017 and 31 December 2016. Trade and notes payable days on hand as at 30 September 2019 and as at 31 December 2018, 2017 and 2016 were 45, 53, 44 and 76 days, respectively. (Trade and notes payable days on hand is calculated by the Group as trade and notes payable divided by cost of revenues for the prior 12 months multiplied by 365 days. The cost of revenues for the 12 month period ended 30 September 2019 has been calculated by adding cost of revenues for the nine month period ended 30 September 2019 to the cost of revenues for the year ended 31 December 2018 and subtracting cost of revenues for the nine month period ended 30 September 2018).

As at 30 September 2019, accrued expenses and other payables were EGP 71.8 million. Accrued expenses and other payables increased by EGP 13.5 million between 31 December 2018 and 31 December 2017 and increased by EGP 1.3 million between 31 December 2017 to 31 December 2016. Accrued expenses and other payables days on hand as at 30 September 2019 and as at 31 December 2018, 2017 and 2016 were 60, 44, 39, and 57 days, respectively. (Accrued expenses and other payable days on hand is calculated by the Group as accrued expenses and other payables divided by cost of revenues excluding depreciation and amortisation for the prior 12 months multiplied by 365 days. The cost of revenues excluding depreciation and amortisation for the 12 month period ended 30 September 2019 has been calculated by adding cost of revenues excluding depreciation and amortization for the nine month period ended 30 September 2019 to the cost of revenues excluding depreciation and amortization for the year ended 31 December 2018 and subtracting cost of revenues excluding depreciation and amortization for the nine month period ended 30 September 2018).

Consolidated statement of cash flows

The following table sets forth certain information regarding the principal items of the consolidated statement of cash flows for the periods and years indicated.

	Nine month period ended 30 September		Year ended 31 December		
	2019	2018	2018	2017	2016
	<i>(unaudited)</i>				
	<i>(EGP millions)</i>				
Net cash flows provided from/(used in) operating activities	93.4	(118.9)	2.7	(16.5)	26.5
Net cash flows used in investing activities	(74.3)	(54.8)	(250.7)	(42.1)	(21.3)
Net cash flows provided from/(used in) financing activities	(13.8)	160.5	236.8	69.3	(6.3)
Net increase/(decrease) in cash and cash equivalents during the period/year	5.2	(13.1)	(11.2)	10.7	(1.1)
Net foreign exchange difference	(0.1)	0.2	1.1	(0.7)	0.2
Cash and cash equivalents—beginning of period/year	3.9	14.0	14.0	4.0	4.9
Cash and cash equivalents—end of period/year	9.0	1.2	3.9	14.0	4.0

Net cash flows (used in)/provided from operating activities

Net cash flows provided from operating activities was EGP 93.4 million in the nine month period ended 30 September 2019, compared to net cash flows used in operating activities of EGP 118.9 million in the nine month period ended 30 September 2018. This change was primarily attributable to a significant decrease in inventory levels in the six month period ended 30 September 2019 since the Group had stockpiled inventory in the nine month period ended 30 September 2018 in anticipation of the factory shutdown associated with the planned improvements and upgrade of the Group's manufacturing facilities.

Net cash flows provided from operating activities was EGP 2.7 million in 2018, compared to net cash flows used in operating activities of EGP 16.5 million in 2017. This change was primarily attributable to higher net working capital requirements (mainly related to changes in inventories incurred in anticipation of the upgrades in the second half of 2018 and changes in prepayments and other receivables also related to the upgrades), which was only partially offset by an increase in cash generated from the Group's operating activities before working capital movements. The change also reflected an increase in income taxes paid during 2018, principally reflecting the timing differences of those payments.

Net cash flows used in operating activities was EGP 16.5 million in 2017, compared to net cash flows provided from operating activities of EGP 26.5 million in 2016. This change was primarily attributable to higher net working capital requirements in line with the growth of the business including changes in trade and notes receivable and changes in prepayments and other receivables which was only partially offset by an increase in cash generated from the Group's operating activities before working capital movements.

Net cash flows used in investing activities

Net cash flows used in investing activities was EGP 74.3 million in the nine month period ended 30 September 2019, compared to net cash flows used in investing activities of EGP 54.8 million in the nine month period ended 30 September 2018. The change primarily reflected increased cash outflow for purchases associated with the Group's ongoing modernisation and expansion of its production facilities as well as payments to acquire products (intangible assets).

Net cash flows used in investing activities was EGP 250.7 million in the 2018, compared to net cash flows used in investing activities of EGP 42.1 million in 2017. The change primarily reflected increased payments to acquire fixed assets and assets under construction related to the plant upgrades.

Net cash flows used in investing activities was EGP 42.1 million in 2017, compared to net cash flows used in investing activities of EGP 21.3 million in 2016. The principal use of cash in investing activities in 2016 and 2017 was payments to acquire products (intangible assets) and fixed assets.

Net cash flows provided from/(used in) financing activities

Net cash flows used in financing activities was EGP 13.8 million in the nine month period ended 30 September 2019, compared to net cash flows provided from financing activities of EGP 160.5 million in the nine month

period ended 30 September 2018. The change primarily reflected a higher level of borrowing under credit facilities, partially offset by a net repayment of long term loans as principal payments became due.

Net cash flows provided from financing activities was EGP 236.8 million in 2018, compared to net cash flows provided from financing activities of EGP 69.3 million in 2017. The change primarily reflected a higher level of borrowing under credit facilities and long term loans.

Net cash flows provided from financing activities was EGP 69.3 million in 2017, compared to net cash flows used in financing activities of EGP 6.3 million in 2016. Net cash flows provided from financing activities in 2017 principally reflected a higher level of net borrowings under credit facilities and long term loans.

Capital resources

As at 30 September 2019, the Group had an aggregate of EGP 581.1 million outstanding under credit facilities and long term loans.

As at 30 September 2019, the Group had an aggregate balance of EGP 456.0 million outstanding under credit facilities. The following table summarises the Group's outstanding credit facilities as at 30 September 2019.

<u>Credit facility</u>	<u>Facility amount</u> (EGP millions)	<u>Interest rate in 2019</u>	<u>Balance as at</u> <u>30 September 2019</u> (<i>unaudited</i>) (EGP millions)
CIB	200.0	0.5% + CBE corridor rate	152.5
Audi Bank	125.0	1.0% + CBE lending rate	119.6
Arab Bank	60.0	1.5% + CBE lending rate	45.4
ABK	80.0	1.0% + CBE lending rate	64.8
ADIB	80.0	1.0% + CBE lending rate	73.7
Total	<u>545.0</u>		<u>456.0</u>

All of the above facilities are guaranteed by inventories and notes receivables and, other than the ADIB facility, are effectively terminable at will by the lender. Please see Note 16 to the Interim Financial Statements for additional information about the above credit facilities.

As at 30 September 2019, the Group had an aggregate principal amount of EGP 125.1 million outstanding in relation to three long term loans with CIB. The following table summarises the key terms of those loans.

<u>Loans</u>	<u>Interest rate in 2019</u>	<u>Balance as at</u> <u>30 September 2019</u> (<i>unaudited</i>) (EGP millions)
Current portion of long term loans		
Loan 1	1.1%+CBE lending rate	5.0
Loan 2	0.75%+CBE lending rate	23.4
Loan 3	0.85%+CBE lending rate	24.8
Total current portion of long term loans		<u>53.2</u>
Non-current portion of long term loans		
Loan 1	1.1%+CBE lending rate	—
Loan 2	0.75%+CBE lending rate	29.7
Loan 3	0.85%+CBE lending rate	42.2
Total non-current portion of long term loans		<u>71.9</u>

As of 31 December 2018, some of the Company's loan agreements (classified as non-current during the year) are subject to covenant clauses, whereby the Company is required to meet certain key financial ratios. The Company did not fulfil the debt/equity ratio as required in the contract for loan 2 and loan 3 of which the Company had drawn an amount of EGP 126,539,022. Due to this breach of the covenant clause, the bank was contractually entitled to request immediate repayment of the outstanding loan. Consequently, the outstanding balance was presented as a current liability as at 31 December 2018. During the period ended 30 September 2019, the bank has approved the breach on an exceptional basis and had not requested early repayment of the loans. On 19 September 2019, the Company signed an amendment agreement with CIB in respect of loan 2 and loan 3 which modified the covenant clauses and rescheduled the settlement period to make the loans payable

over 24 monthly instalments starting from 1 January 2020 until 1 December 2021. Consequently, as of 30 September 2019, the Company was not in breach of the loans' covenant clauses.

The Group obtained the above loans against a guarantee of a commercial mortgage over all Ramedia SAE's tangible and intangible assets, including all imported machinery and equipment financed under the loans.

Pursuant to the aforementioned agreements, Ramedia SAE may not dispose any of its assets. Further, Ramedia SAE has agreed not to change the purpose of the financing, with such event triggering the termination of such agreement.

Please see Note 17 to the Interim Financial Statements for additional information about the above loans.

Net indebtedness

The following table sets forth the Group's net indebtedness as at the dates indicated.

	As at 30 September 2019	As at 31 December		
		2018	2017	2016
		(EGP millions)		
Cash on hand and at banks	9.5	4.3	14.0	4.0
Total liquidity	9.5	4.3	14.0	4.0
Credit facilities	459.1	424.7	273.9	190.1
Current portion of long term loans	53.2	154.0	25.5	20.4
Current financial debt	512.3	578.6	299.4	210.5
Net current financial indebtedness⁽¹⁾	502.8	574.3	285.4	206.5
Long term loans (non-current) ⁽²⁾	71.9	—	37.4	51.5
Net debt⁽³⁾	574.8	574.3	322.8	258.0

(1) Net current financial indebtedness is calculated as current financial debt minus total liquidity.

(2) Long term loans (non-current) includes debt under Loan (1), Loan (2) and Loan (3), discussed above, falling due in more than 12 months.

(3) Net debt is calculated as net current financial indebtedness plus long term loans (non-current).

The following table sets forth further alternative performance measures related to the Group's indebtedness as at the dates indicated.

	As at 30 September 2019	As at 31 December		
		2018	2017	2016
Net debt to revenues ⁽¹⁾	0.7	0.7	0.5	0.7
Net debt to equity ⁽²⁾	1.1	1.2	0.9	1.0
Net debt to adjusted EBITDA ⁽³⁾	2.2	2.0	1.6	2.5
Interest coverage ratio ⁽⁴⁾	2.2	3.1	2.8	1.8

(1) For 31 December 2018, 2017 and 2016, net debt to revenues is calculated by dividing the net debt as at the relevant statement of financial position date by the revenues for the year. For 30 September 2019, net debt to revenues is calculated by dividing the net debt as at 30 September 2019 by the revenues for the 12 month period ended 30 September 2019. The revenue for the 12-month period ended 30 September 2019 has been calculated by adding revenue for the nine month period ended 30 September 2019 to the revenue for the year ended 31 December 2018 and subtracting revenue for the nine month period ended 30 September 2018.

(2) Net debt to equity is calculated by dividing net debt as at the relevant statement of financial position date by total equity as at the relevant statement of financial position date.

(3) For 31 December 2018, 2017 and 2016, net debt to adjusted EBITDA is calculated by dividing the net debt as at the relevant statement of financial position date by the adjusted EBITDA for the year. For 30 September 2019, net debt to adjusted EBITDA is calculated by dividing the net debt as at 30 September 2019 by the adjusted EBITDA for the 12 month period ended 30 September 2019. The adjusted EBITDA for the 12-month period ended 30 September 2019 has been calculated by adding adjusted EBITDA for the nine month period ended 30 September 2019 to the adjusted EBITDA for the year ended 31 December 2018 and subtracting adjusted EBITDA for the nine month period ended 30 September 2018.

(4) For 31 December 2018, 2017 and 2016, interest coverage ratio is calculated by dividing adjusted EBIT by finance expenses for the year. For 30 September 2019, interest coverage ratio is calculated by dividing adjusted EBIT for the 12 month period ended 30 September 2019 by finance expenses for the 12 month period ended 30 September 2019. The adjusted EBIT for the 12-month period ended 30 September 2019 has been calculated by adding adjusted EBIT for the nine month period ended 30 September 2019 to the adjusted EBIT for the year ended 31 December 2018 and subtracting adjusted EBIT for the nine month period ended 30 September 2018. The finance expenses for the 12-month period ended 30 September 2019 has been calculated by adding finance

expenses for the nine month period ended 30 September 2019 to the finance expenses for the year ended 31 December 2018 and subtracting finance expenses for the nine month period ended 30 September 2018.

The increase in the Group's net debt over the period under review principally reflects the financing of the capital expenditures that the Group has been making in line with its strategy to add new lines that lead to an increase in its production capacity and expand and modernise its production capabilities.

Off-balance sheet arrangements

As at 30 September 2019, the Group had no off-balance sheet arrangements.

Contractual obligations

The following table sets forth certain of the Group's contractual obligations as at 30 September 2019.

	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	(EGP millions)				
Credit facilities	255.3	211.5	—	—	466.8
Trade and notes payable	40.9	16.0	—	—	56.9
Accrued expenses and other payables	38.0	33.8	—	—	71.8
Long term loans	14.5	59.3	78.9	—	152.8
Total	348.8	320.6	78.9	—	748.3

As at 30 September 2019, the Group had contractual commitments in relation to assets under construction not provided for in the Interim Financial Statements amounting to EGP 19.3 million.

Capital expenditures

As at 30 September 2019, the Group's contractual capital expenditure commitments were EGP 19.3 million. The Group's contractual capital expenditure commitments were EGP 0.8 million, EGP 84.5 million and EGP 0.7 million as at 31 December, 2018, 2017 and 2016, respectively. As discussed above, from 2016 to 2018, the Group formulated and executed an approximately EGP 250 million capital expenditure plan in order to make additional improvements of the Group's production facility and increase its production capacity in order to fuel the further growth of the Group. See "*Key factors affecting results of operations—Increases in the Group's production capacity and modernisation and expansion of the Group's production capabilities*".

The Group expects capital expenditures to total approximately EGP 50 million in 2019. These expenditures primarily relate to completion of the Group's facility upgrade program which commenced in 2017 and is expected to be complete by the end of November of 2019.

Qualitative and quantitative disclosures about market risk

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to credit risk principally from its receivables from customers, due from related parties, other receivables and from its financing activities, including balances with banks. Please see Note 31 to the Interim Financial Statements for additional information the Group's trade and note receivables, other financial assets and balances with banks, and due from related parties, as well as the Group's expected credit loss assessment.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's obligations with floating interest rates and interest bearing time deposits.

Interest on financial instruments having floating rates re-priced at intervals of less than one year.

The following table demonstrates the sensitivity of the Group's financial liabilities to a reasonably possible change in interest rates with all other variables held constant, of the Group's profits before tax (through the

impact on floating rate borrowings). There is no impact on the Group's equity other than the profit impact stated below.

	As at 30 September 2019	As at 31 December 2018	2017	2016
Increase in 1%	(3.0)	(3.1)	(2.7)	(1.9)
Decrease in 1%	3.0	3.1	2.7	1.9

Foreign currency risk

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rates, with all other variables held constant. The impact on the Group's profits before tax is due to changes in the value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

	As at 30 September 2019	As at 31 December 2018	2017	2016
Increase in 10%	(0.8)	(0.2)	(0.7)	(0.6)
Decrease in 10%	0.8	0.2	0.7	0.6

Liquidity risk

The cash flows, funding requirements and liquidity of the Group are monitored by the Group's senior management. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. The Group manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group currently has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations.

Capital management

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the Group's controlling shareholder. The primary objective of the Group's capital management is to maximise shareholder value. The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of its financial covenants. In order to maintain a sufficient capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors its capital using a leverage ratio of total liabilities divided by net equity. For further information please see Note 32 of the Interim Financial Statements, Note 31 of the 2018 Annual Financial Statements and Note 32 of the 2017 Annual Financial Statements.

Critical accounting policies and estimates

The preparation of the Group Financial Statements requires senior management to make judgments, estimates and assumptions that may affect the reported amount of assets and liabilities, revenues, expenses, disclosure of contingent liabilities and the resultant provisions and fair values. Such estimates are necessarily based on assumptions about several factors and actual results may differ from reported amounts. The estimates and the assumptions represent the Group's senior management's view at the times they are made, and only then. They involve risks, uncertainties and other factors that could cause future results, performance and achievements to differ materially from those forecasts. See Note 2 and Note 3 of the Interim Financial Statements and the Annual Financial Statements.

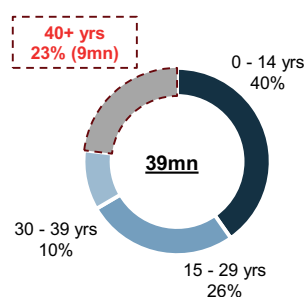
THE ARAB REPUBLIC OF EGYPT

Information and statistics contained in this section regarding the Egyptian economy are based on data from the Arab Republic of Egypt Ministry of Finance and other independent sources, in addition to the Group's senior management's experience and assessment of market conditions. To the extent that such statements are in part derived from the Group's senior management's estimates of third party information, these statements cannot be and have not been verified by the Company or any independent sources. Please see "Market and Industry Information".

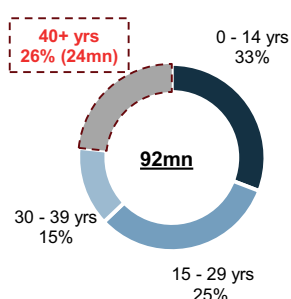
Egyptian macroeconomic background

The Egyptian economy is one of the largest and most diversified economies in the MENA region, benefiting from economic diversification (with exposure to the energy, manufacturing, consumer and retail, financial services, and real estate sectors, among others), a cost competitive workforce, a strategic geographical location and the largest population in the MENA region (in excess of 96 million people in 2018). Egypt's population is also one of the fastest growing in the region and is expected to continue to grow at a CAGR of 2.3% from 2018 to 2022 (Source: CBE and Euromonitor). The figures below present an age group breakdown of Egypt's population for the years 1976 and 2018 and the expected evolution of these same groups in 2027. They demonstrate that Egypt's population is both growing and aging, with the percentage of the population over the age of 40 increasing from 23% in 1976 to an expected 30% in 2027.

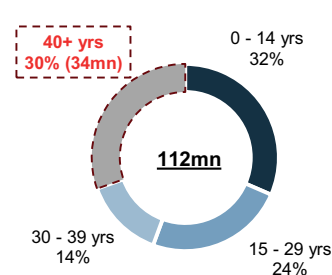
Population Breakdown (1976)



Population Breakdown (2017)



Population Breakdown (2027)



Disposable income in Egypt has grown from EGP 1.1 trillion in 2011 to EGP 3.7 trillion in 2018 at a CAGR of 18.8% and is expected to grow to EGP 6.1 trillion by 2022, at a CAGR of 13.2% from 2018 to 2022 (Source: Euromonitor).

Egypt is also endowed with natural resources and is a signatory to a number of regional and international trade agreements. The Egyptian economy has historically exhibited robust GDP growth and shown significant economic resilience, especially following the global economic crisis of 2008 and 2009. However, the Egyptian Revolution, which started in January 2011, had a negative impact on the Egyptian economy resulting in the slowing down of GDP growth from historical levels.

Egypt's economy has shown signs of a recovery since then, with real GDP growth of 2.3% in 2015/2016, 3.6% in 2016/2017, 5.3% in 2017/2018 and 5.1% in 2018/19 (Source: CBE), resulting in improved investor sentiment. Further, Egypt's real GDP is expected to grow at a CAGR of 5.2% from 2019 to 2020 as compared to an expected real GDP growth of 2.3% in the MENA region and 3.5% globally (Source: Bloomberg market data from 8 February 2019 and Business Monitor International Ltd data from 17 April 2019). The following

table shows key Egyptian macroeconomic indicators for the historical periods indicated and indicative figures for 2018/2019.

	2014/15 ⁽¹⁾	2015/16 ⁽¹⁾	2016/17 ⁽¹⁾	2017/18 ⁽¹⁾	2018/19 ⁽¹⁾
Domestic economy					
Real GDP (EGP billions)	1,838.2	1,918.1	3,409.5	3,598.9	3,783.8
Real GDP (EGP) Growth Rate (%)	4.4	4.3	3.6	5.3	5.1
Real GDP (USD billions) ⁽²⁾	253.2	237.9	229.4	202.9	214.8
Nominal GDP (EGP billions)	2,443.9	2,709.4	3,470.0	4,437.4	5,322.3
Nominal GDP (USD billions) ⁽²⁾	336.6	336.0	234.3	250.2	302.1
Nominal GDP per capita (EGP)	27,460.0	29,774.0	36,450.0	45,699.0	54,254.0
Consumer price index in urban areas (%) ⁽³⁾	10.1	11.1	23.3	21.9	12.0
Core consumer price index (%) ⁽³⁾	7.7	7.2	25.9	19.9	8.3
Balance of payments					
Exports of goods (FOB) (USD millions)	22,245.1	18,704.6	21,728.2	25,827.0	28,495.0
Imports of goods (CIF) (USD millions)	61,305.5	57,387.7	59,003.0	63,103.0	66,529.4
Overall trade balance (USD millions)	(39,060.4)	(38,683.1)	(37,274.8)	(37,276.0)	(38,034.4)
Current account balance (USD billions)	(12,142.6)	(19,831.1)	(14,394.0)	(5,962.3)	(8,194.1)
Net foreign direct investment (% of GDP)	1.9	2.1	3.4	3.1	2.0
Net international reserves (USD millions)	20,082.0	17,546.0	31,305.0	44,259	44,352
Months of import coverage	3.9	3.7	6.4	8.4	8.0
External debt/GDP (%)	14.4	16.6	33.6	37.0	36.0
Net foreign direct investment (USD millions)	6,379.8	6,932.6	7,932.8	7,719.5	5,902.9
Tourism revenue growth rate (%)	45.3	(48.9)	16.2	123.9	28.2
Public finance					
Total Revenues (EGP billions)	465.2	491.5	659.2	805.7	598.7 ⁽⁴⁾
Total Expenditures (EGP billions)	733.4	817.8	1,031.9	1,229.1	879.0 ⁽⁴⁾
Overall Fiscal Deficit (EGP billions)	279.4	339.5	379.6	432.7	281.3
Primary fiscal balance (EGP millions)	(86,422)	(95,860)	(62,988)	4,662	35,645 ⁽⁴⁾

Source: CBE January and July 2018 Monthly Statistical Bulletin.

- (1) The Egyptian Government publishes annual figures for the year beginning 1 July and ending 30 June the following year.
- (2) Based on arithmetic average the daily mid of USD/EGP exchange rates between 1 July and 30 June of that year as published by the CBE.
- (3) Percentage is the annual average as of December in the corresponding year.
- (4) As of 31 March 2019.

The following table sets out certain of Egypt's key performance indicators as at the end of the Egyptian fiscal years 2010 and 2012 and the expected results for Egyptian fiscal year 2019, along with a comparison of the expected figures for 2019 against the actual figures for 2010 and 2012.

High performing KPIs ¹					
	2010	2012	2019e	vs. 2010	vs. 2012
GDP	5.1%	2.2%	5.5%	▲ 0.4pp	▲ 3.3pp
FDI ²	USD 6.4bn	USD 2.8bn	USD 9.2bn	▲ 44%	▲ 229%
International reserves ³	USD c.36bn	USD c.15bn	USD c.49bn	▲ 36%	▲ 227%
5Y CDS (bps) ⁴	243	510	320	▲ 77bp	▼ 190bp
Primary balance (% of GDP)	(2.6%)	(4.4%)	+2.0%	▲ 4.6pp	▲ 6.4pp
CPI	11.1%	7.1%	12.1%	▲ 1.0pp	▲ 5.0pp
Current account (% of GDP)	-4.4%	-6.1%	-2.0%	▲ 2.4pp	▲ 4.1pp

Source: CBE, Egypt's Ministry of Finance, Capital IQ and the IMF

- (1) As of the Egyptian fiscal year, 30 June.
- (2) As of the calendar year end, 31 December.
- (3) Excludes gold.
- (4) As of 3 May 2019.

Many of Egypt's key macroeconomic indicators have rebounded since the first years of the Egyptian Revolution including: real GDP growth, which reached 5.3% in 2018 as compared to an average of 2.4% in the period from 2011 to 2013 (*Source: IMF*); foreign reserves, which reached USD 44 billion in February 2019 and maintained a monthly average of USD 44 billion during the period from January 2018 to February 2019, as compared to USD 17 billion in the period from July 2011 to June 2013 (*Source: CBE, Reuters and the IMF*); net foreign direct investment, which has reached approximately USD 5.9 billion in 2018/2019 as compared to USD 2.2 billion in 2010/2011 (*Source: CBE*); and the purchasing managers index (a monthly survey of carefully selected companies representing major and developing economies worldwide which provides an insight into the health of the economy), which reached 49.6 in December 2018 as compared to 14 in the period from 2011 to 2013 (*Source: IHS Markit*). Egypt's economic recovery with respect to foreign direct investment has resulted in part from (a) monetary policy and legal reforms, including the floatation of the Egyptian pound, the implementation of a new investment and insolvency law and the updating of the Egyptian companies law, (b) the adoption of a value added tax, and (c) subsidy reforms including the reduction of fuel and electricity subsidies, limitation of subsidies to need-based subsidies and the introduction of the Universal Health Insurance Law. Additionally, key indicators of the external sector indicate and fuel further economic growth including tourism revenues, which were USD 3.18 billion in the three months ending 30 June 2019, up 25% from USD 2.55 billion for the same period the previous year and export revenues, which were USD 7.6 billion in the three months ending 30 June 2019, up 8% from USD 7.0 billion for the same period in the previous year (*Source: CBE*).

At the same time, following the devaluation of the Egyptian pound and the introduction of reform measures by the Egyptian Government in November 2016, which included raising the benchmark interest rate by 3.0% to 14.75% and reducing fuel and energy subsidies, Egypt has experienced a period of rising inflation and higher interest rates. Year-on-year inflation in December 2015 and December 2016, as measured by the CPI, was 11.63% and 23.3%, respectively.

The economic recovery since the Egyptian Revolution has been bolstered by the major economic reform program implemented by the Egyptian Government, many of which are tied to the IMF extended loan program for USD 12 billion over three years with total disbursements to date of approximately USD 12 billion. The economic reform program includes the liberalisation of the exchange rate regime, fiscal consolidation measures, the gradual reduction of subsidies for utilities and energy and reforms to the business environment. The changes to the subsidy regime have removed broad subsidies on fuel (such as gasoline, diesel, kerosene and fuel oil), electricity and food and shifted subsidies to targeted programs designed to aid the poorest individuals in Egypt through, for example, the creation of Takaful and Karama cash transfer programs, targeted food subsidies and the broad reforms to the public healthcare system as discussed elsewhere in this document. The liberalisation of the exchange rate regime has proven to be a key step towards restoring the competitiveness of the economy and boosting private sector activity, which had been severely impeded by shortages of foreign currency.

Overall, the recent Egyptian structural reforms are intended to solidify policies which encourage investment. As a result of these reforms, Egypt's ranking has improved by 22 places in the World Economic Forum 2018 *Global Competitiveness Index* compared to 2015–2016 ranking.

In the wake of the Egyptian Government's reforms, the Egyptian economy has experienced improved fiscal consolidation evidenced by a positive primary fiscal balance, net foreign assets becoming positive in March 2017 for the first time since August 2015, and in December 2018 had further increased to EGP 241.9 billion. Moreover, in the 2017–2018 fiscal year, Egypt experienced a primary surplus of EGP 4,662 million, the first surplus in 15 years.

Additionally, monthly inflation rates, have been falling as the average monthly headline rate during the period from November 2017 to February 2019, stood at 0.92%, almost reverting back to historical averages between 2012 and 2015 of 0.75%, as compared to an average of 2.3% in headline inflation during the year following the floatation of the Egyptian pound in November 2016.

The increasing public debt is a key area of concern. As of Q1 2018/19, Egypt's external debt to GDP ratio stood at 35.4%. The Egyptian Government has predominantly grown Egypt's net international reserves balance through external borrowing.

In February 2019, the IMF completed the fourth review and approved the fourth disbursement of the USD 12 billion Extended Fund Facility, bringing the total released value to date to approximately USD 10 billion. The IMF's fourth review was generally positive, notably concerning the restrictive monetary policy in keeping core inflation anchored and the reform program's role in addressing long-standing constraints to private sector development. As a result of stabilising geopolitical conditions, economic progress and the

Egyptian Government's economic reform initiatives, economic growth in Egypt is expected to surpass its regional peers going forward, with expected growth at a CAGR of 5.8% from 2018 to 2022 versus an estimated regional average of expected growth at a CAGR of 1.9% over the same period (*Source: IMF*). In conjunction with Egypt's recent economic growth, investor sentiment and risk perception have improved as evidenced by the fact that the EGX30 Index has increased by 85.4% from 7,030.08 in December 2015 to 13,036.72 in December of 2018. Further, the USD 5Y credit default swap spread has decreased 57.8% since its 5 year high from approximately 925bps in July 2013 to 386.43bps on 31 December 2018. Foreign ownership of treasury bills has increased from 0% in June 2014 to 23.7% in June 2018.

Following the floatation of the Egyptian pound in November 2016, the U.S. dollar to Egyptian pound exchange rate experienced a period of volatility but has since stabilised. Between November 2016 and April 2017 the exchange rate fluctuated between 15.53 and 19.33 until finally settling in between 17.61 and 18.10 between April 2017 and December 2018. The U.S. dollar to Egyptian pound exchange rate averaged 17.60 in the first quarter of 2019.

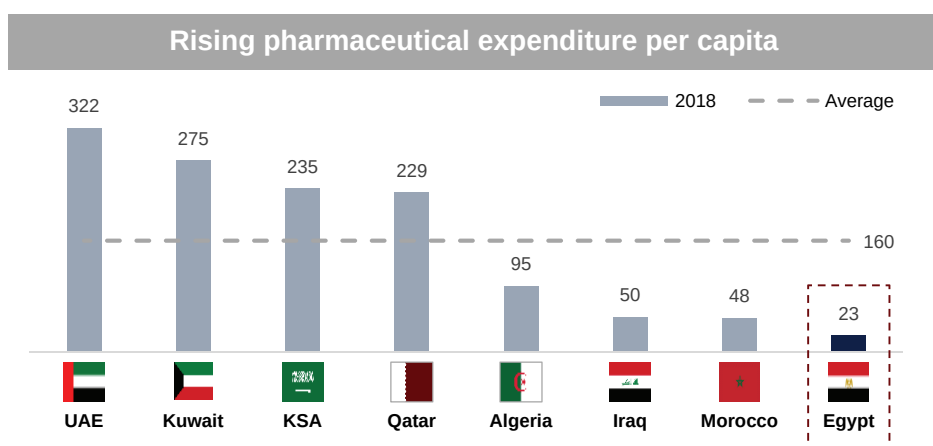
INDUSTRY OVERVIEW

Information contained in this section relating to markets, market size, market share, market position, growth rates and other industry data pertaining to the business of the Group consists of internal estimates based IQVIA data and on data from other external sources. In many cases, there is no readily available external information (whether from trade associations, government bodies or other organisations) to validate market-related analyses and estimates, requiring the Group to rely on internally developed estimates. Neither the Company, any member of the Group, nor any of their respective affiliates or advisors has independently verified the information included in this section.

This section should be read in conjunction with the more detailed information contained in this Offering Circular, including the financial and other information in “Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

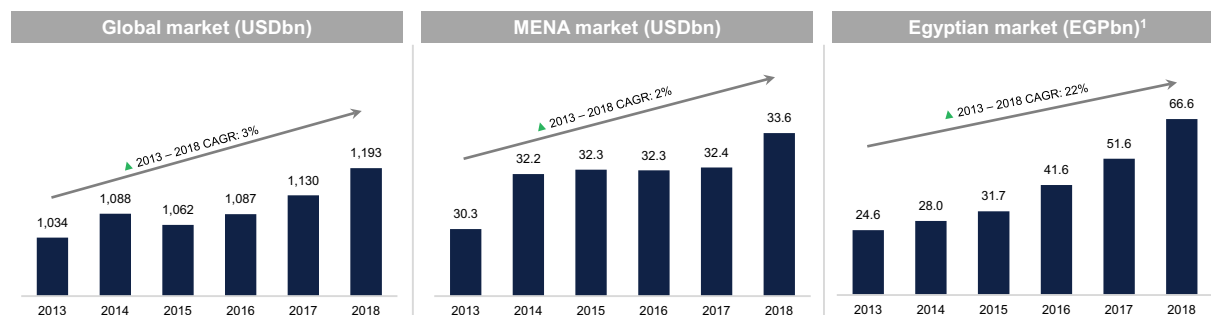
Overview

The Egyptian pharmaceutical industry remains substantially underpenetrated, with pharmaceutical expenditure per capita in 2018 of USD 23 representing less than 15% of the average pharmaceutical expenditure per capita of USD 160 in the wider MENA region. The following table represents total pharmaceutical expenditure per capita in the countries shown in the MENA region for 2018 in USD.



Source: BMI Q1 2019 Report

Egypt has the largest population and one of the largest pharmaceutical industries in the wider MENA region. Egypt’s pharmaceutical industry has weathered significant political disruption since the Egyptian Revolution. The following charts show the growth in the Egyptian pharmaceutical market, which grew at a CAGR of 22% (in EGP terms) between 2013 and 2018, as compared to the global and MENA pharmaceutical markets, which grew at CAGRs of 3% and 2% (in USD terms), respectively, over the same period.

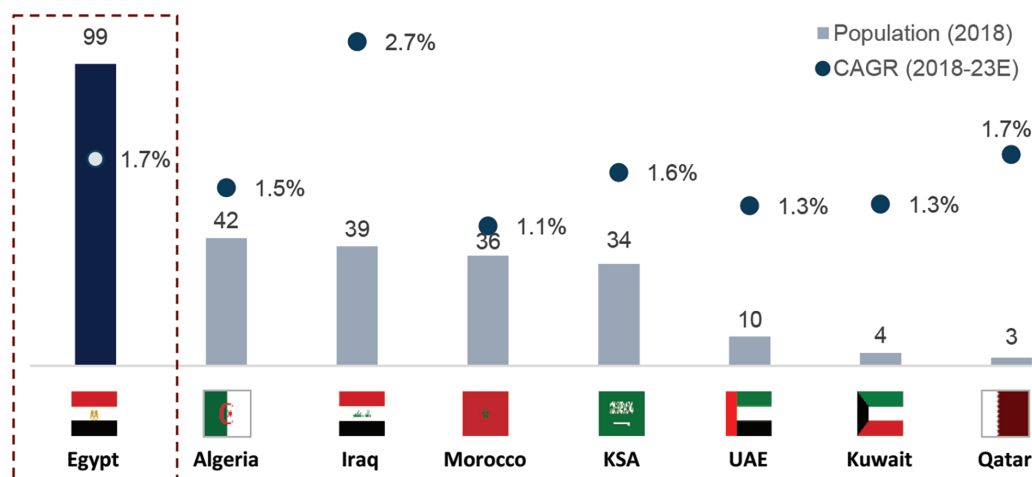


Source: BMI Q1 2019 Report

(1) Data from IQVIA.

This growth was primarily driven by the private sector as a result of the historical lack of adequate national health insurance coverage. For example, in 2018, 70% of healthcare spending in Egypt, was through the private sector, while 30% was government spending. Also in 2018, 82% of sales in the Egyptian pharmaceutical market resulted from sales of prescription drugs, while 18% resulted from the sale of over-the-counter products.

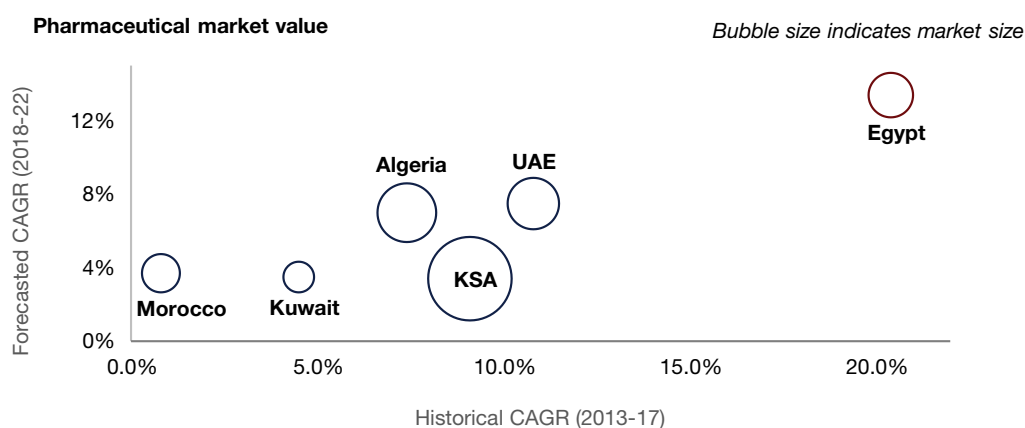
The following chart represents the population and projected population growth of selected countries in the MENA region.



Source: BMI Q1 2019 Report

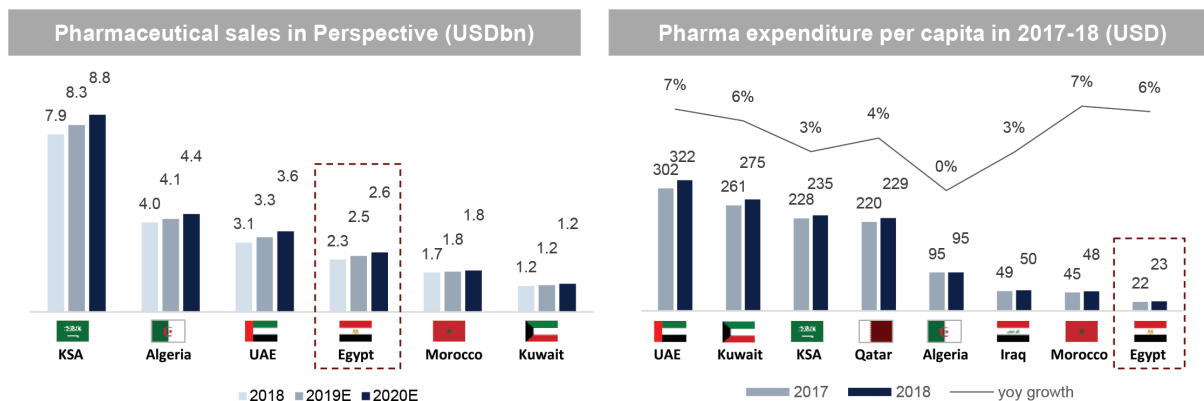
(1) Population for 2018, growth shown for 2018–2023 CAGR (millions, %)

Egypt's pharmaceutical market is the fastest growing pharmaceutical market in the MENA region. The following chart represents the projected pharmaceutical market growth and projected population growth for the period from 2018 to 2022 for selected countries in the MENA region.

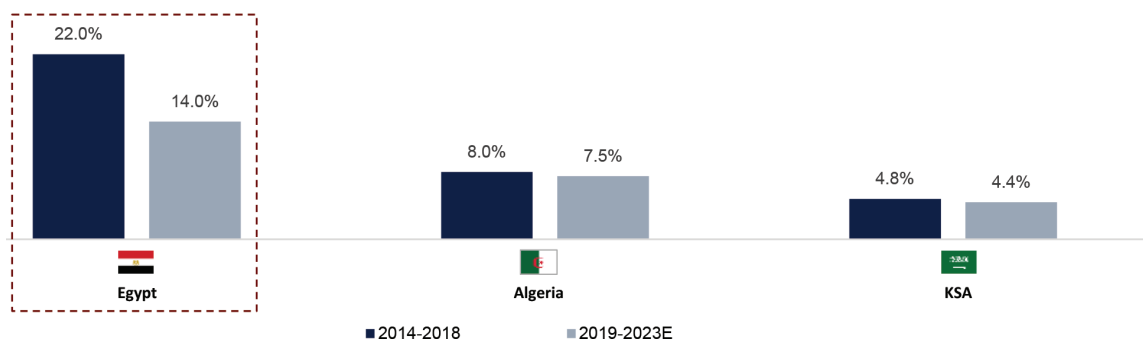


Source: BMI Q1 2019 Report

The following tables represent actual and projected pharmaceutical sales and actual pharmaceutical expenditure per capita for Egypt and selected countries the MENA region.

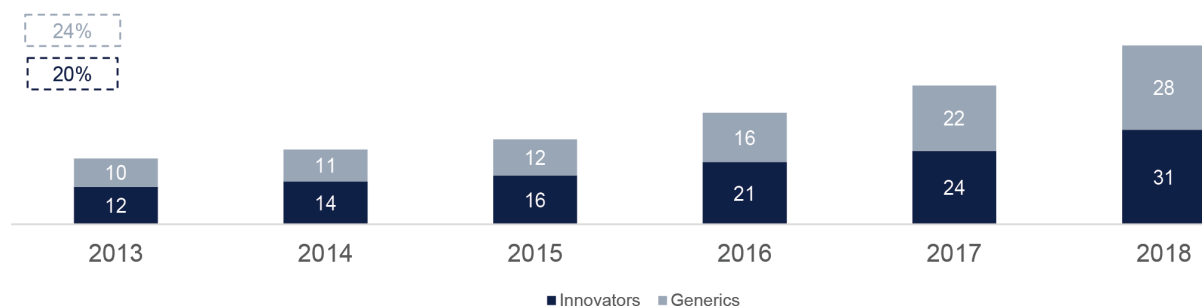


The following table sets out historical and projected pharmaceutical spending growth for the periods indicated.



According to IQVIA, Egypt's generic pharmaceutical industry has experienced strong growth over the past seven years, driven by greater awareness of generic medicines as a substitute for expensive patented medicines. This growth accelerated following the floatation of the Egyptian pound in 2016 and as a result of Egypt's high inflationary environment. Although multinational pharmaceutical manufacturers operate in Egypt, the market is increasingly shifting in favour of generic products and therefore favouring domestic production. The increase in the market share of generic manufacturers in the Egyptian pharmaceutical industry has been more pronounced since the EGP floatation in 2016 and high inflationary environment. The following diagram presents the number and growth rates of generic and innovator pharmaceutical companies in Egypt since 2012.

5 Year CAGR



Source: IQVIA data.

Other players in the Egyptian pharmaceutical industry

In Egypt, generic pharmaceutical companies have been growing at faster rates than innovator pharmaceutical companies. The following table sets out the top 25 pharmaceutical manufacturers in Egypt ranked by their sales value CAGR for the period from 2013 to 2018. For the period, the Group ranked as the fastest growing Egyptian pharmaceutical company among the top 25 players in the Egyptian pharmaceutical market in terms of its sales value CAGR from 2013 to 2018.

Rank	Company	Type	2013–2018 CAGR ⁽¹⁾
1	Rameda SAE	Generic	43%
2	Hikma Pharmaceuticals	Generic	35%
3	Marcyl Pharmaceutical Industries	Innovator	32%
4	AstraZeneca plc	Innovator	31%
5	Medical Union Pharmaceuticals	Generic	29%
6	Novo Nordisk	Innovator	29%
7	Global Napi Pharmaceuticals	Generic	29%
8	Multi-Apex Pharma	Generic	28%
9	NESTLE	Innovator	28%
10	EVA PHARMA	Generic	27%
11	Chemipharm Pharmaceutical Industries	Generic	26%
12	Amoun Pharmaceutical Co. S.A.E.	Generic	26%
13	Merck Limited	Innovator	25%
14	Bayer Healthcare	Innovator	25%
15	Abbott Laboratories	Innovator	22%
16	SEDICO Pharmaceuticals Company	Generic	21%
17	Sanofi S.A.	Innovator	21%
18	Pfizer Inc.	Innovator	21%
19	Adwia Pharmaceuticals Co.	Generic	20%
20	Novartis International AG	Innovator	20%
21	Pharco Corporation	Generic	19%
22	M.S.D.	Innovator	18%
23	Servier	Innovator	17%
24	EIPICO	Generic	15%
25	GlaxoSmithKline plc	Innovator	12%

Source: IQVIA data.

(1) The CAGR figures in this table are sourced from IQVIA, and therefore the figures for the Group here will differ from those presented in the financial information of the Group included elsewhere in this Offering Circular.

The following table sets out the top 15 pharmaceutical manufacturers in Egypt ranked by their sales value CAGR for the period from 2016 to 2018.

Rank	Company	Sales value CAGR 2016–2018
1	AUG Pharma	119.9%
2	Chemipharm Pharmaceutical Industries	59.4%
3	Rameda SAE	43.2%
4	Mash Premiere	42.9%
5	Medical Union Pharmaceuticals	37.2%
6	SEDICO Pharmaceuticals Company	32.6%
7	Al Andalous	31.2%
8	Pharco Corporation	29.7%
9	Sigma Pharmaceuticals plc	29.4%
10	EVA PHARMA	28.8%
11	Multi-Apex Pharma	28.4%
12	Adwia Pharmaceuticals Co.	27.3%
13	Global Napi Pharmaceuticals	23.5%
14	Pharaonia Pharmaceuticals	16.5%
15	EIPICO	12.7%

Source: IQVIA data.

The following table sets out the top 25 domestic pharmaceutical manufacturers in Egypt ranked in terms of 2018 sales and their market share by value.

Rank	Company	(EGP millions) ⁽¹⁾	Market share by value
1	Pharco Corporation	3,404.9	5.1%
2	EIPICO	2,329.1	3.5%
3	EVA PHARMA	2,316.6	3.5%
4	Medical Union Pharmaceuticals	1,599.5	2.4%
5	Global Napi Pharmaceuticals	1,328.6	2.0%
6	Multi-Apex Pharma	1,290.9	1.9%
7	SEDICO Pharmaceuticals Company	943.2	1.4%
8	Adwia Pharmaceuticals Co.	756.0	1.1%
9	Chemipharm Pharmaceutical Industries	687.5	1.0%
10	Ramedia SAE	687.2	1.0%
11	Mash Premiere	664.5	1.0%
12	Al Andalous	628.3	0.9%
13	AUG Pharma	608.8	0.9%
14	Sigma Pharmaceuticals plc	512.6	0.8%
15	Pharaonia Pharmaceuticals	455.1	0.7%
16	Orchidia Pharmaceutical	447.0	0.7%
17	Delta Pharma Ltd	433.6	0.7%
18	October Pharma	411.9	0.6%
19	Nerhadou International	402.0	0.6%
20	Utopia Pharmaceuticals	401.0	0.6%
21	Egyphar	377.6	0.6%
22	Kahira for Pharmaceuticals & Chemicals	363.6	0.5%
23	Minipharm Pharmaceuticals	356.5	0.5%
24	BORG Pharmaceutical Industries	302.4	0.5%
25	Alexandria Co. for Pharmaceuticals and Chemical Industries	302.3	0.5%

Source: IQVIA data.

(1) The sales figures in this table are sourced from IQVIA data, and therefore the figures for the Group presented here will differ from those presented in the Group Financial Statements included elsewhere in this Offering Circular.

The following table sets forth certain information regarding the Group and other Egyptian and regional healthcare players.

	Egyptian or Regional	Revenue CAGR (2016–2018)	Geographic split as a % of 2018 revenue ⁽¹⁾	Capital Expenditures (2016–2018) (USD)	EBITDA CAGR (2016–2018)	EBITDA Margin		
						2016	2017	2018
Rameda SAE	Egyptian	43%	92% domestic 8% export	14 million (14% of 2016–2018 revenues)	67% ⁽²⁾	26% ⁽²⁾	32% ⁽²⁾	36% ⁽²⁾
Ibsina Pharma	Egyptian	36%	100% domestic ⁽³⁾	44 million (2% of 2016–2018 revenues)	52%	3%	4%	4%
Integrated Diagnostics Holdings	Egyptian	—	84% domestic 16% non-Egypt	32 million (10% of 2016–2018 revenues)	(8)%	44%	40%	40%
Cleopatra Hospitals	Egyptian	30%	100% domestic	20 million (9% of 2016–2018 revenues)	46%	20%	19%	26%
EIPICO	Egyptian	20%	77% domestic 23% export	24 million (5% of 2016–2018 revenues)	(11)%	38%	37%	33%
NMC Health	Regional	31%	N/A	295 million (6% of 2016–2018 revenues)	42%	16%	19%	19%
Hikma	Regional	4%	63% U.S. 32% MENA 6% Europe	480 million (8% of 2016–2018 revenues)	9%	23%	24%	26%

Source: Company data, Factset

(1) As a percentage of 2018 revenues. Domestic sales include toll manufacturing, tender, private and veterinary sales.

(2) Rameda SAE calculates adjusted EBITDA margin as adjusted EBITDA divided by revenues. Adjusted EBITDA is defined as profit for the year/period plus finance expenses, finance income, income taxes, depreciation and amortisation, IPO expenses, impairment (receivables), impairment (inventory) and provisions.

(3) Ibsina Pharma commenced export sales in 2017. Its export sales represent less than 0.1% of its revenues.

Distribution network

In Egypt, pharmaceuticals are principally distributed by manufacturers through distributors who, in turn, distribute the products to pharmacies and institutional clients including hospitals or pursuant to tenders.

Distributors

The leading distributors in Egypt are United Company of Pharmacists, Ibsina Pharma and Pharmaoverseas. These three distributors accounted for approximately 68% of the distribution business in Egypt in 2018.

United Company of Pharmacists, established in 1996, is the largest pharmaceutical wholesaler in Egypt. It is a subsidiary of Walgreens Boots Alliance, a global pharmacy-led, health and wellbeing enterprise.

Ibsina Pharma, one of Egypt's leading healthcare solutions providers, was established in 2001 by a consortium of Egyptian investors in partnership with Eurapharma, a multinational distributor of pharmaceuticals in Africa, Europe and French overseas territories.

Pharmaoverseas, established in 1995, is another of Egypt's leading distributors. In 2004, French pharmaceutical distribution company SERPYMex acquired a 20% stake in Pharmaoverseas.

Institutional sales

Institutional sales include sales through tenders and sales to both public and private hospitals. Government-owned hospitals and other government-owned or government-related entities in Egypt purchase pharmaceuticals either through public tenders or via direct orders. In Egypt, public tenders and public practices are subject to the principles of equality and equal opportunity, freedom of competition, and openness. Public tenders and public practices are announced either in Egypt or abroad, such announcements being published in daily newspapers or through any other mass media (may be announced through electronic means subject to the

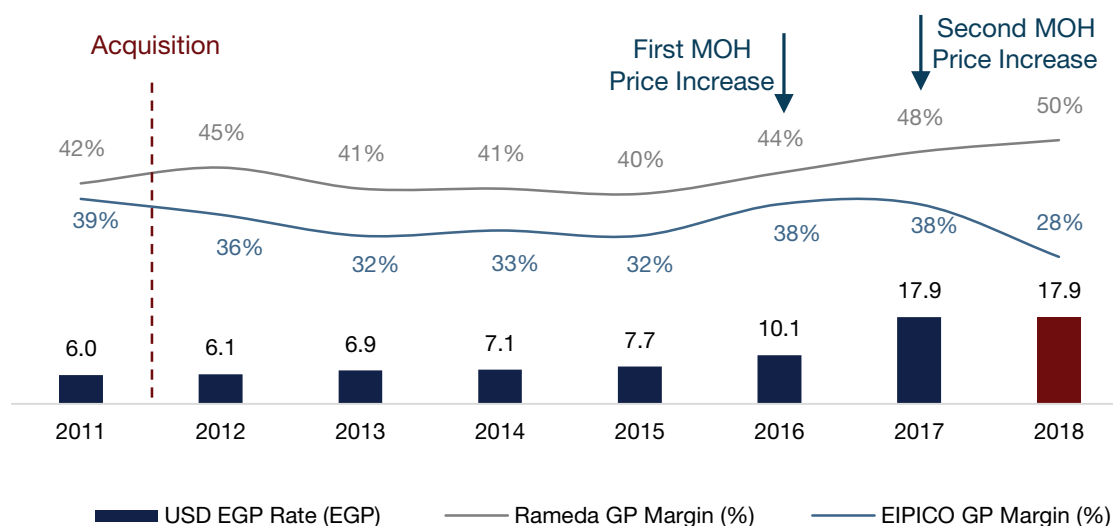
approval of the competent authority). Such announcements include the bidding entity, the date of submission, the required product or work, the amount of temporary insurance, the final rate of insurance, the price of the conditions' booklet, and any other information that the administrative body deems necessary for the deal.

Regulatory

As a pharmaceutical manufacturer, the Group operates in a stringent regulatory environment, which the Directors believe creates a significant barrier to entry for other companies considering an entrance into the Egyptian pharmaceutical industry. Please see “*Regulatory Overview*” for a discussion of certain significant laws and regulations applicable to the Group and its business.

Pricing

The pricing of pharmaceutical products in Egypt is regulated by the MOHP. Historically, the MOHP has shown demonstrated sensitivity to the impact of economic factors on the pharmaceutical industry, for example, by allowing price adjustments in order to account for foreign currency fluctuations resulting from the devaluation of the Egyptian pound. Such adjustments enable price increases in order to avoid margin erosion which may otherwise result from the effects of inflation. In recent years, the MOHP has intervened on two occasions to increase prices. In 2016, in response to the devaluation of the Egyptian pound, the MOHP applied a price increase of 20% to all products priced under EGP 30 (up to a maximum increase of EGP 6 per unit). In 2017, the MOHP increased the price of 15% of the Group's portfolio by up to 50%. The diagram below sets forth by way of example, the stabilising effect this had on the Group's margins as well as on the margins of one of the Group's peers, EIPICO.



Universal Health Insurance Law

A significant regulatory development occurred on 11 July 2018, when the Egyptian Government enacted a new law pertaining to medical insurance, the Universal Health Insurance Law, which entered into force on 18 July 2018. The Universal Health Insurance Law is expected to reshape Egypt's insurance system to make healthcare more accessible to all Egyptian nationals residing in Egypt and reduce the cost of healthcare for individuals. Under the Universal Health Insurance Law, all Egyptian residents, with the exception of military personnel, will be covered under the universal healthcare system. Subscription is optional for expatriates living in the country and for Egyptians living abroad. The Universal Health Insurance Law is expected to result in a significant increase in coverage as compared to the previous policy, under which only 58% of the Egyptian population had health insurance and only 6% used the services provided under such coverage.

The insurance provided under the Universal Health Insurance Law covers treatments, rehabilitation programs, scans, lab work, and workplace injuries, but does not cover public health services, ambulance services, private family health plans, natural disasters and epidemics. Under the Universal Health Insurance Law, the Egyptian Government will pay for the entire cost of covered items for individuals whom the law deems unable to pay, which is expected to be approximately 23.7 million people based on the expected population at the time the law has been fully implemented.

Pursuant to the Universal Health Insurance Law, insured individuals are responsible for covering 10% of the cost of any medications they need (excluding pharmaceuticals for the treatment of chronic conditions and

oncology) and by 2028, insured individuals will be responsible for covering 15%. Such coverage is capped at EGP 1,000. The law is expected to significantly reduce direct marginal costs for Egyptian consumers in relation to pharmaceutical products.

The Universal Health Insurance Law will be implemented in geographical phases, as to give time for the improvement/preparation of health service providers' quality and readiness, beginning in the Port Said, Ismailia and Sinai governorates and ending with Cairo, Giza and Kalyoubeya, and is expected to cover all of Egypt by 2033 at the latest. The costs associated with the implementation of the Universal Health Insurance Law is expected to be covered in part by premiums charged to both individuals and employers and will vary based on employment status and age. Costs will also be covered in part by changes to the corporate tax structure and the imposition of new taxes on the sale of cigarettes.

The Directors expect the implementation of the Universal Health Insurance Law to trigger additional spending in the Egyptian healthcare sector as spending accelerates to cover the significant portion of the population who previously had limited or no access to healthcare. This increased spending is across the healthcare sector generally, but the Directors believe generic pharmaceutical manufacturers are positioned to be a key beneficiary.

Nationwide screening

The Egyptian Government is also introducing nation-wide free screening for hypertension, diabetes and hepatitis C for Egyptian residents who are older than 18 years old and who have not previously been diagnosed or treated for these diseases. In addition, 4.5 million students will be screened for obesity, dwarfism and anaemia. The screening is intended to diagnose these conditions as early as possible so that patients can begin treatment at an early stage and to limit any future complications that may arise from such chronic conditions. The screening is expected to generate awareness of chronic diseases in the Egyptian population and to result in increased detection rates and treatment compliance and therefore, an increased demand for pharmaceutical products required to provide treatment on an ongoing basis. As part of the screening initiative, the Egyptian Government intends to utilise medical centres, including mobile medical centres and health screening teams, in each of the 27 governorates in Egypt. As of 11 May 2019, 52 million people had been screened.

BUSINESS

Overview

The Group is the fastest growing pharmaceutical company among the top 25 pharmaceutical companies in Egypt and is principally engaged in the manufacture and sale of a wide range of branded generic pharmaceutical products (both prescription and over-the-counter), and, to a lesser extent, over-the-counter nutraceuticals, cosmeceuticals, food supplements, medical devices and veterinary products. Measured by its sales value CAGR from 2013 to 2018, the Group ranks first among the top 25 pharmaceutical companies in Egypt. The Group has developed an attractive portfolio which includes 97 marketed products relating to 67 molecules and a pipeline of 354 products relating to 219 molecules, across 11 of the 16 therapeutic areas in the Egyptian pharmaceutical industry. The Group is predominately focused on six therapeutic areas, the top three of which each accounted for approximately 44.4%, 23.4% and 14.3% of the Group's private sales in 2018 (systemic anti-infectives, alimentary tract and metabolism, and genitourinary system and sex hormones, respectively) and three of which the Group has identified as emerging therapeutic areas experiencing high growth rates in Egypt (cardiovascular system, nervous system, and blood and blood-forming organs) (Source: IQVIA data).

In addition to driving growth in its existing portfolio, the Group seeks to grow its portfolio both through the identification of molecules being marketed in other countries which the Group then undertakes to register and launch in Egypt and through ordinary course acquisitions from other Egyptian pharmaceutical companies of molecules already registered or in the final stages of registration in Egypt. As a generic pharmaceutical company, the Group does not conduct its own research and development to create innovative or new molecules.

New product launches have been a main driver of the Group's growth. For example, in 2018, sales of products launched since the beginning of 2012 accounted for 52% of the Group's sales of goods (net). The Directors expect new product launches to contribute to continued revenue growth going forward. The Group plans to launch 12 molecules in 2020 and 12 to 15 molecules per year in the medium term.

The Group acquires new molecules in the ordinary course of its business. Between 2012 and 2018, the Group acquired 33 new molecules, of which 21 molecules have been launched, including Protofix and Joypox, to which 8.4% and 6.3% of the Group's revenues in 2018 were attributable, respectively.

The Group benefits from several different revenue sources, predominantly selling its own products privately to domestic distributors, but also selling its products under contracts secured through domestic institutional sales and public tenders and through export agents. To monetise its spare production capacity, the Group also selectively engages in toll manufacturing arrangements when the product manufacturing requirements of such arrangements are compatible with the Group's production capabilities and capacity utilisation. The following table presents the Group's revenues by type and as a percentage of revenues for the years and periods indicated.

	Nine month period ended 30 September				Year ended 31 December					
	2019		2018		2018		2017		2016	
	(unaudited)				(EGP millions, except percentages)					
Toll manufacturing services . .	28.2	4.6%	28.8	5.0%	39.5	4.9%	31.0	4.9%	12.3	3.1%
Export sales	33.9	5.5%	37.0	6.5%	60.5	7.5%	50.7	8.1%	30.3	7.7%
Domestic sales										
<i>Tenders</i>	140.8	22.8%	146.4	25.6%	177.5	22.0%	157.4	25.1%	111.5	28.3%
<i>Veterinary sales</i>	1.7	0.3%	4.2	0.7%	4.2	0.5%	6.1	1.0%	3.1	0.8%
<i>Private sales</i>	414.2	66.9%	355.6	62.2%	523.5	65.0%	383.3	61.0%	236.8	60.1%
Total domestic sales	556.6	90.0%	506.2	88.5%	705.2	87.6%	546.8	87.0%	351.6	89.2%
Revenues	618.7	100%	572.0	100%	805.2	100%	628.5	100%	394.1	100%

The Group's headquarters and modern and well-invested production facility are located in 6th of October City in the Giza Governorate west of Cairo. The Group's production facility features 20 production lines situated in three independent factories, located within the same production facility, providing the Group with diversified production capabilities. Following the acquisition of the Group by a consortium of financial investors led by Compass Capital in 2011 and the subsequent turnaround plan formulated by the newly appointed management, the Group has made extensive capital expenditures, which have now been largely completed, to renovate and streamline its production facility, diversify its production capabilities and increase its production capacity. The Group is committed to the highest standards of quality, health and safety. Its production facility complies with

the latest GMP requirements and has been granted multiple ISO certifications from the International Standardization Organization.

These factory upgrades, capacity increases and additions of new lines, together with new product launches, have enabled the Group to grow its revenues significantly. The Group's revenues were EGP 618.7 million for the nine month period ended 30 September 2019 compared to EGP 572.0 million for the nine month period ended 30 September 2018. The Group's revenues were EGP 805.2 million, EGP 628.5 million and EGP 394.1 million for the years ended 31 December 2018, 2017 and 2016, respectively, reflecting a CAGR of 42.9% over the three year period.

The Group is led by a strong and experienced senior management team who have driven the turnaround of the business through difficult market conditions and have established a pathway to the future growth and success of the business.

History

Corporate history

The Group was established in 1986 and commenced operations in 1994. The Group grew slowly until 2011, when it was acquired by a consortium of financial investors led by Compass Capital. Less than one week after that acquisition, the Egyptian Revolution began and Egypt entered a period of political and economic volatility and uncertainty. Nevertheless, the Group's senior management, with the support of Compass Capital, began to execute its transformational strategy for the business. The Group entered what it considered to be a stabilisation phase during the remainder of 2011 through the end of 2012 during which the Group's new management team was formed, joining the business from leading multinational pharmaceutical companies.

During this period, the Group established and executed a detailed, substantial and transformational strategy with the objective of establishing the Group as a leading player in the Egyptian pharmaceutical industry. In order to improve levels of motivation and reliability in its employees in the period following the Egyptian Revolution, the Group's senior management developed the Group's corporate culture by defining and bolstering its core values and implementing new training and incentive initiatives.

At the time of the 2011 acquisition, the Group had a limited product pipeline, which was developed by previous management. Beginning in 2012, the Group's senior management embarked on an extensive registration initiative to build the Group's offering in key therapeutic areas. In parallel, the Group's senior management developed a comprehensive plan to acquire existing molecules from competitors, in order to supplement growth, which during the period, had the added benefit of circumventing the extended delays in the product registration process caused by political uncertainty at the time. Launching these new products at favourable price points and with improved margins, in addition to taking advantage of the MOHP's pricing increases, allowed the Group to absorb any negative implication caused by the devaluation of the Egyptian pound which took place in November 2016, while simultaneously increasing its revenues in EGP terms.

These strategic measures helped to improve the Group's overall financial performance to reach revenues of EGP 805.2 million, adjusted EBITDA of EGP 288.9 million and an average price per product, according to IQVIA, of EGP 25.0 in 2018, as compared to revenues of EGP 87.1 million, adjusted EBITDA of EGP 17.2 million and an average retail price per product, according to IQVIA, of EGP 6.6 in 2010, prior to the acquisition. For context, the Egyptian pharmaceutical market experienced revenues of EGP 66.6 billion and an average unit price of EGP 28.5 in 2018 as compared to revenues of EGP 17.1 billion and an average unit price of EGP 10.8 in 2010. In 2016, the Group's average unit price exceeded for the first time that of the top domestic players within the overall top 30 players in the Egyptian pharmaceutical industry (*Source: IQVIA data*). In 2018, on the back of its marketing efforts, organic and acquired molecule launches, factory upgrades and capacity increases, the Group became the fastest growing pharmaceutical company among the top 25 players in the Egyptian pharmaceutical market measured by sales value CAGR from 2013 to 2018 (*Source: IQVIA data*).

Product history

At the time of the 2011 acquisition, the Group had a portfolio of 61 registered molecules relating to 83 products, which the Group's senior management believed were underperforming. Since that time, the Group has managed to increase its market share and grow its sales of these products.

In addition, since the beginning of 2012, the Group has launched 40 molecules which accounted for 52% of the Group's sales of goods (net) in 2018.

Beginning in 2012, the Group began to strategically acquire new products in promising therapeutic areas with strong growth potential and attractive margins. In 2013, the Group acquired some of its top selling molecules, namely, Protofix, which treats acid-reflux, and X-Tension Plus and X-Tension, which both treat high blood pressure, representing 8.4%, 2.9% and 1.7% respectively of the Group's revenues in 2018. In 2014, the Group acquired Joypox, which treats premature ejaculation and is currently one of the Group's leading products and the leader of its therapeutic class (ATC 5), contributing 6.3% of the Group's revenues in 2018.

The Group acquired 13 molecules in 2017 and 9 molecules in 2018. Total acquired products accounted for EGP 219 million, or 27.2%, of the Group's revenues in 2018. The following table sets forth certain information regarding the Group's molecule acquisitions for the years indicated.

	2012	2013	2014	2015	2016	2017	2018
Molecule acquisitions	3	3	2	3 ⁽¹⁾	— ⁽¹⁾	13	9
Revenue contribution (EGP millions)	0	26	47	75	90	156	219
Consideration paid (EGP millions)	1	23	15	6	—	32	31

(1) In 2015 and 2016, the Group was not as active in acquisitions due to (a) foreign currency fluctuations without the corresponding repricing of assets at that point in time, (b) margin compression in 2014 and 2015 leading to limited excess funds.

Production history

In April 2011, the Group hired German designer, M+W Group, to re-design its production facility to comply with the latest GMP standards. In June 2012, the Group's senior management embarked on an initiative to upgrade the existing machinery and enhance its overall performance, in parallel with the implementation of M+W Group's designs. This upgrade addressed bottlenecking issues and allowed the Group to successfully increase the capacity of its cephalosporin (a subclass of antibiotics called beta-lactam antibiotics used in the treatment of bacterial infections) injectable plant from nine million units to 44 million units per year.

In 2013, the Group completed an upgrade of its cephalosporin and penicillin factories which involved upgrading the penicillin area, increasing the capacity of the blister packaging machine and the addition of two new production lines, including a tablet line and macro dosing powder line, which is used to fill non-free-flowing powders into large glass or plastic bottles. These upgrades brought the Group's facilities into compliance with the latest GMP requirements, creating a modern and well-invested production facility complete with all the support functions necessary for its independence, including HVAC and shelving.

In 2014, the Group continued upgrading its facilities and production capabilities. Also in 2014, the Group upgraded its solid dosage production area and added macro dosing production capability, including a large volume sachet line. Following the completion of these upgrades, the Group passed several key production audits which were conducted by multinational companies seeking to purchase toll manufacturing services from the Group and foreign ministries of health to register facilities in order to open potential export markets.

During 2015, the Group further increased its capacity by building a new production area for its BFS production line, which is used to produce liquid-filled containers. The Group also upgraded its eye drop production area and resolved operational bottlenecks in several of its production lines.

Between 2016 and 2018, the Group formulated and executed an EGP 250 million capital expenditure plan intended to make additional improvements of the Group's production facility and increase its production capacity in order to fuel the further growth of the Group. The plan included increasing the capacity of the Group's existing macro dosing cephalosporin line and the installation of an additional cephalosporin injectable production line, an additional BFS production line, two lyophilised (or freeze-drying) production lines and a water purification system. The plan also included the redesign and upgrade of the Group's solid dosage production area to bring it into compliance with the latest GMP requirements.

In November 2018, the Group completed the installation of the new water purification system which increased the Group's capacity from approximately six cubic meters per hour to ten cubic meters per hour. Also in 2018, the Group made upgrades to its heating, ventilation and air conditioning system and the partitioning throughout the Group's facilities.

In April 2019, the Group completed the installation and commenced operation of an additional BFS production line, which increased its BFS production capacity from 35 million ampoules per year to 144 million ampoules per year.

The redesign and upgrade of the solid dosage production area was completed in September 2019.

In November 2019, the Group commenced operation of its upgraded macro dosing cephalosporin production line, and its recently installed additional cephalosporin injectable production line which, together, will increase the production capacity of its cephalosporin factory from 46 million units per year to 109 million units per year. Also in November 2019, the Group commenced operation of its two new lyophilised production lines, which will allow the Group to produce up to 13 million bottles of lyophilised injectables per year. Lyophilisation is a low temperature dehydration process commonly used in the production of certain pharmaceutical products.

Upon completion of these upgrades and the introduction of these additional lines the Group's production facility will feature 20 production lines. The addition of the new lines created redundancies across the Group's cephalosporin injectable and BFS lines which are intended to increase capacity and de-risk the Group's production activities, enabling the Group to carry out maintenance on one line while still meeting production demand through others. All of these improvements and capacity increases have been fully funded through the Group's own resources and secured bank facilities. Of the EGP 250 million spent between 2016 and 2018, approximately 86.9% was spent in 2018.

Competitive Strengths

Strong position in the growing generic pharmaceutical industry in Egypt

The Group is the fastest growing pharmaceutical company measured by its sales value CAGR from 2013 to 2018 among the top 25 pharmaceutical companies in Egypt. Between 2010 and 2018, the Group experienced a revenue CAGR of 32% and an adjusted EBITDA CAGR of 42%. Over the same period the Group increased its adjusted EBITDA margin from 20% in 2010 to 35.9% in 2018. Measured by its sales value CAGR from 2013 to 2018, the Group ranks first among the top 25 pharmaceutical companies in Egypt. Much of the Group's growth leading to its current strong market position is the result of the successful launch of new products, marketing efforts, factory upgrades, capacity increases and molecule and related product acquisitions, a process which is ongoing and which the Directors expect will solidify its strong position and fuel further growth.

The Egyptian pharmaceutical industry is one of the fastest growing industries in the MENA region. Between 2014 and 2018, the industry grew at a CAGR of 22%. A number of multinational pharmaceutical companies operate in Egypt. These companies primarily manufacture innovator products while Egyptian domestic producers, such as the Group, produce mainly generic products. The Egyptian pharmaceutical industry is increasingly shifting in favour of generic products and the Directors expect this trend to continue and to contribute to the Group's ability to continue to increase its market share and improve its overall market position.

The pharmaceutical industry in Egypt is underpinned by solid demographic fundamentals. Egypt has the largest population in the MENA region and is experiencing rapid population growth. Egypt's population is currently approximately 99.4 million and has grown at a CAGR of 2.8% between 2014 and 2018. Furthermore, the percentage of Egypt's population over the age of 40 is expected to grow from 27% of the population in 2018, to 30% of the population in 2027, which is expected to present opportunities for pharmaceutical companies such as the Group who produce products which manage or treat chronic and lifestyle diseases, such as hypertension and diabetes, which have a higher incidence in those over the age of 40.

Well positioned existing portfolio of market leading products in the main and high growth therapeutic areas of Egypt's underpenetrated pharmaceutical industry

The Group has an attractive portfolio of market leading products across key and high growth therapeutic areas in the Egyptian pharmaceutical industry. The Group's brand is well established and recognised in Egypt. The Group regularly brings new products to market and as of 30 June 2019, has a portfolio of 97 marketed products relating to 67 different molecules covering 11 out of the 16 therapeutic areas in the Egyptian pharmaceutical industry. Sales of products in the three main therapeutic areas (ranked as a percentage of the overall pharmaceutical industry in Egypt based on value), systemic anti-infectives, alimentary tract and metabolism, and genitourinary system and sex hormones, together accounted for more than 82.0% of the Group's private sales in 2018 (*Source: IQVIA data*). In addition to the three main therapeutic areas, the Group has identified three additional therapeutic areas as emerging therapeutic areas experiencing high growth rates in Egypt: cardio-vascular system, nervous system and blood and blood-forming organs. In addition to these six main therapeutic areas, the other five therapeutic areas in which the Group operates together comprised less than 3.1% of the Group's private sales in 2018 (*Source: IQVIA data*).

The Group currently has 16 products ranked in the top three by overall market share in their class. The Group's three molecules which enjoy the highest market share are Rametax, Colona and Joypox. The Group's leading molecule, Rametax, a cephalosporin injectable antibiotic, had a market share of 20.3% (ATC 5) and accounted

for 19.8% of the Group's revenues in 2018. Colona, an antispasmodic/ataractic combination molecule, which has a tranquilising effect used to treat intestinal tract disorders, had a market share of 28.0% (ATC 5) and accounted for 12.0% of the Group's revenues in 2018. Joypox, a molecule that is used to treat premature ejaculation, had a market share of 43.7% (ATC 5) and accounted for 6.3% of the Group's revenues in 2018.

The Group has experienced strong growth over the past three years and currently enjoys a strong and improving position in its primary market, Egypt. The Group has outgrown the market in its six main therapeutic areas, growing sales between 2016 and 2018 by a CAGR of 43.2%, while the overall market has grown over the same period by a CAGR of 26.5% (*Source: IQVIA data*).

The Directors believe that the Egyptian pharmaceutical industry remains substantially underpenetrated. According to Euromonitor and IMF data, as of the end of 2018, average pharmaceutical expenditure per capita in Egypt represents less than 15% of the average pharmaceutical expenditure per capita in the MENA region, standing at just USD 23, compared to an average for the region of USD 160.

Proven ability to identify, acquire and register new molecules

The acquisition of new molecules has played a central role in the Group's growth and the Group's senior management has demonstrated a proven ability to assess market performance and growth potential in order to identify, acquire and register molecules that further its strategy. In 2011, the new management team assembled following the acquisition of the Group by a consortium of financial investors led by Compass Capital identified weaknesses in the Group's product portfolio and set out to change the product portfolio mix. Their goal was to shift the composition of the Group's product portfolio in order to capitalise on attractive opportunities in the high growth therapeutic areas with strong growth potential and attractive margins. Alongside its efforts to register new molecules, the Group began to strategically acquire molecules from competitors with existing market share, or molecules which were in advanced stages of the registration process, and to launch them under the Group's brand. In 2012, almost immediately following the acquisition of the Group, the new management team identified and completed its first molecule acquisitions. In 2013, the Group acquired some of its top selling molecules, namely, Protofix, X-Tension Plus and X-Tension, representing 8.4%, 2.9% and 1.7% of the Group's revenues in 2018, respectively.

The Group has continued to identify, acquire and register new molecules and has a demonstrated ability to successfully do so. The Group acquired 33 new molecules between 2012 and 2018 for a total consideration of approximately EGP 109.3 million. Total acquired molecules accounted for approximately 27.2% of the Group's sales of goods (net) in 2018.

The Group has demonstrated its ability to identify, acquire and register molecules that yield a high return on investment through the implementation of a robust and methodical molecule valuation process. This process has resulted in acquisitions that are value accretive to the Group as acquisitions are generally executed at significant discounts to industry multiples. The Group seeks to acquire molecules at attractive prices, ideally targeting an aggregate gross profit margin of 50% and an aggregate gross profit payback period of less than three years. For the Group's portfolio of products acquired between 2012 and 2018, the Group has achieved a multiple of aggregate price to next 12 month sales of 0.64. The Directors expect the Group to be able to capitalise on its market reputation, its successful acquisition experience and its deep market knowledge to continue to identify attractive new molecules, command attractive acquisition pricing terms and ultimately to acquire additional new molecules which will enable it to deliver its strategy.

Successful track record in launching new products

Since 2012, the Group has established a successful track record of new product launches across a variety of therapeutic areas and, in particular, in the main therapeutic areas of systemic anti-infectives, alimentary tract and metabolism, and genitourinary system and sex hormones. The Group has extensive experience in bringing new products to market in Egypt by effectively managing the process of launching and marketing new products that it already owns or has recently acquired, and has done so successfully in growing its current product portfolio. Sales from products launched by the Group since the beginning of 2012 accounted for 52% of the Group's sales of goods (net) in 2018. Further, the Group has been able to significantly grow its gross profit margins in relation to domestic sales for products launched after 2011 as compared to those launched prior to 2011. For example, in 2016, 2017 and 2018, domestic sales gross profit margins (excluding cash discounts) for products launched after 2011 were 62%, 61% and 62%, respectively, as compared to 38%, 41% and 44%, respectively, for products launched prior to 2011. Building on strong growth from the Group's marketed portfolio, the Directors expect recent and future new product launches to be a key driver of the future growth of the Group's business.

The Directors believe that the experience gained through successful product launches over the past several years will prove valuable as the Group accelerates its strategy of launching new products. Between 2016 and 2018, the Group launched 29 new products relating to 20 molecules. The Group has launched four new molecules in 2019 and plans to launch a further five molecules in December 2019. As of 30 June 2019, the Group had 354 products relating to 219 molecules in its product pipeline.

Well positioned to benefit from the shift in Egypt's epidemiological profile as well as the Egyptian Government's relatively recent healthcare initiatives

The pharmaceutical industry in Egypt is underpinned by strong underlying demographic fundamentals and a shift in the country's epidemiological profile which is expected to present opportunities for pharmaceutical businesses such as the Group. In particular, the Directors believe that the Group is well positioned to provide products to the market that address the pharmacological needs presented by the increasing prevalence of chronic and lifestyle diseases in Egypt, such as diabetes, hypertension and depressive disorder. The Directors believe that the Egyptian pharmaceutical industry is shifting toward an increased focus on medications which treat and manage such diseases. Chronic conditions requiring ongoing treatment represent a significant opportunity for generic pharmaceutical manufacturers, providing stable, recurring revenues from repeat prescriptions. Consumers of products which treat or manage chronic conditions tend to be brand loyal, and as a result, can offer an annuity-like revenue stream once they have adopted a particular product.

Historically, the diagnosis rate for chronic and lifestyle diseases in Egypt has been low as a result of a lack of both resources and awareness. Because many chronic conditions are debilitating, but not life threatening, their detection and treatment has historically received lower priority in public health policies. Egypt initiated a nationwide health screening program in 2018, including free screening for hypertension, diabetes and hepatitis C. This free screening is available to all Egyptian residents above the age of 18 who have not previously been tested. As of 11 May 2019, approximately 52 million individuals had been screened under the program. As of 30 September in 2019, 18% of Egyptians have been diagnosed with diabetes. The nationwide screening program is expected to increase the diagnosis rate for these diseases while also accelerating the timing of diagnoses, allowing patients to live longer and healthier lives with the assistance of proper medication. The screening program compliments broader nationwide government health initiatives in Egypt under the Universal Health Insurance Law that are designed to increase awareness and early detection and prolong patients' lives. Increased detection and treatment rates are expected to be significant volume drivers for the pharmaceutical industry in Egypt. As of 30 June 2019, 30% of the Group's marketed pharmaceutical products and 50% of the Group's pipeline pharmaceutical products, together 152 products, target chronic and lifestyle diseases.

Egypt's new healthcare initiatives also include provisions for universal health insurance and subsidy reallocation. Under the universal insurance program, all Egyptian residents will be required to be enrolled in the Egyptian Government's mandatory health insurance scheme. Enrolment is optional for Egyptian citizens residing abroad. The cost of enrolment will be determined based on income level, with individuals earning below the minimum wage to be covered at low or zero cost. This program is expected to further improve access to healthcare and patient volumes which is likely to ultimately result in an increase in the number of diagnosed patients who will seek to treat and manage their conditions through the use of pharmaceuticals. The Egyptian Government's approach to healthcare subsidies is also shifting, with increasing means-tested coverage designed to support low income individuals. The result has been a shift towards private healthcare by Egypt's middle and high income population, while increasing access to healthcare for lower income earners. This subsidy reallocation policy is indicative of the Egyptian Government's broader approach to healthcare reform, focusing on transferring costs to the patient where possible while providing a safety net where required. The Directors believe that the Group is well placed to capture a share of the growing pharmaceutical industry which is expected to result from these new healthcare initiatives.

Newly renovated production facility resulting in increased capacity, de-risking production and broadening production capabilities while offering growth potential

The Group operates a modern, well-invested production facility which is compliant with current GMP requirements. The newly renovated facility comprises three independent factories, an administrative building (in which the Group's headquarters are located), warehousing and distribution utilities and other support facilities. The facility is located in 6th of October City on an approximately 41,500 square meter plot which includes approximately 38,300 square meters of buildings. The facility was originally designed by the German company, V-Konsult and was redesigned in 2011 by the German designer M+W Group.

Between 2011 and 2014, the Group invested approximately EGP 144.7 million to redesign and upgrade the facility. The Group made additional capital expenditures from 2016 to 2018 totalling approximately

EGP 250 million, 86.9% of which was spent in 2018, to upgrade and modernise its production facility and to increase capacity. This facility upgrade included the introduction of new production lines and machinery in the cephalosporin injectable, BFS and lyophilised injectable production areas, resulting in significant capacity increases. In the cephalosporin injectable production area, a second production line has been installed which is expected to reduce the potential risk of downtime associated with operating a single line. The new BFS line increased the Group's capacity to produce products utilising this technology by nearly four times. The new production area for lyophilised injectables contains two new production lines, which are among a limited number of such production lines in operation in Egypt and which the Directors believe will enable the Group to satisfy excess demand and offer toll manufacturing services at relatively attractive prices. The Group has also recently introduced automated packaging for its eye drops and cephalosporin production lines to improve efficiency and reduce costs. All of these improvements and capacity increases have been fully funded and are expected to be completed by the end of November 2019.

In December 2018, the Group completed the installation of a new water purification system to accommodate the increased production capacity resulting from the recent expansion and upgrade of the facility as well as an upgrade of the existing water station and associated utilities plant. The new water purification system increased the Group's capacity for the production of purified water from six cubic meters per hour to ten cubic meters per hour.

Once complete, the renovated production facility will include a total of 20 production lines; 15 in the general factory, three in the cephalosporin factory and two in the penicillin factory. The facility will have a total capacity of 550.1 million units per year; 400.4 million units in the general factory, 109.3 million units in the cephalosporin factory and 40.4 million units in the penicillin factory. Capacity utilisation rates in 2018 were 50% in the general factory, 93% in the cephalosporin factory and 54% in the penicillin factory and are expected to fall upon completion of the latest round of upgrades. Given current utilisation rates, the Group has capacity to expand its production, including through toll manufacturing operations, to fuel growth. The additional production lines and increased capacity also protect the Group's operations from potentially costly production delays which might result from line shutdowns for maintenance or mechanical issues. The Directors believe that these improvements will give it unique production capabilities in Egypt which will help the Group solidify and further improve its strong market position and eliminate the need for substantial additional capital expenditures for the medium term.

Experienced management team with a strong track record

The Group benefits from a strong, cohesive management team with extensive multinational experience in the pharmaceutical industry, including with the major international pharmaceutical companies in both Egypt and abroad. The team is led by its Chief Executive Officer, Dr. Amr Morsy, who joined the Group in 2011 following the acquisition of the Group by a consortium of financial investors led by Compass Capital. Dr. Morsy has over 28 years of both strategic and operational experience in the pharmaceutical industry, most notably serving as chairman and CEO for Pfizer in Egypt and Sudan. Dr. Morsy leads a team of experienced pharmaceutical industry professionals with multinational experience in finance, business development, sales and marketing and operations and production gained at multinational pharmaceutical companies as well as with Egypt's leading domestic pharmaceutical companies. Collectively, the members of the Group's senior management team have over 250 years of experience gained at leading international pharmaceutical companies such as Pfizer, Bristol Myers Squibb and Eli Lilly & Co. and local and regional pharmaceutical companies such as Tabuk Pharmaceutical, EIPICO, Delta Pharma, October Pharma, IDI Pharma and Takeda Pharmaceuticals.

The Group's senior management has a demonstrated ability to lead the Group and execute the Group's strategies through exceptional times in Egypt's and the Group's history through the identification, acquisition and launch of new molecules and products, spearheading the Group's turnaround. The Group's senior management has developed a strong, cohesive relationship which has enabled efficient decision-making and the smooth execution of the Group's strategy. The Group has a succession plan in place to account for future changes to the Group's senior management, which is designed to ensure the seamless continuation of the Group's business going forward.

Strategy

Penetrate large and fast-growing therapeutic areas

The Group plans to leverage its existing presence and to focus on expanding in the largest and fastest growing therapeutic areas. Those key therapeutic areas include systemic anti-infectives, alimentary tract and metabolism, genitourinary system and sex hormones, the cardiovascular system, the nervous system, and blood and blood-

forming organs. In order to ensure that the Group competes in the most attractive segments of the pharmaceutical industry, the Directors believe the Group has developed an attractive portfolio of marketed products as well as a robust pipeline of new products focused on these key fast-growing therapeutic areas. For example, the genitourinary system and sex hormones therapeutic area in Egypt has grown at a CAGR of 21.2% (in terms of sales) over the past five years. The Group's molecules in this therapeutic area (including, among others, Joypox, Vetoyagra and Marvigolin) comprised 14.3% of its private sales in 2018 (*Source: IQVIA data*). The Group's revenues in this therapeutic area have grown by a CAGR of 45.0% over the past five years. Likewise, the Group's revenues in the blood and blood-forming organs therapeutic area have grown at a CAGR of 37.4% over the past five years. The Group plans to grow its sales in these and other large and fast-growing therapeutic areas by increasing the market share of its existing products and introducing new products in order to respond to the increasing demand and growth potential in these therapeutic areas, which the Directors believe provide the Group with significant upside potential.

Register new molecules and related products

The Group actively seeks to register and ultimately launch new molecules which the Directors believe provide the business with significant upside potential. It actively monitors developments in the international pharmaceutical industry and the development and introduction of new molecules worldwide. Whenever possible, the Group aims to be the first to bring new molecules to market in Egypt in order to gain the considerable benefits associated with "first mover" advantage, including pricing benefits. These new molecules are expected to be primarily in the attractive high growth therapeutic areas and focused on products which treat chronic conditions and lifestyle diseases.

The process for registering new molecules generally takes approximately three years. The MOHP applies a so-called "box system" for the registration of molecules and related products, which is designed to control the number of products with similar molecules or specifications and to encourage domestic production. Currently, the "box system" limits the number of products with similar molecules as its API to 12 (one innovator, one imported generic product and ten domestically manufactured generic products), thereby limiting the number of companies who can register to sell any particular product. Moreover, applicable MOHP rules limit the number of new products that the Group can submit for approval to four (two per month for Rameda SAE and one per month for each of its 49% owned subsidiaries, Ramecare LLC (**Ramecare**) and Ramepharma LLC (**Ramepharma**)). The MOHP reverts if a "box" is available only after the molecule is submitted for registration, and therefore in the Group's experience, it is likely that if the Group's molecule application is not accepted, the Group will lose the availability for that month's product submission.

The Group's senior management has been focused on identifying and registering new molecules since 2011, however, following the Egyptian Revolution, significant delays in the registration process occurred which resulted in registrations taking between three to five years. The registration process has now generally normalised to one and a half to three years on average and as a result, the Group expects substantially all of its pipeline products which are currently undergoing registration to be available for launch in the coming years. Once registration has been completed, a product may be launched whenever the Group's senior management makes the decision to do so.

After obtaining registrations for a number of pipeline products currently undergoing registration, the Group currently plans to launch 12 molecules in 2020, including an increasing number of products designed to treat chronic conditions, which is expected to improve the balance of its product portfolio to respond to the changing demographic and epidemiologic profile in Egypt.

Selectively identify and acquire molecules

The Group's strategy has historically been to grow by strategic acquisition of individual molecules. Prior to the acquisition of the Group by a consortium of financial investors led by Compass Capital in 2011, the Group had a relatively limited product portfolio. Following that acquisition, the Group's new management team began strategically acquiring additional products in an effort to accelerate the Group's growth. The Group was able to acquire three of its top ten selling products by targeting new molecules in fast growing therapeutic areas with attractive valuations, creating prompt value accretion. Since 2012, the Group acquired 33 molecules from other Egyptian pharmaceutical companies and as of 30 June 2019, products relating to 21 of those molecules have been launched. Key molecules acquired during this time include Protofix and Joypox, which accounted for 8.4 and 6.3%, respectively, of the Group's revenues in 2018.

Although the Group remains open to the prospect of acquiring other pharmaceutical businesses should compelling opportunities present themselves, acquisition of individual molecules allows the Group to expand its

product portfolio without acquiring molecules that do not positively contribute to its existing offering. It also allows the Group to avoid portfolio overlap, overhead redundancies and business integration risks. Furthermore, seeking to acquire molecules that are already marketed gives the Group the opportunity to assess market performance and profitability ahead of an acquisition and gives it immediate revenue generation following acquisition.

The Group's marketing and sales teams regularly review the market for attractive molecules with strong potential and attractive pricing to add to the Group's portfolio. The Group has prioritised the acquisition of molecules in the high growth therapeutic areas with strong market potential. There is also an increased focus on the acquisition of established, revenue-generating products. The Directors believe that the number of pharmaceutical companies in the Egyptian market seeking to acquire molecules is relatively small. As a result of the Group's active approach to molecule acquisitions, it has established a market reputation, including among other pharmaceutical companies and industry brokers, as a molecule acquiring company, which in turn often gives it early knowledge of and access to potential transactions, giving it the opportunity to secure favourable terms and pre-empt competition from other bidders.

The Group follows a systematic molecule and product selection process which includes an evaluation of market trends and patient needs. The process begins with an analysis of publicly available information including price and sales data, followed by broad and detailed discussions between physicians and the Group's marketing team to assess demand. The Group's finance team analyses available financial data including production costs and sales price to assess potential profitability. The Group then assesses the willingness of molecule owners to consider selling a particular molecule, either through the Group's own network and in-house teams or through brokers. Once all molecule specific information has been gathered and analysed and the marketing team has confirmed the expected market potential, the Group engages in an intensive due diligence process. The distribution team conducts due diligence on the product in the market. The registration team conducts due diligence in relation to the molecule with the MOHP. The finance team conducts due diligence on the molecule's profitability and potential based on the marketing team's projections. Once this due diligence process is complete a valuation range is proposed to the Group's senior management and, if the decision is made to proceed, the Group enters into negotiations with the seller in an effort to agree an acquisition price that satisfies the Group's investment criteria.

The Group's product acquisition strategy allows it to venture into new molecules in promising therapeutic areas at attractive valuations, regardless of whether the relevant "box" registration is closed, thereby saving time and creating immediate value by acquiring products with existing registrations which in turn provides the Group with an immediate impact through the ability to market and sell such products without the delay associated with the registration process.

The Group plans to continue selectively identifying, acquiring and ultimately launching new molecules and products in accordance with its product acquisition strategy. The Group expects to do so wherever it identifies attractive molecules that fall within its selection criteria in order to further grow its revenues and market share, while also regularly considering broader acquisition opportunities.

Offer products at attractive price points with higher margins and further develop the brand

The Group focuses mainly on prescription pharmaceutical products, where demand is created by physicians adopting such products and prescribing them to patients who in turn purchase the products from pharmacies. Among pharmaceutical companies in Egypt, marketing efforts targeted at physicians are extensive and the market is highly competitive. Therefore, in order to increase sales and revenues, the Group's senior management actively seeks to launch products at attractive price points which offer higher margins, which in turn gives the Group the ability to increase its marketing efforts and raise the profile of its brand. The Group's strategy is to target products priced in the top 25% of generic equivalents in the Egyptian pharmaceutical industry. The benefit of this strategy derives from the fact that products sold at a higher retail price offer significantly enhanced margins. Likewise, the cost of marketing equivalent products is the same, so focusing on products offering higher margins maximises the impact of the Group's marketing activities.

Becoming the provider of choice of physicians is central to this strategy, and the Group focuses its marketing efforts on becoming the generic pharmaceutical of choice of key physicians who senior management believes have the potential to drive sales by prescribing the Group's products to patients. The Group's marketing team includes a high quality team of medical representatives with in-depth knowledge of the Group's products utilising high quality marketing materials and offering expertise to physicians. The Group also provides physicians with access to continuous learning resources through pharmaceutical seminars and conferences. As a result of these efforts, the Group has developed strong, trusted relationships with key physicians in Egypt.

The price of a product may have an impact a customer's perception of quality, with higher priced products being generally associated with higher quality. Within the generic pharmaceutical industry, customers tend to prefer generic products that they associate with high quality and therefore, in many cases, products with higher prices attract sales. Maximum prices for pharmaceutical products in Egypt are set by the MOHP according to established regulations. Nevertheless, over the past seven years, the Group has successfully increased its average unit price by 280%, compared to an average increase across the Egyptian pharmaceutical industry of 165% over the same period, and has improved its margins, in part by identifying and focusing on launching new molecules at attractive price points offering higher margins. The principal factors that contribute to higher average unit prices are: (a) new product launches, (b) the acquisition of products which have attractive price points, (c) periodic repricing by the MOHP and (d) the discontinuation of older and outdated products.

Capture market share and favourable pricing by being first to market

The Group aims, whenever possible, to gain "first mover" advantage, which means being the first to register a molecule and the first to introduce new molecules and products to the Egyptian market. The "first mover" advantage helps to solidify strong market share by instilling early brand loyalty among customers and prescribing physicians which supports sales and revenue going forward. Being first to market also results in a pricing advantage, since prices are initially set by the MOHP with reference to the innovator's price of the same product in a defined basket of 36 countries which often does not include emerging market countries where products will be introduced later and at lower prices. Ultimately, being first to market has a positive impact on average unit prices and the ability to gain market share in a less competitive environment. The Group has been successful in gaining "first mover" advantage in several of its recent new product launches, including Joypox, and expects to continue to seek to gain and capitalise on the competitive advantages of such strategy going forward. The Group's average unit price has increased from EGP 6.6 in 2010 to EGP 25.0 in 2018 (*Source: IQVIA data*). The Group plans to continue to focus on increasing its average unit price, increasing its sales of products with higher margins and, whenever possible, gaining "first mover" advantage.

Shift the Group's product portfolio over time towards products which treat and manage chronic conditions and lifestyle diseases

As the large and growing Egyptian population ages, the incidence of chronic conditions and lifestyle diseases is expected to increase. Egypt already has among the highest rates of diabetes, hypertension and depressive disorder in the MENA region. In response to this developing epidemiological trend, the Group plans to grow the number of molecules and products it offers that treat chronic conditions and lifestyle diseases. The Group has expanded its product portfolio into products which treat or manage chronic conditions and lifestyle diseases and the Directors believe that the Group has ample room to grow in this business going forward. The Group is continuing to proactively identify, acquire and register additional molecules and products that treat or manage chronic and lifestyle diseases in order to address shifting demand as these epidemiological trends develop among the growing and aging Egyptian population.

Acute conditions generally develop suddenly and last a short time, often a few days or weeks. Chronic conditions and lifestyle diseases, on the other hand, usually develop slowly and may worsen over months or years. Unlike acute conditions, chronic and lifestyle health conditions cannot be cured but can only be controlled or managed and therefore result in the need for the recurring use of pharmaceuticals to address the condition over the long term. The market demographics are shifting towards an older population with a higher probability of chronic illness.

Prior to 2011, approximately 15% of the Group's molecules treated chronic conditions. The Group's senior management has been proactively registering products which treat chronic conditions in order to address the existing patient pool and also to prepare for the shifting market demographic. As of 30 June 2019, 30% of the Group's marketed pharmaceutical products and 50% of the Group's pipeline pharmaceutical products, together 152 products, target chronic and lifestyle diseases. The Directors believe that shifting the balance of the composition of its portfolio over time towards products that treat chronic conditions and lifestyle diseases will enable the Group to play an active role in treating such conditions and diseases in Egypt and provide the Group with growth opportunities and a higher percentage of recurring revenues.

Diversify the Group's product range by entering the markets for nutraceuticals, cosmeceuticals and food supplements

The Group is seeking to strategically diversify its product offering, and is therefore is in the process of expanding its range of products to include nutraceutical products, cosmeceutical products and food supplements. Of its eight registered nutraceutical products, the Group has launched two products to date.

The Group's senior management has scheduled one cosmeceutical product for launch in 2019. The Group also has one registered food supplement relating to one molecule. Additionally, the Group's product pipeline includes 74 nutraceutical products. Food supplements have a shorter timeline for approval, being regulated by the Food Safety Authority as opposed to the CAPA. The Group's strategy with respect to this diversification of its product range is driven by Egypt's growing population and consumers' increased consciousness about disease management, which is being reflected in their lifestyle product choices. According to Euromonitor, spending on health and wellness consumer health products in Egypt increased between 2015 and 2018 at a CAGR of 24%. Additionally, the Group's senior management expects the new products it offers in these areas to benefit from co-prescription, where a physician prescribes certain of these over-the-counter products and supplements alongside a prescription for pharmaceutical medication, on the basis that the co-prescribed products complement each other in the treatment or management of a particular condition.

Leverage diverse manufacturing capability, increased production capacity and low capacity utilisation to increase production and toll manufacturing

The Group recently completed a plan to increase its production capacity and expand its production facility and capabilities. These initiatives included addressing bottlenecking issues and expanding and modernising the Group's production processes. As a result, the Group has diversified its manufacturing capabilities, increased its production capacity and, accordingly, lowered its utilisation rates in the short term. The two new lyophilised production lines became operational in November 2019 and have a combined capacity of 13 million vials per year. These production lines will initially be used to produce Protofix vials for which production was previously outsourced. The new cephalosporin injectable production line, which also became operational in November 2019, will increase the Group's capacity from 44 million to 92 million vials per year. The Group's BFS technology is currently used to produce water for injectables which is used in injectable drugs (whose solvent is water) and lidocaine. The new BFS line will increase the Group's capacity from 35 million to 144 million ampoules per year.

All of these improvements and capacity increases are underway and are fully paid. The cost of the project was fully funded through secured credit facilities and internally generated cash funds. The Group plans to utilise its newly improved and expanded production capabilities to grow its revenues and plans to sell excess capacity in the form of toll manufacturing services to a diverse client base, including well-known regional and international pharmaceutical companies such as Hikma and Sanofi, allowing for stable toll manufacturing revenues. The excess capacity also provides the Group with the flexibility to shift production between its own products and toll manufacturing in response to changing demand without the need for additional capital expenditures. Therefore, the Directors expect that the Group will benefit from having excess capacity in place to satisfy demand as the business grows.

Expand the Group's business regionally

In 2018, export sales comprised 7.5% of the Group's revenues. The Group was able to grow its revenues from export sales from EGP 30.3 million in 2016 to EGP 60.5 million in 2018, achieving a CAGR of 41.3% over the three-year period. The Group plans to further grow its business regionally and in Africa by increasing sales to its existing export markets, either organically or through the acquisition of existing businesses (namely those with an existing portfolio of products rather than acquiring additional manufacturing facilities), and by targeting additional markets that offer a similar proposition to Egypt, namely those with a large population and a favourable demographic profile where the development of the pharmaceutical industry is in an early stage with capacity to mature. The Group's current export markets include Iraq, Libya, Yemen, Sudan, South Sudan and Niger and the Group plans to expand further regionally and in Africa. In order to sell a pharmaceutical product in any given country, the producer must first pass an audit by the relevant country's ministry of health, or equivalent, and then begin the process of registering the products it wishes to sell. The Group has been actively engaged with the ministries of health in a number of countries in order to organise an audit of its production facility and it has already passed audits by the regulators of a number of countries and has registered products in four countries.

Group Objectives

As set out below, the Group has established certain financial and operating targets as measures of its performance which are based on the Group's business plan and a number of assumptions which the Group's senior management believes are appropriate, but which may turn out to be incorrect or different than expected. The targets are forward-looking statements and the Group's ability to achieve them will depend on a number of factors, many of which are outside of its control, including significant business, economic, political and

competitive uncertainties and contingencies and risks including those described in “*Risk Factors*”. As a result, the Group’s actual results may vary from the targets and those variations may be material. Except as specifically set out below, the Company has not defined by reference to specific periods the term “medium term” and the financial targets are not intended to be in respect of any particular financial year. See “*Forward-looking statements*”.

The Group has set the following objectives for the years ending 31 December 2019 and 31 December 2020, which it aims to achieve by executing its strategy and by leveraging its well-invested infrastructure:

- *Private sales:* Between 2017 and 2018, the Group achieved year-on-year growth with respect to its private sales revenue from its top ten molecules of 27%. For 2019, the Group expects year-on-year growth with respect to its private sales revenue from its top ten molecules and from all other molecules to be in line with other players in the market. For 2020, the Group expects its private sales revenue from its top ten molecules to grow between 25% and 30%.
- *Tenders:* For the year ended 31 December 2018, the Group earned EGP 177.5 million in tenders revenue. For the year ending 31 December 2019, the Group expects to earn between EGP 145 million and EGP 150 million in tenders revenue on its existing business. Additionally, the Group expects tenders revenue for 2019 to increase further as a result of a new EGP 60 million tender contract the Group entered into in the second half of 2019. The unexpected shortage in supply of Prototix vials due to disruptions in external toll manufacturing and the delay in commissioning the Group’s own lyophilized line is expected to reduce overall existing tender sales by approximately EGP 35 million as compared to the Group’s budget.
- *New launches:* The Group did not launch any new products in the first half of 2019, compared to seven new product launches in the first half of 2018. Due to the disruption in production caused by the upgrade of the Group’s production facility, new product launches planned for the third quarter of 2019 were delayed to the fourth quarter of 2019. The Group’s senior management expects the Group’s 2019 new molecule launches to contribute approximately EGP 20 million to EGP 25 million in revenue for the year ending 31 December 2019 as compared to EGP 50 million in revenue from new molecule launches for the year ended 31 December 2018 with an average sale price per unit of EGP 72. The Group’s senior management expects to launch a total of 9 new molecules in 2019 (four of which were launched in the third quarter of 2019 and five of which the Group expects to launch in December 2019) with an average sale price per unit of EGP 75 to EGP 80 and aims to launch 12 new molecules with an average sale price per unit of EGP 80 to EGP 85 in 2020. The Group’s new molecule launches in 2018 sold on average 77,160 units per launch and the Group expects to register similar sales volumes for new molecule launches in 2019 and 2020.
- *Toll manufacturing services:* For the year ended 31 December 2018, the Group had 27 toll manufacturing clients, up from 21 for the year ended 31 December 2017 and 18 for the year ended 31 December 2016. During the year ending 31 December 2019, the Group aims to achieve growth in its number of toll manufacturing clients similar to the growth experienced in the year ending 31 December 2018. The Group’s average revenue per toll manufacturing client was EGP 1.5 million for the year ended 31 December 2018 and the Group aims to achieve similar average revenue per toll manufacturing client for the year ending 31 December 2019.
- *Export sales:* In 2017 and 2018, the Group exported to six countries, up from four in 2016. The Group’s average revenue per export market was EGP 10.1 million for the year ended 31 December 2018 (compared to EGP 10.1 million for the year ended 31 December 2017 and EGP 7.6 million for the year ended 31 December 2016). The Group’s senior management expects that average revenue per export market will remain in line with recent performance for the year ending 31 December 2019.
- *Effective tax rate:* The Group’s effective tax rate was 22.95% for the year ended 31 December 2018 and the Group’s senior management expects its effective tax rate to be 22.5% for the year ending 31 December 2019.

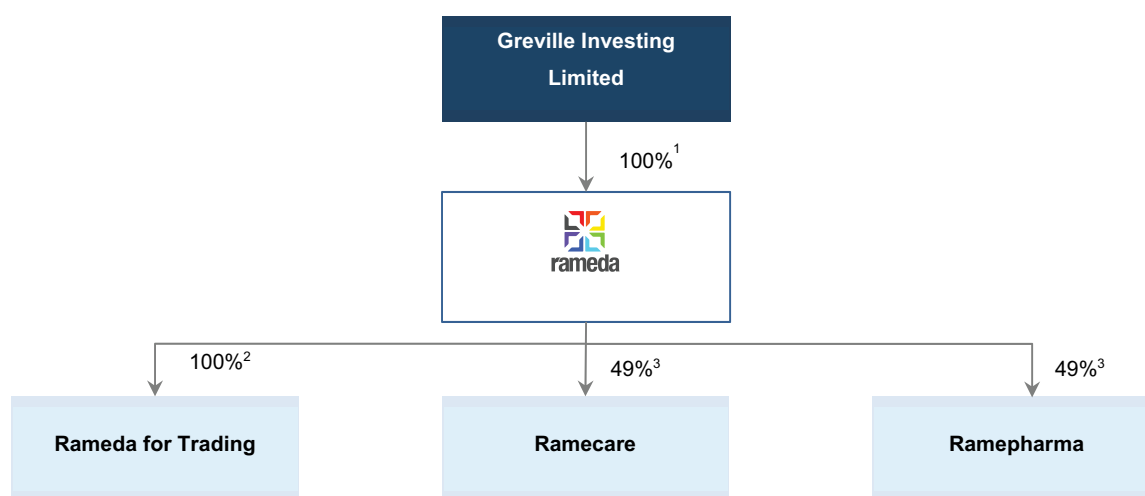
In the medium term, the Group’s objectives are as follows:

- *Domestic gross profit margin:* the Group aims to have a gross profit margin in the range of 55–60% for the domestic segment over the medium term as compared to a gross profit margin of 49.0% for the year ended 31 December 2018.
- *Retail gross profit margin:* In the medium term, the Group aims to achieve a gross profit margin of 55% to 60% with respect to its existing retail sales portfolio.

- *New launches:* In the medium term, the Group aims to launch between 12 and 15 new molecules per year and expects 30% to 35% year-on-year growth for the first three years post launch for each of these molecules. Of the molecules the Group's senior management is aiming to launch in the medium term, 9 are expected to generate more than EGP 50 million in revenue by the end of the fifth year following their launch. The Group aims to achieve a gross profit margin of 60% to 65% with respect to its new launches in the medium term.
- *Toll manufacturing:* In the medium term, the Group aims to have 35 to 40 toll manufacturing clients. With respect to toll manufacturing, the Group aims to achieve a gross profit margin (including overheads) of 55% to 60% in the medium term as compared to a gross profit margin of 55.3% for the year ended 31 December 2018.
- *Export:* In the medium term, the Group aims to be active in 10 export markets. With respect to exports, the Group aims to achieve a gross profit margin (including overheads) of 60% to 65% in the medium term as compared to a gross profit margin of 60.4% for the year ended 31 December 2018.
- *Selling, general and administrative expenses:* The Group intends to increase its sales force to approximately 1,000 sales representatives in the medium term, from 417 as of 31 December 2018. The Group's senior management expects the wage expenses, which grew 16% in 2018, to grow by 10% per year in the medium term. The Group's senior management expects its general and administrative expenses as a percentage of revenue to be between 5% and 6%. The Group's general and administrative expenses as a percentage of revenues for the year ended 31 December 2018 were 4.9%.
- *Capital expenditures:* In the year ended 31 December 2018, the Group's maintenance capital expenditures as a percentage of sales were 3%. The Group's expects capital expenditures to total approximately EGP 50 million in 2019. Going forward, the Group expects to make routine maintenance capital expenditures which are expected to total approximately 1% to 1.5% of the Group's revenues.
- *Net debt* (calculated as credit facilities, plus long term loans, plus current portion of long term loans, minus cash on hand and at banks) *to adjusted EBITDA ratio:* In 2018, the Group's net debt to adjusted EBITDA ratio was 2.0. In the medium term, the Group aims to achieve a net debt to adjusted EBITDA ratio of less than 2.0.
- *Depreciation and amortisation:* In the year ended 31 December 2018, the Group's depreciation of fixed assets as a percentage of gross fixed assets was 5.6% and its amortisation of intangible assets as a percentage of gross intangible assets was 3.3%. The Group expects those percentages to remain constant in the medium term.

Ownership and Corporate Structure

The following chart depicts the Company's share ownership and the Group's current organization and the level of ownership in its subsidiaries.



(1) Greville Investing Limited's actual ownership is 99.99% of the Company due to the fact that 8,000 shares are owned by two individuals in accordance with the Egyptian statutory requirement to have a minimum of three shareholders in a joint stock company. The remaining 0.01% stake is equally owned by two individual shareholders in accordance with Egyptian statutory requirements.

- (2) Rameda SAE's ownership is 99.99% of Rameda for Trading due to the fact that two shares are owned by two individuals in accordance with the Egyptian statutory requirement to have a minimum of three shareholders in a joint stock company. The remaining 0.01% stake is equally owned by two individual shareholders in accordance with Egyptian statutory requirements.
- (3) In accordance with Egyptian statutory requirements of the toll manufacturing license held by this entity, the remaining 51% of the company is owned by an individual pharmacist. Under EAS, each of Ramecare and Ramepharma is considered a consolidated subsidiary of the Company because of the Company's control over its operational and financial policies.

Products

As of 30 June 2019, the Group had a portfolio of 97 marketed products relating to 67 molecules. In addition to the Group's marketed portfolio, the Group has a pipeline of 354 products relating to 219 molecules. Of its pipeline products, 52 are available to launch and 302 are currently undergoing registration. The Group also has three registered cosmeceutical products and eight registered nutraceutical products, two of which have been launched, and one registered food supplement product. As used in this Offering Circular, the term "molecule" refers to a set of products that all contain the same API or combination of APIs, in the case of pharmaceutical products, or active ingredient or combination of active ingredients, in the case of nutraceutical or cosmeceutical products, while the term "product" refers to a specific dosage form (e.g., capsule, tablet, powder or liquid) or dosage strength of a molecule. For example, with respect to Protifix, the Group's fourth leading molecule, the Group markets three different products under this name, which are all based on the same molecule and contain the same API, Pantoprazole, but which vary in terms of dosage form or strength. The Group's three Protifix products include a 20 milligram tablet, a 40 milligram tablet and a 40 milligram vial.

The Group has developed an attractive product portfolio covering an array of 11 therapeutic areas in the Egyptian pharmaceutical industry. The Group is predominately focused on six of these therapeutic areas: systemic anti-infectives, alimentary tract and metabolism, genitourinary system and sex hormones, cardio-vascular system, nervous system and blood and blood-forming organs. Of the Group's currently marketed molecules, 45, or 67.2%, fall into these six therapeutic areas of focus. In 2018, 96.9% of the Group's private sales were attributable to products within these six therapeutic areas (*Source: IQVIA*). In addition to these six therapeutic areas, the Group operates in five other therapeutic areas including sensory organs (for which the Group has six molecules ready to launch and 11 molecules undergoing registration) and musculoskeletal systems. In 2018, 3.1% of the Group's private sales were attributable to products within these five therapeutic areas (*Source: IQVIA*).

Key therapeutic areas

Systemic anti-infectives

The systemic anti-infectives therapeutic area involves a class of drugs used to inhibit the spread of or kill an infectious agent. Select molecules within this therapeutic area include Rametax, Rameceftrax, Amofloxin and Pimfast. For the six month period ended 30 June 2019, the Group sold 17,914,642 units within the systemic anti-infectives therapeutic area.

Products targeting the systemic anti-infectives therapeutic area represent 15% of the Egyptian pharmaceutical industry and this therapeutic area experienced a CAGR of 19.3% for the period from 2013 to 2018. Over the same period, the Group grew its sales of products in the systemic anti-infectives therapeutic area at a CAGR of 54.3%. Sales of these products represented 44.4% of the Group's private sales in 2018 and represent 17.9% of the Group's current marketed molecule portfolio (*Source: IQVIA*). The weighted average margin for the Group's marketed products in this therapeutic area is 56.8%. The weighted average margins presented in this section with respect to the Group's marketed products in each therapeutic area have been calculated as the sum of the gross profits for each molecule in that therapeutic area divided by the sum of the revenues for each molecule in that therapeutic area.

The Group's leading molecule in terms of revenues in 2018 was Rametax, an injectable cephalosporin. Rametax's revenues amounted to EGP 160.3 million, or 19.9% of the Group's revenues in 2018. The molecule ranks second in its class (ATC 5) in terms of market share with a market share of 20.3% in 2018. From 2013 to 2018, the Group grew its revenues from sales of Rametax at a CAGR of 31.4%.

The Group's third leading molecule in terms of revenues in 2018 was Rameceftrax, which like Rametax is an injectable cephalosporin but contains a different API. Rameceftrax's revenues amounted to EGP 69.9 million, or 8.7% of the Group's revenues in 2018. The molecule ranks sixth in its class (ATC 5) in terms of market share with a market share of 5.9% in 2018. From 2013 to 2018, the Group grew its revenues from sales of Rameceftrax at a CAGR of 202.8%.

The Group's fifth leading molecule in terms of revenues in 2018 was Amoflugin, which treats skin and soft tissue infections and which the Group sells predominantly through tenders. Amoflugin's revenues amounted to EGP 58.1 million, or 7.2% of the revenues in 2018. From 2013 to 2018, the Group grew its revenues from sales of Amoflugin at a CAGR of 17.2%.

The following table summarises the status of the Group's activity within the systemic anti-infectives therapeutic area.

<u>Status</u>	<u>Molecules</u>	<u>Products</u>
Marketed	12	21
Registered and available for launch	4	9
Under registration	10	30

Alimentary tract and metabolism

The alimentary tract and metabolism therapeutic area involves a class of drugs used for acid related disorders and for functional gastrointestinal disorders. Select molecules within this therapeutic area include Colona and Protofix which treat irritable bowel syndrome and acid reflux, respectively. For the six month period ended 30 June 2019, the Group sold 5,322,614 units within the alimentary tract and metabolism therapeutic area.

Products targeting the alimentary tract and metabolism represent 21% of the Egyptian pharmaceutical industry and this therapeutic area experienced a CAGR of 22.5% for the period from 2013 to 2018. Over the same period, the Group grew its sales of products in the alimentary tract and metabolism therapeutic area at a CAGR of 34.6%. Sales of these products represented 23.4% of the Group's private sales in 2018 and represent 14.9% of the Group's current marketed molecule portfolio. (Source: IQVIA). The weighted average margin for the Group's marketed products in this therapeutic area is 66.9%.

The Group's second leading molecule in terms of revenues in 2018 was Colona, a drug used to treat gastrointestinal tract disorders. Colona's revenues amounted to EGP 96.7 million, or 12.0% of the Group's revenues in 2018. The molecule ranks second in its class (ATC 5) in terms of market share with a market share of 45.0% in 2018. From 2013 to 2018, the Group grew its revenues from sales of Colona at a CAGR of 21.9%.

The Group's fourth leading molecule in terms of revenues in 2018 was Protofix, a short-term treatment for acid reflux. Protofix's revenues amounted to EGP 67.9 million, or 8.4% of the Group's revenues in 2018. The molecule ranks fifth in its class (ATC 5) in terms of market share with a market share of 6.6% in 2018. From 2013 to 2018, the Group grew its revenues from sales of Protofix at a CAGR of 34.3%.

The following table summarises the Group's activity within the alimentary tract and metabolism therapeutic area.

<u>Status</u>	<u>Molecules</u>	<u>Products</u>
Marketed	10	16
Registered and available for launch	4	10
Under registration	14	28

Genitourinary system and sex hormones

The genitourinary system and sex hormone therapeutic area involves a class of drugs affecting the genitourinary system (relating to the genital and urinary organs) and includes sex hormones. Select molecules within this therapeutic area include Joypox, Vetoyagra, Marvigoline and Flibanorin, which treat premature ejaculation, erectile dysfunction, female hormone imbalance and hypoactive sexual desire disorder, respectively. For the six month period ended 30 June 2019, the Group sold 1,744,043 units within the genitourinary system and sex hormone therapeutic area.

Products targeting the genitourinary system and sex hormones represent 7% of the Egyptian pharmaceutical industry and this therapeutic area experienced a CAGR of 21.2% for the period from 2013 to 2018. Over the same period, the Group grew its sales of products in the genitourinary system and sex hormones therapeutic area at a CAGR of 45%. Sales of these products represented 14.3% of the Group's private sales in 2018 and represent 13.4% of the Group's current marketed molecule portfolio. (Source: IQVIA). The weighted average margin for the Group's marketed products in this therapeutic area is 81.8%.

The Group's sixth leading molecule in terms of revenues in 2018 was Joypox, a drug used to treat premature ejaculation. Joypox's revenues amounted to EGP 50.6 million, or 6.3% of the Group's revenues in 2018. Joypox has a margin of approximately 80%. The molecule ranks first in its class (ATC 5) in terms of market

share with a market share of 43.7% in 2018. Since the introduction of Joypox in 2014 through the end of 2018, the Group grew its revenues from Joypox at a CAGR of 36.0%.

The following table summarises the Group's activity within the genitourinary system and sex hormone therapeutic area.

<u>Status</u>	<u>Molecules</u>	<u>Products</u>
Marketed	9	11
Registered and available for launch	2	3
Under registration	6	15

Cardiovascular system

The cardiovascular system therapeutic area involves a class of drugs affecting the cardiovascular system including anti-angina, anti-atheroma and anti-hypertension drugs. Select molecules within this therapeutic area include X-Tension, X-Tension Plus, Tricardia and Magnetrel, all of which treat high blood pressure. For the six month period ended 30 June 2019, the Group sold 2,383,159 units within the cardiovascular system therapeutic area.

Products targeting the cardiovascular system represent 10% of the Egyptian pharmaceutical industry and this therapeutic area experienced a CAGR of 21.4% for the period from 2013 to 2018. Over the same period, the Group grew its sales of products in the cardiovascular system therapeutic area at a CAGR of 37.7%. Sales of these products represented 8.2% of the Group's private sales in 2018 and represent 10.4% of the Group's current marketed molecule portfolio. (Source: IQVIA). The weighted average margin for the Group's marketed products in this therapeutic area is 73.2%.

The following table summarises the Group's activity within the cardiovascular system therapeutic area.

<u>Status</u>	<u>Molecules</u>	<u>Products</u>
Marketed	7	16
Registered and available for launch	5	9
Under registration	14	45

The Group plans to continue to focus on this therapeutic area as it is a large and growing area in the Egyptian pharmaceutical industry.

Nervous system

The nervous system therapeutic area involves a class of drugs affecting the nervous system including antidepressants, anti-anxiety medication and analgesics. Select molecules within this therapeutic area include Megafen-N, Prismaven and Nodep, which treat minor aches and pains, depressive disorders and anxiety, respectively. For the six month period ended 30 June 2019, the Group sold 1,702,309 units within the nervous system therapeutic area.

Products targeting the nervous system represent 9% of the Egyptian pharmaceutical industry and this therapeutic area experienced a CAGR of 24.8% for the period from 2013 to 2018. Over the same period, the Group grew its sales of products in the nervous system therapeutic area at a CAGR of 28.6%. Sales of these products represented 4.9% of the Group's private sales in 2018 and represent 7.5% of the Group's current marketed molecule portfolio. (Source: IQVIA). The weighted average margin for the Group's marketed products in this therapeutic area is 38.7%.

The following table summarises the Group's activity within the nervous system therapeutic area.

<u>Status</u>	<u>Molecules</u>	<u>Products</u>
Marketed	5	6
Registered and available for launch	1	3
Under registration	9	22

The Group plans to continue to focus on this therapeutic area as it is a large and growing area in the Egyptian pharmaceutical industry.

Blood and blood-forming organs

The blood and blood-forming organ therapeutic area involves a class of drugs affecting the blood and blood-forming organs of the body, including cyclo-oxygenase/platelet aggregation inhibitors. Select molecules within this therapeutic area include Aggrex, which acts as an anticoagulant, and Lintaram, which is used to prevent thrombotic events. For the six month period ended 30 June 2019, the Group sold 702,598 units within the blood and blood-forming organ therapeutic area.

Products targeting the blood and blood-forming organs represent 4% of the Egyptian pharmaceutical industry and this therapeutic area experienced a CAGR of 26.4% for the period from 2013 to 2018. Over the same period, the Group grew its sales of products in the blood and blood-forming organs therapeutic area at a CAGR of 37.4%. Sales of these products represented 1.7% of the Group's private sales in 2018 and represent 3.0% of the Group's current marketed molecule portfolio. (Source: IQVIA). The weighted average margin for the Group's marketed products in this therapeutic area is 42.9%.

The following table summarises the Group's activity within the blood and blood-forming organ therapeutic area.

<u>Status</u>	<u>Molecules</u>	<u>Products</u>
Marketed	2	2
Registered and available for launch	2	3
Under registration	11	26

The Group plans to continue to focus on this therapeutic area as it is a large and growing area in the Egyptian pharmaceutical industry.

Marketed portfolio

The Group's marketed portfolio contains 97 products relating to 67 molecules. The Group's top five molecules accounted for 56.2% (EGP 452.9 million) of its revenues in 2018. The Group's next five molecules accounted for 15.8% (EGP 127.4 million) of its revenues in 2018. The Group's number one molecule, Rametax accounted for 19.9% (EGP 160.2 million) of the Group's revenues in 2018.

Outside these six therapeutic areas, the Group sold 4,161,991 units for the six month period ended 30 June 2019.

The following table sets forth certain information regarding the Group's top ten molecules in terms of revenues in 2018.

Rank (Group sales)	Molecules	Number of products	Therapeutic Area	ATC 5 molecule	2018 Revenues (EGP million)	Market share in class	Rank in class ⁽¹⁾	% of 2018 Revenues	2014–2018 Growth (CAGR)	2018 Growth (CAGR)
1	Rametax	2	Systemic anti-infectives	Cefotaxime	160.3	20.3%	2	19.9%	31.4%	9.0%
2	Colona	1	Alimentary tract and metabolism	Mebeverine	96.7	28.0%	2	12.0%	21.9%	35.2%
3	Rameceftrax	4	Systemic anti-infectives	Ceftriaxone	69.9	5.9%	6	8.7%	202.8%	(1.7)%
4	Protofix	3	Alimentary tract and metabolism	Pantoprazole	67.9	6.6%	5	8.4%	34.3%	29.4%
5	Amofluxin	4	Systemic anti-infectives	Amoxicillin and Flucloxacillin	58.1	N/A ⁽²⁾	N/A ⁽²⁾	7.2%	17.2%	231.9%
6	Joypox	2	G.U. System & Sex Hormones	Dapoxetine	50.6	43.7%	1	6.3%	36.0% ⁽³⁾	16.2%
7	X-Tension Plus	2	Cardiovascular System	Irbesartan and Hydrochlorothiazide	23.0	41.7%	2	2.9%	35.9%	58.3%
8	Megafen-N	1	Nervous System	Ibuprofen	21.0	3.7%	5	2.6%	16.3%	3.1%
9	Lacteol Fort	2	Alimentary tract and metabolism	Lactobacillus	16.0	N/A	N/A	2.0%	7.1%	137.0%
10	Kempoxone	1	Systemic anti-infectives	Ceftriaxone	15.9	1.2%	12	2.0%	N/A	98.1%

Source: IQVIA data and Group data.

(1) Market share of ATC 5 molecule market.

(2) The Group sells Amofluxin predominately through tenders which are not tracked by IQVIA. Therefore data comparing this molecule with the market is not available.

(3) Represents 2014–2018 CAGR as this molecule was not launched until 2014.

The private sales volumes of the Group's top ten molecules grew at a CAGR of 11% between 2016 and 2018, (compared to overall market growth of approximately 1.5%) reaching 25 million units in 2018 up from 21 million units in 2017 and 20 million units in 2016. The softer year on year growth of 5% in 2017 was a result of material market-wide price increases. In 2018, the year on year growth of the Group's top ten private molecules rebounded to 31% as the market grew accustomed to the new pricing. The following table sets forth certain information regarding the Group's top ten molecules in terms of revenues from private sales for the years indicated.

Rank (Group's private sales)	Molecule	Number of products	Therapeutic area	For the year ended 31 December						2016–2018 Growth (CAGR)
				2016		2017		2018		
				Retail sales (EGP million)	% of Group's private sales ⁽¹⁾	Retail sales (EGP million)	% of Group's private sales ⁽¹⁾	Retail sales (EGP million)	% of Group's private sales ⁽¹⁾	
1	Rametax	2	Systemic anti-infectives	31	13%	83	22%	120	23%	96%
2	Colona	1	Alimentary T. & metabolism	32	13%	53	14%	65	12%	43%
3	Joypox	2	G. U. system & sex hormones	20	9%	48	13%	51	10%	59%
4	Rameceftrax	4	Systemic anti-infectives	39	16%	50	13%	50	9%	13%
5	Protofix	3	Alimentary T. & metabolism	20	9%	29	8%	39	7%	38%
6	X-Tension Plus	2	Cardiovascular system	16	7%	23	6%	37	7%	51%
7	Megafen-N	1	Nervous system	13	5%	18	5%	20	4%	23%
8	Lacteol Fort	2	Alimentary T. & metabolism	7	3%	1	0%	15	3%	42%
9	Pimfast	2	Systemic anti-infectives	6	2%	9	2%	13	2%	49%
10	Naphcon-A	1	Sensory organs	10	4%	7	2%	13	2%	14%
Total revenues from private sales of the Group's top ten molecules (EGP millions)				194	82%	321	84%	421	80%	47%

(1) From the Group's top ten molecules.

Of the Group's 67 marketed molecules, the Group's top ten molecules in terms of private sales accounted for 80% (EGP 421 million) of the Group's private sales, compared to 84% (EGP 321 million) in 2017 and 82% (EGP 194 million) in 2016. This product concentration, which is common in the pharmaceutical industry, is a result of the fact that though the Group has 67 marketed molecules, it prioritises 15 of those molecules as "focus molecules" which each account for more than EGP 10 million in revenues.

Revenue growth from new molecule launches handpicked by management has been significant and a key catalyst for overall business growth since 2013. The table below shows the revenue evolution of certain of the Group's molecules launched within the last five years.

<u>Molecule</u>	<u>Therapeutic area</u>	<u>Launch date</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2013–2018 CAGR</u>
(EGP, except %)									
Rameceftrax	Systemic Anti-Infectives (44.4% Rameda sales ⁽¹⁾)	2013 ⁽²⁾	0.3	0.8	10.2	45.3	71.2	69.9	202.8%
Protofix	Alimentary T. & Metabolism (23.4% Rameda sales ⁽¹⁾)	2013 ⁽³⁾	15.5	20.7	27.6	40.1	52.4	67.9	34.3%
Joypox	G. U. System & Sex Hormones (14.3% Rameda sales ⁽¹⁾)	2014 ⁽³⁾	—	14.8	24.5	17.7	43.6	50.6	36.0%

(1) For the year ended 31 December 2018.

(2) Internally developed product, not on the market prior to launch.

(3) Acquired product and therefore already in the market prior to date of launch as a Rameda product.

In the past, there have been instances where the MOHP has issued decisions to remove certain products from the Egyptian market, which has led to the withdrawal of one or more of the Group's registrations and the removal of the Group's associated products from the market. The MOHP may issue such a decision after, for example, discovering new information about the API or combination of APIs contained in a particular product. Additionally, following the implementation in 2009 of a regulatory requirement that all products registered in Egypt must also be sold in at least 36 reference countries, certain of the Group's product registrations were withdrawn because the associated products were not sold in a sufficient number of reference countries. Such decisions impact all producers of the products associated with the relevant molecule, including the Group, and prevent those producers from selling the product. Examples of MOHP withdrawal decisions that have impacted one or more of the Group's products include: (a) a decision in 2015 to remove products combining erythromycin and trimethoprim, products containing Enrofloxacin or Bicozamycin and Maxipan film coated tablets from the market, which resulted in the Group no longer being able to sell Primomycine (capsules and dry mix) or Maxipan (tablets); (b) a decision in 2012 to remove Yohimbine HCL from the market, which resulted in the Group no longer being able to sell Superact (capsules); and (c) a decision in 2011 to remove ketoconazole oral dosages from the market, which resulted in the Group no longer being able to sell Kizole (tablets). Additionally, in 2010, the MOHP issued a decision to remove products containing a combination of Ibuprofen and Paracetamol from the market due both to certain discoveries in relation to, and the lack of reference countries for, this combination of APIs, which resulted in the Group no longer being able to sell Megafen. In response, the Group adjusted its registration for Megafen to include only Ibuprofen and changed the name of this product to Megafen-N, which in 2018 was one of the Group's top ten products in terms of revenues. None of these withdrawal decisions issued by the MOHP has had a significant impact on the Group.

While product concentration is common in the pharmaceutical industry, the Group aims to continue to launch new products in an effort to diversify this concentration. For example, Rameceftrax, Joypox and Protofix were launched in 2013, 2014 and 2013, respectively and now products relating to these molecules are some of the Group's top selling products. As the Group continues to launch new molecules, it expects sales will continue to spread across a larger number of products. In addition, when marketing its products, efficiencies are achieved when the Group markets multiple products in each therapeutic area on each physician visit in order to benefit from economies of scale, maximise the effectiveness of such visits and reduce associated marketing costs.

The Group launched three products relating to two molecules in 2016 (with an average volume per new launch of 32.6 thousand units and an average price per new launch of EGP 46), 12 products relating to nine molecules in 2017 (with an average volume per new launch of 32.1 thousand units and an average price per new launch of EGP 45) and 14 products relating to nine molecules in 2018 (with an average volume per new launch of 77.2 thousand units and an average price per new launch of EGP 72). 52% of the Group's sales of goods (net) are generated from products that were not marketed before 2012.

The table below sets out further information relating to the Group's historical launches including the evolution of revenue from launched products as a percentage of the Group's sales of goods (net) from 2012 to 2018.

	2012	2013	2014	2015	2016	2017	2018
Molecules launched	2	4	7	7	2	9	9
Revenue from launched products (EGP millions)	5.5	40.9	61.2	109.5	171.6	279.2	398.4
Aggregated launch revenue as a percentage of sales of goods (net)	3.1%	20.7%	24.9%	44.7%	47.2%	48.2%	52.0%

Revenues from products launched in the year	Revenues from launched products (EGP millions)						
	2012	2013	2014	2015	2016	2017	2018
2012	5.5	5.6	5.9	7.9	8.7	17.6	21.2
2013		35.3	33.5	63.4	117.5	160.0	178.4
2014			21.9	30.6	33.4	68.8	85.3
2015				7.6	9.9	17.2	17.3
2016					2.1	2.7	3.6
2017						12.9	42.9
2018							49.7
Total revenues from launched products	5.5	40.9	61.2	109.5	171.6	279.2	398.4

Source: Rameda SAE filings and IQVIA data

- (1) Includes alternative dosage forms of the same compound, but excludes variations in dosage strength.
- (2) Includes pre-launch sales of products launched in 2014.
- (3) Includes sales of Lacteol, a molecule which was relaunched in 2018 after receiving approval for a 100% price increase.

New product launches provide a significant catalyst for revenue growth. Early entrants into the market benefit from pricing advantages, higher market share and strong patient retention. Since 2011, the Group has been seeking to realise "first mover" advantage with respect to its new product launches. The Group has been able to increase its average unit price from EGP 6.6 in 2010 to EGP 25.0 in 2018 (*Source: IQVIA data*). The table below sets forth the average unit price evolution in EGP from 2010 to 2018.

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Overall average unit price ⁽¹⁾	6.6	7.1	7.6	10.5	11.4	13.7	14.9	21.9	25.0

- (1) Calculated before the removal of bonuses and cash discounts.

The increase in overall average unit price was due in part to the Company's efforts to increase the price point of newly launched products. The table below sets for the average unit price of products launched during each of the years from 2014 to 2018.

	2014	2015	2016	2017	2018
Average unit price of products launched during the year ⁽¹⁾	32.0	35.6	46.6	44.5	72.2

- (1) Includes alternative dosage forms of the same compound, but excludes variations in dosage strength.

This effort to increase the Group's average unit price has driven increases in its gross profit margins with respect to domestic sales for molecules launched post-2011 to 62%, 61% and 62% in 2016, 2017 and 2018, respectively, as compared to 38%, 41% and 44%, in 2016, 2017, 2018, respectively, for products launched prior to 2011.

Pipeline products

In addition to the Group's products which are already being marketed, the Group has also developed a robust pipeline of 354 products (relating to 219 molecules), which the Group intends to be able to add to its marketed portfolio in the future. The products in the Group's pipeline are either registered and available for launch or currently undergoing registration.

The following table sets forth certain information about molecules within the Group's pipeline which the Group expects to launch within the next five years and which are expected to generate at least EGP 50 million in revenues within five years of being launched. Five of the nine molecules listed below are expected to be first to market in Egypt and therefore subject to favourable pricing.

Molecule	Therapeutic area	Estimated launch year	Description
Molecule 1	Systemic anti-infectives	2019	New chewable children's antibiotic
Molecule 2	Genitourinary system and sex hormones	2019	A Cialis generic
Molecule 3	Blood and blood forming organs	2019	A new generic aspirin product
Molecule 4	Alimentary tract and metabolism	2020	A medicine for irritable bowel syndrome aimed to prevent constipation
Molecule 5	Alimentary tract and metabolism	2020	Recently approved medication for diabetic patients
Molecule 6	Alimentary tract and metabolism	2020	A multivitamin ampoule
Molecule 7	Alimentary tract and metabolism	2021	Recently approved medication for diabetic patients
Molecule 8	Alimentary tract and metabolism	2021	Combined form in GERD, with simultaneous rapid and delayed action
Molecule 9	Alimentary tract and metabolism	2021	Nutraceutical used to support either orthopaedic or gynaecological patients

Registered and available for launch

The Group also has a portfolio of 46 pharmaceutical products (relating to 26 molecules) and six nutraceutical products which are registered (or undergoing re-registration) but have not yet been launched. A majority of the products in the Group's pipeline which are registered and available for launch were acquired as registered products from other players in the Egyptian pharmaceutical industry. The primary reason these products have not yet been launched is due to the fact that following the acquisition of a product, it generally takes approximately five months for the property license of the molecule to be transferred and then an additional three months for the National Organization for Drug Control & Research to approve the transfer. The Group must wait until the National Organization for Drug Control & Research has granted approval before the product can be launched.

The Group's pipeline includes one product registered by the Group in connection with a tender and two products registered by the Group for export.

Undergoing registration

The Group has 302 products (relating to 187 molecules) which are currently undergoing the registration process. The Directors believe that the Group has yet to realise the impact of the pipeline it has developed since 2011 under the leadership of the new management team, given that most of the products developed during this time have not yet completed the registration process and are yet to be launched.

Effective in October 2015, MOHP Decree No. 425 of 2015 replaced MOHP Decree No. 296 of 2009 and changed the process by which market authorisations were granted for pharmaceutical products. All pending applications for product market authorisations as of that date continue to be processed under the old registration process. All applications for market authorisations made after October 2015 are processed under the new registration process. Under the new regime, there is flexibility throughout the application process, allowing the applicant to move forward on multiple stages simultaneously. Moreover, applicable MOHP rules limit the number of new molecules that the Group can submit for approval per month to four (two per month for Rameda SAE and one per month for each of its 49% owned subsidiaries, Ramecare and Ramepharma). See "Regulatory Overview—Registration of pharmaceutical products" for further information about the registration process.

The Group currently has 32 molecule registration applications in process under MOHP Decree No. 296 of 2009 and 60 molecule registration applications in process under MOHP Decree No. 425 of 2015. The Group has also applied for an export licence for three molecules and an export and tender registration licence for one molecule.

Of the pharmaceutical products in the Group's pipeline, 50% are intended to address chronic conditions and lifestyle diseases. The Directors expect the launch of products related to chronic conditions and lifestyle

diseases to improve the balance of the Group's product portfolio by increasing the ratio of chronic condition and lifestyle disease products to acute condition products, addressing a large and growing patient pool and creating a higher percentage of recurring revenues. The Group also intends to grow its registered portfolio in the largest and fastest growing therapeutic areas of the Egyptian pharmaceutical industry.

In addition, the Group currently has 74 registration applications for nutraceutical products undergoing the approval process of the MOHP. The main stages of that approval process are broadly similar to those followed under MOHP Decree No. 296 of 2009, although there is no box availability concept for these products.

Re-registration

Molecule registrations granted by the MOHP are valid for a specified period of time, typically eight to ten years. Molecule registrations which are due to expire within one year are eligible for re-registration, and application for re-registration must be made within the final year prior to the molecule registration expiration date. Molecule re-registration is a routine process in the Egyptian pharmaceutical market and re-registration typically takes approximately 24 to 42 months. So long as a re-registration application has been submitted to the MOHP for an expired molecule registration, the products associated with that molecule may still be marketed and sold. Of the Group's 97 marketed products, the Group currently has 27 products for which the previously granted registration has expired and the Group has submitted re-registration applications for each, all of which are expected to be approved in due course.

New molecule identification

The Group's product development team, which is headed by the Group's CEO and includes the Group's business development director and members from each of the marketing and sales teams, seeks to identify new molecules that could potentially lead to new products for the Group. The Group's method for identifying new molecules begins with the study of market trends and the review of attractive molecules which have recently been launched in certain reference markets, namely Japan, the United States, and markets within the Organisation for Economic Co-operation and Development. After identifying these molecules, the Group assesses their market potential in Egypt. If the Group's senior management believes they have the potential to perform well, the Group begins the process of registering such molecules with the goal of becoming the first to register and launch such molecules in Egypt to secure more profitable prices as determined by the MOHP. To assist in this identification process, the team periodically attends conferences in order to gather information on how diseases are being managed using new molecules.

Sales

The Group's sales can be broken down into five categories: (a) domestic retail sales of products through domestic distributors (reported as private sales), (b) domestic sales of veterinary products (reported as veterinary sales), (c) domestic institutional and tender sales of products made pursuant to contract or a tender process (reported as tenders), (d) sales of products outside of Egypt (reported as export sales) and (e) the sale of domestic toll manufacturing services (reported as toll manufacturing services).

Private sales

The Group sells its products to domestic distributors who then distribute the products to pharmacies throughout Egypt. The primary sales strategy of the Group for this type of sale is largely prescription-based, whereby the marketing representatives of the Group engage physicians to create demand for the Group's products. With respect to its over-the-counter products, the Group engages pharmacists through its merchandising team. Given that the Group is a generic player, it is very important to maintain presence in the market; as such, the Group aims to maintain two months of inventory in-house, and, on aggregate, two months of inventory at its distributors.

The Group has entered into a number of distribution agreements with domestic distributors including, among others, four of the key market distributors (UCP, Ibnsina Pharma, MEC and Pharmaoverseas). Under these agreements, the distributors undertake to distribute the Group's products on a non-exclusive basis through monthly orders. The terms of the agreements call for automatic renewal. As is customary, pursuant to these agreements, the distributors are tasked with the storage of the products and the Group agrees to replace defective or expired products.

Revenues from private sales to domestic distributors accounted for 65.0%, 61.0% and 60.1% of the Group's revenues in 2018, 2017 and 2016, respectively.

Veterinary sales

The Group also produces pharmaceuticals for veterinary use; however, the Group's veterinary products have historically yielded low margins and as a result, the Group's senior management has decided not to market these products. Sales of veterinary products did not contribute materially to the Group's revenues during the period under review.

The Group currently has six marketed veterinary products and 22 pipeline veterinary products. The Group is currently working to register several new veterinary products which the Directors believe may provide improved margins; however, they do not expect these products to have a material impact on the Group's revenues, financial performance or results of operations.

Tenders

The Group also engages in domestic institutional sales by selling its products in bulk to hospitals or through tender processes either directly to government-owned institutions or indirectly to these institutions through distributors. Although the Group previously engaged more heavily in these types of sales in order to utilise excess capacity and build name recognition with physicians, the Group's strategy over the last few years has been to reduce the percentage of these types of sales relative to its private sales due to the fact that margins for private sales are typically higher. As a result, tenders accounted for 22.0%, 25.1% and 28.3% of the Group's revenues in 2018, 2017 and 2016, respectively, and 52% (40 million units), 57% (40 million units) and 59% (42 million units), of the Group's total volumes for the same years. The Group has actively looked to bid more selectively for higher margin institutional or tender contracts and as a result, the average price per unit in relation to its tenders revenues rose from 2.7 in 2016 to 3.9 in 2017 to 4.4 in 2018.

Export sales

The Group sells its products to export agents for further sale in export markets. Of the Group's export sales in 2018, 43.9% were sold in Iraq, 33.8% in Libya, 22.0% in Yemen, 0.1% in Niger and 0.3% in Sudan and South Sudan. The Group was able to grow its export sales revenues from EGP 30.3 million in 2016 to EGP 60.5 million in 2018, achieving a CAGR of 41.3% across the three-year period. The Group managed this despite the fact that its main export markets, Iraq, Libya and Yemen, witnessed major upheavals during the same period. Approximately 95% of the Group's export sales revenues are denominated in U.S. dollars, and therefore, the Directors view export sales as a partial hedge against API costs which are predominantly denominated in U.S. dollars, thereby reducing overall foreign currency exchange risk. The Group is actively seeking to grow its export base regionally and in Africa. As such, the Directors aim for the Group to be able to cover approximately 50%–75% of the Group's U.S. dollar requirements through its export revenues.

Pursuant to the export agreements, agents are appointed for a renewable term to register the products of the Group under Rameda SAE's name in the agreed market. The Group then supplies the agent with the necessary data and documents for registration and the agent markets and sells the registered products of the Group. Under export agreements, agents are obligated to comply with all necessary formalities required by the relevant health authorities to keep the products registered and legally traded, and to store and transport the products in accordance with applicable laws and regulations.

Export sales accounted for 7.5%, 8.1% and 7.7% of the Group's revenue in 2018, 2017 and 2016, respectively. No single export market accounted for more than 4% of the Group's revenues in 2018.

Toll manufacturing services

In addition to the production of its own products, the Group offers a range of domestic toll manufacturing services, also commonly referred to in the industry as contract manufacturing services, to a diverse client base, including well-known regional and international pharmaceutical companies such as Hikma and Sanofi, allowing for stable toll manufacturing revenues. The Group's toll manufacturing activities (a) involve being audited by its large multinational clients and therefore allows the Group to improve the efficiency and quality of its production facility, (b) help improve physicians' perceptions of the Group's products by demonstrating that they are capable of producing products for other well-respected brands, (c) increase the Group's capacity utilisation rates, while the Group builds its own demand, allocating fixed costs on larger sales volumes and increasing economies of scale, (d) allow the Group to benefit from the attractive price point of these services in order to grow the capacity required in order to benefit from the installation of increased production capabilities with higher capacities and (e) enable knowledge transfer by providing the Group with experience executing the technical specifications of its multinational toll manufacturing clients. The Group's toll manufacturing clients comprise large multinational corporations as well as domestic pharmaceutical companies who either do not

have production lines for the relevant product, have capacity limitations, or are undergoing renovations at their own manufacturing facility.

Pursuant to its toll manufacturing agreements, the Group agrees to manufacture a specified product at its facility in accordance with GMP. Under these arrangements, the toll manufacturing client provides the Group with the necessary raw materials along with their certification of analysis and proof of release from the Medical Authorities at the MOHP, prior to the production period. If the raw materials comprise more than 10% of the materials required to produce the next batch, the clients are charged a storage fee in addition to the toll manufacturing fees. Generally, the Group has the flexibility to, with the client's approval, increase the price of the services if the price of production increases during the term of the agreement, which is usually three years. Under such agreements, the Group is responsible for manufacturing the products of the toll manufacturing clients in accordance with technical specifications requested by the clients.

Toll manufacturing services accounted for 4.9%, 4.9% and 3.1% of the Group's revenues in 2018, 2017, 2016, respectively. Since 2016, the Group has grown its toll manufacturing revenues from EGP 12.3 million in 2016 to EGP 39.5 million in 2018, reflecting a CAGR of 79.2% over the three year period.

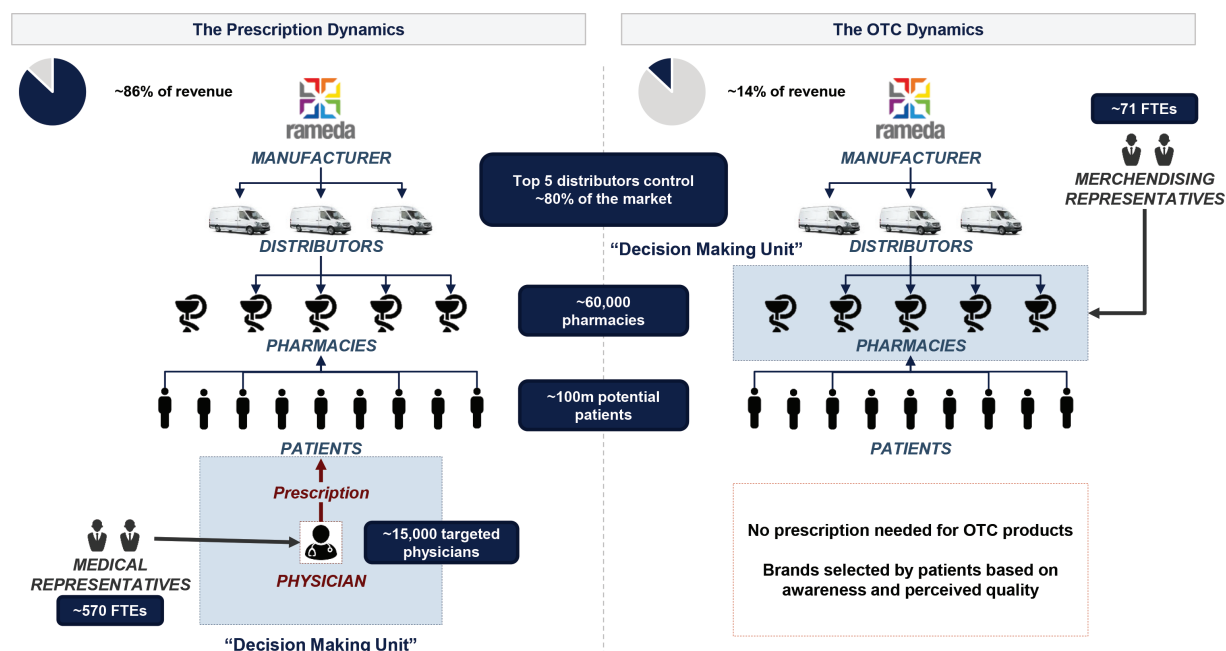
Marketing

The Group's marketing team is responsible for the marketing function which seeks to raise the profile of the Group's products, increase demand and drive sales. The Group has developed a strong brand, having undertaken an extensive re-branding initiative and identity overhaul by modernising its logo, package-design and marketing materials in 2011. The Group's product packaging was carefully reviewed with the aim of creating a more identifiable and unique professional appearance. The modernised package design is now standard across all of the Group's prescription products, with certain characteristics on each box representing different aspects of the product (for example, its molecule or dosage). A specific colour has been assigned to each of the main therapeutic areas in which the Group operates and all of the Group's products falling within that therapeutic area feature the assigned colour. The Group's marketing materials have also been standardised and follow the same colour coding scheme. The Group's over-the-counter products, however, are packaged in creative boxes with the aim of catching the eye of the consumer when shelved among other products in a pharmacy.

The Group is primarily focused on prescription products. The sale cycle requires physicians to be aware of the Group's products and convinced of the benefits of the respective molecules in order for them to prescribe them to patients, who in turn purchase them from pharmacies. One of the Group's key promotional activities is the direct promotion of its products to physicians through the use of medical brochures, free samples and the communication of its product positioning strategy, and the benefits of such products. The Group also provides professional development and continuous learning opportunities to key physicians by inviting them to attend conferences in Egypt and abroad.

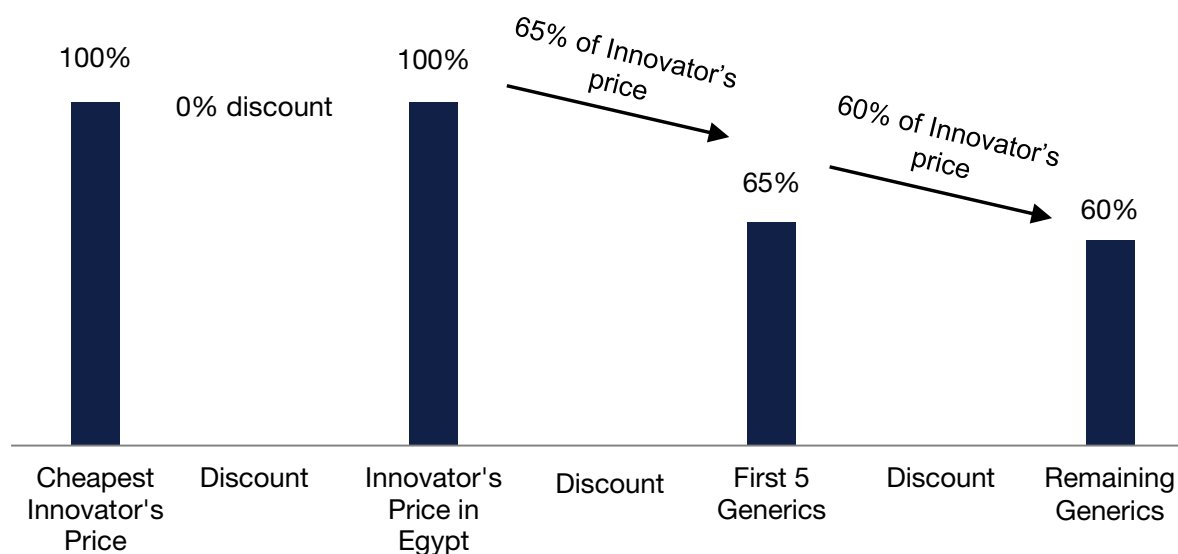
The Group has a closely-managed, large and incentivised team of medical representatives, which aim to provide comprehensive coverage at a national level. The Group has grown its number of medical representatives from 251 in 2016, to 287 in 2017, 377 in 2018 and 570 as of 30 June 2019. The Group has a national sales manager, who is responsible for all district managers. The district managers are in turn responsible for medical representatives in their respective geographic areas, who make periodic visits to physicians to engage them directly to build demand for the Group's products. The Group also has a team of merchandising representatives who primarily work to market the Group's over-the-counter products to pharmacists.

In 2018, prescription products accounted for approximately 86% of the Group's sales and over-the-counter products accounted for approximately 14% of the Group's sales. Below is a depiction of the different paths to market for both prescription products and over-the-counter products.



Pricing

The pricing of pharmaceutical products is strictly regulated in Egypt. For example, under currently applicable pricing regulations, the price of the innovator product is determined according to the lowest price offered to the public in 36 specified reference countries. If the innovator product is marketed in less than five foreign countries, the price is determined based on the lowest price of a molecule in the Egyptian market with similar specifications or the lowest price in the existing international reference countries. The price of generic products is set at 65% of the innovator's price for the first five generic versions of the product produced. For the remaining domestically produced generic products and the imported generic product, the price will be set at 60% of the innovator's price. Pricing for products typically remains fixed, however may subject to a price adjustment by the MOHP if the average currency exchange rate is increased or decreased by 15% per annum, according to the exchange rate announced by the CBE.



Because the price of each of the Group's products is set by the MOHP (other than certain nutraceutical and veterinary products), the margins achievable with respect to a particular product are dependent upon how effectively the Group can minimise the cost of production. A majority of products currently in the market, including some of the Group's products, are subject to pricing under previous regulations which differ in material respects from the current regulations. The table below reflects a breakdown of the Group's portfolio as of 30 June 2019 by their status indicating the applicable pricing regime.

	Marketed		Ready to launch		Under registration		Total portfolio	
	Molecules	%	Molecules	%	Molecules	%	Molecules	%
Pre-2012 pricing regime	28	42%	0	0%	0	0%	28	10%
Post-2012 pricing regime	29	43%	26	81%	91	49%	146	51%
Others (veterinary, nutraceutical, food supplements and exports)	10	15%	6	19%	96	51%	112	39%
Total	67	100%	32	100%	187	100%	286	100%

The current pricing regime represents significant upside to the Group's current portfolio, with 146 of the Group's total pharmaceutical portfolio priced or subject to pricing under the post-2012 pricing regime. The current pricing regime also allows for the Group to apply for the repricing of up to 5% of its total product portfolio each year and from 1 January 2018 through 30 June 2019 the Group successfully repriced 32 products. See *"Regulatory Overview—Registration of pharmaceutical products—Pricing"* for additional information on the Egyptian pricing regime.

Competition

The Group faces competition from both domestic and multinational players operating in the Egyptian pharmaceutical industry who sell either the same molecule or different molecules that provide similar treatment. Under the current "box" registration system in Egypt, each pharmaceutical product the Group sells competes with up to 11 competitor products with similar molecules or specifications (one innovator product, one imported generic product and nine domestically manufactured generic products).

The competition experienced by the Group varies by product type and sales method. The Directors believe primary factors driving competition in the sales of its products are one or more of: (a) timely regulatory approval, (b) being the first product to launch in the Egyptian market, (c) product quality and quality perception, (d) manufacturing capabilities, (e) brand recognition of the product or the company selling the product and (f) a strong track record in molecule acquisitions.

Suppliers

The Group uses a variety of sources to supply the raw materials used in the manufacturing of its products. However, in some instances, the Group uses a sole source of supply for certain raw materials used in manufacturing its products and packaging components. The Group does not have long-term supply agreements for most of its raw materials.

Each of the Group's market authorisations allows it to use up to three named and approved API suppliers for a particular product. Suppliers must be identified by the applicant who is required to submit certain documentation with respect to the proposed suppliers as part of the market authorisation process and all suppliers must be approved by the CAPA.

Raw materials, including APIs and packaging materials, represent the highest component of the Group's production costs. Raw material costs represented 60.1% of the Group's total cost of revenue in 2018. The Group uses between 35 and 40 API suppliers and the top five of those suppliers together supply approximately 35% of the Group's total API requirements. The Group purchases APIs and other raw materials from suppliers in a number of countries, including primarily China and India.

Over time, the Group has delivered significant per unit savings on key API costs. The following table shows the regression of the API costs associated with certain of the Group's products in the year the particular API were first purchased against the current price of the same API.

	Year first purchased	API cost at launch (USD)	Price regression (%)
Joypox	2014	900	51%
X-Tension	2013	103	42%
Marvigoline	2013	480,000	29%
Oliptina	2015	7,000	59%
Tamsunorm	2013	87	38%
Vilaphoria	2016	11,000	65%
Dorazalamide	2014	7,500	69%
Desvenlafaxine	2014	470	46%
Flibanserine	2018	2,000	25%
Rosuvastatin	2015	900	31%

Production process

The Group has implemented an operational model driven by a well-defined production process which facilitates interaction among the various departments involved to generate an efficient and organised workflow. The production process comprises the following phases: (a) annual forecast, (b) planning, (c) raw material procurement, (d) inspection and quarantine of raw materials, (e) production orders, production and packaging, (f) finished goods inspection and quarantine of finished products (g) warehousing and (h) distribution.

Annual forecast

For marketed products, the annual forecast phase begins with an analysis, conducted by the marketing and sales department alongside the finance department, of the Group's marketing strategy and the previous years' sales trends for the entire market using IQVIA generated data. In addition, the Group's marketing and sales department conduct market analysis to determine the projections for new products that are expected to be launched in the coming year. The Group's toll manufacturing and export departments also formulate forecasts relating to their respective divisions broken down by product, units and market.

Planning

The second phase of the production process is a planning phase which involves determining the amount of APIs and packaging materials required for the year using the Material Requirements Planning system and in accordance with the annual forecast for both domestic and export markets). The marketing and sales team then prepares a budget and presents its findings to the Group's senior management who review the information to identify new opportunities in the market and consider the projected sales figures and corresponding production levels for the coming period. The plans formed during this period are periodically reviewed throughout the year to adjust the projections to actual market performance.

Raw material procurement

The third phase of the production process is the procurement of raw materials for use during the production of pharmaceutical products. API sourcing represents the highest cost component of the production process. The Group determines the quantity of raw materials that will be required pursuant to the projected sales figures and expected production levels set by the marketing and sales department and approved by the Group's senior management during the planning stage. Raw materials are purchased through the Group's supply chain function from suppliers approved by the MOHP during the registration process. Raw materials sourced from domestic suppliers, mostly packaging material, generally arrive two to four weeks after the Group has delivered a purchase order to the supplier and the Group is generally required to complete payment within three months of the date of delivery. Imported materials generally arrive within two to three months after the Group has delivered a purchase order to the supplier and the Group generally makes a payment upon delivery in cash or, in some instances, letters of credit. The procurement of raw materials is managed by the supply chain department and overseen by the finance department.

In 2018, the Group used a total of 104 API suppliers, 63% of which were located in India, 18% within Europe, 12% in China and the remaining 8% in other countries. The Group's top five suppliers of finished API products

in 2018 supplied 35% of the Group's total API requirements. Also in 2018, 71.9% of the Group's raw materials were purchased in USD while 7.7% were purchased in Euros.

Inspection and quarantine of raw materials

Once the raw materials have been received by the Group, the inspection phase begins. The Group inspects each delivery to ensure that the raw materials conform to the Group's specifications and to strict international quality standards. Any items not conforming to specifications are rejected. Raw materials then undergo an initial quarantine period (one week for non-sterile materials and two weeks for sterile materials) during which the Group's quality control department conducts an inspection of the raw materials, analyses the results and determines if those raw materials may be released. All APIs and packaging materials are required to undergo a quarantine period, during which sampling is conducted by an MOHP inspector in order to ensure that the raw materials match the materials disclosed by the manufacturer in the related MA. This initial quarantine period is usually completed one month prior to the beginning of production.

Production and packaging

Once the APIs and packaging materials have passed inspection by the MOHP and been released from quarantine, the Group's planning department issues the production orders that will be filled by the released APIs and packaging materials. The production orders are then provided to the dispensing area so that the APIs and packaging materials can be prepared and dispensed for production.

The production and packaging phase of the overall production process varies depending on the type of product being produced. There is a defined production schedule which is designed to optimise the utilisation of the production lines and machines and limits time and resource wastage. However, generally, during the production phase, raw materials are combined pursuant to a precise formula to create a final product which is then inspected by a plant technician and the Group's quality control team in the factories' laboratories before being packaged for distribution. Each product is stamped with a batch number (a unique combination of numbers which identify the batch and production date) as well as the product's expiration date.

Each of the Group's products is produced by one of the Group's 20 production lines in one of the Group's three factories in the Group's production facility (described in further detail below). The Group's production lines mainly employ equipment mainly from leading European and Chinese manufacturers to efficiently produce products of consistent quality. Each production line has clearly defined steps which are executed and thoroughly monitored by the Group's well-trained personnel. The quality assurance team directs the resources necessary for the manufacturing of products in accordance with cost, quality and quantity specifications with the aim of ensuring minimum wastage and uniformity among final products. The same team analyses quality control test results and provides feedback to the Group's senior management and the production employees. The regulatory affairs and quality control teams also oversee the process to ensure compliance with regulations and standard operating procedures.

Inspection and quarantine of finished products

Finished products are required to undergo an initial quarantine period (one week for non-sterile materials and two weeks for sterile materials) during which the Group's quality control department conducts an inspection of the final products, analyses the results and determines whether the product may be released for sale. In the case of tenders, the products must undergo a second quarantine period (one to two weeks) during which they are inspected and approved for release by the MOHP.

Warehousing

Following their inspection and release from quarantine, the finished products are transported to the Group's warehouse for storage until they are sold and delivered to or collected by distributors.

Distribution

The finished goods are distributed to domestic distributors, export agents and to hospitals and government-owned institutions under tenders. For domestic sales, the Group typically receives a post-dated check from the distributor within one month from the date the products leave the Group's warehouse and the Group is generally able to cash such check four months later. For tenders, the payment term is usually six months. For export sales, the payment term is typically four months.

Production facility

The Group's approximately 38,300 square meter production facility is located on an approximately 41,500 square meter plot in the industrial zone of 6th of October City. The site principally comprises an administrative building, a central utilities plant and three independent factories (general, cephalosporin and penicillin), each including its own warehousing, packaging, production and distribution areas. Each factory also includes separate laboratory, dining and laundry facilities. The following table shows information regarding the Group's production lines and warehouses. The capacities shown in the table below are based on actual working hours (two shifts per day of 8 hours each and 6 days per week).

In 2018, the Group's production facility had a total capacity of 337.2 million units which the Group utilised at a rate of 56.0% as compared to a total capacity of 292.3 million in 2017 and 2016, which the Group utilised at a rate of 42.9% and 51.3% in those years, respectively. The Group's implied capacity utilisation following the upgrades is 34%.

Production line/warehouse	Lines	2010 Capacity (million units/year)	2018 Capacity ⁽¹⁾ (million units/year)	2018 Utilisation	2016–2018 Capex (EGP millions)	% capital expenditure spend	Increased capacity utilisation	2019 implied utilisation	Approximate size (square meters)	Start of operations	Renovation date
General factory											
Solid dosage lines											
Tablets/capsules	4	73.4 (blisters)	98.7 (blisters)	69%	31.4	13%	17.4	58%			
Macro dosing bottles ⁽²⁾	1	—	13.4 (bottles)	0%	—	—	—	0%	2,427	1993	2019
Large sachets ⁽⁵⁾	1	—	6.7 (sachets)	0%	—	—	0.84	0%			
Small sachets ⁽⁵⁾	1	48.9 (sachets)	42.9 (sachets)	11%	—	—	—	11%			
Lyophilised injectables ⁽³⁾	2	—	—	—	71.0	29%	12.8	0%	706	2019	—
BFS	2	—	35.2 (ampoules)	99%	59.5	24%	108.7	24%	468	2014	2019
Eye and ear drops ⁽⁴⁾⁽⁶⁾	1	6.9 (bottles)	16.3 (bottles)	72%	2.9	1%	4.3	57%	710	1998	2013
Oral liquids/ suspension	3	5.6 (bottles)	42.9 (bottles)	19%	0.3	0%	—	19%	769	1993	2010
Cephalosporin factory											
Cephalosporin micro dosing powder for cephalosporin injectables ⁽⁴⁾	2	9.0 (vials)	43.6 (vials)	98%	37.5	15%	48.7	46%	800	2008	2019
Cephalosporin macro dosing bottles	1	1.0 (bottles)	2.7 (bottles)	13%	1.6	1%	14.2	2%	300	2008	2019
Penicillin factory											
Penicillin solid dosage tablets/capsules	1	20.0 (blisters)	16.9 (blisters)	67%	—	—	5.2	56%			
Penicillin macro dosing bottles	1	2.0 (bottles)	1.6 (bottles)	17%	1.2	0%	0.5	16%	962	2008	2015

Note: Capacities are based on actual working hours: 2 shifts x 9 hour shifts x 25 days x 11 months.

(1) Based on 10 months (instead of 12 months) due to typical expected usage and operations.

(2) Based on 8 hour shift.

(3) Based on 12 hour shift, 28 days per month and 10 months.

(4) Based on 11 hour shift, 26 days per month and 10 months.

(5) Based on 8.5 hour shift.

(6) Implied utilisation rate assumes current production divided by total capacity following facility upgrades made in the fourth quarter of 2018.

Machinery and equipment

The Group's production facility features modern manufacturing technology in multiple production areas which helps to enhance its competitive advantage against other pharmaceutical players in the Egyptian market. For example, the Directors believe that after recent additions and improvements to the Group's production facility, the Group is now one of a limited number of players in the Egyptian pharmaceutical industry with the ability to manufacture lyophilised products.

Prior to the recent additions of these lyophilised lines, the Group had to outsource the manufacturing of its lyophilised products; however, by bringing the production of these products in-house, the Directors expect to be able to deploy excess capacity to cater to demand in the market for toll manufacturing services for lyophilised production due to the scarcity of production capability in the market, representing a healthy potential income stream. The Directors seek to increase the Group's toll manufacturing services revenues by capturing demand which is currently being lost due to capacity constraints on companies providing toll manufacturing services. The Directors expect this to result in cost-savings and economies of scale leading to margin improvement. Prior to bringing these manufacturing capabilities in-house, the Group's gross profit margins were approximately 40% as compared to approximately 60% after bringing the manufacturing in-house.

The Group mainly utilises machinery imported from Europe which enables it to deliver internationally recognised quality standards. The Group's new lyophilised production lines were purchased from a Chinese manufacturer.

General factory

The general factory houses 15 different production lines spread over five production areas, namely solid dosage products (including tablets and capsules, macro dosing bottles, large sachets, small sachets and macro-dosing) lyophilised injectables, BFS, ear and eye drops and oral liquids and suspensions.

Solid dosage: The Group began producing solid dosage products in 1993. These facilities were recently redesigned and upgraded. Renovations were completed in September 2019. There are a total of seven solid production lines, comprising four tablet and capsule blister lines, one small sachet line, one large volume sachet line and one macro dosing line. The solid production lines occupy a total of 2,540 square meters within the general factory.

Lyophilised injectables: The Group expects to begin producing lyophilised injectables in 2019. Two new lyophilised injectables production lines commenced operations in November 2019. The lyophilised injectables lines occupy a total of 706 square meters within the general factory.

BFS: The Group began producing BFS products in 2015 after installing a production line with plastic ampoule capabilities in 2014. An additional BFS line commenced operations in April 2019. The BFS production lines occupy a total of 468 square meters within the general factory.

Ear and eye drops: The Group began producing eye drops in 1998 and renovated its eye drop production facilities in 2013. In 2017, the Group added lidocaine preparation to the area. The eye drop production line occupies a total of 710 square meters within the general factory.

Oral liquids and suspensions: The Group began producing oral liquids in 1993 and renovated its oral liquids production facilities in 2010. There are a total of three oral liquids production lines. In 2013, the Group upgraded the area in which oral liquids are produced, repairing a nozzle filling machine and adding an automated packaging machine. The oral liquids production lines occupy a total of 769 square meters within the general factory.

The general factory also contains a 3,078 square meter warehouse, a workshop, dispatch and delivery area and a cafeteria.

Cephalosporin factory

The cephalosporin factory houses two production areas including the production lines for cephalosporin injectable vials and cephalosporin macro dosing bottles.

Cephalosporin injectable vials: The Group began producing cephalosporin injectable products in 2008 and renovated its cephalosporin injectable production facilities in 2012. The Group recently installed an additional cephalosporin injectable production line, which commenced operations in November 2019. The cephalosporin injectable production lines occupy a total of 800 square meters within the cephalosporin factory.

Macro dosing cephalosporin bottles: The Group began producing macro dosing cephalosporin products in 2008 and renovated its macro dosing cephalosporin production facilities in 2012. The Group recently replaced its existing macro dosing cephalosporin production line and is expected to commence operation of the new line in November 2019. The macro dosing cephalosporin production lines occupy a total of 300 square meters within the cephalosporin factory.

The cephalosporin factory contains a 2,110 square meter warehouse, a workshop, dispatch and delivery area and a cafeteria.

Penicillin factory

The penicillin factory houses two production lines for the production of the Group's penicillin products.

Penicillin: The Group began producing penicillin products in 2008 and renovated its penicillin product production facilities in 2014. The Group added a new tablet line in 2015 and macro dosing powder penicillin production in 2016. The penicillin production lines occupy a total of 962 square meters within the penicillin factory.

The penicillin factory contains a 1,180 square meter warehouse, a workshop, dispatch and delivery area, a cafeteria and laundry facilities.

Capital expenditures

Between 2011 and 2014, the Group executed an approximately EGP 144.7 million (USD 21.5 million) capital expenditure plan to extensively redesign and upgrade its production facility, purchase new machinery, incorporate additional production lines and implement debottlenecking initiatives to increase the Group's production capacity with respect to its cephalosporin and penicillin factories.

From 2016 to 2018, the Group made additional capital expenditures of approximately EGP 250 million. The projects involved additional upgrades and renovations, the reorganisation of certain production lines to streamline the production process and the further increases in the Group's production capacity. Of the Group's capital expenditures from 2016 to 2018, only 18% was spent on the maintenance of existing lines and the remaining 82% was spent on the expansion of existing lines or the addition of new lines. As a percentage of the Group's revenues over the same period, the maintenance capital expenditures equated to 2% while the expansionary capital expenditures equated to 11%. A majority of these expansionary capital expenditures relate to production lines which were in place since before 2011 and required upgrades to address bottlenecks and capacity issues and to introduce redundancies in order to allow for maintenance and other system processes without interrupting production. The expansionary capital expenditures included the installation of two lyophilised production lines with a capacity of 13 million vials per year, an increase in cephalosporin injectable capacity from 44 million to 92 million vials per year and an increase in BFS capacity from 35 million to 144 million ampoules per year. The expansionary capital expenditures also included the creation of a temporary solid dosage line, an upgrade of the solid dosage area and the replacement of the facility's water treatment plant. All of these improvements and capacity increases have recently been completed, are fully paid and were fully funded through secured credit facilities and internally generated cash funds.

Employees

As at 30 June 2019, the Group had 1,609 employees, all of whom were employed in Egypt. The following table presents a breakdown of the Group's employees by key department as at 31 December 2016, 2017 and 2018 and as at 30 June 2019.

	As at 31 December			As at
	2016	2017	2018	30 June 2019
Production	225	263	264	268
Sales & marketing ⁽¹⁾	382	470	513	814
Supply chain	77	95	95	91
Quality control / assurance	59	72	83	84
Support	262	281	298	352
Total	1,005	1,181	1,253	1,609

(1) Includes part-time field representatives.

As of 1 October 2019, the Group had a total of 1,314 socially insured employees. The discrepancy between the number of socially insured employees and the total number of employees results from a delay (typically three months) during which the Company processes the necessary paperwork to insure their employees in addition to a number of employees who are hired on a temporary or part-time basis and are not socially insured on the Company's social insurance file.

The Company intends to establish a long-term incentive plan for senior management and certain key employees which it expects to implement following the listing. The parameters of the plan have not yet been defined, however, it is expected to cover members of the Group's senior management team as well as certain key personnel. As the Company believes is customary practice in Egypt, the plan is expected to be performance based and limited to approximately 5.0% of the Company's share capital from time to time. Any such long-term incentive plan would be subject to shareholder approval in accordance with Egyptian law prior to implementation.

In addition, on 2 May 2011, the Company held an Extraordinary General Meeting where the adoption of an ESOP was approved in principle by Shareholders and the Articles have been amended to provide for the adoption of an ESOP that conforms with one of the structures contemplated by Ministry of Investment Decree No. 282/2005, which provides in relevant part that an ESOP may be created through the (a) granting of free

shares; (b) undertaking to sell shares under preferable conditions; or (c) undertaking to sell the Company's shares upon the lapse of certain period and the fulfilment of certain conditions. The Company has not yet formally adopted that ESOP or elected which of the three structures contemplated by Decree No. 282/2005 would be included in that ESOP. On 8 August 2018, the Company held an Extraordinary General Assembly Meeting where the Company amended its Articles to extend the scope of application of the ESOP to the employees, managers and executive board members.

The Company has also adopted a performance-based incentive scheme applicable to all employees, whereby employees are entitled to bonuses payable either on an annual or monthly basis.

Health and safety

The Group's proactive quality assurance system meets the highest standards in product safety and quality, occupational safety and health and environmental standards by outlining clear requirements for the policies, specifications and programs to guide the Group's operations. The Group has been granted a number of certificates from the International Organization for Standardization in recognition of its diligent efforts to enhance its product quality and preserve its facility's hygiene and safety measures including "ISO 9001:2015 Quality Management Systems", "ISO 14001:2015 Environmental Management Systems" and "OHSAS 18001:2007 Occupational Health and Safety Management System".

Intellectual property

The Directors believe that the "Rameda" brand name is important to the Group's business. The Group has registered English and Arabic versions of its Rameda trademark with the Egyptian Trademarks Registration Office under key class No. 5, in which the Group operates. The trademark registration is valid until July 2021. The Group expects to be able to extend the term of its trademark at the relevant time. The Group does not hold any other material patents, trademarks, registered designs, copyrights or intellectual property licences.

Information technology

The Group employs the Oracle ERP system, which covers the finance and supply chain aspects of its business and is designed to recognise value-creating opportunities. In addition, the Group utilises an internally-developed system which tracks the Group's products throughout the registration process allowing the Group to better manage its market portfolio and product pipeline. Both systems boost the Group's productivity and ability to effectively manage its operations by automating and standardising its business and back office functions, ultimately improving the Group's senior management's decision-making capabilities, enhancing organisational flexibility and minimising paperwork and manual interference.

The system used by the Group for customer relationship management helps track the Group's medical representatives in the field and records their interactions with physicians. The Group's senior management believes the system improves planning and execution, and increases collaboration between sales, marketing and medical representatives in order to help the marketing team to manage its marketing activities. The Group utilises human resources support from Ofok Systems.

Insurance

The Directors believe that the Group maintains adequate insurance cover for its business in line with industry practice. The Group currently maintains insurance policies which cover vehicles, production machinery, tools, building and factory construction, warehouse inventory, and personal property such as office equipment and computers, in the event of, among other things, theft, fire and explosion. The Group is also insured against business interruptions occurring as a result of fire or faulty machinery, including lost profits. The Group also maintains and provides private medical insurance for all of its employees.

Legal Proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Group is aware) during the 12 months preceding the date of this Offering Circular which may have, or have had in the recent past, a material adverse effect on the Group's business, results of operations or financial condition.

From time to time the Group has been, and will continue to be, subject to legal, regulatory and tax proceedings and claims arising in the ordinary course of its business.

Legal proceedings relating to Mr. Shamel Aboul Fadl

On 14 June 2017, the FRA issued a request to the public prosecutor in Egypt to commence proceedings against ten individuals, including Shamel Aboul Fadl (Non-Executive Director of the Company), for violations of the Egyptian capital markets laws. The criminal charges related to purchases of shares in a company listed on the Egyptian Exchange made by Mr. Aboul Fadl and the other defendants acting in their personal capacities in May and June of 2014, and claimed that the defendants were acting in concert in order to manipulate the price of that stock. In July 2018, the court of first instance entered a judgment against all ten defendants, including Mr. Aboul Fadl, who was convicted on a misdemeanour charge and ordered to pay a penalty of EGP 300,000 (approximately USD 16,000), which was affirmed by the court of appeals in October 2018, and which Mr. Aboul Fadl paid on 4 July 2019. Under the FRA's rules, any individual convicted of a misdemeanour is prohibited from serving on the board of an Egyptian company publicly listed on the Egyptian Exchange or subject to the supervision of the FRA for a period of three years from the date of the ruling by the court of appeals. Mr. Aboul Fadl planned to appeal the decision to the Court of Cassation on both substantive and procedural grounds and vigorously asserted that the charges brought against him in the matter were without merit.

As the ruling was not considered final and subject to being overturned by the Court of Cassation, the FRA, which is the same entity that triggered the proceeding by bringing the claim against Mr. Aboul Fadl in the first place, continued to have the authority to agree to a settlement that abolished any and all preliminary rulings. Accordingly, in September 2019, in order to be able to serve as a director on the board of an Egyptian listed company going forward, Mr. Aboul Fadl took the decision to settle the matter by accepting a settlement offer presented to him by the FRA and paying a settlement amount of EGP 1.6 million (approximately USD 97,500). The settlement did not involve any admission of guilt by Mr. Aboul Fadl. On 9 September 2019, the FRA issued a letter to Mr. Aboul Fadl approving the terms of the settlement, acknowledging payment of the settlement amount and confirming that as a result of such settlement, any criminal or administrative consequences resulting from the conviction would be suspended and, following ratification by the Court of Cassation, legally abolished. The settlement results in the immediate abatement of the proceeding and an order by the public prosecutor to suspend execution of the judgment. As a result, Mr. Aboul Fadl has the right to sit on the board of any listed company in Egypt. Settlement of such a misdemeanour conviction in this manner is permitted under Egyptian law and the FRA has both the capacity and authority to agree to such a settlement during any stage of the adjudication of a claim. As a final procedural matter, Mr. Aboul Fadl will make an application to the Court of Cassation, which shall only have the power to ratify the settlement, following which the criminal conviction is expected to be expunged from the record.

MANAGEMENT AND CORPORATE GOVERNANCE

The Company's corporate governing bodies are the General Meeting of Shareholders and the Board. Each has its own responsibilities in accordance with Egyptian law and the Articles. The Board is responsible for the Company's management, and is elected by the Shareholders in a General Meeting of Shareholders.

General Meeting of Shareholders

The General Meeting of Shareholders is the Company's supreme governing body and is authorised under Egyptian law and the Articles to pass resolutions on, among other things, the following issues:

- the election and dismissal of members of the Board;
- the election and dismissal of the auditor(s);
- any amendment to the constitutional documents;
- any increase or reduction of the Company's share capital;
- approval of merger, consolidation, recapitalization or other reorganization;
- approval of the Company's annual financial statements;
- approval of the reports prepared by the Board;
- the setting of remuneration of the Board, other than the remuneration of the managing directors which can be determined pursuant to a Board resolution;
- participation in litigation against the Board, including appointment of the Company's representative for such litigation;
- approval or rejection of the profit (dividend) distribution proposal prepared by the Board;
- approval of any issuance of securities convertible into or exchangeable for share capital in the Company;
- determination of a date for payment of contribution by the shareholders and requesting its payment; and
- other issues provided by law and the Company's constitutional documents.

The Board of Directors

The Board is responsible for the Group's management (with the exception of functions reserved for the General Meeting of Shareholders). The members of the Board are appointed by the General Meeting of Shareholders for renewable terms of three years, and are also dismissed by a General Meeting. The appointment and the number of members of the Board is determined by a General Meeting from time to time and shall not be less than three and not more than 13 members (in accordance with the bylaws of the Company). The scope of authority of each member of the Board is defined by the Board.

As of the date of this Offering Circular, subject to the ratification of the minutes of the Ordinary General Assembly Meeting held on 4 November 2019 by GAFI, the Board consists of nine members comprising (a) two executive directors, being the Group's Chief Executive Officer and Chief Financial Officer; (b) five non-executive directors (each a shareholder representative); and (c) two independent directors. The EGX Listing Rules require the board structure to include at least two independent directors and at least one female.

As of the date of this Offering Circular, subject to the ratification of the minutes of the Ordinary General Assembly Meeting held on 4 November 2019 by GAFI and inscription on the commercial register of the Company, the Board is comprised of the following members, each of whom has been appointed for a three year term.

Name	Position	Initial Year of Appointment
Ayman Abbas	Chairman, Non-executive Director, Shareholder Representative	2011
Dr. Amr Morsy	Chief Executive Officer, Executive Director	2011
Mahmoud Fayek	Chief Financial Officer, Executive Director	2016
Shamel Aboul Fadl	Non-executive Director, Shareholder Representative	2011
Dr. Mohamed Farouk	Non-executive Director, Shareholder Representative	2016
Karim Zahran	Non-executive Director, Shareholder Representative	2016
Tarek Abdelrahman	Non-executive Director, Shareholder Representative	2018
Hatem Soliman	Independent Director	2019
Neveen El Tahri	Independent Director	2019

Biographical information for each of the members of the Board is presented below:

Ayman Abbas, 45 years old, is Non-executive Chairman of the Board. Mr. Abbas is the founder and chairman of ADES, a leading Egyptian company operating in oil and gas services, listed on the Main Market of the London Stock Exchange. He is also vice chairman of Intro Group, a multi-disciplinary organisation where he founded leading companies in multiple industries including oil and gas exploration, oil services, real estate, construction, and IT. Mr. Abbas holds a B.A. in Business Administration from the American University in Cairo.

Dr. Amr Morsy, 55 years old, is the Chief Executive Officer of the Group and an Executive Director of the Board. Dr. Morsy has 28 years of experience that covers strategic and operational expertise in the pharmaceutical industry. Dr. Morsy brings to the Group a wide range of experience in business planning and strategy, human resources, product development, finance and sales & marketing. Prior to joining the Group, Dr. Morsy was the chairman and CEO of Pfizer Egypt and Sudan, (which he joined in 1995). Prior to that, he was Area Sales Manager for Middle & Eastern Provinces at Schering-Plough in Saudi Arabia. Dr. Morsy holds a Bachelor of Science in Pharmacy from Alexandria University and an MBA from Arab Academy for Science, Technology Alexandria—Egypt. Dr. Morsy has also participated in the Pfizer Leadership Development Program at Harvard Business School.

Mahmoud Fayek, 32 years old, is the Chief Financial Officer of the Group. Prior to this, Mr. Fayek held various positions at Compass Capital, including Vice President in the company's private equity team and member of the board of directors. At Compass Capital, Mr. Fayek played an integral role in the completion of several transactions across the pharmaceutical, financial services and real estate sectors and conducted various secondments with the Group. Prior to joining Compass Capital, Mr. Fayek held several senior positions including CFO and Business Development in the manufacturing business. Mr. Fayek is Chartered Financial Analyst (CFA) charter-holder with significant experience in the financial sector and holds a Bachelor Degree in Business Administration from the Arab Academy for Science, Technology and Maritime Transport.

Shamel Aboul Fadl, 50 years old, is a non-executive Director of the Company, as well as the founder and CEO of Compass Capital, a financial services firm established in 2010, with experience in a multitude of industries including pharmaceuticals, financial services, oil and gas, real estate, telecom and construction. Compass Capital led the consortium of financial investors that acquired the Group in 2011. Prior to joining Compass Capital, Mr. Aboul Fadl was a Managing Partner at Pharos Holding, where he played a key role in developing the company into a full-fledged investment bank. He was also CEO of Paragon Asset Management, an independent asset manager in Switzerland. Prior to that, Mr. Aboul Fadl was Vice President at Mansour and Maghraby Investment and Development where he was responsible for private equity investments. Mr. Aboul Fadl served as Vice President at Citigroup in Switzerland, and has 26 years of financial services experience, focussing on the buy side. Mr. Aboul Fadl holds a Bachelor of Science in Construction Engineering from the American University in Cairo and an MBA from Wharton Business School, University of Pennsylvania.

Dr. Mohamed Farouk, 51 years old, is a non-executive Director of the Company. Dr. Farouk is the Chief Executive Officer of ADES, a leading Egyptian company operating in oil and gas services and listed on the London Stock Exchange. Dr. Farouk brings a wealth of experience as he has founded and led companies across different sectors including telecommunications, advanced engineering software outsourcing, and oil exploration and production. Dr. Farouk holds a Bachelor of Science and a Master of Science in Electric Engineering from Cairo University and a Ph.D. in Systems Engineering and Control from Case Western Reserve University in Ohio, USA.

Karim Zahran, 34 years old, is a non-executive Director of the Company. Mr. Zahran is the Chief Executive Officer of Zahran Market, a leading supermarket retail chain, malls and distributor of household goods. He spearheaded the restructuring and positioning of Zahran in the Egyptian market prior to this, he was a partner

and Vice President of the asset management division of Compass Capital. Mr Zahran has held roles in HSBC Securities in New York where he focused on US based hedge funds and mutual funds investing in the EMEA region. He has also held previous roles in ACE Group and Citigroup Private Bank in Geneva. Mr. Zahran holds a Bachelor of Science in Business Administration with a concentration in Finance and a B.A. in Economics from Boston University.

Tarek Abdelrahman, 44 years old, is a non-executive Director of the Company. Mr. Abdelrahman is the Managing Director of Compass Capital. He was previously the Chief Operating Officer of Palm Hills for Development, one of the largest real estate companies in Egypt. During his time at Palm Hills, he led the company back to profitability and increased net profits by four times as well as recapitalising the company through raising USD 550mn through debt and equity. Prior to that, he was the Founding Partner and Managing Director of Akanar Partners, an Egyptian advisory firm which was acquired by Arqaam Capital. During his time there, he led and closed transactions for over USD 150mn. He has also held previous positions in Beltone Investment Banking, Citigroup, EFG Hermes and HSBC Cairo. Mr. Abdelrahman holds a B.A. in Business Administration from the American University in Cairo and an MBA Degree from London Business School.

Hatem Soliman, 61 years old, is an independent Director of the Company. Mr. Soliman spent 36 years with Schlumberger after joining in 1982 as a graduate electrical engineer. His longstanding career with Schlumberger included senior roles in the Middle East, Europe, Latin America and the Caribbean. From 2010 to 2016, Mr. Soliman held the position of President of Schlumberger Latin America, before taking on the role of President of Schlumberger Middle East and Asia. Before his retirement from Schlumberger in October 2018, Mr. Soliman was appointed as a Senior Advisor to Schlumberger's global CEO.

Neveen El Tahri, 60 years old, is an independent Director of the Company. Ms. El Tahri is Chairperson and Managing Director at Delta Holding for Financial Investments. She has over 30 years of financial & business experience. Ms. El Tahri started her career as a corporate banker with Chase Manhattan Bank's JV, today "CIB". In 1994, Ms. El Tahri established Delta Securities Egypt, and other Asset Management, Fund Services, Investment companies. Ms. El Tahri was also the first woman to sit on the board of the Egyptian Stock Exchange and won many awards for her contribution to Egypt's investment environment, as well as the economic empowerment of women. She currently sits on the boards of the FRA, Al Moltaqa Investment Company, the Egyptian Company for Mobile Services (ECMS) MobiNil, Regina for Pasta & Food Industries and Co-Chairs the OECD-Mena Women forum. Ms. El Tahri is a graduate of the Faculty of Economics & Political Science from Cairo University, and is an Alumni of both Harvard Business School and London Business School.

Executive Officers

The Company's executive officers as of the date of this Offering Circular are set out in the table below.

<u>Name</u>	<u>Position</u>	<u>Joined the Company</u>
Dr. Amr Morsy	Chief Executive Officer	2011
Mahmoud Fayek	Chief Financial Officer	2019
Mohamed Aboamira	Finance Director	2012
Dr. Hussein Azmy	New Product Planning & Pharmaceutical Director	2012
Amgad Elgabri	Customer Directorate Business Unit Manager	2011
Ashraf El-Maraghy	Speciality Care Business Unit Manager	2017
Dr. Ossama Heiba	Site Director	2014
Saied Eisa	Engineering Director	2013
Maha Abu Douh	Site Technical Director	1995
Mohamed Saeed	Regulatory Affairs Senior Manager	2013
Osama El Laithy	Primary Care Business Unit Manager	2018
Khaled Abdelhamid	Business Technology Director	2011
Dr. Ehab Wasfy	Human Resources Director	2017

Certain biographical information relating to the executive officers of the Company who do not serve on the Board is set forth below.

Dr. Amr Morsy, is the Chief Executive Officer of the Company. Please refer to Dr. Morsy's biography in the section entitled "*The Board of Directors*" above.

Mahmoud Fayek, is the Chief Financial Officer. Please refer to Mr. Fayek's biography in the section entitled "*The Board of Directors*" above.

Mohamed Aboamira, 36 years old, is the Finance Director. Mr. Aboamira has previously held various positions at ATC (Ashraf Abd El Ghany), including Tax and Audit Advisor and Finance Manager. He holds a Bachelor of Science from the Faculty of Commerce at Helwan University and an MBA from ESLSCA Business School.

Dr. Hussein Azmy, 61 years old, is the New Product Planning & Pharmaceutical Director. Dr. Azmy was the Medical Director at Pfizer Egypt & Sudan, and prior to which he held various positions including Senior Cardiologist and Intensivist at Kasr El Aini Hospital and Medical & Clinical Research Director at Pfizer Middle East. Dr. Azmy holds a Bachelor of Medicine and Surgery from Cairo University and a Master of Cardiology from Cairo University.

Amgad Elgabri, 52 years old, is the Customer Directorate Business Unit Manager. Mr. Elgabri previously held the position of National Sales Manager at United Company of Pharmacies and Middle East Chemicals specialising in Pfizer products. Prior to that, Mr. Elgabri held numerous positions at Bristol Myers Squibb including Area Sales Manager, Field Force Manager and Medical Representative. He holds a degree in Veterinary Medicine from Cairo University.

Ashraf El-Maraghy, 51 years old, is the Speciality Care Business Unit Manager. Mr. El-Maraghy has held various positions at Eli Lilly & Co including Sales Manager, Product Manager and Market Research Manager. He also held numerous positions at Pfizer, including Group Product Manager and Regional Marketing Manager. He holds a Bachelor of Science in Veterinary Medicine, Cairo University, and an MBA from Maastricht School of Management.

Dr. Ossama Heiba, 57 years old, is the Site Director. Dr. Heiba was previously the Plant Manager at Tabuk Pharmaceutical in Sudan. Prior to that, he held the positions of Production Manager and Deputy Plant Manager at Tabuk Pharmaceutical, Saudi Arabia, KSA and T3A Pharmaceutical. Dr. Heiba was also the Head Assistant for Solid Dosage Forms at EIPICO. He holds a Bachelor of Science in Chemistry from Suez Canal University, Egypt.

Saied Eisa, 54 years old, is the Engineering Director. Mr. Eisa was the Engineering Director at Mepaco Pharmaceutical. Prior to that, Saied was the Engineering Director at Delta Pharma and has experience as an Engineering Manager at Dry Water Egypt, El Salamy Foods and Honey Well. He holds a Bachelor of Science in Mechanical Engineering from Zagazig University, Egypt.

Maha Abu Douh, 56 years old, is the Site Technical Director. Ms. Abu Douh has held numerous positions within the Group including Head of Research & Development. Prior to that she was Head of Quality Control at October Pharma, and a Research & Development Specialist at Kahira for Pharmaceutical Industries. She holds a Bachelor of Science in Pharmaceutical Science from Cairo University.

Osama El Laithy, 49 years old, is the Primary Care Business Unit Manager. He has held various positions including Business Development, Sales Manager and Group Product Manager at Hikma Pharmaceuticals, Egypt. He has also worked for JPI, KSA, Bristol-Myers Squibb, KSA and GlaxoWellcome, Egypt.

Mohamed Saeed, 38 years old, is the Senior Manager of Regulatory Affairs. Mr. Saeed has previously held roles as Manager of Regulatory Affairs at companies such as EMA Pharmaceuticals, Pentapharm and IDI Pharma. He holds a Bachelor of Science in Pharmacy.

Khaled Abdelhamid, 54 years old, is the Business Technology Director. Mr. Abdelhamid was previously the Project Manager at United OFOQ and IT General Manager at Helwan Cement. Prior to that, Mr. Abdelhamid was the Project Manager at Ghabour Group. He holds a Bachelor of Science in Automatic Control & Computer from Ain Shams University.

Dr. Ehab Wasfy, 53 years old, is the Human Resources Director. Dr. Wasfy was the Human Resources Manager at Takeda Pharmaceuticals, and prior to that, he led the Commercial Trade Channel at Merck Sharp & Dohme. He has also been a Sales Manager at Schering Plough. Dr. Wasfy holds a Bachelor of Science in Pharmacy from Cairo University.

Corporate Governance

The corporate affairs of the Company are governed by the Egyptian Companies Law, the Egyptian Investment Law No. 43 of 1974 (and all amendments thereto) (the **Investment Law**), the Egyptian CML, the EGX Listing Rules, and other laws governing companies incorporated in Egypt and its Articles.

A general attribute of joint stock companies in Egypt is separation of ownership and control. Although shareholders own the Company nominally, the Group's senior management of the Company is vested, by law in the hands of its Board.

The Company is subject to Egyptian disclosure requirements and is required to submit annual and quarterly financial statements prepared in accordance with EAS; provide notices of any material developments to the FRA and to the EGX; provide the regulator with minutes of the Board Meetings the Company's Ordinary and Extraordinary General Meeting; and publish the Company's consolidated annual financial statements in two widely circulated local daily newspapers; and publish the Company's consolidated quarterly financial statements on the EGX's website for three days unless the Company is distributing periodic dividends, in which event the quarterly financial statements shall be published in two widely circulated local daily newspapers after the listing.

Audit Committee

The audit committee will be headed by Shamel Aboul Fadl and the two additional members will be Hatem Soliman and Neveen El Tahri. The primary functions of the audit committee are to assist the Board in fulfilling its oversight responsibilities in connection with the following, among other things:

- inspection and review of the procedures regarding the internal inspection of the Group and its compliance;
- the study of the followed and alternative audit policies that are a result of the new audit standards;
- inspection and review of the tools and mechanism of the internal audit, its procedures, plans, results and the study of the internal audit report the following up of its implementation;
- inspection of the methods that are used in the preparation of the audit as follows:
 - periodic and annual financial statements;
 - offering prospectus and public and private offering of securities;
 - estimated balance sheets which include cash flows and estimated income;
- inspection of the preliminary draft of the financial statements before presenting it to the board as a preface before submitting it to the auditor;
- proposal of appointing the auditor and determining their expenses and to view the related matters in regards to their resignation or removal which does not infringe the law;
- stating of opinion in regards to the permission of appointment of the auditor to carryout services on behalf of the Group other than the revision of the financial statements and in regards to the estimated costs which does not infringe upon their independence;
- study of the auditor's report pertaining the financial statements and discussing its substance in what was noted from comments, notes and reservations and the follow up in regards what was done in order to resolve such issues from the perspective of the Group's senior management and the Company's auditor; and
- ensure that a report is submitted to the board by non-conflicted competent experts concerning all related party transactions including their nature and the extent of which such transactions harm the Group or the interests of the Company's shareholders, if at all.

The audit committee shall meet as many times as may be deemed necessary provided that it meets at least four times per year.

Strategy Committee

The strategy committee will be headed by Dr. Amr Morsy and the two additional members will be Shamel Aboul Fadl and Ayman Abbas. The primary functions of the strategy committee are:

- To assist the Board in fulfilling its oversight responsibilities in connection with the long-term strategy for the Group, risks and opportunities relating to such strategy, and strategic decisions regarding investments, acquisitions and divestitures by the Group;
- To work with the chief executive officer to oversee the development of the Group's strategy, and to provide guidance for the strategic planning process to ensure that the strategic implementation plan is developed, adhered to and imbedded in the organization; and
- To monitor the Group's progress against its strategic goals and provide feedback.

The strategy committee is required to meet at least twice a year.

Governance and Compensation Committee

The governance and compensation committee will be headed by Shamel Aboul Fadl and the two additional members will be Dr. Mohamed Farouk and Ayman Abbas. The primary functions of the governance and compensation committee are to assist the Board in fulfilling its oversight responsibilities in connection with:

- The corporate governance of the Group;
- Determining the size, composition and structure of the board and its committees;
- Nomination of directors;
- The orientation and continuing education of directors;
- Related party transactions and other matters involving conflict of interest;
- Compensations for the Group's senior management up to managing directors' level, as well as the total compensation for officers and employees; and
- Human resources policies and procedures.

The governance and compensation committee meets on an as-needed basis.

PRINCIPAL AND SELLING SHAREHOLDER

The table below sets forth the identity and percentage ownership of each of the registered owners of the Company prior to the Combined Offering and following the Combined Offering and Closed Subscription.

	Shares Owned Immediately Prior to the Combined Offering		Shares Owned Immediately Following the Combined Offering and the Closed Subscription ⁽¹⁾	
	Number of Shares	Percentage of Outstanding Shares	Number of Shares	Percentage of Outstanding Shares
<u>Registered Owners and Selling Shareholder:</u>				
Greville Investing Limited	643,592,000	99.9988	391,986,000	51.0000
Ayman Abbas ⁽²⁾	4,000	0.0006	4,000	0.0005
Shamel Aboul Fadl ⁽²⁾	4,000	0.0006	4,000	0.0005
<u>Investors in the Combined Offering:</u>				
Registered holder for investors in the Combined Offering	—	—	376,606,000	48.9990
Total	<u>643,600,000</u>	<u>100.00</u>	<u>768,600,000</u>	<u>100.00</u>

(1) Assumes 125,000,000 Closed Subscription Shares are issued in the Closed Subscription.

(2) Registered owner of less than 1% of the Company's Shares in order to satisfy Egyptian statutory requirements..

Greville Investing Limited, incorporated in the British Virgin Islands, which is the Selling Shareholder, is the company through which the consortium of financial investors led by Compass Capital acquired the Company in 2011. As a result of these ownership arrangements, Compass Capital is able to exercise a substantial degree of influence over the Company and its operations. The three directors of Greville Investing Limited are Shamel Aboul Fadl, Karim Zahran and Dr. Mohamed Farouk.

Immediately prior to the Combined Offering, a holding vehicle which is an affiliate of Compass Capital indirectly owns 13.7% of the Shares. In addition, the Group's CEO and CFO, Dr. Amr Morsy and Mahmoud Fayek, indirectly own 1.97% and 0.12% of the Company's shares, respectively.

None of the aforementioned holding vehicle, Dr. Amr Morsy or Mahmoud Fayek intend to sell their economic interest in the Company as part of the Combined Offering. The upstreaming of proceeds from the Combined Offering at the level of Greville Investing Limited and the relevant companies will be structured to ensure that they maintain their economic interest in the Company. However, their indirect ownership will be reduced as a result of the dilution from the Combined Offering and the Closed Subscription.

RELATED PARTY TRANSACTIONS

The Company from time to time enters into agreements with certain of its shareholders, directors and affiliated companies. The Directors believe each of the Group's related party transactions has been entered into on an arm's length basis in the ordinary course of business and in accordance with its normal business practices. These transactions principally relate to salaries and incentives of management, as well as nominal amounts due from minority shareholders of the Company's two subsidiaries. See Note 29 to the Interim Financial Statements, Note 28 to the 2018 Annual Financial Statements, Note 30 to the 2017 Annual Financial Statements and Note 23 to the 2016 Annual Financial Statements for certain information in relation to such transactions.

In accordance with the Companies Law and the EGX Listing Rules, all related party transactions need to be pre-approved by a resolution of the General Assembly of the shareholders of the Company, with any related party abstaining from voting on such resolution.

REGULATORY OVERVIEW

The pharmaceutical industry is heavily regulated in Egypt. This section outlines the main legislation governing, and the regulatory authorities involved in, the industry.

Regulatory authorities

The pharmaceutical industry in Egypt is supervised by the MOHP. The Egyptian Drug Authority (**EDA**), which is affiliated with the MOHP, is the body that regulates the pharmaceutical industry. The EDA regulates the safety and quality of human and veterinary medicines, biologicals, medical devices, cosmetics, dietary supplements and pesticides. It consists of the following departments:

- The Central Administration of Pharmaceutical Affairs, or CAPA;
- The National Organization for Drug Control and Research; and
- The National Organization for Research and Control of Biologicals.

On 25 August 2019, the President issued Law No. 151 of 2019, by virtue of which the above authorities are replaced by the Egyptian Medicine Authority. Law 2019 shall be effective after the lapse of 6 month from the date of its publication in the Egyptian Gazette. Therefore, once Law No. 151 of 2019 comes into effect, the departments listed above will be replaced by the Egyptian Medicine Authority, who will going forward deal with all aspects regulatory aspects relating to the registration and supervision of pharmaceuticals in Egypt.

While the MOHP regulates the Egyptian pharmaceutical industry, the National Authority for Food Safety regulates the registration of ordinary food supplements, as detailed below in “—*Registration of food supplements and cosmetics*”. Further, the Ministry of Agriculture regulates the production of biological veterinary pharmaceuticals in Egypt through one of its regulatory arms, the General Authority for Veterinary Services.

Pharmaceutical business activities and related licenses

The regulated business activities in the pharmaceutical industry are: (a) manufacturing, (b) toll manufacturing, (c) importation, (d) commercial agency, (e) exportation, (f) warehousing, and (g) end-customer selling. A brief description of the regulation of each of these business activities is set forth below.

Manufacturing

Plant licensing

According to Articles 10 and 11 of Law No. 127 of 1955 (**Pharmacy Law**) regarding the regulation of pharmacies and Article 1 of the Ministerial Decree No. 497 of 2014 and Article 1 of the Ministerial Decree No. 37 of 2016, in order for an Egyptian entity to undertake the manufacturing of pharmaceutical products, it must have a pharmaceutical manufacturing facility which is licensed by the MOHP. To obtain this license, the manufacturing facility must comply with certain specifications required for all pharmaceutical institutions in Egypt. Article 54 of the Pharmacy Law also requires every pharmaceutical manufacturing facility to have a sufficiently equipped laboratory supervised by a pharmacist who is not involved in the preparation of the pharmaceutical products.

Pursuant to Article 77 of the Pharmacy Law, an approval from the MOHP must be obtained before commencing domestic manufacturing. There is no requirement of Egyptian nationality with respect to the shareholders of a pharmaceutical manufacturing company. Under Article 2 of the Ministerial Decree No. 37 of 2016 regarding the transfer of title in pharmaceutical manufacturing facilities, any form of legal disposal of the manufacturing facility, either directly or indirectly, is prohibited without first notifying the CAPA at the MOHP and such notification shall be accompanied by certain undertakings.

Plant ledgers

Article 56 of the Pharmacy Law provides that industrial entities shall maintain two ledgers, one for product preparation and the other for the registration of the disposed quantities of the products stating the date of its disposal and the entity to which it was disposed.

General requirements on manufacturing

Law No. 24 of 1977 regarding the Industrial Development Authority’s (**IDA**) industrial registry provides that all manufacturing companies with an issued share capital of EGP 5,000 or more or ten employees or more,

must be registered with the IDA. Such registration must be renewed every five years. In addition, facilities must hold a valid operational license issued by the IDA and must maintain a valid industrial register. Pursuant to Law No. 15 of 2017, if a manufacturing company fails to renew its operational license for a period of two months after the expiration of the previous license, the IDA may revoke the entity's operating license.

Importation of production materials

Manufacturing companies in Egypt may directly import their production materials and machinery. A registration card in the relevant register is issued for this by the General Organization for Export and Import Control (**GOEIC**).

Machinery license

According to Law No. 55 of 1977, no company is able to operate machinery in Egypt, in particular thermal equipment or boilers, without first obtaining a license from the competent authorities. Such license is issued by the competent ministry after the approval of the relevant municipality.

Toll manufacturing

A pharmaceutical company that owns a certain product but does not have the capability or capacity to manufacture such product may enter into a toll manufacturing agreement with a pharmaceutical manufacturing company that is certified and approved by CAPA to offer toll manufacturing services. According to the internal circulars and rules issued by the MOHP governing toll manufacturing activities, a pharmaceutical company that wishes to hire a separate pharmaceutical company to manufacture its products must fulfil the following conditions, among others, in order to register with CAPA:

- at least 51% of the shares of the company must be owned by Egyptian licensed medical professionals (i.e. only up to 49% of the shares of the company may be owned by foreign companies);
- the manager of the company must be a full-time licensed pharmacist with the power to sign on behalf of the company;
- the manufacturing facility must be licensed;
- the company must either have a warehouse licensed by the MOHP or a warehousing contract with another licensed warehouse; and
- the company must enter into a toll manufacturing agreement with each of its toll manufacturing clients clearly stating the responsibility of each party regarding the production and storage of the products.

The above requirements do not apply to pharmaceutical manufacturers that wish to enter into toll manufacturing agreements with other pharmaceutical manufacturing companies, so long as approval has been obtained by the MOHP.

Importation

According to Article 65 of the Pharmacy Law, special pharmaceutical products, as defined under the Pharmacy Law, may not be imported into Egypt nor released from Egyptian customs unless certain conditions are met, including that the:

- importing company must be registered with the MOHP as an importer and the relevant pharmaceutical products must be registered with the MOHP;
- the products must be properly packaged and cannot be imported individually or piece-by-piece; and
- the products' labelling must contain all necessary information including but not limited to the products' usage instructions and dosage and the name of the factory where the product was manufactured or packaged.

Furthermore, in addition to the above requirements the company must be registered in the importers registry at GOEIC as clarified below in “—*General requirements on importation in Egypt*”. Article 66 of the Pharmacy Law provides that any pharmaceutical product listed in a pharmacopeia may not be released from the Egyptian customs unless such product: (a) indicates the name of the pharmacopeia under which it is listed, (b) indicates the date of its preparation and assembly, (c) indicates that it is in compliance with the conditions laid down under such pharmacopeia, and (d) is securely packaged.

General requirements on importation in Egypt

The importation of any products into Egypt for business purposes can only be carried out by a person that is registered in the importers registry pursuant to Article 1 of Law No. 121 of 1982, as amended (the **Importers Registry Law**) which regulates the importers registry. Additionally, Article 2 of the Importers Registry Law provides that if importation is carried out by a company, certain requirements must be satisfied by such company, including, among others requirements: (a) a minimum period of incorporation; (b) a minimum turnover; (c) having a headquarters in Egypt; (d) a minimum capital amount; and (e) minimum percentage of shareholder and management must be Egyptian nationals.

Article 2 *bis* of the Importers Registry Law provides that any company conducting importation, under its name and for its benefit, for the sole purpose of production or providing a service (within the limits of its imported goods) shall be exempt from the registration in the importers registry.

Exportation

As a general rule, pursuant to Article 4 of the Imports and Exports Law No. 118 of 1975, the Ministry of Trade maintains a registry on which exporters must be registered.

According to Ministerial Decree No. 379 of 1986 regulating the exportation of drugs and pharmaceutical products, the exportation of special drugs and pharmaceutical products, as defined under the Pharmacy Law, is not allowed unless such drugs and products are registered with the MOHP. Additionally, the drugs and pharmaceutical product listed under a pharmacopeia may not be exported unless their labels are certified by the MOHP. Only pharmaceutical companies licensed by CAPA and companies which manufacture products according to foreign manufacturing agreements that include exporting activities are allowed to export.

With the exception of personal exportation, registration samples and bidding, exportation is not permitted until a CAPA inspector analyses a sample of each batch of products at the National Authority for Pharmaceutical Supervision and Research and issues a conformity decision in relation thereto. In relation to the issuance of the conformity decision, the CAPA inspector shall give priority to exported products; however, in the event that such CAPA inspector does not issue its decision within two weeks from the date of receiving the samples, CAPA is entitled to permit the manufacturing company to export the products according to the analysis certificate issued by the company's laboratories. In such case, the company shall bear the liability in relation thereto.

Medical chemicals are allowed to be exported if they have been recently analysed by the National Authority for Pharmaceutical Supervision and Research and are found to be in compliance with the medical pharmacopoeias and certified technical specifications.

CAPA allows products with expired registration to be exported provided that the relevant re-registration application has been submitted to CAPA.

Warehousing

Pharmaceutical warehouses are to be licensed according to the requirements and conditions set out in the Ministerial Decree No. 25 of 2009. Such requirements include, but are not limited to: (a) the area of the warehouse must be 500 square meters or larger; (b) the warehouse must have an independent entrance; (c) the warehouse must have a refrigerated room for storing pharmaceutical products; (d) the temperature of the warehouse must be 30 °C or lower; and (e) the warehouse must be computerised.

CAPA also issues Good Storage Practices, which warehouses must follow in relation to the storing of pharmaceutical products.

End-customer sales

Only pharmacies are allowed to sell pharmaceutical products to the public. According to Article 75 of the Pharmacy Law, warehouses, pharmaceutical intermediates and manufacturing facilities may not sell or offer pharmaceutical products for sale to the public or provide pharmaceutical products to the public for free. Apart from the manufacturing facilities, the aforementioned pharmaceutical institutions are prohibited from preparing or manufacturing any pharmaceutical products and may not act as an intermediary in relation thereto.

Furthermore, pursuant to Article 2 of the Ministerial Decree No. 25 of 2009, trade or wholesale of medicine may only be undertaken by licensed warehouses or distribution companies.

Registration of pharmaceutical products

Article 59 of the Pharmacy Law prohibits the trading of special pharmaceutical products, as defined thereunder, whether manufactured domestically or imported, unless they are registered with the MOHP. The registration of pharmaceutical products in Egypt is regulated under the Pharmacy Law and MOHP Decree No. 425 of 2015, as amended.

Further, according to Article 64 of the Pharmacy Law, the Minister of Health may issue a decree prohibiting the trading of any material or pharmaceutical product that is established as harmful to public health on a discretionary basis or in light of reports issued by the Technical Committee for Supervising Drugs. In such case, a product must be deregistered from the MOHP's ledgers and the existing quantities of such product must be confiscated, without any compensation or any recourse by the owner of such product against the MOHP.

Registration procedures

According to Article 2 of Decree No. 425 of 2015, the Technical Committee for Supervising Drugs is responsible for setting the number of products allowed to be registered for each group of drugs with similar molecules and specifications. These limits are set out in Annex 1 of the decree. If new pharmaceutical dosage forms are created they are added to Annex 2 after receiving approval from the Technical Committee for Supervising Drugs.

Pursuant to Decree No. 425 of 2015, the registration of pharmaceuticals is subject to the "box system". There is a "box" in relation to each group of drugs (with similar molecules and specifications), and the maximum number of products allowed to be registered per box is 12, which includes the innovator product, an imported product and ten products manufactured by domestic companies of which a maximum of two may be manufactured under toll manufacturing arrangements. However, for products that require complex technology not commonly available in Egypt, the box allows for five imported products to be registered.

In November 2018, the MOHP introduced Ministerial Decree No. 645 of 2018 which implemented certain exceptions to Decree No. 425 of 2015, enabling the MOHP, in its discretion and upon the application of a pharmaceutical company meeting one or more of such exceptions, to allow for the registration of additional products beyond the 12 generally allowed under Egypt's "box" registration scheme. The MOHP has the discretion to open a box to allow for additional products to be registered:

- with respect to a specific list of products of which CAPA has determined there is a shortage or limited availability of substitutes for;
- with respect to a specific product, if such product can only be manufactured on a production line which is not readily available in Egypt as specified by CAPA on annual basis;
- with respect to any product for a relatively new manufacturer that has been licensed in the past ten years;
- with respect to any product, for a company that is currently working to establish and register its own production facility; and
- with respect to a specific product, for pharmaceuticals which are manufactured for domestic trading or exportation.

Any company wishing to register a product that meets any of the exceptions listed above may apply for registration when a box would otherwise be closed. Approval of such application is subject to the sole discretion of CAPA.

In brief, the general application process and timeline to register pharmaceuticals to be traded in Egypt is as follows:

- an applicant wishing to register a pharmaceutical for human consumption in Egypt must first submit an application for registration to the Department of Human Drugs Registration at CAPA.
- the applicant will be notified of the status of such application within 21 business days of date of submission of the application and if approved, the formal approval should be issued within ten business days of the date of notification of the applicant of the status of the product.
- the applicant must submit the documents required for determining the commercial name of the product within 15 business days of notice of approval and the documents required for determining the price of the product within 60 business days from the date of the submission of the documents required for determining the product's price. If the application is denied or further documents are requested, the

application undergoes a final review by the different technical committees at CAPA and is either approved or rejected, in which case the reasons for rejection are specified.

The registration procedures and required documents in relation thereto differ according to the following categories of products:

- *Imported products*: wholly manufactured outside Egypt and imported as finished products.
- *Domestic products*: manufactured by licensed pharmaceutical manufacturing facilities in Egypt.

Throughout the registration process, it is worth distinguishing between the following persons:

- *Applicant*: The applicant is the person or entity applying for the market authorisation or registration of a product and that is responsible for dealing with the local authorities and CAPA regarding all the aspects the registration process. In practice, the applicant is usually the agent, importer, distributor or scientific office.
- *Market authorisation holder*: The market authorisation holder is the owner of the market authorisation or the product registration, which allows a product to be sold in Egypt. Such holder enjoys complete control over the product including the determination of the manufacturer or importer and the renewal of the product registration.
- *Manufacturer*: The name of the manufacturing company shall be mentioned if the product is manufactured by an entity other than the holder of the market authorisation.
- *Imported products*: In order to apply for the registration of an imported product, a company must submit the documents specified in annex 11 of Decree No. 425 of 2015, including: (a) the Certificate of Pharmaceutical Product issued by competent authorities in the country of origin and authenticated by the Egyptian embassy (the imported product must have already been marketed abroad for at least a year); (b) an authenticated agency agreement or official authorisation by the holder of the market authorisation abroad; and (c) a copy of the manufacturing contract with the foreign company (for licensed products).
- *Domestic products*:

Domestic products are manufactured in Egypt and owned by the market authorisation holder, whether such holder is Egyptian or foreign. Domestic products can be either manufactured by the domestic market authorisation holder or by a separate manufacturer under a toll manufacturing agreement.

In order to apply for the registration of a domestic product, a company must submit certain documents which are stipulated pursuant to Annex 10 of Decree No. 425 of 2015, including: (a) the license of the facility that will be manufacturing the product; (b) the certificate of composition containing the concentration of the active and inactive ingredients of the product; (c) the inner and outer label of the product (or art work); and (d) Certificate of Analysis of finished product.

In order to apply for the registration of domestic products that are manufactured in Egypt on behalf of a foreign market authorisation holder, the following additional documents must be submitted: (a) the manufacturing license agreement; and (b) the product's Certificate of Pharmaceutical Product issued by competent authorities in country of origin authenticated by the Egyptian embassy.

Pursuant to Decree No. 425 of 2015, domestic products must meet the following stipulations, among others: (a) the applicant must manufacture a pilot batch for testing purposes; (b) CAPA should be notified with the names of its distributors and confirmation that the distributors apply good supply practices and GMP rules; and (c) stability studies for the first three production batches must be completed.

In order to apply for the registration of products to be produced pursuant to a toll manufacturing arrangement, the following additional documents must be submitted: (a) the toll manufacturing agreement with the manufacturing company; and (b) a copy of the commercial register of the manufacturer indicating that the toll manufacturing is one of its corporate activities and that the manager is a pharmacist or vet.

Registration of food supplements and cosmetics

Ministerial Decrees Nos. 1 of 2018 and 326 of 1998 regulate the registration of food supplements traded in the Egyptian market. Under these decrees, a distinction is drawn between two types of food supplements, namely: (a) ordinary food supplements which include, among others, baby formula, energy drinks and low calorie powders, and (b) therapeutic food supplements which has a curative effect.

Ordinary food supplements are registered with the National Authority for Food Safety pursuant to Ministerial Decree No. 1 of 2018. However, therapeutic food supplements, pursuant to Ministerial Decree No. 326 of 1998, are registered with CAPA. Therapeutic food supplements may not be imported in bulk or fully-manufactured in a foreign country unless registered at the relevant ledgers of the MOHP and CAPA.

The Ministerial Decree No. 106 of 1996 provides that cosmetic products, which are defined as any substances used on the skin, hair, nails or lips (with the exception of cologne), should be registered with CAPA.

Pricing

Pharmaceutical products are subject to compulsory pricing by the MOHP's relevant pricing committee. The MOHP regulates the ability of Egyptian pharmaceutical companies to mark-up or profit from the sale of pharmaceuticals in Egypt.

Prior to 2009, the MOHP issued a pricing method of cost plus margin, which means that each company submitted a study reflecting the cost of manufacturing or importing pharmaceuticals and the relevant decree set the appropriate margin and price for each stakeholder in the supply chain.

In 2009, the MOHP issued Decree No. 373 of 2009, a pricing method based on the best available price in any country in the world. Under this pricing regime, the price of the innovator product in Egypt is set at the lowest price available in any country in the world where the product is traded after applying a discount of 10%. Generic products are priced in accordance with the lowest customer price available in any country where the pharmaceutical is traded after applying a discount which depends whether the manufacturer is operating pursuant to a toll manufacturing arrangement, MOHP licenses, or is licensed and certified by the World Health Organization, among other certifications such as EMEA, TGA or FDA. The final price determined under this decree includes the same margins for distributors and pharmacists as set by the pre-2009 pricing regime.

In 2012, the MOHP issued Decree No. 499 of 2012, which implemented further changes to the pricing regime aimed to increase the profit margins for distributors and pharmacists while upholding the same pricing method as set by MOHP Decree No. 373 of 2009 with only slight variations including that the price of pharmaceutical products is now determined during the registration phase. This decree applies to all applications filed after its issuance and will become applicable to all products once the registrations of the products priced in accordance with Decree No. 373 of 2009 have expired as Decree No. 499 of 2012 has now replaced and cancelled Decree No. 373 of 2009.

Under Decree No. 499 of 2012, the prices of pharmaceutical products are all set and approved by the MOHP pricing committee, allowing for the process of making medicines more affordable for the Egyptian population. The pricing committee determines the price of the product for each of the stakeholders in the supply chain including: (a) the manufacturer or importer, (b) the distributor, (c) the pharmacies and (d) the end-customer. Ministerial Decree No. 499 of 2012 determines the profit margins for each of the distributor and the pharmacy. Any variation of the price from the pre-determined official prices (including selling the product at lower prices) must be approved in advance by the MOHP.

Pursuant to Article 9 of Ministerial Decree No. 499 of 2012, the initial pricing set forth in the product registration is valid for five years. The market authorisation holder shall submit a repricing request three months prior to the expiration of said five-year period.

Generally, the market authorisation holder shall provide CAPA with a list containing the price at which the product is sold in every country; such list shall include any discounts applied to the product. CAPA shall then contact the relevant governments of the countries stated in the list to ensure that the prices provided in the list are valid. The pricing committee then uses the list for guidance in the determination of the price at which the product will be sold in Egypt.

Innovator product

The price of such product is determined based on the lowest price identified after determining the lowest price at which the product is sold across 36 specified reference countries. If the product is sold in less than five foreign countries, the price is determined based on the lowest price of a molecule in the Egyptian market with similar specifications or the lowest price in the existing international reference countries.

Generic products

Prices of domestically manufactured generic products and imported generic products from reference and non-reference countries are determined based on the prices offered to the public at the following mark-down percentages from the innovator product price:

- 35% for the first five generic products as of the date of the pricing request; and
- 40% for the remaining generic products.

Article 3 of Ministerial Decree No. 25 of 2009 restricts distributors and warehouses from granting discounts to pharmacies, wholesalers and hospitals and provides that distribution companies and warehouses of pharmaceutical products shall abide by certain conditions when they obtain or sell such pharmaceutical products. Such companies may not provide any discounts without obtaining the approval of the MOHP on the type of discount, its percentage and the products to which any discounts would apply provided that such discounts may not exceed 10%. Discounts may only be granted for non-prescription pharmaceutical products as determined by CAPA. Further, the profit margins set forth in the Ministerial Decree No. 499 of 2012 shall be considered in the relationship between the distributor or wholesaler and the pharmacy.

Repricing

Under the box system, a pharmaceutical company is allowed to apply for the repricing of a maximum of 5% of the total number of products in its portfolio each year. Such, repricing should take place equally across the four financial quarters of the year. The MOHP reviews each repricing request by assessing profitability and margins and considering the minimum price of other products within the same box and may then adjust the price of the product if it considers it reasonable to do so.

Non-pharmaceutical products

The Group's non-pharmaceutical products are subject to pricing oversight by the relevant regulatory authorities in Egypt. The Group's nutraceutical, veterinary and medical device products are regulated by CAPA and its food supplement products are regulated by the Food Safety Authority. Nutraceuticals are priced on a cost-plus basis. Veterinary products and food supplements are subject to free pricing. Medical devices are also subject to free pricing, however, CAPA's pricing committee retains the authority to review the pricing of certain medical devices on a case by case basis and may intervene to set the price of certain medical devices. As of the date of this Offering Circular, none of the Group's medical device products are subject to such review and all are priced on a free pricing basis.

Promotional activities and advertising

The advertising of pharmaceutical products is regulated under MOHP Decree No. 76 of 2000. The MOHP technical committee has the regulatory authority to review and approve advertising materials of medicinal or pharmaceutical products. Article 1 of the Ministerial Decree No. 76 of 2000 provides that companies and other entities which manufacture or deal in medicines, pharmaceutical products or dietary supplements must abide by the rules and provisions of the laws, ministerial decrees, morals and traditions while advertising for these products whether in journals, magazines or other media outlets.

Scientific offices

Scientific offices are established by virtue of and are governed by the MOHP Decree No.429 of 1976. Pursuant to the Companies Law, scientific offices receive the same treatment as representative offices, whereby its legal personality is extended from the main entity undertaking its establishment. Hence, the scientific office is an entity which does not have the personality of a legal person. A representative office can only undertake activities which by nature are preliminary and ancillary to those of the company it represents. A representative office is strictly prohibited from carrying out commercial activities (a representative office is a non-profit entity). In addition to the aforementioned general rules on representative offices, specific regulations on scientific offices also apply. Pursuant to these specific regulations, the only authorised activities for a scientific office are the promotion and the registration of pharmaceutical products. In order to carry out its activities, a scientific office must obtain a license from the MOHP. To be qualified for such license, the manager and the pharmacist of the scientific office must be Egyptian nationals and the manager must be a member of one of the medical professions in Egypt.

Environmental legislation

Environmental issues in Egypt are governed by Law No. 4 of 1994. This law provides for the creation of an agency for the protection and promotion of the environment, the Egyptian Environment Affairs Agency (the **EEAA**). The EEAA promulgates general policy and prepares the plans necessary for the protection and promotion of the environment. It also reviews the implementation of such plans.

The law provides for a mandatory environmental review, to be undertaken by the competent administrative authority according to the EEAA's instructions, as part of the approval process for all proposed projects and any extension thereto, whether such project will be built or is already built. In order to obtain a license to build, investors engaging in all new developments are now required to prepare environmental impact assessment. The law places a duty on the developer to monitor its compliance with environmental laws. Management of existing facilities must also maintain an environmental register which provides the impact of the facility on the environment.

The law prohibits the handling of hazardous substances and waste or the construction of any establishment for treating such substances without a license from the competent administrative authority. It is also forbidden to import hazardous waste or allow its entrance into or passage through Egyptian territories. It is mandatory for all those who produce or handle dangerous materials to take precautions to ensure that no environmental damage occurs.

All establishments (industrial and others) are required to ensure that while engaged in their activities, no leaked or emitted air pollutants (caused by the burning of fuel or otherwise) shall exceed the maximum permissible levels. It is also prohibited to incinerate, dispose of or treat garbage and solid waste, as well as to spray pesticides or any other chemical compound, unless it is done according to the conditions and safety measures specified in the executive regulations of the law. Establishments shall ensure also that while operating their machines and equipment, the sound volume shall not exceed the maximum permissible levels.

The law further contains incentives for entities that operate in Egypt in an environmentally friendly manner, thus encouraging compliance. The law provides for fines and, in extreme cases, prison sentences for violations of its provisions.

In addition to the Environmental Law, other laws relevant to environmental compliance include Egyptian Law No. 38 of 1967 (as amended) and its executive regulations relating to solid waste and Egyptian Law No. 93 of 1962 (as amended) relating to the disposal of liquid waste through sewage networks.

Egypt is a signatory to various conventions concerning environment protection, including the convention concerning the Protection of Workers against Occupational Hazards in the Working Environment Due to Air Pollution; Noise and Vibration; the United Nations Framework Convention on Climate Change; the Kyoto Protocol; the Environmental Modification Convention; the African Convention on the Conservation of Nature and Natural Resources; the Vienna Convention for the Protection of the Ozone Layer; the Convention for the Prevention of Pollution from Ships; the Barcelona Convention for the Protection of the Marine Environment and the Coastal Region of the Mediterranean; the Brussels Convention on Civil Liability for Oil Pollution Damage and the Moscow Treaty for Nuclear Weapon Tests in the Atmosphere.

DESCRIPTION OF SHARE CAPITAL AND APPLICABLE EGYPTIAN LAW

A summary is set out below of certain information relating to the Shares, certain provisions of the Articles, the Capital Market Law, the Egyptian Companies Law and certain related laws and regulations, all in effect as of the date of this Offering Circular. This summary is not intended to be a comprehensive description of those Articles, laws and regulations.

General

The Company was established on 15 January 1986 as an Egyptian Joint Stock Company governed by Law No. 43 of 1974 and its executive regulations, under the name of Tenth of Ramadan for Pharmaceutical Industries and Diagnostic Reagents (Rameda) S.A.E. The Company's duration is 25 years commencing from the date of its registration in the Commercial Register which expired on 14 January 2011 and was renewed on the same day and is due to expire on 13 January 2036. The Company's term may be extended by a resolution of the Extraordinary General Assembly.

The current issued share capital of the Company is EGP 192,150,000, consisting of 768,600,000 ordinary shares, each with a par value of EGP 0.25.

The Company's historical share capital changes are as follows:

Authorised share capital

- The Company was incorporated on 15 January 1986 with an authorised share capital amounting to EGP 8,000,000.
- By virtue of an EGM dated 15 November 1989, the authorised share capital was increased to EGP 50,000,000.
- By virtue of GAFI's decree No. 1690 of 2001, the authorised capital was increased to EGP 200,000,000.
- On 2 May 2011, as annotated in the commercial register of the Company, the authorised capital was increased to EGP one billion.

Issued share capital

- The Company was incorporated with an issued share capital amounting to EGP 8,000,000.
- By virtue of an EGM dated 15 November 1989, the issued share capital was increased to EGP 38,000,000.
- By virtue of Ministerial Decree No. 67 of 1991, the issued capital was increased to EGP 50,000,000.
- After the merger of the Company with Techno Industries Company S.A.E, the issued capital was increased to EGP 80,548,000.
- By virtue of GAFI's decree No. 1690 of 2001, the issued capital was increased to EGP 120,000,000.
- On 2 May 2011, as annotated in the commercial register of the Company, the issued capital was increased to EGP 160,900,000.
- On 28 November 2019, as annotated in the commercial register of the Company, the issued capital was increased to EGP 192,150,000.

The Company's legal objectives, as stated in the Commercial Register include (a) the production, marketing and sale of pharmaceutical products (for human and veterinary use), and diagnostic products necessary for persons, laboratories, hospitals and supplements; and the production, marketing and sale of all the aforementioned to third parties and for third parties; and (b) the importation of pharmaceutical products and raw materials necessary for the services of the Company excluding trading.

Limitation of Liability

Under the Egyptian Companies Law, a shareholder's liability for an Egyptian joint stock company's losses is limited to the amount of his/her/its investment in the Company's shares unless the shares are not fully paid, in which case the shareholder is liable for the rest of the unpaid portion of the par value of the partly-paid Shares.

The Company's current issued share capital is fully paid up.

Voting Rights and Shareholders' Meetings

The Egyptian Companies Law provides for two types of shareholders' meetings; Ordinary General Assembly Meetings and Extraordinary General Assembly Meetings. It is worth noting that Decree No. 92 of 2018 issued by the FRA published in the Official Gazette in June 2018 (**Decree 92/2018**) introduced new principles that are required to be reflected in the articles of association of companies as a condition for listing:

- *Cumulative Voting*. Decree 92/2018 states that each shareholder is allowed a number of votes equal to the number of their shares in voting for electing the board of directors. The shareholder may give them all to one board member candidate or divide them among several.
- *Proportionate Representation of the Capital in the Company's Board*. Decree 92/2018 puts in place a system of voting, guaranteeing that each 10% of the shares of a company is represented by a maximum of one board member in the company's board of directors.

In light of the above, the Articles were amended by virtue of the Extra Ordinary General Meeting dated 8 August 2018 to include the principles of cumulative voting and the proportionate representation of the capital in the Board.

According to the current Articles, General Assembly Meetings may take place in Giza or Cairo. Further, shareholders wishing to attend a General Assembly Meeting are required to deposit their shares with a licensed custodian (with their shares to be blocked in advance of the General Assembly Meeting) and to present evidence of the same to the Company at least three days prior to the date of the General Assembly Meeting. No transfer of ownership of the blocked shares may be effected until the meeting is adjourned. The invitation to General Assembly Meetings must be published at least 21 days before the date on which the General Assembly Meeting takes place (not including the date of publication of the invitation and the date of the meeting).

Ordinary General Assembly Meetings are convened upon the invitation of the Chairman of the Board, or upon the request of the Company's auditor or shareholders together holding at least 5% of the Company's issued share capital. A quorum is constituted by the attendance in person or by proxy of shareholders holding at least 25% of the issued share capital. If the quorum is satisfied, the meeting shall be considered a valid meeting, and an absolute majority of the shares present or represented at the meeting is necessary for the passing of resolutions by the Ordinary General Assembly. If the quorum requirement is not satisfied, the meeting is adjourned for a maximum of 30 days. The invitation to the first meeting may refer to the date and time of this second meeting. In the second meeting, the Articles provide no quorum requirement to the second meeting of the Ordinary General Assembly.

An Ordinary General Assembly Meeting must be convened once a year within three months of the end of each fiscal year. Matters that may be considered at Ordinary General Assembly Meetings include, but are not limited to, the election, re-election or dismissal of Directors, approval of financial statements, approval of the Board of Director's report, appointment of auditors, determination of the remuneration and allowances of Directors, and the distribution of net profits.

Extraordinary General Assembly Meetings are convened upon the invitation of the Board, or upon the request of shareholders together holding at least 10% of the Company's issued share capital. A quorum is constituted by the attendance in person or by proxy of shareholders holding at least 50% of the issued share capital. If this quorum is satisfied, the meeting shall be considered a valid meeting, and a two-thirds majority of the shares present or represented at the meeting is necessary for the passing of resolutions by the Extraordinary General Assembly, provided that resolutions pertaining to an increase or decrease in the share capital, mergers, amendments to the Company's purpose or its dissolution require a three-quarters majority of the shares present or represented at the meeting. If the quorum requirement is not satisfied, the meeting is adjourned for a maximum of 30 days. The second meeting shall be deemed valid if attended by shareholders representing at least 25% of the share capital of the Company.

Certain matters are within the exclusive powers of the Extraordinary General Assembly, including, without limitation, amendments to the Articles, modifications of the shareholders' rights, and approval of mergers, increases or decreases in the share capital and dissolution of the Company.

According to the EGX Listing Rules, General Assembly Meetings may not be held during EGX trading sessions. The EGX Listing Rules provide for various requirements in relation to the ratification of minutes of General Assembly Meetings and the disclosure of General Assembly resolutions.

The manner of voting in all General Assembly Meetings is by the means proposed by the meeting's chairman and approved by the shareholders represented at the meeting. If the resolution to be passed relates to; (a) the appointment or removal of any director, (b) the filing of any allegations against any director or the Chairman,

or (c) if at least 10% of the shareholders attending the meeting so request, a secret ballot must be held. No director may vote on any resolution relating to the determination of his remuneration, fees, discharge of liability or relating to his management conduct. Corporate shareholders represented on the Board must be represented at the shareholders level by a representative other than its director on the Board, if relevant.

Any individual shareholder may attend General Assembly Meetings in person or by proxy. The proxy must be in writing and must be given to a shareholder. Shareholders, other than shareholders represented on the Board, may not give a proxy to a Director in a General Assembly Meeting to represent them. Other than shareholders of corporate entities, an individual shareholder may not represent by proxy more than 25% of the shares represented at the meeting.

The minutes of the General Assembly Meetings are ratified by the General Authority for Investments and Free Zones (GAFI), within a maximum of one month from the date of convening the meeting and are recorded in a register held by the Company. Once the Company is listed on EGX, a synopsis of the minutes are required to be disclosed to FRA and EGX immediately following the meeting and before the following trading session. The minutes, executed by the Chairman, are required to be delivered to EGX within a maximum period of one week from the date of convening the meeting. The ratified minutes are required to be delivered to EGX within a maximum period of three business days from the date of receipt from GAFI.

The minutes' registers are available for review and inspection by the shareholders, the Company's auditor and the competent administrative authorities, but are not available to the public. However, as the Company is listed on EGX, the resolutions will be required to be disclosed to FRA and EGX and material resolutions are published on EGX's website as a reporting and transparency requirement.

Shareholders who have objected to any given General Assembly Meeting resolution or who did not attend such meeting for a valid reason (GAFI may act on behalf of the shareholders if so requested) are entitled to request the suspension or nullity of such resolution (within a maximum of one year from the convocation of the said General Assembly Meeting) and the board of directors of the FRA, based upon a request by a shareholder(s) holding at least 5% of the shares, may suspend such resolution if such resolution is found to be in favour or disfavour of a certain group of shareholders or provides a special benefit to the Board or others without considering the Company's benefit.

Dividends

The Articles provide that dividends may be distributed out of retained earnings or realised profits based on the Company's audited annual or interim financial statements prepared in accordance with EAS. Pursuant to the Egyptian Companies Law, the Company must convene an Ordinary General Assembly Meeting not later than three months after the end of its financial year. Furthermore, dividends declared by a resolution of the Ordinary General Assembly must be distributed within one month of the date of the Ordinary General Assembly Meeting, it being noted, however, that in practice the distribution of dividends on instalment based on a resolution of the Ordinary General Assembly may be accepted by GAFI and the FRA. According to the applicable laws and regulations and the Articles, (a) the Company is required to establish and maintain a legal reserve (the **Legal Reserve**) to which an amount equal to 5% of the after tax earnings must be allocated each year unless the legal reserve reaches 50% of the issued share capital. In the event the Legal Reserve falls below such percentage, the allocation should be resumed; (b) the amount necessary for the distribution of a first share of the profits amounting to 5% to the shareholders in the capital of the Company, calculated on the basis of the amount paid from the value of their share provided that if the profits for one year are not sufficient for the distribution of such dividend, it may not be claimed for the profits of any subsequent years; (c) a percentage shall be reserved to be distributed to the employees of the Company, in accordance with the rules set by the Board and as approved by the shareholders' resolution in an Ordinary General Assembly Meeting; (d) the payment of the amounts of incorporation shares (if any), subject that it does not exceed 10% of the rest of the net profits; (e) a maximum of 10% shall be distributed to the Board as a remuneration; (f) the remainder of the profits shall then be distributed to the shareholders as an additional share in the profits, or shall be carried forward to the following year, as proposed by the Board or shall then be affected to an extraordinary reserve or extraordinary depreciation fund. The Ordinary General Assembly Meeting may distribute all or part of the profits revealed by the periodic financial statements prepared by the Company as certified by the Company's auditors.

Increases and Reductions in Capital

The Company's share capital may be decreased or increased only by a resolution adopted at a duly convened Extraordinary General Assembly Meeting by a 75% majority of the shares present or represented at the

meeting. The approval of the FRA is required on the issuance of any new shares and also on the reduction of capital. Ratification by GAFI is required on the minutes of the Extraordinary General Assembly Meeting approving the capital increase or decrease. Furthermore, any amendment to Articles 6 and 7 of the Statutes in connection with an increase or decrease of the authorised or issued share capital of the Company requires the approval of GAFI. Changes in the share capital must also be registered with MCDR, and the issuance of new shares should be listed on the EGX within three months of the date of issuance, capital decreases should be registered with the EGX within three months of the date of the resolution of the Extraordinary General Assembly approving the decrease. Moreover, changes in the Company's share capital must be inscribed on the Company's Commercial Register within two weeks as of finalization of the capital increase process.

Increases in the share capital must be made at fair value in accordance with a fair valuation report issued by an independent financial advisor, provided that rights issues allocated among the Company's existing shareholders may be made at par value subject to approval by the Extraordinary General Assembly. In the case of rights issues, subscription rights must be traded by the holders of the shares together with the shares independently following the commencement of the subscription period.

According to the EGX Listing Rules, the Company may not increase or decrease its share capital, or publish the invitation to an Extraordinary General Assembly Meeting to consider the same or carry out the required procedures, without submitting a disclosure report in the prescribed form to the FRA and EGX together with the relevant Board minutes approving the increase or decrease and the FRA and EGX's approval of such report and its publication on the EGX trading screens. The invitation to the Extraordinary General Assembly Meeting must be made within 21 days from the date of FRA and EGX's approval of the disclosure report and its publication on the EGX trading screens, and the relevant Board minutes must include an authorization to the Chairman to undertake the same. In this regard, if the resolution is to increase the share capital in cash, the Board is required to disclose the fair market value prepared by the independent financial advisor to the existing shareholders at least 5 days prior to the increase in share subscription in the following scenarios: (a) if, pursuant to the latest ratified financial statements, the Company incurred losses which equal at least 50% of shareholders' equity and the capital increase is more than 10% of the total share capital, and not less than EGP five million; (b) if the capital increase is equal to or more than the total issued share capital or total shareholders' equity (as the case may be) pursuant to the latest ratified financial statements.

Certificates, Registry, and Transfer

The shares are registered on the MCDR system in dematerialised form and cannot be held in certificated form. The shares are eligible for clearing and settlement through the MCDR system. The Company is entitled to request the MCDR at any time to issue a detailed statement of the registered owners of the shares. All transfers of shares will be transacted on the EGX in accordance with the EGX trading rules through duly licensed brokers, and are recorded on the electronic book-entry system of the MCDR and reflected in the statements of account issued by the authorised custodians.

According to the EGX Listing Rules, each shareholder acquiring, including through its related parties, 5% or multiples thereof of the shares or subscription rights therefore must disclose the same, and shareholders must also disclose the decrease of their shareholdings below 5% of the shares (or 3% or multiples thereof for Directors and their related parties). In the event that the stake acquired represents 25% or more of the shares or voting rights, the purchasing shareholder must disclose its future investment plan and direction with regards to the Company's management. In each of the above cases, disclosure must be made to the EGX in the prescribed form and prior to the commencement of the next trading session, and the EGX publishes such disclosures immediately on the trading screens and on its website.

It should be noted that it shall not be considered as a violation if a transaction has been implemented by a related party and the transaction is limited to 1% of the share capital of the Company, if the transactions of related parties are not necessarily known to the other related parties or major shareholders. This exemption shall also apply to transactions implemented by portfolio managers on behalf of related parties.

According to Article 331 of the Executive Regulations of the CML, a person may acquire, independently or together with related parties, less than one third of the Company's share capital or voting rights through open market transactions (i.e. by applying the normal EGX trading rules applicable) or through a voluntary tender offer. According to Article 353 of the Executive Regulations of the CML, the obligation to launch a mandatory tender offer for the acquisition of 100% of the Company's shares, voting securities and convertible securities would arise in any of the following situations:

- (a) if a person acquires or wishes to acquire, independently or together with related parties, one third or more of the Company's share capital or voting rights, being listed on the EGX;

- (b) if a person that holds, independently or together with related parties, between one third and one half of the Company's share capital or voting rights (a) acquires more than an additional 5% of the Company's share capital or voting rights within 12 consecutive months, or (b) exceeds one half of the Company's share capital or voting rights at any point in time;
- (c) if a person that holds, independently or together with related parties, between one half and two thirds of the Company's share capital or voting rights, independently or together with related parties, (a) acquires more than an additional 5% of the Company's share capital or voting rights within 12 consecutive months;
- (d) if a person that holds, independently or together with related parties, between two thirds and three quarters of the Company's share capital or voting rights (a) acquires more than an additional 5% of the Company's share capital or voting rights within 12 consecutive months, or (b) exceeds three quarters of the Company's share capital or voting rights at any point in time.

Additionally, according to Article 357 of the Executive Regulations of the CML, if a person acquires, independently or together with related parties, 90% or more of the Company's share capital or voting rights, the shareholders holding 3% of the Company's share capital or voting rights or a minimum of 100 shareholders representing no less than 2% of the free float, may request, during the 12 consecutive months of such acquisition, the FRA to oblige said person to submit a mandatory tender offer to acquire up to 100% of the Company's share capital.

The foregoing provisions do not apply in the following cases:

- (a) transfer of the shares from/to ascendants and descendants in relation to natural persons;
- (b) cases of inheritance, enforcement of wills and/or donations;
- (c) execution of merger transactions pursuant to the provisions of law;
- (d) sale by a bank of securities pledged in favour of such bank in settlement of amounts owed to such bank, in implementation of the Central Bank Law No. 88 of 2003 and the amendments thereto;
- (e) capital restructuring of a group of affiliated companies;
- (f) if an acquisition is made by a financial institution licensed to guarantee share subscriptions, in accordance with its obligation to cover the subscription;
- (g) capital decrease through the cancellation of treasury shares;
- (h) obtaining the approval of 100% of the shareholders of the company;
- (i) increasing the capital of the company, save for in the case of a shareholder whose ownership increases due to his acquisition of another shareholder's subscription right; and
- (j) transfer of title to shares owned by the labour union in the company to the company's holding company, which is owned by the state, for restructuring purposes.

Liquidation Rights and Other Distributions

In the event of liquidation or dissolution of the Group, the Group's assets are to be applied to satisfy its liabilities. If any surplus remains, shareholders would participate on a pro-rata basis in any such surplus. If, during the Company's financial year, the Group's losses exceed 50% or more of its issued share capital, an Extraordinary General Assembly Meeting must be convened upon the invitation of the Board to decide whether to dissolve the Group or to continue its activities. Resolutions of the Extraordinary General Assembly in relation to dissolution prior to the lapse of the Company's term or continuation are adopted by a 75% majority of the shares present or represented at the meeting.

Listing of Shares on the EGX

The Company received approval for its registration with the FRA and the Company's shares were listed and admitted to trading on the EGX on 20 November 2019. Trading in the shares on the EGX is expected to commence on 11 December 2019 (with the possibility of extension by the FRA at its sole discretion) and only upon the satisfaction of certain conditions set forth in the EGX Listing Rules, including without limitation, completion of the Combined Offering. Furthermore, the commencement of trading in the Shares shall be subject to completing the issuance and registration of the Closed Subscription Shares. Prior to the Combined Offering, there has been no market for the Shares and the Shares have not been traded on the EGX. Trading of the Shares is expected to commence on or about the Closing Date.

Pre-emptive Rights

If there is an increase in the share capital of the Company by the issue of the Shares, the Egyptian Companies Law and the Articles provide that the existing shareholders have pre-emptive rights in connection with that share issue pro rata to the percentage held by each existing shareholder prior to the issue of the new shares, unless the FRA approves the disapplication of these pre-emption rights based on a resolution approved by the Extraordinary General Assembly in application of Article No. 32 of the Executive Regulations of the CML regulating private placements.

Although any pre-emptive rights in connection with any future issue of shares for cash will (unless waived) be available to the holders of Shares, U.S. holders of Shares may not be entitled to exercise their pre-emptive rights unless a registration statement under the Securities Act has been declared effective in relation to those rights and the Shares or an exemption from the registration requirements is available. The Group's senior management intends to evaluate at the time of any pre-emptive rights offering the costs and potential liabilities associated with the filing of any registration statement or qualifying for any exemption, if required, as well as the indirect benefits to it of enabling the exercise of pre-emptive rights by U.S. holders of Shares and any other factors the Group considers appropriate at that time and then to make a decision whether to file a registration statement or seek to qualify for an exemption. Please see *“Risk Factors—Risks Relating to the Shares—The pre-emption rights granted to holders of the Shares may be unavailable to certain shareholders, including U.S. shareholders”*.

Acquisition of its Own Shares

In accordance with the Egyptian Companies Law, if the Company acquires its own shares, it must either resell those shares to third parties within a maximum of one year of the date of acquisition or cancel these shares. Treasury Shares do not have distribution or voting rights.

Furthermore, according to the EGX Listing Rules, any treasury buyback by the Company must be made in compliance with EGX directives guaranteeing equality among investors and market stability. The Company may not acquire or own more than 10% of its share capital in the form of treasury shares. The Company must hold the treasury shares acquired for a minimum of three months and a maximum of one year after which they must be cancelled and the capital decreased accordingly.

The Company must first hold a meeting of the Board to approve the treasury buyback and subsequently notify the EGX of its wish to acquire treasury shares at least three business days before carrying out the acquisition. The notice must include the reasons for the acquisition, the source of financing, the expected impact on the Company's performance indicators, the purchase price, the quantity and the envisaged period for implementation and the Company's broker. The minutes of the Board meeting must be attached to the notice.

The securities acquired by the Company must be local shares (i.e. not including depository receipts). The Company must disclose to the EGX the percentage of treasury shares acquired or disposed at the end of each day witnessing transactions on treasury shares, and the EGX publishes the disclosed information on its trading screens and website.

An acquisition of the Company's shares by the Company itself or one of its related parties shall be considered as treasury shares and must be disposed of in accordance to the above stated provisions.

TAXATION

The following summary of material U.S. federal income and Egyptian tax consequences of the acquisition, ownership and disposition of Shares is of a general nature and based on laws, regulations, decrees, rulings, double taxation conventions, agreements and arrangements, administrative practice and judicial decisions in effect as of the date of this Offering Circular. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set out in this Offering Circular. Any changes or interpretations may be retroactive and could affect the tax consequences to holders of the Shares. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a purchaser or holder of Shares.

EACH PROSPECTIVE HOLDER IS URGED TO CONSULT HIS, HER OR ITS TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES TO THE HOLDER OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY OTHER TAX LAWS OR TAX TREATIES, AND OF PENDING OR PROPOSED CHANGES IN APPLICABLE TAX LAWS AS OF THE DATE OF THIS OFFERING CIRCULAR AND OF ANY ACTUAL CHANGES IN APPLICABLE TAX LAWS AFTER THAT DATE.

Egyptian Taxation

The following is a summary of the principal tax consequences for holders of ordinary shares who are not resident in Egypt (**Non-Residents**). This summary addresses only the tax consequences for Non-Resident investors who hold the Shares as capital assets and does not address the tax consequences which may be relevant to other classes of Non-Resident investors, for example dealers in securities.

Under the Income Tax Law No. 91 of 2005 as amended and its Executive Regulations (Ministerial Decree 991 of 2005 as amended by Ministerial Decree No. 172 of 2015) (together, the **Income Tax Law**), a shareholder would be considered as a resident in Egypt in any of the following events:

(a) In the case of a natural person:

- having permanent residency in Egypt;
- residing in Egypt for more than 183 continuous or intermittent days within 12 months; or
- who is an Egyptian citizen working abroad and receiving income from an Egyptian treasury.

(b) In the case of legal person:

- if it is established according to Egyptian law;
- if its main or actual managing headquarters is in Egypt; or
- if it is a company in which the State or any state-owned legal person holds more than 50% of its capital.

Dividend Withholding Tax

Dividends were not previously taxable in Egypt, but the Income Tax Law introduced a 10% dividend withholding tax.

The Income Tax Law defines dividends as any income resulting from shares, including preferred shares, founding shares or any other instruments giving their holders an entitlement to participate in the profits of an Egyptian company.

According to the Income Tax Law, dividends distributed by Egyptian companies to Non-Residents are subject to a 10% withholding tax, without deducting any costs or expenses. Dividends in the form of bonus shares (i.e. stock dividends) are not subject to dividend withholding tax.

The withholding tax rate is reduced to five percent, without deducting any costs or expenses, provided that (a) the Non-Resident to which dividends will be distributed holds more than 25% of the company's capital or voting rights and (b) the Non-Resident holds such shareholding for no less than two years.

A relevant double taxation treaty may reduce the withholding tax rate applicable on dividends paid by an Egyptian company to its Non-Resident shareholders.

Taxation of Capital Gains

According to the Income Tax Law, capital gains realised from the sale of Egyptian shares listed on the EGX by both resident and Non-Resident shareholders are subject to a 10% withholding tax. However, the application of this tax is suspended for two years starting 17 May 2015 (i.e. the date of the official announcement made by the Cabinet of Ministers regarding this exemption).

On 2 November 2016, the Egyptian Higher Committee of Investment with the Chairmanship of President Abdelfattah El Sisi, decided in its first meeting to delay the introduction of a capital gains tax on listed shares for three more years starting 16 May 2017 in order to attract foreign investments in Egypt.

Afterwards, the capital gains tax on listed shares has been suspended until 17 May 2020 by virtue of the law No. 76 of 2017, with no right to the relevant Governmental authority to collect such tax before said date.

A relevant double taxation treaty may eliminate Non-Resident taxation in Egypt on the disposal of shares in the Company.

Stamp Duty

Pursuant to the Law on Stamp Duty No. 111 of 1980, as amended, stamp duty is applicable to the transfer of listed or unlisted shares at a rate of 2.5 per thousand to be borne by the seller and the buyer (equally) as of the date of executing said law until 31 May 2018. Such rate was raised to three per thousand as of 1 June 2018.

Notwithstanding the foregoing provisions, in case of disposing or acquiring more than 33% of the Company, a stamp duty at a rate of six per thousand shall be imposed, equally, on both the buyer and the seller (three per thousand on each).

Inheritance Tax

Under Law No. 227 of 1996, Egypt has abolished all inheritance taxes. Accordingly, no inheritance taxes in Egypt will be chargeable on the death of an owner of shares.

Certain United States Federal Income Tax Considerations

The following is a description of certain material U.S. federal income tax consequences that may be relevant relating to the acquisition, ownership and disposition of Shares. This description addresses only the U.S. federal income tax considerations of U.S. Holders (as defined below) that are initial purchasers of Shares pursuant to the International Offering and that will hold Shares as capital assets. This description does not purport to address all material tax consequences of the ownership of Shares and does not address aspects of U.S. federal income taxation that may be applicable to investors that are subject to special tax rules, including without limitation:

- banks, financial institutions or insurance companies;
- real estate investment trusts, regulated investment companies or grantor trusts;
- dealers or traders in securities, commodities or currencies;
- tax-exempt entities, including “Section 401” pension plans;
- individual retirement accounts and other tax deferred accounts;
- persons that receive Shares as compensation for the performance of services;
- persons that will hold Shares as part of a “hedging”, “conversion” or constructive sale transaction or as a position in a “straddle” for U.S. federal income tax purposes;
- certain U.S. expatriates or former citizens or long-term residents of the U.S.;
- partnerships (including entities classified as partnerships for U.S. federal income tax purposes), or other pass-through entities, or investors that will hold Shares through such an entity;
- “dual resident” corporations;
- persons that are resident or ordinarily resident in or have a permanent establishment in a jurisdiction outside of the United States;
- persons that have a “functional currency” other than the U.S. dollar; or

- holders that own or will own (directly, indirectly or constructively) 10%, or more, by voting power or value, of the equity interests of the Company.

Further, this description does not address the alternative minimum tax or the U.S. federal gift and estate tax consequences, or any U.S. state or local tax consequences of the acquisition, holding or disposition of Shares. This description does not address the tax consequences of owning options or warrants or similar instruments on Shares, or any tax consequences applicable to the holder of an equity interest in a holder of Shares.

This description is based on the Code, its legislative history, existing and proposed regulations promulgated under it, published rulings and court decisions, as well as on the Income Tax Convention between the United States and Egypt (the **Treaty**), in each case as in effect on the date of this offering circular, all of which are subject to change (or to changes in interpretation), possibly with retroactive effect. The Company has not requested, and does not intend to request, a ruling from the U.S. Internal Revenue Service (**IRS**) relating to matters addressed in this offering circular, and as a result, the IRS could disagree with portions of this discussion.

The Directors believe, and this discussion assumes, that the Company is not a passive foreign investment company (PFIC) for U.S. federal income tax purposes. However the Company's status as a PFIC is subject to change annually depending on, among other things, changes in the income, activities or assets of the Company and the market value of the Shares. If the Company were to become a PFIC for any taxable year, materially adverse consequences could result to U.S. Holders (whether or not the Company continued to be a PFIC in a subsequent taxable year). U.S. Holders should consult their own tax advisors regarding the Company's PFIC status for any tax year and the application of the PFIC rules to the ownership of Shares. Please see “—Passive Foreign Investment Company” below.

U.S. Holders

For the purposes of this summary, a “U.S. Holder” is a beneficial owner of a Share that is, for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organised in or under the laws of the United States or any political subdivision thereof, including the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust if (a) a court within the United States is able to exercise primary supervision over its administration, and one or more U.S. persons have the authority to control all of the substantial decisions of that trust, or (b) that trust has a valid election in effect to be treated as a United States person for U.S. federal income tax purposes.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds Shares, the tax treatment of the partnership and a partner in that partnership will generally depend on the status of the partner and the activities of the partnership. That partner or partnership should consult its tax adviser as to the U.S. federal income tax consequences of acquiring, holding, or disposing of Shares.

The following discussion is for general information only and is not intended to be, nor should it be construed to be, legal or tax advice to any holder or prospective holder of the Shares. Holders or prospective holders of Shares are urged to consult their tax advisors with respect to the U.S. federal, state and local tax consequences, the non-U.S. tax consequences and the non-tax consequences of the acquisition, ownership and disposition of the Shares.

Taxation of Distributions

Subject to the discussion below under “—Passive Foreign Investment Company”, U.S. Holders of Shares will include in gross income as foreign-source dividend income, when actually or constructively received by the U.S. Holder, the gross amount of any cash or the fair market value of any property distributed (before reduction for any Egyptian withholding tax paid with respect thereto) by the Company to the extent the distribution is paid out of the Company's current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). The Company does not intend to compute (or to provide U.S. Holders with information necessary to compute) earnings and profits under U.S. federal income tax principles. Accordingly, U.S. Holders

generally will be required to treat all distributions (before reduction for any Egyptian withholding tax paid with respect thereto) as taxable dividends.

Dividends will not be eligible for the dividends received deduction allowed to U.S. corporate shareholders for dividends received from U.S. and certain other corporations. Subject to applicable holding period and other limitations, the U.S. dollar amount of dividends received on the Shares by certain non-corporate U.S. Holders will be subject to taxation at the maximum applicable net long-term capital gain tax rate (currently at a maximum rate of 20%), if the dividends are “qualified dividends”. Assuming certain holding period and other requirements are satisfied by the U.S. Holder, dividends paid on the Shares would be treated as qualified dividends if (a) the Company is eligible for the benefits of a comprehensive income tax treaty with the United States that the IRS has approved for the purposes of the qualified dividend rules, and (b) the Company was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid, a PFIC. The Treaty has been approved by the IRS for the purposes of the qualified dividend rules and the Company believes that it is eligible for the benefits of the Treaty.

If the Company pays a dividend in a currency other than the U.S. dollar, that dividend will be included in the gross income of the U.S. Holder in an amount equal to the U.S. dollar value of the currency on the date of receipt, determined at the spot foreign currency/U.S. dollar exchange rate on the date that dividend distribution is includible in the income of the U.S. Holder, regardless of whether the payment is in fact converted into U.S. dollars at that time. U.S. Holders will have a tax basis in the currency received equal to its U.S. dollar value on the date of receipt. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is includible in income to the date that payment is converted into U.S. dollars will be treated as ordinary income or loss from U.S. sources.

Subject to certain limitations, a U.S. Holder will generally be entitled, at the election of the U.S. Holder, to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for Egyptian income taxes withheld by the Company. This election is made on a year-by-year basis and applies to all foreign taxes paid (whether directly or through withholding) by a U.S. Holder during a year. For purposes of the foreign tax credit limitation, dividends paid by the Company generally will constitute foreign source income in the “passive category income” basket. The foreign tax credit rules are complex and prospective purchasers should consult their tax advisors concerning the availability of the foreign tax credit in their particular circumstances.

Sale or Exchange of Shares

Subject to the discussion below under “—*Passive Foreign Investment Company*”, on a sale or other taxable disposition of Shares, a U.S. Holder will recognise gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the U.S. dollar value of the amount realised and the U.S. Holder’s adjusted tax basis (determined in U.S. dollars) in those Shares. Generally, the gain or loss will be capital gain or loss, will be long-term capital gain or loss if the U.S. Holder’s holding period for the Shares exceeds one year, and will be income or loss from sources within the United States for foreign tax credit limitation purposes. For non-corporate U.S. Holders, the maximum United States income tax rate applicable to net long-term capital gain is currently 20%. The deductibility of capital losses is subject to significant limitations.

For cash-basis U.S. Holders that receive currency other than in the U.S. dollar in connection with a sale or other taxable disposition of Shares, the amount realized will be based upon the U.S. dollar value of the currency received with respect to such Shares, as determined on the settlement date of such sale or other taxable disposition. Accrual-basis U.S. Holders may elect the same treatment required of cash-basis taxpayers with respect to a sale or other taxable disposition of Shares, provided that the election is applied consistently from year to year. Such election cannot be changed without the consent of the IRS. Accrual-basis U.S. Holders that do not elect to be treated as cash-basis taxpayers for this purpose may have a foreign currency gain or loss for U.S. federal income tax purposes because of differences between the U.S. dollar value of the currency received prevailing on the date of such sale or other taxable disposition and the U.S. dollar value prevailing on the settlement date. Any such currency gain or loss will generally be treated as ordinary income or loss that is United States source, in addition to the gain or loss, if any, recognized on the sale or other taxable disposition of Shares.

Under current Egyptian law (please see section entitled “—*Egyptian Taxation—Taxation of Capital Gains*”), no Egyptian tax will be imposed on gain from the sale or disposition of Shares. If Egyptian tax is imposed on sale or disposition of Shares, U.S. Holders should consult their tax advisers as to the U.S. tax consequences of that tax, including the possible application of the Treaty.

Passive Foreign Investment Company

A foreign corporation will be classified as a PFIC for any taxable year in which, either (a) at least 75% of its gross income is “passive income” or (b) at least 50% of the average value of its assets is attributable to assets which produce passive income or are held for the production of passive income. Passive income generally includes dividends, interest, rents and royalties (other than certain rents and royalties derived in the active conduct of a trade or business), annuities and gains from assets that produce passive income. If a non-U.S. corporation owns at least 25% by value of the stock of another corporation, the non-U.S. corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation and as receiving directly its proportionate share of the other corporation’s income.

Under certain attribution and indirect ownership rules, if the Company is a PFIC, U.S. Holders will generally be deemed to own their proportionate share of the Company’s direct or indirect equity interest in any company that is also a PFIC (a “**Subsidiary PFIC**”), and will be subject to U.S. federal income tax on their proportionate share of (a) any “excess distributions,” as described below, on the stock of a Subsidiary PFIC and (b) a disposition or deemed disposition of the stock of a Subsidiary PFIC by the Company or another Subsidiary PFIC, both as if such U.S. Holders directly held the shares of such Subsidiary PFIC. In addition, U.S. Holders may be subject to U.S. federal income tax on any indirect gain realized on the stock of a Subsidiary PFIC on the sale or disposition of common shares. Accordingly, U.S. Holders should be aware that they could be subject to tax even if no distributions are received and no redemptions or other dispositions of the Company’s Shares are made.

Based on the Group’s existing operations and assets, the Company does not expect to be classified as a PFIC for the current taxable year and expects to operate in such a manner so as not to become a PFIC. However, as PFIC status depends on the composition of the Company’s income and assets and the value of the Company’s assets from time to time, there can be no assurance that the Company will not be considered a PFIC for any future taxable year. In particular, the value of the Company’s assets may be determined in large part by the market price of the Shares, which is likely to fluctuate after the Combined Offering. If the Company were a PFIC in any year during a U.S. investor’s holding period for the Shares the Company would ordinarily continue to be treated as a PFIC for each subsequent year during which the U.S. investor owned the Shares.

If the Company were treated as a PFIC, a direct (and in certain cases, indirect) U.S. Holder would be subject to special rules relating to: (a) any gain realised on the sale or other disposition of the Shares (including an indirect disposition of the stock of any Subsidiary PFIC) and (b) any “excess distribution” by the Company to the U.S. Holder of the Shares (generally, any distributions to the U.S. Holder of the Shares during a single taxable year that total more than 125% of the average annual distributions received by the U.S. Holder of the Shares during the three preceding taxable years or, if shorter, the U.S. Holder’s holding period for the Shares). Under these rules, (i) the gain or excess distribution would be allocated ratably over the U.S. Holder’s holding period for the Shares, (ii) the amount allocated to the taxable year in which the gain or excess distribution was realised or to any year before the Company became a PFIC would be taxable as ordinary income, (iii) the amount allocated to each other taxable year would be subject to tax at the highest tax rate in effect for ordinary income for the applicable taxpayer for that year, and (iv) an interest charge generally applicable to underpayments of tax would be imposed in relation to the tax attributable to each prior year. These rules effectively prevent a U.S. Holder from treating gain on the Shares as capital gain. For these purposes, gifts, exchanges pursuant to a corporate reorganization and use of the Shares as security for a loan may be treated as a disposition. Any dividends paid by a PFIC will not be eligible for the lower capital gain tax rate applicable to “qualified dividend income”, discussed above.

Some of the adverse tax consequences of PFIC classification discussed above may be alleviated if a U.S. Holder in a PFIC is eligible for and timely makes a valid qualified electing fund, or QEF election or a mark-to-market election. If a QEF election were made, a U.S. Holder generally would be required to include in income on a current basis its pro rata share of the Company’s ordinary income and net capital gains. In order for a U.S. Holder to be able to make a QEF election, the Company would be required to provide the U.S. Holder with certain information. As the Company does not expect to provide U.S. Holders with the required information, prospective investors should assume that a QEF election will not be available.

A mark-to-market election is available to a U.S. Holder only if the Shares are considered “marketable stock”. Generally, stock will be considered marketable stock if it is “regularly traded” on a “qualified exchange” within the meaning of applicable U.S. Treasury regulations. A class of stock is regularly traded during any calendar year during which the class of stock is traded, other than in de minimis quantities, on at least 15 days during each calendar quarter (subject to special rules for the year and quarter in which the International Offering occurs). A qualified exchange includes a non-U.S. securities exchange that is regulated or supervised by a

governmental authority of the country in which the securities exchange is located and meets certain trading, listing, financial disclosure and other requirements set forth in U.S. Treasury regulations. It is unclear whether the EGX would be treated as a “qualified exchange” for these purposes. If the Company’s stock qualifies as “marketable stock”, a U.S. Holder who elects mark-to-market treatment will recognise ordinary income or loss in each year on the difference between the fair market value of the Shares and the U.S. Holder’s adjusted basis in the Shares. Any such ordinary loss will be limited to the net amounts of ordinary income previously included as a result of the mark-to-market election. A mark-to-market election may not be made with respect to the stock of any Subsidiary PFIC. Hence, a mark-to-market election will not be effective to eliminate the application of the default PFIC rules, described above, with respect to deemed dispositions of Subsidiary PFIC stock, or excess distributions with respect to a Subsidiary PFIC. U.S. Holders should consult their tax advisers in relation to the availability of the mark-to-market election.

U.S. Holders should consult their tax advisers concerning the U.S. federal income tax consequences of holding the Shares if the Company were considered to be a PFIC, including reporting requirements.

Backup Withholding and Information Reporting

Payments of dividends and other proceeds made by a U.S. paying agent or other United States intermediary broker in relation to Shares may be subject to information reporting to the IRS and to backup withholding (currently at a rate of 24%). Backup withholding will not apply, however, (a) to a holder who furnishes a correct taxpayer identification number and makes any other required certification or (b) to a holder who is otherwise exempt from backup withholding. Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules from a payment to a holder will be allowed as a credit or refund against the holder’s U.S. federal income tax, provided that the required information is timely furnished to the IRS and the appropriate claim is timely filed.

Medicare Tax

Certain U.S. Holders that are individuals, estates or trusts are subject to a 3.8% tax on all or a portion of their “net investment income”, which may include all or a portion of any income derived from ownership of Shares (including any such income treated as “qualified dividend income”, discussed above). Each U.S. Holder that is an individual, estate or trust should consult its tax advisors regarding the potential applicability of the Medicare tax to income derived from an investment in Shares.

Foreign Asset Reporting

Certain U.S. Holders may be required to file Form 5471 reporting transfers of cash or other property to the Company and information relating to the U.S. Holder and the Company, and certain U.S. Holders, including individuals and certain entities, may be required to report information relating to ownership of Shares to the IRS unless an exception to reporting applies (including an exception for Shares held in certain accounts maintained by U.S. financial institutions). Such a report is filed on IRS Form 8938 (Statement of Specified Foreign Financial Assets) with an annual U.S. federal income tax return.

U.S. Holders are urged to consult their tax advisors regarding their information reporting obligations, if any, with respect to ownership and disposition of Shares. U.S. and Non-U.S. Holders should consult their tax advisors regarding any reporting obligations that may arise with respect to the acquisition, ownership or disposition of the Shares. Failure to comply with applicable reporting requirements could result in substantial penalties.

The above discussion is not intended to constitute a complete analysis of all tax consequences and considerations in connection with an investment in Shares. All prospective purchasers of Shares should consult their tax advisors concerning the tax consequences applicable to their particular situation.

PLAN OF DISTRIBUTION

HSBC, Investec and CI Capital Investment Banking are acting as the Joint Bookrunners of the International Offering. Subject to the terms and conditions stated in the underwriting agreement among the Company, the Selling Shareholder and the Joint Bookrunners, dated the Pricing Date (the **Underwriting Agreement**). The Selling Shareholder has agreed to sell, at the Offer Price, the International Offer Shares to be sold by it in the International Offering, and the Joint Bookrunners have agreed severally, and not jointly or jointly and severally, to use reasonable endeavours to procure purchasers for (or, failing which, to purchase themselves) the International Offer Shares (in such proportions as set out in the Underwriting Agreement) being sold pursuant to the International Offering at the Offer Price.

Neither of the Joint Global Co-ordinators will have any obligation to procure purchasers for, or to purchase, any of the Egyptian Retail Offer Shares.

376,606,000 Combined Offer Shares are being offered in the Combined Offering. 357,775,700 International Offer Shares are being offered the International Offering pursuant to this Offering Circular. In addition, 18,830,300 Egyptian Retail Offer Shares are being offered in the Egyptian Retail Offer. In addition, the Joint Bookrunners have the right to reallocate Shares from the Egyptian Retail Offering to the International Offering.

Purchasers of International Offer Shares may not purchase Egyptian Retail Offer Shares.

The Underwriting Agreement provides that the obligations of the Joint Bookrunners pursuant to the Underwriting Agreement are subject to the satisfaction of certain legal matters and certain other conditions. In the event that any of these conditions are not satisfied, the Underwriting Agreement may be terminated, and the Joint Bookrunners released from their obligations.

These conditions include, among others, the absence of any breach of warranty under the Underwriting Agreement and approval of trading of the Shares on the EGX occurring prior to the Closing Date (or such later time and/or date as the Joint Bookrunners may agree with the Company). In addition, the Underwriters have the right to terminate the Underwriting Agreement, exercisable in certain circumstances, prior to the commencement of trading of the Shares on the EGX.

Following completion of the Combined Offering, the direct and indirect shareholders of the Selling Shareholder are being given the opportunity to hold their proportionate beneficial interests in the Shares in the Company directly. The FRA has agreed, subject to the completion of certain regulatory procedures, to waive the application of the Mandatory Lock-up to permit such direct holding. The Selling Shareholder will apply for the approval of the FRA, within seven days of the commencement of trading of the Shares on the EGX, on behalf of those among its direct and indirect shareholders wishing to hold their beneficial interests in the Shares in the Company directly. Any such underlying shareholders who wish to restructure their beneficial holdings in the Company in this manner will be required to comply with certain requirements, including entering into a deed of adherence pursuant to which they agree to assume their pro rata share of the Selling Shareholder's obligations and liabilities under the Underwriting Agreement. As such, they will be subject to the 180 day contractual lock up period imposed under the Underwriting Agreement. In addition, they will be subject to the Mandatory Lock-up.

Prior to the Combined Offering, there has been no public market for the Shares. The Offer Price has been determined following a book-building process conducted in connection with the International Offering. Due to the absence of any relevant trading history, the Offer Price in the Combined Offering may not reflect future share performance. Investors should not view the Offer Price in the Combined Offering as any indication of the price that will prevail in the trading market. No guarantee can be given that an active trading market in the Company's Shares will develop and continue after the Combined Offering. If an active trading market does not develop, the liquidity and price of the Shares may be adversely affected.

Each of the Company and the Selling Shareholder has given certain representations, warranties and undertakings, subject to certain limitations, to the Joint Bookrunners. Each of the Company and the Selling Shareholder has agreed to indemnify the Joint Global Coordinators against certain liabilities, including, in the case of the Company, liabilities under the Securities Act, or to contribute to payments that the Joint Global Coordinators may be required to make because of any of those liabilities. The Company and the Selling Shareholder have agreed to lock-up provisions, which are further described in the paragraph below.

The parties to the Underwriting Agreement have given certain covenants to each other, including regarding compliance with laws and regulations affecting the making of the International Offering in relevant jurisdictions.

The Shares have not been and will not be registered under the Securities Act or any state securities laws of the United States and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act.

Lock-up Provisions

Pursuant to the EGX Listing Rules, and subject to certain limited exceptions, the Company is required to lock up 51% of the Shares held by the principal shareholders holding 10% or more (whether directly or through related parties) for the later of 24 months or two full financial years following commencement of trading of the Shares. In the event the locked up shares represent less than 25% of the Company's issued share capital, the remaining percentage to 25% shall be completed by board of directors' shareholding among other shareholders (the **Mandatory Lock-up**). During the Mandatory Lock-up period, the Company can increase its share capital; however, the percentage of locked-up Shares cannot decrease during this period, except for any free shares resulting from such capital increases. The Selling Shareholder will comply with the Mandatory Lock-up requirement following completion of the Closed Subscription.

In addition, each of the Company and the Selling Shareholder has agreed that, subject to certain exceptions, for a period of 180 days following the Closing Date, neither they nor, in the case of the Company, any member of the Group will, without the prior written consent of the Joint Bookrunners, offer, issue, allot, lend, mortgage, assign, charge, pledge, sell or contract to sell or issue, issue options in respect of, or otherwise dispose of, directly or indirectly, or announce an offering or issue of, any Shares (or any interest therein or in respect thereof) or any other securities exchangeable for or convertible into, or substantially similar to, Shares or enter into any transaction with the same economic effect as, or agree to do, any of the foregoing, (the **Transaction Lock-up**). The Transaction Lock-up relates to 100% of the Shares.

The Transaction Lock-up is subject to certain customary exceptions including for (a) the issuance and sale of the Closed Subscription Shares to be sold pursuant to the Closed Subscription and (b) the ESOP contemplated in this Offering Circular for authorization, and the issuance and allocation or sale of Shares thereunder as authorised, in each case, by the Company's general or extraordinary meeting of shareholders. In addition to these carve-outs, the Transaction Lock-up is subject to carve-outs for any transfers of Shares to the Selling Shareholder's underlying shareholders effected by the Selling Shareholder following the Combined Offering which will result in those shareholders holding Shares which will be locked up for the periods of the Transaction Lock-up and the Mandatory Lock-up. The transfer will require (among other things) such underlying shareholders of the Selling Shareholder to enter into a deed of adherence pursuant to which they agree to assume their pro rata share of the Selling Shareholder's obligations and liabilities under the terms of the international underwriting agreement, including the 180 day Transaction Lock-up. In addition, such underlying shareholders of the Selling Shareholder will also be subject to the Mandatory Lock-up (per local regulations).

Stabilisation

There will be no stabilisation activities undertaken in connection with the International Offering.

In connection with the Egyptian Retail Offering, CI Capital Investment Banking may effect transactions in the Shares with a view to supporting or maintaining the market price of the Shares at a level higher than that which might have otherwise prevailed in the open market. The Selling Shareholder will finance an amount equal to 100% of the gross proceeds of the sale of the Egyptian Retail Offer Shares sold in the Egyptian Retail Offering at the Offer Price Stabilisation Fund and make such funds available to CI Capital Investment Banking one day prior to commencement of trading. During the Stabilisation Period (i.e. the period beginning on the date of the commencement of trading of Shares on the EGX and ending 30 days after that date), purchasers of Egyptian Retail Offer Shares in the Egyptian Retail Offering may submit sell orders and CI Capital Investment Banking will submit an open purchase order for Shares at the Offer Price, which will remain open until the end of the Stabilisation Period. At the end of the Stabilisation Period, the open purchase order submitted by CI Capital Investment Banking will be matched with the sale orders and executed on the EGX. CI Capital Investment Banking will, at the end of the Stabilisation Period, remit to the Selling Shareholder any funds then remaining in the Stabilisation Fund and will transfer to the Selling Shareholder any remaining Shares purchased during the Stabilisation Period using the Stabilisation Fund. If some or all underlying direct or indirect shareholders of the Selling Shareholders had, subject to obtaining the regulatory approvals required to transfer their proportionate beneficial interests in the Shares in the Company, become direct shareholders of the Company before the lapse of the Stabilisation Period, the abovementioned funds and/or Shares will be transferred to the Selling Shareholder and/or such underlying direct or indirect shareholders pro-rata to their respective shareholdings in the Company following such transfer.

CI Capital Investment Banking will disclose any such stabilisation transactions to the EGX at the end of the Stabilisation Period.

Certain Relationships and Conflicts of Interests

The Joint Bookrunners have performed corporate and investment banking and advisory services for the Company or the Selling Shareholder from time to time for which they have received customary fees and expenses, and may, in addition, from time to time, engage in transactions with and perform services for the Company or the Selling Shareholder in the ordinary course of their businesses. Additionally, a number of the Company's Directors are and may continue to be related to Compass Capital, CI Capital Investment Banking or both.

In order to fund the Closed Subscription, the Selling Shareholder has entered into a financing arrangement with HSBC Bank Egypt S.A.E., an affiliate of one of the Joint Global Coordinators, in the amount of up to EGP 750 million, which the Selling Shareholder has agreed to repay using part of the proceeds received by it under the Combined Offering. The amount to be drawn under the facility will be equal to the Closed Subscription amount. The loan is secured by a pledge against a portion of the shares of the Selling Shareholder.

Compass Capital led the consortium of financial investors that acquired the Group in 2011 and, through its stake in Greville Investing Limited, it has substantial influence over the Company. Immediately prior to the Combined Offering, a holding company which is an affiliate of Compass Capital indirectly owns 13.7% of the Shares. Immediately following completion of the Combined Offering and the Closed Subscription, these affiliates will retain an indirect beneficial ownership in those Shares. See "*Principal and Selling Shareholder*".

Prior to the Closing Date, the Selling Shareholder has informed the Company that it intends to transfer all or part of its Shares in the Company to its direct or indirect shareholders who wish to own Shares directly in the Company, subject to obtaining the required regulatory approvals, which will result in the distribution of all or part of the Selling Shareholder's Shares in the Company to shareholders of the Selling Shareholder either directly or indirectly. The transfer will require (among other things) such underlying shareholders of the Selling Shareholder to enter into a deed of adherence pursuant to which they agree to assume their pro rata share of the Selling Shareholder's obligations and liabilities under the terms of the international underwriting agreement, including the 180 day Transaction Lock-up. In addition, such underlying shareholders of the Selling Shareholder will also be subject to the Mandatory Lock-up (per local regulations).

SELLING AND TRANSFER RESTRICTIONS

Selling Restrictions

The distribution of this Offering Circular and the offer of the Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this Offering Circular comes should inform themselves about and observe any restrictions, including those set out in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Other than in relation to the Egyptian Retail Offering, no action has been or will be taken in any jurisdiction that would permit a public offering of the Shares offered in the Combined Offering, or possession or distribution of this Offering Circular or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, the Shares may not be offered or sold, directly or indirectly, and neither this Offering Circular, nor any other offering material or advertisement in connection with the Shares may not be distributed or published in or from any country or jurisdiction except in circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this Offering Circular comes should inform themselves about and observe any restrictions on the distribution of this Offering Circular and the offer, subscription and sale of Shares offered in the Combined Offering, including, without limitation, those in the next following paragraphs. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Offering Circular does not constitute an offer to subscribe for or purchase any of the Shares offered in the Combined Offering to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

Dubai International Financial Centre

This Offering Circular relates to Shares which are not subject to any form of regulation or approval by the Dubai Financial Services Authority (DFSA).

This Offering Circular is intended for distribution only to persons of a type specified in the DFSA's Rules (i.e. "Professional Clients") and, therefore, must not be delivered to, or relied on by, any other type of person. This Offering Circular is for the exclusive use of the Professional Clients to whom it is distributed in the context of the Combined Offering.

The DFSA has no responsibility for reviewing or verifying this Offering Circular or other documents in connection with the Combined Offering. Accordingly, the DFSA has not approved this Offering Circular or any other associated documents nor taken any steps to verify the information set out in this Offering Circular, and has no responsibility for it.

The Shares may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Shares should conduct their own due diligence on the Shares.

If you do not understand the contents of this Offering Circular, you should consult an authorised financial adviser.

European Economic Area

In relation to each Member State of the European Economic Area (each, a **Member State**), no Shares have been offered or will be offered pursuant to the International Offering to the public in that Member State prior to the publication of a prospectus in relation to the Shares which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, all in accordance with the Prospectus Regulation), except that offers of Shares may be made to the public in that Member State at any time under the following exemptions under the Prospectus Regulation:

- (a) to any legal entity which is a qualified investor as defined under the Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined under the Prospectus Regulation) per Member State; or
- (c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation.

Provided that no such offer of Shares shall require the Company or any Joint Global Coordinator to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For these purposes, the expression “offer to the public” in relation to any Shares in any Member State means the communication in any form and by any means of sufficient information on the terms of the International Offering and any Shares to be offered so as to enable an investor to decide to purchase or subscribe for any Shares, and the expression “Prospectus Regulation” means Regulation (EU) 2017/1129.

Egypt

The Shares may not be offered or sold in any form of general solicitation or general advertising or in a public offering in Egypt, unless the pre-approval of the FRA and EGX has been obtained. Shares offered or sold in the Combined Offering may only be offered or sold in Egypt: (a) in connection with the Egyptian Retail Offering pursuant to the Public Subscription Notice; or (b) by way of a private placement to Egyptian qualified investors in accordance with applicable Egyptian laws and regulations, including, without limitation, the applicable provisions of the CML, its Executive Regulations and the provisions of the FRA’s Directive No. 48 for the year 2019.

Each purchaser of International Offer Shares offered in Egypt will be deemed to have represented that it is an Egyptian qualified investor within the meaning of the CML and the FRA’s Directive No. 48 of the year 2019.

South Africa

In South Africa, the International Offering will only be made by way of private placement to, and be capable of acceptance by (i) persons falling within the exemptions set out in section 96(1)(a) and/or (ii) selected persons, acting as principal, acquiring Shares for a contemplated total acquisition cost of R1 million or more, as envisaged in section 96(1)(b), of the South African Companies Act, 2008 (**South African Companies Act**) and to whom the International Offering will specifically be addressed (**South African Qualifying Investors**) and this Offering Circular is only being made available to such South African Qualifying Investors.

The International Offering and this Offering Circular do not constitute an offer for the sale of or subscription for, or the solicitation of an offer to buy and to subscribe for, Shares to the public as defined in the South African Companies Act and will not be made or distributed, as applicable, to any person in South Africa in any manner which could be construed as an offer to the public in terms of the South African Companies Act. Should any person who is not a South African Qualifying Investor receive this Offering Circular, they should not and will not be entitled to acquire any Shares or otherwise act thereon. This Offering Circular does not, nor is it intended to, constitute a prospectus prepared and registered under the South African Companies Act or an advertisement in terms of section 98 of the South African Companies Act. Accordingly, this Offering Circular does not comply with the substance and form requirements for prospectuses or advertisements set out in the South African Companies Act and the South African Companies Regulations of 2011 and has not been approved by, and/or registered with, the South African Companies and Intellectual Property Commission, or any other South African authority.

The information contained in this Offering Circular constitutes factual information as contemplated in section 1(3)(a) of the FAIS Act and should not be construed as an express or implied recommendation, guidance or proposal that any particular transaction in respect of the Shares is appropriate to the particular investment objectives, financial situations or needs of a prospective investor, and nothing in this Offering Circular should be construed as constituting the canvassing for, or marketing or advertising of, financial services in South Africa.***Switzerland***

Neither this Offering Circular nor any other offering or marketing material relating to the International Offer Shares constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland, and neither this Offering Circular nor any other offering or marketing material relating to the International Offer Shares may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Offering Circular, nor any other offering or marketing material relating to the International Offering, nor the Company, nor the International Offer Shares, has been or will be filed with or approved by any Swiss regulatory authority. The International Offer Shares are not subject to the supervision by any Swiss regulatory authority, including the Swiss Financial Market Supervisory Authority FINMA, and investors in the International Offer Shares will not benefit from protection of or supervision by such authority.

United Arab Emirates (excluding Dubai International Finance Center and Abu Dhabi Global Market)

The offering of Shares has not been approved or licensed by the UAE Central Bank, the UAE Securities and Commodities Authority (SCA) or any other relevant licensing authorities in the UAE, and accordingly does not constitute a public offer of securities in the UAE in accordance with the commercial companies law, Federal

Law No. 2 of 2015 (as amended), SCA Resolution No. 3 R.M. of 2017 Regulating Promotions and Introductions or otherwise. Accordingly, the Shares may not be offered to the public in the UAE.

This Offering Circular is strictly private and confidential and is being issued to a limited number of institutional and individual investors:

- (a) who fall within with the exceptions set out in SCA Resolutions No. 3 R.M. of 2017 (Qualified Investors excluding natural persons);
- (b) upon their request and confirmation that they understand that the Shares have not been approved or licensed by or registered with the UAE Central Bank, the SCA, or any other relevant licensing authorities or governmental agencies in the UAE; and

must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose.

United Kingdom

In the United Kingdom, this Offering Circular is only addressed to, and directed at, persons who are qualified investors (as defined in the Prospectus Regulation) (a) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the **Order**), and/or (b) who are high net worth entities falling within Article 49(2)(a) to (d) of the Order, and other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as **Relevant Persons**). The Shares are only available in the United Kingdom to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire Share in the United Kingdom will be engaged in only with, Relevant Persons. Any person in the United Kingdom who is not a Relevant Person should not act or rely on this Offering Circular or any of its contents.

United States

This Offering Circular is not a public offering (within the meaning of the U.S. Securities Act) of securities in the U.S. The Shares have not been, and will not be, registered under the U.S. Securities Act, or with any securities regulatory authority of any state or other jurisdiction of the U.S. and may not be offered or sold in the U.S. except pursuant to an exemption from, or in transactions not subject to, the registration requirements of the U.S. Securities Act and applicable state or other securities laws. Accordingly, the Company and the Selling Shareholder may offer Shares: (a) in the U.S. only to persons reasonably believed to be QIBs as defined in and pursuant to Rule 144A; and (b) outside the U.S. in offshore transactions in reliance on Regulation S.

In addition, until 40 days after the commencement of the International Offering, any offer or sale of Shares within the United States by a dealer, whether or not participating in the International Offering, may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than pursuant to an exemption from registration under the Securities Act.

Purchasers in the United States

Each purchaser who acquires Shares within the U.S., by accepting delivery of this Offering Circular and the Shares, will be deemed to have represented, agreed and acknowledged each of the following matters:

- (a) It is, and at the time of its purchase of any Shares will be, a QIB within the meaning of Rule 144A.
- (b) The Shares have not been, nor will they be, registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the U.S., that sellers of the Shares may be relying on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A, and that the Shares may not be offered or sold, directly or indirectly, in the U.S., other than in accordance with the selling restrictions set out in this Offering Circular.
- (c) It is purchasing the Shares: (i) for its own account; or (ii) for the account of one or more other QIBs for which it is acting as duly authorised fiduciary or agent with sole investment discretion with respect to each such account and with full authority to make the acknowledgements, representations and agreements wherein with respect to each such account (in which case it hereby makes such acknowledgments, representations and agreements on behalf of such QIBs as well), in each case for investment and not with a view to any resale or distribution of any such Shares in violation of U.S. securities laws.
- (d) Offers and sales of the Shares are being made in the U.S. only to QIBs in transactions not involving a public offering or which are exempt from, or not subject to, the registration requirements of the U.S. Securities Act, and that if in the future it or any such other QIB for which it is acting or any other fiduciary or agent representing such investor, decides to offer, sell, deliver, pledge or otherwise transfer

any Shares, it or any such other QIB and any such fiduciary or agent will do so only: (i) to a person that the seller and any person acting on its behalf reasonably believe is a QIB within the meaning of Rule 144A purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A; (ii) outside the U.S. in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act; (iii) in accordance with Rule 144 under the U.S. Securities Act; or (iv) pursuant to an effective registration statement under the U.S. Securities Act, and in each case in accordance with any applicable securities law of any state or territory of the U.S. and of any other jurisdiction. The purchaser understands that no representation can be made as to the availability of the exemption provided by Rule 144 under the U.S. Securities Act for the resale of the Shares.

- (e) For so long as the Shares are “restricted securities” within the meaning of Rule 144A(a)(3) of the U.S. Securities Act, no such shares may be deposited into any unrestricted depositary receipt facility established or maintained by a depositary bank.
- (f) The Shares will not settle or trade through the facilities of DTCC or any other U.S. clearing system.
- (g) The Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

The Shares represented hereby have not been, and will not be, registered under the U.S. Securities Act, or with any securities regulatory authority of any state or other jurisdiction of the U.S. and may not be offered, sold, pledged or otherwise transferred except: (i) to a person that the seller and any person acting on its behalf reasonably believe is a QIB within the meaning of Rule 144A purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A; (ii) outside the U.S. in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act; (iii) in accordance with Rule 144 under the U.S. Securities Act; or (iv) pursuant to an effective registration statement under the U.S. Securities Act, and in each case in accordance with any applicable securities law of any state or territory of the U.S. and of any other jurisdiction. No representations can be made as to the availability of the exemption provided by Rule 144 for resales of the Shares represented hereby may not be deposited into any unrestricted depositary receipt facility in respect of the Shares established or maintained by a depositary bank. Each holder, by its acceptance of Shares, represents that it understands and agrees to the foregoing restrictions.

- (h) These representations and undertakings are required in connection with the securities laws of the U.S. and that the Company, the Selling Shareholder, their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations or agreements deemed to have been made by virtue of its purchase of Shares are no longer accurate, it will promptly notify the Company.
- (i) Any resale made other than in compliance with the above stated restrictions shall not be recognised by the Company.

Purchasers outside the United States

Each purchaser who acquires Shares outside the U.S., by accepting delivery of this Offering Circular and the Shares, will be deemed to have represented, agreed and acknowledged each of the following matters:

- (a) The Shares have not been, nor will they be, registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the U.S.
- (b) It is acquiring such Shares in an offshore transaction meeting the requirements of Regulation S.
- (c) It is not an affiliate of the Company as defined in Rule 405 under the U.S. Securities Act or a person acting on behalf of such an affiliate.

The Company, the Selling Shareholder, their affiliates and others will rely upon truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of such acknowledgments, representations or agreements deemed to have been made by virtue of its purchase of Shares are no longer accurate, it will promptly notify the Company, and if it is acquiring any Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

SETTLEMENT AND CLEARANCE ON THE EGX

Egypt is a beneficiary owner market. Accordingly, all investors in Shares must have established a valid client-specific custody account with a local custodian within Egypt and must have a unique, personalised stock exchange code for the EGX (a **Unified Code**). Investors will need to provide, among other things, information as to their legal name and any sub-account details, together with details of their custody account and their Unified Code when submitting a request for an allocation of Shares. Accordingly, requests for an allocation of Shares can only be taken from an investor if such investor already has a valid custody account open with an Egyptian custodian. Investors should contact their global custodian to set up a custody account in Egypt. It can take up to two weeks to set up such an account. All transfers of ownership of the Shares must be effected on the EGX by an FRA-licensed broker. Ownership of the Shares will be shown on, and the transfer of that ownership will be executed on the EGX books and will be effected through the records of the MCDR. A transfer of Shares will settle in same day funds. Institutional investors will instruct their custodians to purchase the shares at T+1. Settlement of share transfers on the EGX occurs on a delivery-versus-payment basis, with transfers of dematerialised securities such as the Shares settling at T+2.

Non-Egyptian purchasers of Shares must arrange for their Shares to be delivered to a custodian authorised by the FRA (a **Local Custodian**) to hold dematerialised Shares. The Local Custodian designated by the purchaser will hold the Shares in accordance with the purchaser's instructions. Subject to compliance with the transfer restrictions set forth herein, purchasers of the Shares wishing to sell their Shares must instruct an EGX-licensed broker to block such Shares. The broker then effects such sale through the EGX who will register such transfer on the registry. None of the Company, the Selling Shareholder, the Joint Global Coordinators will have any responsibility for the performance by the Local Custodians or their agents of their respective obligations under the rules and procedures governing their operations.

A computerised trading system at the EGX allows for automatic electronic matching of bids and offers. The electronic trading system links the EGX and allows brokers remote access to the trading floor. It also links all independent custody activities to the MCDR, which helps ensure greater speed and efficiency in the settlement process. Trading on the EGX takes place between 10:00 a.m. and 2:30 p.m., Sunday through Thursday, excluding official public holidays.

During each trading session, the price of the stocks is restricted to a 10% ceiling and floor from its previous closing price. The EGX removes the price restrictions on the request of a broker who is willing to effect a transaction above the ceiling or below the floor, provided the pricing committee at the EGX approves. The closing price of traded shares is determined by calculating a volume-weighted average price of the traded shares for the session. Cumulative transactions below 100 shares do not affect the closing price of the relevant underlying security.

Brokerage commissions for transactions are not fixed by the EGX or other regulatory bodies, but instead vary depending on the size of the transaction and the brokerage house executing the trade.

LEGAL MATTERS

Certain legal matters in connection with the Combined Offering will be passed upon for the Company with respect to United States laws and the laws of England and Wales by Norton Rose Fulbright LLP and with respect to Egyptian law by Matouk Bassiouny & Hennawy. Certain legal matters in connection with the Combined Offering will be passed upon for the Joint Global Coordinators with respect to United States laws by Clifford Chance Europe LLP, with respect to the laws of England and Wales by Clifford Chance LLP and with respect to Egyptian law by Nour & Partners in association with Al Tamimi & Company.

INDEPENDENT AUDITORS

The audited consolidated financial statements of the Group as at and for the years ended 31 December 2016, 2017 and 2018 and as at and for the six month period ended 30 June 2019, and the unaudited consolidated financial statements of the Group as at and for the nine month period ended 30 September 2019, have in each case been prepared in Arabic in accordance with Egyptian Accounting Standards. The Annual Financial Statements and the consolidated financial statements of the Group as at and for the six month period ended 30 June 2019 have been audited in accordance with Egyptian Standards on Auditing and applicable Egyptian laws by Allied for Accounting and Auditing (a member of the global network of EY firms), independent auditors, as stated in their reports. The Interim Financial Statements have been reviewed in accordance with Egyptian Standard on Review Engagements No. 2410, by Allied for Accounting & Auditing, independent auditors, as stated in their report. The English translations of such financial statements and English translations of the respective reports are included in this Offering Circular. The review report on the unaudited consolidated financial statements for the nine month period ended 30 September 2019 includes an emphasis of matter paragraph which draws attention to the fact that the consolidated statements of profit or loss, comprehensive income, change in equity and cash flows for the nine months ended 30 September 2018 were not audited or reviewed by the independent auditor.

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**TENTH OF RAMADAN FOR PHARMACEUTICAL
INDUSTRIES AND DIAGNOSTIC REAGENTS
(RAMEDA) (S.A.E)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019
TOGETHER WITH REVIEW REPORT**

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**

Unaudited Consolidated Financial Statements

For the nine month period ended 30 September 2019

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REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS TO THE MEMBERS OF THE BOARD OF DIRECTORS OF TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)

Introduction

We have reviewed the accompanying consolidated statement of financial position of **TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)** and its subsidiary (the “Company”) as of 30 September 2019 as well as the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the nine-month period 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 financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our 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 review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements does not give a true and fair view, in all material respects, of the consolidated financial position of the Company as at 30 September 2019, and of its financial performance and its cash flows for the nine-month period then ended in accordance with Egyptian Accounting Standards.

Emphasis of Matter

We draw attention to Consolidated statement of profit or loss, Consolidated Comprehensive income, Consolidated Change in Equity and Consolidated Cash flows for nine months period ended 30 September 2018 were not audited or reviewed by Independent Auditor, Our conclusion is not Qualified in respect of this matter.

Ehab Morad Azer
FESAA—FEST
(RAA 6537)
(EFSA 87)

Cairo: 6 November 2019

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at 30 September 2019

	<u>Note</u>	<u>30 September 2019</u> EGP	<u>(Audited) 31 December 2018</u> EGP
ASSETS			
Non-current assets			
Fixed assets	(5)	301,434,254	219,883,705
Assets under construction	(6)	176,534,056	213,050,197
Intangible assets	(7)	105,096,085	100,595,583
Total non-current assets		583,064,395	533,529,485
Current assets			
Inventories	(8)	226,806,876	278,142,318
Trade and notes receivable	(9)	386,329,399	366,108,974
Due from related parties	(29)	19,475,033	25,500
Prepayments and other receivables	(10)	37,606,010	39,658,131
Cash on hand and at banks	(11)	9,492,964	4,298,991
Total current assets		679,710,282	688,233,914
TOTAL ASSETS		1,262,774,677	1,221,763,399
EQUITY AND LIABILITIES			
Equity			
Paid up Capital	(15)	160,900,000	160,900,000
Legal reserve		16,649,610	10,213,168
Other reserves		278,952	278,952
Retained earnings		294,570,762	171,985,931
Profits for the period/ year		31,612,408	129,021,273
Total equity of Parent Company		504,011,732	472,399,324
Non-controlling interest		(706,946)	(238,934)
Total equity		503,304,786	472,160,390
LIABILITIES			
Non-current liabilities			
Long term loans	(17)	71,921,469	—
Deferred tax liabilities	(26)	20,967,262	20,235,766
Total non-current liabilities		92,888,731	20,235,766
Current liabilities			
Provisions	(12)	11,702,211	7,556,954
Credit facilities	(16)	459,144,246	424,657,282
Current portion of long-term loans	(17)	53,191,779	153,991,022
Trade and notes payable	(13)	56,886,582	58,407,086
Due to related parties	(29)	3,742,317	8,148
Income taxes payable		10,116,528	39,002,081
Accrued expenses and other payables	(14)	71,797,497	45,744,670
Total current liabilities		666,581,160	729,367,243
TOTAL LIABILITIES		759,469,891	749,603,009
TOTAL LIABILITIES AND EQUITY		1,262,774,677	1,221,763,399

Board Member
Amr Abdallah Morsy

Finance Director
Mohamed Abo Amira

The accompanying notes from (1) to (33) are an integral part of these consolidated financial statements.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**
CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)
For the Period Ended 30 September 2019

	Notes	30 September 2019 EGP	(Unaudited)/ (Unreviewed) 30 September 2018 EGP
Revenues	(20)	618,718,602	572,033,129
Cost of revenues	(21)	(357,149,687)	(293,910,107)
GROSS PROFIT		261,568,915	278,123,022
Selling and marketing expenses	(22)	(107,461,120)	(89,761,064)
General and administrative expenses	(23)	(26,631,573)	(29,049,352)
Other income	(24)	3,112,848	2,747,694
Impairment of trade and notes receivable		(1,958,945)	(769,318)
Provisions	(12)	(3,768,059)	(1,600,000)
Finance expenses	(25)	(81,292,272)	(61,533,009)
Net foreign exchange gain/(loss)		(1,577,374)	1,096,503
PROFITS FOR THE PERIOD BEFORE INCOME TAXES		41,992,420	99,254,476
Income taxes	(26)	(10,848,024)	(22,612,928)
PROFITS FOR THE PERIOD		31,144,396	76,641,548
Attributable to:			
Equity holders of the Parent Company		31,612,408	76,014,827
Non-controlling interests		(468,012)	626,721
		<u>31,144,396</u>	<u>76,641,548</u>
Earnings per share			
Basic and diluted, profit for the period attributable to equity holders of the Parent Company	(27)	0.0491	0.1181

Finance Director
Mohamed Abo Amira

Board Member
Amr Abdallah Morsy

The accompanying notes from (1) to (33) are an integral part of these consolidated financial statements

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the Period Ended 30 September 2019**

	30 September 2019	(Unaudited)/ (Unreviewed) 30 September 2018
	EGP	EGP
PROFITS FOR THE PERIOD		
OTHER COMPREHENSIVE INCOME	31,144,396	76,641,548
TOTAL COMPREHENSIVE INCOME	<u>—</u>	<u>—</u>
	<u>31,144,396</u>	<u>76,641,548</u>
Attributable to		
Equity holders of the Parent Company	31,612,408	76,014,827
Non-controlling interest	(468,012)	626,721
	<u>31,144,396</u>	<u>76,641,548</u>

The accompanying notes from (1) to (33) are an integral part of these consolidated financial statements.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the period ended 30 September 2019

	Paid up Capital	Legal reserve	Other reserves	Retained earnings	Profit for the period	Total equity of Parent Company	Non- controlling interest	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Balance as at 1 January 2018	160,900,000	5,738,185	278,952	91,542,599	89,448,815	347,908,551	(57)	347,908,494
Transferred to legal reserve and retained earnings . . .	—	4,474,983	—	84,973,832	(89,448,815)	—	—	—
Dividends	—	—	—	(4,530,500)	—	(4,530,500)	—	(4,530,500)
Profits for the period	—	—	—	—	76,014,827	76,014,827	626,721	76,641,548
Balance as at 30 September 2018 (Unaudited)/ (Unreviewed)	<u>160,900,000</u>	<u>10,213,168</u>	<u>278,952</u>	<u>171,985,931</u>	<u>76,014,827</u>	<u>419,392,878</u>	<u>626,664</u>	<u>420,019,542</u>
Balance as at 1 January 2019	160,900,000	10,213,168	278,952	171,985,931	129,021,273	472,399,324	(238,934)	472,160,390
Transferred to legal reserve and retained earnings . . .	—	6,436,442	—	122,584,831	(129,021,273)	—	—	—
Profits for the period	—	—	—	—	31,612,408	31,612,408	(468,012)	31,144,396
Balance as at 30 September 2019	<u>160,900,000</u>	<u>16,649,610</u>	<u>278,952</u>	<u>294,570,762</u>	<u>31,612,408</u>	<u>504,011,732</u>	<u>(706,946)</u>	<u>503,304,786</u>

The accompanying notes from (1) to (33) are an integral part of these consolidated financial statements.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 30 September 2019

	Notes	30 September 2019 EGP	(Unaudited)/ (Unreviewed) 30 September 2018 EGP
CASH FLOWS FROM OPERATING ACTIVITIES			
Profits for the period before income taxes		41,992,420	99,254,476
Adjustments to reconcile profit before tax to net cash flow:			
Net foreign exchange differences		52,046	(247,652)
Depreciation and amortization	(5,7)	24,768,207	18,341,882
Provision charged	(12)	4,637,344	6,359,046
Reversal of impairment of assets under construction	(6)	—	(361,621)
Impairment of trade and notes receivable	(9)	1,958,945	769,318
Impairment of inventory	(8)	5,551,711	986,281
Finance expenses	(25)	81,292,272	61,533,009
(Gain) from sale of fixed assets	(5)	(6,999)	(16,498)
		<u>160,245,946</u>	<u>186,618,241</u>
Change in inventories		45,783,731	(211,567,903)
Change in trade and notes receivable		(22,179,370)	(65,425,420)
Change in prepayments and other receivables		2,052,121	(14,356,669)
Change in Due to Related Parties		3,734,169	206,470
Change in trade and notes payable		(1,520,504)	49,896,117
Change in accrued expenses and other payables		<u>23,108,696</u>	<u>18,531,278</u>
Cash flows provided from operating activities		211,224,789	(36,097,886)
Debit interests paid		(78,348,141)	(59,950,092)
Provisions used	(12)	(492,087)	(140,448)
Income taxes paid		<u>(39,002,080)</u>	<u>(22,679,671)</u>
NET CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES		93,382,481	(118,868,097)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to acquire fixed assets	(5)	(9,957,800)	(9,885,543)
Payments to acquire assets under construction	(6)	(56,249,398)	(42,712,377)
Payments to acquire intangible assets	(7)	(8,096,871)	(1,750,000)
Proceeds from sale of fixed assets	(5)	7,950	16,498
Investment in term deposits	(11)	<u>(29,205)</u>	<u>(425,000)</u>
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(74,325,324)	(54,756,422)
CASH FLOWS FROM FINANCING ACTIVITIES			
Credit facilities used	(16)	424,207,548	499,452,064
Payment of credit facilities	(16)	(389,720,584)	(357,061,421)
Receipts from long term loans		732,226	43,433,467
Payment of long-term loans		(29,610,000)	(20,543,595)
Change in due from related parties		(19,449,533)	(206,473)
Dividends Paid		<u>—</u>	<u>(4,530,500)</u>
NET CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES		(13,840,343)	160,543,542
Net change in cash and cash equivalent during the period		5,216,814	(13,080,977)
Net foreign exchange difference		(52,046)	247,652
Cash and cash equivalent—beginning of the period		<u>3,855,115</u>	<u>13,994,240</u>
CASH AND CASH EQUIVALENT—END OF THE PERIOD	(11)	9,019,883	1,160,915

The accompanying notes from (1) to (33) are an integral part of these consolidated financial statements.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the period ended 30 September 2019

1—BACKGROUND

Tenth of Ramadan for Pharmaceutical Industries and Diagnostic Reagents (Rameda) (S.A.E) (the “Company” or the “Parent Company”) was established under the provisions of Law No. 43 of 1974.

The Company was registered in the commercial registry under No.84008 on 15 January 1986.

The registered office is located at plot No. 5 Second Industrial Zone, 6th of October City-Giza-Egypt.

The consolidated financial statements include the separate financial statements of the Parent Company and its subsidiaries (collectively referred to as the “Group”).

The Group is principally engaged in:

- Manufacturing, marketing, selling and storing of pharmaceutical reagents for human and veterinary use.
- Manufacturing, marketing, selling and storing of diagnostic reagents necessary for individuals, laboratories and hospitals.
- Importing pharmaceutical reagents and raw materials necessary for serving the Company’s purposes without trading.
- Producing pharmaceutical reagents for human and veterinary and diagnostic use for others and by others.
- Producing food supplements for human use for others and by others.

Below is a brief background about the subsidiaries:

Rameda for Pharmaceuticals Trading Company

A subsidiary with 99.97% shareholding. Its principal activity is importing and exporting pharmaceutical reagents, producing, marketing, selling and storing of pharmaceutical reagents and producing pharmaceutical reagents for human and veterinary and diagnostic use for others

Ramecare Company

A subsidiary with 49% legal ownership. Its principal activity is producing, marketing, selling and storing of pharmaceutical reagents, producing pharmaceutical reagents for human and veterinary and diagnostic use for others.

It was considered a subsidiary since the Parent Company is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over it.

Ramepharma Company

A subsidiary with 49% legal ownership. Its principal activity is producing, marketing, selling and storing of pharmaceutical reagents, producing pharmaceutical reagents for human and veterinary and diagnostic use for others.

It was considered a subsidiary since the Parent Company is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over it.

2—SIGNIFICANT ACCOUNTING POLICIES

2-1 Basis of preparation

The consolidated financial statements are prepared under the going concern assumption on a historical cost basis.

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2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

The consolidated financial statements are prepared and presented in Egyptian pounds, which is the Group's functional currency.

The consolidated financial statements of the Group have been prepared in accordance with the Egyptian accounting standards and the applicable laws and regulations.

The accounting policies adopted in this period are consistent with the policies adopted in the prior year.

2-2 Basis of consolidation

The consolidated financial statements comprise the separate financial statements of the Parent Company and its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangements with the other vote holders of the investee
- Right arising from other contractual arrangements.
- The Group voting rights and potential voting rights.

The Group re-assess whether or not it controls an investee if facts and circumstances indicates that there are changes to one or more of the three elements of controls. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed off during the period are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The following steps are followed in preparing the consolidated financial statements:

- a— Eliminate the carrying amount of the Parent Company investment in each subsidiary and the Parent Company share of equity of each subsidiary.
- b— Identify the non-controlling interest in the profit or loss of the consolidated subsidiaries for the reporting period.
- c— Identify the non-controlling interests in the net assets of consolidated subsidiaries and presented in the consolidated financial statement separately from the Parent ownership interests. Non-controlling interests in the net assets consist of:
 - (1) The amount of non-controlling interests as of the original date of combination.
 - (2) The non-controlling interests' share of changes in equity since the date of the combination.
- d— Intergroup balances and transactions, revenues and expenses are eliminated.

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2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

- The separate financial statements of the Parent Company and its subsidiaries used in the preparation of the consolidated financial statements are prepared as of the same date.
- The separate financial statements of the Parent Company and its subsidiaries used in the preparation of the consolidated financial statements are prepared using uniform accounting policies for similar transactions and other events with similar circumstances.
- Non-controlling interests are presented in the consolidated financial position within equity, separately from the equity of the owners of the Parent Company, and the non-controlling interests share in the group profit or loss is presented separately.

2-3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2-3-1 Business combination

Accounting for business combination under EAS 29 only applies if it is considered that a business has been acquired. For acquisitions meeting the definition of a business, the acquisition method of accounting is used to account for the acquisition of subsidiaries by the Parent Company. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of profit or loss.

2-3-2 Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

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2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-3-3 Foreign currency translation

Transactions in foreign currencies are initially recorded using prevailing exchange rates at date of transaction, whenever practical management may use fixed monthly exchange rates that are revised in case there is a significant change in the prevailing exchange rate at the date of transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated using the exchange rates prevailing at the financial position date. All differences are recognized in the consolidated statement of profit or loss.

Nonmonetary items that are measured at historical cost in foreign currencies are translated using the exchange rates prevailing at the date of the initial recognition.

Nonmonetary items measured at fair value in foreign currencies are translated using the exchange rates prevailing at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in consolidated statement of other comprehensive income ("OCI") or profit or loss are also recognized in consolidated statement of OCI or consolidated statement of profit or loss, respectively).

2-3-4 Fixed assets

Fixed assets are stated at historical cost net of accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the fixed assets when that cost is incurred, if the recognition criteria are met. Likewise, when a major improvement is performed, its cost is recognized in the carrying amount of the fixed assets as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of profit or loss as incurred.

Depreciation of an asset begins when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, and is computed using the straight-line method according to the estimated useful life of the asset as follows:

	<u>Years</u>
Buildings	33
Machinery and equipment	10
Transportation and dragging equipment	5–10
Laboratory equipment	10
Tools	10
Furniture and fixtures	4–10

Fixed assets are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing the asset is included in the consolidated statement of profit or loss when the asset is derecognized.

The assets residual values, useful lives and methods of depreciation are reviewed at each financial position date.

Freehold Land is recognized at its acquisition cost and is not depreciated.

The Group assesses at each financial position date whether there is an indication that fixed assets may be impaired. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered

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2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

impaired and is written down to its recoverable amount. Impairment losses are recognized in the consolidated statement of profit or loss.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss.

2-3-5 Assets under construction

Assets under construction represent the amounts that are incurred for the purpose of constructing or purchasing fixed assets or intangible assets until it is ready to be used in the operation, upon which it is transferred to fixed assets or intangible assets. Assets under construction are valued at cost less impairment.

2-3-6 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost.

After initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets internally generated are not capitalized and the expenditures are charged to the consolidated statement of profit or loss in the year in which the expenditure was incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite live are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization expense is charged to the consolidated statement of profit or loss.

The period of amortization and the amortization method for an intangible asset with finite useful lives are reviewed at each financial position date.

2-3-7 Inventory

The inventory elements are valued as follows:

- a) Raw materials and packing materials: at the lower of cost (using the moving weighted average method) or net realizable value.
- b) Spare parts: at the lower of cost (using the moving weighted average method) or net realizable value.
- c) Finished goods: at the lower of cost (using the weighted average method) or net realizable value.

The cost includes direct materials, direct labor and allocated share of manufacturing overhead excluding borrowing costs.

- d) Work in process: at the lower of cost or net realizable value. Cost includes direct material, direct labor and allocated share of manufacturing overheads based on the percentage of completion.

Goods in transit: at the lower of cost or net realizable value, and is recognized in the consolidated financial statements when risks and rewards are transferred to the Group which is determined based on shipping terms. Cost includes the purchase price of the materials and directly attributable expenses incurred to date.

Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

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2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

The amount of any write down of inventories to net realizable value and all losses of inventories are recognized in cost of sales in the consolidated statement of profit or loss in the period the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realizable value, is be recognized as reduction of cost of sales in the consolidated statement of profit or loss in the period in which the reversal occurs.

2-3-8 Trade and Notes receivables and other receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

These receivables are recognized initially at fair value.

After initial measurement, such financial assets are subsequently measured at amortized cost less impairment.

The Group assesses whether impairment exists individually, for receivables that are individually significant, or collectively for receivables that are not individually significant.

The calculation of impairment is based on actual incurred historical data. The impairment loss is recognized in the consolidated statement of profit or loss. Reversal of impairment is recognized in the consolidated statement of profit or loss in the period in which it occurs.

2-3-9 Trade and notes payable, accrued expenses and other payables

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

2-3-10 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at the financial position date and adjusted to reflect the current best estimate.

Where the effect of the time value of money is material, the amount of a provision should be the present value of the expected expenditures required to settle the obligation.

Where discounting is used, the increase in the provision due to the passage of time is recognized in the consolidated statement of profit or loss.

2-3-11 Social Insurance

The Group makes contributions to the Social Insurance Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

2-3-12 Legal reserve

According to the Group's articles of association, 5% of the net profits of the year of the parent Company based on separate financial statement is transferred to the legal reserve until this reserve reaches 50% of the issued capital. The reserve is used upon a decision from the general assembly meeting based on the proposal of the Board of Directors. The transfer to the legal reserve is made once the consolidated financial statements for the year are approved in the general assembly meeting.

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2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-3-13 General Reserve

According to the Group's articles of association, the general assembly meeting may decide to allocate a certain percentage of the net profits of the year to the general reserve. The reserve is used upon a decision from the general assembly meeting based on the proposal of the board of directors. The general reserve forms part of other reserves.

2-3-14 Borrowings

Borrowings are initially recognized at fair value less transaction cost. Amounts maturing within one year are classified as current liabilities, unless the Group has the right to postpone the settlement for a period exceeding one year after the financial position date, then the loan balance should be classified as non-current liabilities.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance expenses in the consolidated statement of profit or loss.

2-3-15 Income taxes

Income tax is calculated in accordance with the Egyptian tax law.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority.

Deferred income tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2-3-16 Dividends

The Group recognizes a liability to pay a dividend when the distribution is authorized and distribution is no longer at the discretion of the Group. As per law 159, a distribution is authorized when it is approved by the shareholders in the general assembly meeting.

2-3-17 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. 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.

The following specific recognition criteria must also be met before revenue is recognized:

- **Sale of pharmaceutical products**

Revenue from the sale of pharmaceutical products is recognized when the significant risks and rewards of ownership of the pharmaceutical products have passed to the buyer, for 'local sales' usually upon the delivery of the goods, for 'export sales', once the products are dispatched to dedicated stores area belonging to the customer.

- **Provision for sales of goods returns**

As part of the normal sales cycle, the Group receives sales returns from its customers. To account for the financial impact of potential customer goods returns, the Group estimates future returns on previously sold goods. Provision for the sales return are recorded for estimated goods returns based on return history, current sales levels and expiry dates for the products sold.

- **Rendering of services (toll manufacturing)**

Revenue from toll manufacturing services, which takes from one to three days, is recognized upon the completion of the manufacturing process and the internal tests.

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2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

• **Interest income**

Interest income is recognized as interest accrues using the effective interest “EIR” method. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

2-3-18 Expenses

All expenses including cost of revenues, general and administrative expenses, selling and marketing expenses, finance expenses and other expenses are recognized and charged to the consolidated statement of profit or loss in the financial year in which these expenses are incurred.

2-3-19 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2-3-20 Leases (as a lessee)

Lease contracts are classified as operating lease in accordance with the Egyptian accounting standards and Egyptian laws and regulations, where the lease payments are recognized as an expense on a straight-line basis over the lease term.

2-3-21 Related party transactions

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Boards of Directors.

2-3-22 Contingent Liabilities and Assets

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

2-3-23 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For assets traded in an active market, fair value is determined by reference to quoted market bid prices.

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2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

For unquoted assets, fair value is determined by reference to the market value of a similar asset or is based on the expected discounted cash flows.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1—Fair value measurements are those derived from quoted prices in an active market (that are unadjusted) for identical assets or liabilities.
- Level 2—Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3—Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognized in the consolidation financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2-3-24 Impairment of assets

Impairment of financial assets

The Financial assets of the Group include cash on hand and at banks, trade and notes receivable and due from related parties. The Group assesses at each financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. The policy for the measurement of the impairment losses is included in respective financial assets accounting policy.

Impairment of non-financial assets

The Group assesses at each financial position date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset or cash-generating units (CGU) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Impairment losses are recognized in the consolidated statement of profit or loss.

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2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

A previously recognized impairment loss is only reversed if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss.

2-3-25 Statement of cash flows

The statement of cash flows is prepared using the indirect method.

2-3-26 Cash and cash equivalent

For the purpose of preparing the consolidated statement of cash flow, the cash and cash equivalent comprise of cash on hand, current accounts with banks and time deposits maturing within three months from placement date.

3—SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these consolidated financial statements requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, the accompanying disclosures and the disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised.

The key judgments and estimates that have a significant impact on the consolidated financial statements of the Group are discussed below:

3-1 Judgments

Revenue Recognition for sale of goods

In making their judgment, the management considered the detailed criteria for the recognition of revenue from the sale of goods as set out in "EAS 11 Revenue" including the judgement about whether significant risks and rewards have been transferred.

3-2 Estimates

Impairment of trade and other receivables

An estimate of the collectible amount of trade and other receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimate is performed on an individual basis. Amounts which are not individually significant, but are past due, are assessed collectively and a provision is applied according to the length of time past due, based on historical recovery rates.

Provision for sales returns

The Group's management determines the estimates provision for the expected sales returns. This estimate is determined after considering the past experience of sales returns and sales volume and expiry dates of the products sold. The management periodically reviews the estimated provision amount to ensure that provision is adequate to cover the sales return.

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3—SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Useful lives of fixed assets

The Group's management determines the estimated useful lives of its fixed assets for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The management periodically reviews the estimated useful lives and the depreciation method to ensure that the method and the period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Useful lives of intangible assets

The useful lives of intangible assets are assessed as finite. The management periodically reviews the estimated useful lives and the amortization method to ensure that the method and the period of amortization are consistent with the expected pattern of economic benefits from these assets.

Taxes

The Group is subject to income taxes in Egypt. Significant judgment is required to determine the total provision for current and deferred taxes. The Group establishes provision, based on reasonable estimates, for possible consequences of audits by the tax authorities in Egypt. The amount of such provision is based on various factors, such as experience of previous tax audits and different interpretations of tax regulations by the Group and the responsible tax authority. Such differences of interpretations may be on a wide variety of issues depending on the conditions prevailing in Egypt.

Deferred tax assets are recognized for unused accumulated tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

4—SEGMENT INFORMATION

Currently the Group's primary business segment is the production and selling of pharmaceutical products which contributes to 95% of total revenue and balance 5% is contributed by toll manufacturing services (December 2018: 95% and 5% receptively). The Group's management monitors the business under two segments, "production and selling of pharmaceutical products" and "manufacturing for others" (Toll manufacturing) for the purpose of making business decisions.

Segment performance is evaluated based on revenue and measured consistently with revenue in the consolidated financial statement

Accordingly, the Group's revenues during the period ended 30 September 2019 were reported under two segments in the consolidated financial statements.

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4—SEGMENT INFORMATION (Continued)

The Group produces and sells several pharmaceutical products and render services as follows:

Period	Services	Sales of pharmaceutical products				
	Toll Manufacturing "Domestic"	Export	Domestic			Total
	EGP		Private sales	Veterinary	Tenders	
	EGP	EGP	EGP	EGP	EGP	EGP
September 2019	<u>28,219,900</u>	<u>33,910,827</u>	<u>414,169,704</u>	<u>1,658,555</u>	<u>140,759,616</u>	<u>618,718,602</u>
September 2018	<u>28,805,501</u>	<u>37,020,855</u>	<u>355,614,770</u>	<u>4,224,579</u>	<u>146,367,424</u>	<u>572,033,129</u>

Revenue from the top five customers presented 85% of total revenues (September 2018: EGP 80%).

5—FIXED ASSETS

	Freehold Land	Buildings	Machinery and equipment	Transportation and dragging equipment	Laboratory equipment	Tools	Office furniture and fixtures	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost								
As of 1 January, 2019 .	18,637,425	173,615,138	145,848,968	12,200,342	14,748,298	3,342,702	18,421,709	386,814,582
Additions	—	1,831,843	4,264,345	174,305	1,773,721	150,901	1,762,685	9,957,800
Transferred from assets under construction . .	—	8,984,881	83,723,112	—	—	—	57,546	92,765,539
Disposals	—	—	—	—	—	—	(9,054)	(9,054)
As of 30 September, 2019	<u>18,637,425</u>	<u>184,431,862</u>	<u>233,836,425</u>	<u>12,374,647</u>	<u>16,522,019</u>	<u>3,493,603</u>	<u>20,232,886</u>	<u>489,528,867</u>
Accumulated depreciation								
As of 1 January, 2019 .	—	(44,159,755)	(92,821,575)	(8,947,723)	(7,169,885)	(1,015,114)	(12,816,825)	(166,930,877)
Depreciation for the period	—	(4,740,136)	(13,610,725)	(477,899)	(1,004,007)	(218,458)	(1,120,614)	(21,171,839)
Related to Disposals . .	—	—	—	—	—	—	8,103	8,103
As of 30 September, 2019	<u>—</u>	<u>(48,899,891)</u>	<u>(106,432,300)</u>	<u>(9,425,622)</u>	<u>(8,173,892)</u>	<u>(1,233,572)</u>	<u>(13,929,336)</u>	<u>(188,094,613)</u>
Net book value as at 30 September 2019 .	<u>18,637,425</u>	<u>135,531,971</u>	<u>127,404,125</u>	<u>2,949,025</u>	<u>8,348,127</u>	<u>2,260,031</u>	<u>6,303,550</u>	<u>301,434,254</u>
Net book value as at 31 December 2018 . .	<u>18,637,425</u>	<u>129,455,383</u>	<u>53,027,393</u>	<u>3,252,619</u>	<u>7,578,413</u>	<u>2,327,588</u>	<u>5,604,884</u>	<u>219,883,705</u>

There is a commercial mortgage on all machinery and equipment in favour of the Commercial International Bank as a collateral for the loans granted to the Company (note 17).

The cost of fixed assets as of 30 September 2019 includes EGP 15,903,092 which represents fully depreciated assets that are still in use.

Depreciation for the period was allocated to the statement of profit or loss as follows:

	30 September 2019
	EGP
Cost of revenues (Note 21)	19,125,683
Selling and marketing expenses (Note 22)	301,875
General and administrative expenses (Note 23)	1,744,281
	<u>21,171,839</u>

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5—FIXED ASSETS (Continued)

Gain from sale of fixed assets was calculated as follows:

	30 September 2019
	EGP
Cost of disposed assets	9,054
Accumulated depreciation of disposed assets	8,103
Net book value of disposed assets	951
Proceeds from sale of fixed assets	7,950
Gain from sale of fixed assets	6,999

	Freehold Land	Buildings	Machinery and equipment	Transportation and dragging equipment	Laboratory equipment	Tools	Office furniture and fixtures	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost								
As at 1 January 2018	18,637,425	172,626,690	140,791,852	10,297,938	13,374,308	1,455,946	16,116,670	373,300,829
Additions	—	988,448	4,315,166	1,902,404	1,373,990	1,886,756	2,373,624	12,840,388
Transferred from assets under construction	—	—	741,950	—	—	—	—	741,950
Disposals	—	—	—	—	—	—	(68,585)	(68,585)
As at 31 December 2018	<u>18,637,425</u>	<u>173,615,138</u>	<u>145,848,968</u>	<u>12,200,342</u>	<u>14,748,298</u>	<u>3,342,702</u>	<u>18,421,709</u>	<u>386,814,582</u>
Accumulated depreciation								
As at 1 January 2018	—	(39,138,509)	(79,029,671)	(8,372,334)	(6,252,652)	(920,608)	(11,619,556)	(145,333,330)
Depreciation for the year	—	(5,021,246)	(13,791,904)	(575,389)	(917,233)	(94,506)	(1,224,952)	(21,625,230)
Related to Disposals	—	—	—	—	—	—	27,683	27,683
As at 31 December 2018	<u>—</u>	<u>(44,159,755)</u>	<u>(92,821,575)</u>	<u>(8,947,723)</u>	<u>(7,169,885)</u>	<u>(1,015,114)</u>	<u>(12,816,825)</u>	<u>(166,930,877)</u>
Net book value as at 31 December 2018	<u>18,637,425</u>	<u>129,455,383</u>	<u>53,027,393</u>	<u>3,252,619</u>	<u>7,578,413</u>	<u>2,327,588</u>	<u>5,604,884</u>	<u>219,883,705</u>
Net book value as at 31 December 2017	<u>18,637,425</u>	<u>133,488,181</u>	<u>61,762,181</u>	<u>1,925,604</u>	<u>7,121,656</u>	<u>535,338</u>	<u>4,497,114</u>	<u>227,967,499</u>

There is a commercial mortgage on all machinery and equipment in favour of the Commercial International Bank as a collateral for the loans granted to the Group (note 17).

The cost of fixed assets as of 31 December 2018 include EGP 15,634,658 which represents fully depreciated assets that are still in use.

6—ASSETS UNDER CONSTRUCTION

	30 September 2019	(Audited) 31 December 2018
	EGP	EGP
Service equipment and infra-structure facilities	118,562,722	166,664,672
Laboratory equipment	570,590	570,590
Buildings and furniture	58,087,181	46,501,372
	177,220,493	213,736,634
Impairment in value of assets under construction	(686,437)	(686,437)
	<u>176,534,056</u>	<u>213,050,197</u>

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6—ASSETS UNDER CONSTRUCTION (Continued)

The movement of assets under construction during the period is as follows:

	30 September 2019	(Audited) 31 December 2018
	EGP	EGP
Beginning balance	213,736,634	10,667,593
Additions during the period/ year	56,249,398	203,810,991
Transferred to fixed assets during the period/ year	(92,765,539)	(741,950)
Ending balance	<u>177,220,493</u>	<u>213,736,634</u>

Capitalized borrowing cost:

The amount of borrowing costs capitalized on service equipment and infra-structure facilities during the period ended 30 September 2019 amounted to EGP 14,233,736 (December 2018: EGP 7,648,622).

The capitalized borrowing cost represents the cost of specific borrowings made for these assets at a rate of 17.88% (December 2018: 18.78%).

7—INTANGIBLE ASSETS

	Registration Rights	(Audited)
	30 September 2019	31 December 2018
	EGP	EGP
Cost as at 1 January	113,306,875	79,654,175
Additions	8,096,870	33,661,700
Total cost as at 30 September 2019	<u>121,403,745</u>	<u>113,315,875</u>
Accumulated amortization as at 1 January	(12,711,292)	(9,002,775)
Amortization for the period/ year	(3,596,368)	(3,708,517)
Impairment in value of intangible assets	—	(9,000)
Accumulated amortization as at 30 September 2019	<u>(16,307,660)</u>	<u>(12,720,292)</u>
Net book value as at 30 September 2019	<u>105,096,085</u>	<u>100,595,583</u>

The balance of the intangible assets represents the cost of acquiring the registration rights of certain pharmaceutical products and is amortized using the straight-line method over their useful life (20 years). Management estimate the expected future benefit of the registration rights to be utilize over 20 years and assessed for impaired whenever there is an indication that the economic benefit of the product is impaired.

There is a commercial mortgage on intangible assets in favor of the Commercial International

Bank as a collateral for the loans granted to the Company (note 17).

Intangible asset balance includes registration right assets under approval amounted to EGP 15,298,500 (December 2018: EGP 29,390,000).

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8—INVENTORIES

	30 September 2019	(Audited) 31 December 2018
	EGP	EGP
Raw materials	86,683,701	77,813,236
Packing and packaging materials	38,063,681	22,540,397
Spare parts	8,030,374	11,231,382
Finished goods	71,230,821	106,649,651
Work in progress	17,346,401	36,964,491
Goods in transit	7,880,793	21,503,128
Inventory with others	4,693,114	3,010,331
	<u>233,928,885</u>	<u>279,712,616</u>
Write down in inventories	<u>(7,122,009)</u>	<u>(1,570,298)</u>
	<u>226,806,876</u>	<u>278,142,318</u>

Raw material and finished goods inventory are mortgaged as a collateral for the credit facilities (Note 16).

The movement in the write down in value of inventories is as follows:

	30 September 2019	(Audited) 31 December 2018
	EGP	EGP
Beginning balance	(1,570,298)	(2,569,522)
Charged during the period/ year	(5,551,711)	—
Reversal	—	999,224
Ending balance	<u>(7,122,009)</u>	<u>(1,570,298)</u>

The write down in value of inventories during the period/ year was included in the cost of sales.

9—TRADE AND NOTES RECEIVABLES

	30 September 2019	(Audited) 31 December 2018
	EGP	EGP
Trade receivable	228,422,505	121,228,875
Trade receivable—toll manufacturing	8,261,876	8,192,593
Notes receivable	153,722,522	238,806,065
	<u>390,406,903</u>	<u>368,227,533</u>
Impairment in value of trade and notes receivables	<u>(4,077,504)</u>	<u>(2,118,559)</u>
	<u>386,329,399</u>	<u>366,108,974</u>

Notes receivable amounting to EGP 120.6 Million are mortgage as a collateral for the credit facilities (Note 16).

The ageing analysis of gross trade and notes receivables before impairment is as follows:

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9—TRADE AND NOTES RECEIVABLES (Continued)

		Not impaired				
	Total	Less than 180 days	From 181 to 270 days	From 271 to 365 days	More than 365 days	Impaired
September 2019	390,406,904	308,599,845	59,867,100	17,302,606	559,849	4,077,504
December 2018	368,227,533	214,595,309	99,757,062	51,643,666	112,937	2,118,559

The movement of the impairment in value of trade receivable is as follows:

	30 September 2019	(Audited) 31 December 2018
	EGP	EGP
Beginning balance	(2,118,559)	(723,905)
Charged during the period/ year	(1,958,945)	(1,394,654)
Ending balance	<u>(4,077,504)</u>	<u>(2,118,559)</u>

10—PREPAYMENTS AND OTHER RECEIVABLES

	30 September 2019	(Audited) 31 December 2018
	EGP	EGP
Prepaid expenses	1,156,026	924,991
Advances to suppliers	17,691,467	17,283,048
Tax authority	6,690,028	6,770,601
Social insurance authority	539,158	271,190
Letters of credit margin	5,980,211	4,139,652
Deposits with others	1,449,925	1,432,625
Employees' imprests and advances	1,952,029	1,674,542
Customs-authority	1,050,538	4,111,999
Other receivables	1,096,628	3,049,483
	<u>37,606,010</u>	<u>39,658,131</u>

11—CASH ON HAND AND AT BANKS

	30 September 2019	(Audited) 31 December 2018
	EGP	EGP
a) Egyptian Pounds		
Cash on hand	20,802	121,124
Current accounts	3,229,251	3,182,882
Term deposits	473,081	443,876
	<u>3,723,134</u>	<u>3,747,882</u>
b) Foreign currencies		
Current accounts	5,769,830	551,109
	<u>5,769,830</u>	<u>551,109</u>
	<u>9,492,964</u>	<u>4,298,991</u>

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11—CASH ON HAND AND AT BANKS (Continued)

Cash balances are denominated in the following currencies:

	30 September 2019	(Audited) 31 December 2018
	EGP	EGP
Egyptian pound (EGP)	3,723,134	3,747,882
US dollar (USD)	2,867,298	521,727
Euro (EUR)	2,902,532	29,382
	<u>9,492,964</u>	<u>4,298,991</u>

For the purpose of cash flow statements cash and cash equivalents consist of following.

	30 September 2019	(Unaudited)/ (Unreviewed) 30 September 2018
	EGP	EGP
Cash in hand	20,802	13,382
Current accounts	8,999,081	1,147,533
	<u>9,019,883</u>	<u>1,160,915</u>

12—PROVISIONS

	Balance as at 1 January 2019	Charged during the period	Used during the period	Balance as at 30 September 2019
	EGP	EGP	EGP	EGP
Provision for expected claims	2,071,822	3,768,059	(492,087)	5,347,794
Provision for sales returns*	5,485,132	869,285	—	6,354,417
	<u>7,556,954</u>	<u>4,637,344</u>	<u>(492,087)</u>	<u>11,702,211</u>

	Balance as at 1 January 2018	Charged during the year	Used during the year	(Audited) Balance as at 31 December 2018
	EGP	EGP	EGP	EGP
Provision for expected claims	612,270	1,600,000	(140,448)	2,071,822
Provision for sales returns*	—	5,485,132	—	5,485,132
	<u>612,270</u>	<u>7,085,132</u>	<u>(140,448)</u>	<u>7,556,954</u>

* Provision for sales returns is deduced from sales disclosed

13—TRADE AND NOTES PAYABLE

	30 September 2019	(Audited) 31 December 2018
	EGP	EGP
Trade payables	45,694,483	48,926,631
Notes payables	11,192,099	9,480,455
	<u>56,886,582</u>	<u>58,407,086</u>

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14—ACCRUED EXPENSES AND OTHER PAYABLES

	30 September 2019	(Audited) 31 December 2018
	EGP	EGP
Accrued expenses	8,060,705	10,181,137
Tax authority (other than income tax)	35,278,530	24,455,578
Advances from customer	27,511,664	9,872,416
Other payables	946,598	1,235,539
	<u>71,797,497</u>	<u>45,744,670</u>

Trade payables accrued expenses and other payables are non-interest bearing.

15—CAPITAL

The Group's authorized capital amounted to EGP 200 million, whereas the issued and paid up capital amounted to EGP 120 million divided over 120,000 shares of par value EGP 1,000 each.

The extra ordinary general assembly meeting held on 2 May 2011 decided to increase the Group's authorized capital to EGP 1 billion and to increase the issued and paid up capital to EGP 160,900,000 divided over 160,900 shares of par value EGP 1,000 each.

The extraordinary general assembly meeting held on 14 March 2018 decided to amend the par value of the share from EGP 1,000 per share to EGP 0.25 per share. Accordingly, the Company's issued capital amounts to EGP 160,900,000 divided over 643,600,000 shares of par value EGP 0.25 each as follows:

	%	No. of shares	Amount EGP
Greville Investing Limited	99.9988	643,592,000	160,898,000
Mr. Ayman Mamdouh Fathy Abaas	0.0006	4,000	1,000
Eng. Shamel Faheem Aboul Fadl	0.0006	4,000	1,000
	<u>100</u>	<u>643,600,000</u>	<u>160,900,000</u>

16—CREDIT FACILITIES

The movement of the credit facilities during the period/ year is as follows:

	30 September 2019	(Audited) 31 December 2018
	EGP	EGP
Opening balance	420,514,887	272,598,550
Used during the period/ year	425,162,275	702,068,205
Payment during the period/ year	(389,720,584)	(554,151,868)
Ending balance	<u>455,956,578</u>	<u>420,514,887</u>

	30 September 2019	(Audited) 31 December 2018
	EGP	EGP
Credit facilities maturing within 12 months	455,956,578	420,514,887
Bank credit	3,187,668	4,142,395
	<u>459,144,246</u>	<u>424,657,282</u>

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16—CREDIT FACILITIES (Continued)

The interest rate on the Credit facilities ranges from 14.75% to 15.75% as of 30 September 2019 (December 2018: from 18.50% to 21.25%).

Credit Facilities	Facility amount	Interest rate	Maturity Date	30 September 2019	(Audited) 31 December 2018
				EGP	EGP
CIB	200,000,000	0.5%+ CBE lending rate	31/01/2020	152,519,846	154,585,015
Audi Bank	125,000,000	1%+ CBE lending rate	30/06/2020	119,578,356	136,106,470
Arab Bank	60,000,000	1.5%+ CBE lending rate	31/12/2019	45,351,612	46,911,102
ABK	80,000,000	1%+ CBE lending rate	31/01/2020	64,790,758	32,491,987
ADIB	80,000,000	1%+ CBE lending rate	31/12/2019	73,716,006	50,420,313
Total Credit Facilities				<u>455,956,578</u>	<u>420,514,887</u>

All of the above facilities are collateralized by inventories and notes receivables (Note 8 and 9)

17—LONG TERM LOANS

During the year 2015, the Company signed an agreement with Commercial International Bank to merge all loans granted to the Company during the years from 2011 to 2015 amounting to EGP 94,853,000 as of July 2015 in a long-term loan carries an annual interest rate of 2.25% over the corridor rate repayable over 52 monthly installments starting 1 August 2015 and maturing on 1 November 2019. During the year ended 31 December 2018, interest rate reduced from 2.25% to 1.10% over the CBE lending rate and revised rate is effective for the remaining 5 monthly instalments. "Loan (1)". The Company paid EGP 22,410,221 during the current period (December 2018: EGP 24,000,000) and the balance outstanding amounted to EGP 5,041,779 as at 30 September 2019 (December 2018: EGP 27,452,000).

During the year 2017, the Company signed an agreement with Commercial International Bank to obtain a loan amounting to EGP 86,422,000 with an annual interest rate of 1.25% over the Corridor rate repayable over 36 monthly installments starting from 29 October 2018 and maturing on 29 March 2021. During the year ended 31 December 2018, interest rate reduced from 1.25% to 1.1% over the CBE lending rate. "Loan (2)". The Company paid EGP 7,199,779 during the current period (December 2018: EGP 1,500,000) the balance outstanding amounted to EGP 53,097,497 as at 30 September 2019 (December 2018: EGP 60,297,276). During September the Company agreed with the bank to increase the loan by EGP: 9,196,000 repayable over 24 monthly installments starting from 1 January 2020 and maturing on 1 December 2021 and reduce the interest rate to .75% over the CBE lending rate, However the Company hasn't obtained the additional amount yet.

During the year 2018, the Company signed an agreement with Commercial International Bank to obtain a loan amounting to EGP 78,766,000 with an annual interest rate of 0.9% over the CBE lending rate repayable over 19 monthly installments after the expiry of grace period, which is 15 months from the date of first use. "Loan (3)". The Company has drawn down EGP 732,226 during the period ended 30 September 2019 and the balance outstanding amounted to EGP 66,973,972 as at 30 September 2019. During September the Company rescheduled the loan to be repayable over 24 monthly installments starting from 1 January 2020 and maturing on 1 December 2021 and reduce the interest rate to .85% over the CBE lending rate.

The Company obtained those loans against a collateral of a commercial mortgage over the Company's tangible assets constituents over all machinery and equipment and intangible assets financed under this loan (notes 5 and 7).

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17—LONG TERM LOANS (Continued)

The balance of loans as of 30 September 2019 as follows:

<u>Loans</u>	<u>Interest rate</u>	30 September 2019	(Audited) 31 December 2018
		EGP	EGP
Current portion of long-term loans			
Loan (1)	1.1%+CBE lending rate	5,041,779	27,452,000
Loan (2)	0.75%+CBE lending rate	23,400,000	60,297,276
Loan (3)	0.85%+CBE lending rate	24,750,000	66,241,746
Total current portion of long-term loans		53,191,779	153,991,022
Non-current portion of long-term loans			
Loan (1)	1.1%+CBE lending rate	—	—
Loan (2)	0.75%+CBE lending rate	29,697,497	—
Loan (3)	0.85%+CBE lending rate	42,223,972	—
Total non-current portion of long-term loans		71,921,469	—
		125,113,248	153,991,022

As of 31 December 2018, some of the Company's loan agreements (classified as non-current during the year) are subject to covenant clauses, whereby the Company is required to meet certain key financial ratios.

The Company did not fulfil the debt/equity ratio as required in the contract for loan 2 and loan 3 of which the Company had drawn an amount of EGP 126,539,022. Due to this breach of the covenant clause, the bank was contractually entitled to request for immediate repayment of the outstanding loan. Consequently, the outstanding balance was presented as a current liability as at 31 December 2018.

During the period ended 30 September 2019, the bank has approved exceptional the breach and had not requested early repayment of the loans and on 19 September, the Company signed an amendment agreement with the bank for loan 2 and 3 which modified covenant clauses and rescheduled the settlement period to be payable over 24 monthly installments starting from 1 January 2020 till 1 December 2021. Consequently, at the reporting date, the Company does not breach the loans' covenant clauses.

18—CAPITAL COMMITMENTS

As at 30 September 2019, the Company had contractual commitments in respect of its assets under construction not provided for in the financial statements amounted to EGP 19,275,217. (EGP 848,247 as at 31 December 2018).

19—CONTINGENT LIABILITIES

As at 30 September 2019, the Company has obligations in respect of its inventory (Cash against document) not provided for in the financial statements amounted to EGP 11,899,589. (EGP 25,038,377 as at 31 December 2018).

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20—REVENUES

	30 September 2019	(Unaudited)/ (Unreviewed) 30 September 2018
	EGP	EGP
Sale of goods (net)	590,498,702	543,227,628
Toll manufacturing services revenue	28,219,900	28,805,501
	<u>618,718,602</u>	<u>572,033,129</u>

21—COST OF REVENUES

	30 September 2019	(Unaudited)/ (Unreviewed) 30 September 2018
	EGP	EGP
Salaries, social insurance and other fringe benefits	49,052,421	45,098,641
Raw materials	216,731,211	175,796,175
Spare parts and materials	14,428,145	12,273,209
Government fees and medical stamps	5,069,428	6,783,297
Other operating expenses	21,148,188	16,437,248
Energy expenses	16,022,174	13,852,044
Depreciation and amortization (Note 5,7)	22,722,051	17,278,154
Rent	4,706,919	1,347,151
Maintenance	7,269,150	5,044,188
	<u>357,149,687</u>	<u>293,910,107</u>

22—SELLING AND MARKETING EXPENSES

	30 September 2019	(Unaudited)/ (Unreviewed) 30 September 2018
	EGP	EGP
Salaries, social insurance and other fringe benefits	58,513,724	43,642,019
Depreciation (Note 5)	301,875	308,897
Rent	1,988,154	1,530,981
Advertising and marketing	46,657,367	44,279,167
	<u>107,461,120</u>	<u>89,761,064</u>

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

For the period ended 30 September 2019

23—GENERAL AND ADMINISTRATIVE EXPENSES

	30 September 2019	(Unaudited)/ (Unreviewed) 30 September 2018
	EGP	EGP
Salaries, social insurance and other fringe benefits	17,792,352	13,758,745
Professional fees	3,007,742	10,784,443
Maintenance	314,244	568,252
Depreciation (Note 5)	1,744,281	754,831
Others	3,771,427	3,181,703
Bank charges	1,527	1,378
	<u>26,631,573</u>	<u>29,049,352</u>

24—OTHER INCOME

	30 September 2019	(Unaudited)/ (Unreviewed) 30 September 2018
	EGP	EGP
Gain from sale of fixed assets (Note 5)	6,999	16,498
Other income	3,105,849	2,731,196
	<u>3,112,848</u>	<u>2,747,694</u>

25—FINANCE EXPENSES

	30 September 2019	(Unaudited)/ (Unreviewed) 30 September 2018
	EGP	EGP
Debit interests	77,989,261	58,579,381
Bank Charges	3,303,011	2,953,628
	<u>81,292,272</u>	<u>61,533,009</u>

26—INCOME TAXES

	30 September 2019	(Unaudited)/ (Unreviewed) 30 September 2018
	EGP	EGP
Current income tax	(10,116,528)	(23,749,044)
Deferred income tax	(731,496)	1,136,116
	<u>(10,848,024)</u>	<u>(22,612,928)</u>

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)
For the period ended 30 September 2019

26—INCOME TAXES (Continued)

DEFERED INCOME TAXES

	Statement of financial position		Statement of profit or loss	
	30 September 2019	31 December 2018	30 September 2019	30 September 2018
	EGP	EGP	EGP	EGP
Depreciation and amortization	(24,661,622)	(22,056,350)	(2,605,272)	(90,468)
Provisions	1,429,744	1,234,155	195,589	929,313
Impairment of trade and notes receivables	917,438	476,676	440,762	173,097
Write down in value of inventory	1,602,452	353,317	1,249,135	221,913
Unrealized foreign exchange differences	(255,274)	(243,564)	(11,710)	(97,739)
Net deferred income taxes	<u>(20,967,262)</u>	<u>(20,235,766)</u>	<u>(731,496)</u>	<u>1,136,116</u>

* No deferred tax assets were recognized for the carry forward tax losses of the subsidiaries, since it is not expected that the future tax profits will be sufficient to offset the carry forward tax losses.

RECONCILIATION OF THE EFFECTIVE INCOME TAX RATE

	Tax Rate	30 September 2019	Tax Rate	(Unaudited)/ (Unreviewed) 30 September 2018
		EGP		EGP
Profits before income taxes		41,992,420		99,254,476
Income tax based on tax rate	22.5%	9,448,295	22.5%	22,332,257
Non-deductible expenses		1,399,729		280,671
Effective Tax Rate	25.83%	<u>10,848,024</u>	22.78%	<u>22,612,928</u>

27—EARNINGS PER SHARE

Basic and diluted earnings per share was calculated by dividing the profits for the period available for distribution to the Parent Company by the weighted average number of shares outstanding during the year as follows:

	30 September 2019	(Unaudited)/ (Unreviewed) 30 September 2018
	EGP	EGP
Basic and diluted, profit for the period attributable to Equity holder of the Parent Company	31,612,408	76,014,827
Weighted average number of shares outstanding during the period	643,600,000	643,600,000
Earnings per share	<u>0.0491</u>	<u>0.1181</u>

- There are no shares with dilutive effect and hence the basic and diluted earnings per share are the same.
- The par value of the share was amended from EGP 1,000 to EGP 0.25 per share. Accordingly, the Company's issued capital amounts to EGP 160,900,000 divided over 643,600,000 shares of par value EGP 0.25 each (Note 15).

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)
For the period ended 30 September 2019

28—TAX POSITION

a) Corporate Tax

- The Company's records were inspected till the year 2009 and the taxes due were paid. Except year 2006, the Company objected on the assessment and the issue is currently in the internal committee of tax authority.
- The Company's records were inspected for the years from 2010 till 2013. The Company objected on the assessment and the issue is currently in the internal committee of tax authority.
- No tax inspection took place for the Company's records for the years from 2014 till 2018.

b) Salary Tax

- The Company's records were inspected till the year 2012 and the taxes due were paid.
- The Company's records were inspected for the years from 2013 till 2015 and tax difference under settlement.
- No tax inspection took place for the Company's records for the years 2016 till 2018.

c) Stamp Tax

- The Company's records were inspected till 2013 and the taxes due were paid.
- No tax inspection took place for the Company's records for the years from 2014 to 2018.

d) VAT Tax

- The Company's records were inspected till the year 2015 and the taxes due were paid.
- No inspection took place for the Company's records for the year 2016 till 2018.

e) With respect to Subsidiaries

- No inspection has happened for the subsidiaries' record.

29—RELATED PARTY DISCLOSURES

For the purpose of these consolidated financial statements, parties are considered to be related to the Group, if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties represent i.e. major shareholders, directors and key management personnel of the Company, and entities controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the management and board of directors.

a) Due from related parties

	30 September 2019	(Audited) 31 December 2018
	EGP	EGP
Greville Co	19,449,533	—
Eman Mohamed Hegazy	12,750	12,750
Eman Wahed El-Zomor	12,750	12,750
	<u>19,475,033</u>	<u>25,500</u>

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)
For the period ended 30 September 2019

29—RELATED PARTY DISCLOSURES (Continued)

b) Due to related parties

	30 September 2019	(Audited) 31 December 2018
	EGP	EGP
Compass Capital	<u>3,742,317</u>	<u>8,148</u>
	<u>3,742,317</u>	<u>8,148</u>

c) Related parties transactions

Major transactions with related parties were as follows:

	30 September 2019		
<u>Related Parties</u>	<u>Payments on behalf of related parties</u>	<u>Expense*</u>	<u>Current account**</u>
	EGP	EGP	EGP
Greville Investing Limited	19,449,533	—	—
Compass Capital	—	2,473,800	1,268,517

	31 December 2018		
<u>Related parties</u>	<u>Payments on behalf of related parties</u>	<u>Expense</u>	<u>Current account</u>
	EGP	EGP	EGP
Greville Investing Limited	—	—	—
Compass Capital	—	8,148	—

* Expenses presents mainly professional fees charged by the Compass Capital for advisory services provided to the Company.

** Current account presents amounts paid or received from related parties which is free of interest and repay or collect on demand.

d) Salaries and incentives of key managers

The key manager's compensation during period ended 30 September 2019 and 30 September 2018 is as follow:

	30 September 2019	30 September 2018
	EGP	EGP
Salaries and incentives	<u>16,058,935</u>	<u>12,117,181</u>
	<u>16,058,935</u>	<u>12,117,181</u>

30—LEASE COMMITMENTS—GROUP AS A LESSEE

The Group has entered into operating lease agreements to lease certain apartments, with lease terms between three and five years. The Group has the option, under some of its leases, to extend the lease terms for three to five years.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)
For the period ended 30 September 2019

30—LEASE COMMITMENTS—GROUP AS A LESSEE (Continued)

Future minimum rentals payments under non-cancellable operating leases as follows:

	30 September 2019	(Audited) 31 December 2018
	EGP	EGP
Within one year	3,447,046	2,384,091
After one year but not more than five years	14,719,923	13,143,758
	<u>18,166,969</u>	<u>15,527,849</u>

31—FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

The Group has exposure to the following risks from its use of financial instruments:

- a) Credit risk
- b) Market risk
- c) Liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors of the Group has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's senior management are responsible for developing and monitoring the risk management policies and report regularly to the Board of Directors on their activities.

The Group's current financial risk management framework is a combination of formally documented risk management policies in certain areas and informal risk management policies in other areas.

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to credit risk principally from its receivables from customers, notes receivable, due from related parties, other receivables, including balances with banks.

Trade and notes receivables

The customer credit risk is established by the Group's policies, procedures and controls relating to customer credit risk management. Credit quality of a customer is assessed by the management. Outstanding customer receivables are regularly monitored. An impairment analysis is performed at each reporting date on an individual basis.

The maximum exposure is limited to the balances disclosed in note (9)

Other financial assets and balances with banks

The Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these assets.

Credit risk from balances with banks is managed by group treasury. The Group limits its exposure to credit risk by only placing balances with international banks and local banks of good reputation, in addition, the local banks are under the supervision of the central Bank of Egypt and thus their exposure to credit risk is minimal.

The maximum exposure is limited to the balances disclosed in note (11)

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)
For the period ended 30 September 2019

31—FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Due from related parties

The Group's exposure to credit risk rises from related parties equal to the carrying amount of these balances.

b) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as currency risk and interest rate risk, which will affect the Group's income. Financial instruments affected by market risk include interest-bearing loans and borrowings and deposits. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Group does not hold or issue derivative financial instruments.

Exposure to interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's obligations with floating interest rates and interest bearing time deposits.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no impact on the Group's equity other than the profit impact stated below.

	30 September 2019		(Audited) 31 December 2018	
	Change in rate	Effect on profit before tax	Change in rate	Effect on profit before tax
		EGP		EGP
Financial assets	+1%	423	+1%	790
	-1%	(423)	-1%	(790)
Financial liabilities	+1%	(2,985,168)	+1%	(3,131,037)
	-1%	2,985,168	-1%	3,131,037

Exposure to foreign currency risk

The following tables demonstrate the sensitivity to a reasonably possible change in USD & EUR exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

	30 September 2019		(Audited) 31 December 2018	
	Change in rate	Effect on profit before tax	Change in rate	Effect on profit before tax
		EGP		EGP
USD	+10%	832,269	+10%	248,796
	-10%	(832,269)	-10%	(248,796)
EUR	+10%	290,253	+10%	—
	-10%	(290,253)	-10%	—

c) Liquidity risk

The cash flows, funding requirements and liquidity of the Group are monitored by Group's management. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. The Group manages liquidity risk by maintaining adequate reserves and borrowing facilities, by

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

For the period ended 30 September 2019

31—FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group currently has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

<u>Financial liabilities</u>	<u>Less than 3 Months EGP</u>	<u>3 to 12 months EGP</u>	<u>1 to 5 years EGP</u>	<u>Over 5 years EGP</u>	<u>Total EGP</u>
As at 30 September 2019					
Credit facilities	255,304,997	211,505,595	—	—	466,810,592
Trade and notes payables	40,912,309	15,974,273	—	—	56,886,582
Accrued expenses and other payables	38,012,005	33,785,492	—	—	71,797,497
Term loans	14,541,127	59,338,693	78,881,227	—	152,761,047
Total undiscounted financial liabilities	348,770,438	320,604,053	78,881,227	—	748,255,718

<u>Financial liabilities</u>	<u>Less than 3 Months EGP</u>	<u>3 to 12 Months EGP</u>	<u>1 to 5 years EGP</u>	<u>Over 5 years EGP</u>	<u>Total EGP</u>
As at 31 December 2018					
Credit facilities	235,080,590	210,669,520	—	—	445,750,110
Trade and notes payables	22,212,442	36,194,562	—	—	58,407,004
Accrued expenses and other payables	18,562,493	6,226,071	20,956,188	—	45,744,752
Term loans	17,552,314	73,054,270	94,626,670	—	185,233,254
Total undiscounted financial liabilities	293,407,839	326,144,423	115,582,858	—	735,135,120

32—CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of Parent Company.

The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manage its capital structure and makes adjustments in light of change in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a leverage ratio. Which is total liabilities divided by net equity. The Group's policy is to keep leverage ratio between 1 to 2.

33—FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities. Financial assets of the Group include cash on hand and at banks, trade and notes receivable, due from related parties and other receivables. Financial liabilities of the Group include credit facilities, term loans, trade and notes payable, dividends payable, income taxes payable, accrued expenses and other payables.

The fair values of the financial assets and liabilities are not materially different from their carrying value unless stated otherwise.

**TENTH OF RAMADAN FOR PHARMACEUTICAL
INDUSTRIES AND DIAGNOSTIC REAGENTS
(RAMEDA) (S.A.E)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018
TOGETHER WITH AUDITOR'S REPORT**

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**

Consolidated Financial Statements

For the year ended 31 December 2018

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AUDITOR'S REPORT

TO THE SHAREHOLDERS OF TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E) (the "Company") and its subsidiaries (together the "Group")**, represented in the consolidated statement of financial position as at 31 December 2018, and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

These consolidated financial statements are the responsibility of the Company's Management, as Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Egyptian Accounting Standards and applicable Egyptian laws. Management responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. This responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Egyptian Standards on Auditing and applicable Egyptian laws. Those standards require that we comply with ethical requirements, plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on these consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the "Group", as at 31 December 2018, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the related applicable Egyptian laws and regulations.

Ashraf Emil Botros
FESAA—FEST
RAA 9259
EFSAR 81

Cairo: 9 May 2019

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 EGP	2017 EGP
ASSETS			
Non-current assets			
Fixed assets	(5)	219,883,705	227,967,499
Assets under construction	(6)	213,050,197	9,619,534
Intangible assets	(7)	100,595,583	70,642,400
Total non-current assets		533,529,485	308,229,433
Current assets			
Inventories	(8)	278,142,318	171,322,260
Trade and notes receivable	(9)	366,108,974	271,469,890
Due from related parties	(28)	25,500	25,500
Prepayments and other receivables	(10)	39,658,131	39,374,130
Cash on hand and at banks	(11)	4,298,991	13,994,240
Total current assets		688,233,914	496,186,020
TOTAL ASSETS		1,221,763,399	804,415,453
EQUITY AND LIABILITIES			
Equity			
Capital	(15)	160,900,000	160,900,000
Legal reserve		10,213,168	5,738,185
Other reserves		278,952	278,952
Retained earnings		171,985,931	91,542,599
Profits for the year		129,021,273	89,448,815
Total equity of Parent Company		472,399,324	347,908,551
Non-controlling interest		(238,934)	(57)
Total equity		472,160,390	347,908,494
LIABILITIES			
Non-current liabilities			
Long term loans	(17)	—	37,379,654
Deferred tax liabilities	(25)	20,235,766	20,884,657
Total non-current liabilities		20,235,766	58,264,311
Current liabilities			
Provisions	(12)	7,556,954	612,270
Credit facilities	(16)	424,657,282	273,910,371
Current portion of long term loans	(17)	153,991,022	25,500,000
Trade and notes payable	(13)	58,407,086	39,232,022
Due to related parties	(28)	8,148	—
Dividends payable		—	523,846
Income taxes payable		39,002,081	26,223,737
Accrued expenses and other payables	(14)	45,744,670	32,240,402
Total current liabilities		729,367,243	398,242,648
TOTAL LIABILITIES		749,603,009	456,506,959
TOTAL LIABILITIES AND EQUITY		1,221,763,399	804,415,453

Chief Financial Officer
Mohamed Abo Amira

Board Member
Amr Abdallah Morsy

The accompanying notes from (1) to (33) are an integral part of these consolidated financial statements.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	2018 EGP	2017 EGP
Revenues	(19)	805,211,069	628,454,615
Cost of revenues	(20)	(401,336,307)	(326,943,421)
GROSS PROFIT		403,874,762	301,511,194
Selling and marketing expenses	(21)	(116,337,505)	(98,668,166)
General and administrative expenses	(22)	(39,352,226)	(21,534,609)
Other income	(23)	4,561,995	2,685,730
Impairment of trade and notes receivable		(1,394,654)	—
Provisions/Other expenses	(12)	(1,600,000)	(274,861)
Finance expenses	(24)	(83,699,352)	(66,438,167)
Net foreign exchange gain/(loss)		1,082,566	(1,636,405)
PROFITS FOR THE YEAR BEFORE INCOME TAXES		167,135,586	115,644,716
Income taxes	(25)	(38,353,190)	(26,195,935)
PROFITS FOR THE YEAR		128,782,396	89,448,781
Attributable to:			
Equity holders of the Parent Company		129,021,273	89,448,815
Non-controlling interests		(238,877)	(34)
		128,782,396	89,448,781
Earnings per share			
Basic and diluted, profit for the year attributable to equity holders of the Parent Company	(26)	0.2005	0.1389

Chief Financial Officer
Mohamed Abo Amira

Board Member
Amr Abdallah Morsy

The accompanying notes from (1) to (33) are an integral part of these consolidated financial statements.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018**

	<u>2018</u> EGP	<u>2017</u> EGP
PROFITS FOR THE YEAR	128,782,396	89,448,781
OTHER COMPREHENSIVE INCOME	<u>—</u>	<u>—</u>
TOTAL COMPREHENSIVE INCOME	<u>128,782,396</u>	<u>89,448,781</u>
Attributable to		
Equity holders of the Parent Company	129,021,273	89,448,815
Non-controlling interest	<u>(238,877)</u>	<u>(34)</u>
	<u>128,782,396</u>	<u>89,448,781</u>

The accompanying notes from (1) to (33) are an integral part of these consolidated financial statements.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Paid up Capital	Legal reserve	Other reserves	Retained earnings	Profit for the year	Total equity of Parent Company	Non- controlling interest	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Balance as at 1 January 2017	160,900,000	4,379,996	278,952	71,230,273	26,908,976	263,698,197	(23)	263,698,174
Transferred to legal reserve and retained earnings	—	1,358,189	—	25,550,787	(26,908,976)	—	—	—
Dividends (Note 15)	—	—	—	(5,238,461)	—	(5,238,461)	—	(5,238,461)
Profits for the year	—	—	—	—	89,448,815	89,448,815	(34)	89,448,781
Balance as at 31 December 2017	<u>160,900,000</u>	<u>5,738,185</u>	<u>278,952</u>	<u>91,542,599</u>	<u>89,448,815</u>	<u>347,908,551</u>	<u>(57)</u>	<u>347,908,494</u>
Balance as at 1 January 2018	160,900,000	5,738,185	278,952	91,542,599	89,448,815	347,908,551	(57)	347,908,494
Transferred to legal reserve and retained earnings	—	4,474,983	—	84,973,832	(89,448,815)	—	—	—
Dividends (Note 15)	—	—	—	(4,530,500)	—	(4,530,500)	—	(4,530,500)
Profits for the year	—	—	—	—	129,021,273	129,021,273	(238,877)	128,782,396
Balance as at 31 December 2018	<u>160,900,000</u>	<u>10,213,168</u>	<u>278,952</u>	<u>171,985,931</u>	<u>129,021,273</u>	<u>472,399,324</u>	<u>(238,934)</u>	<u>472,160,390</u>

The accompanying notes from (1) to (33) are an integral part of these consolidated financial statements.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2018**

	<u>Notes</u>	<u>2018</u> <u>EGP</u>	<u>2017</u> <u>EGP</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profits for the year before income taxes		167,135,586	115,644,716
Adjustments to reconcile profit before tax to net cash flow:			
Net foreign exchange differences		(1,082,566)	1,131,776
Depreciation and amortization	(5,7)	25,333,747	23,163,065
Write down of inventories		—	991,447
Provision charged	(12)	7,085,132	—
Reversal of impairment of assets under construction	(6)	(361,622)	9,000
Impairment of trade and notes receivable	(9)	1,394,654	—
Reversal of impairment of inventory		(999,224)	—
Debit interests	(24)	83,699,352	66,438,167
Loss/ (Gain) from sale of fixed assets	(5)	(16,828)	274,861
		<u>282,188,231</u>	<u>207,653,032</u>
Change in inventories		(105,820,835)	(41,267,024)
Change in trade and notes receivable		(96,226,392)	(80,602,956)
Change in prepayments and other receivables		(3,643,567)	(21,785,841)
Change in Due to Related Parties		8,148	—
Change in trade and notes payable		19,283,943	(6,814,184)
Change in accrued expenses and other payables		<u>11,812,471</u>	<u>(661,326)</u>
Cash flows provided from operating activities		107,601,999	56,521,701
Debit interests paid		(82,116,434)	(64,470,426)
Provisions used	(12)	(140,448)	(500,000)
Income taxes paid		<u>(22,679,671)</u>	<u>(8,070,458)</u>
NET CASH FLOWS (USED IN) PROVIDED FROM OPERATING ACTIVITIES		<u>2,665,446</u>	<u>(16,519,183)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to acquire fixed assets, assets under construction and intangible assets	(5,6,7)	(250,313,079)	(42,359,400)
Proceeds from sale of fixed assets	(5)	57,730	271,101
Investment in term deposits	(11)	(443,876)	—
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		<u>(250,699,225)</u>	<u>(42,088,299)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Credit facilities used		704,898,779	430,763,765
Payment of credit facilities		(554,151,868)	(347,749,121)
Receipts from long term loans		116,611,368	11,427,875
Payment of long term loans		(25,500,000)	(20,400,000)
Dividends paid		<u>(5,054,346)</u>	<u>(4,714,615)</u>
NET CASH FLOWS PROVIDED FROM FINANCING ACTIVITIES		<u>236,803,933</u>	<u>69,327,904</u>
Net change in cash and cash equivalent during the year		<u>(11,229,846)</u>	<u>10,720,422</u>
Net foreign exchange difference		1,090,721	(696,998)
Cash and cash equivalent—beginning of the year		<u>13,994,240</u>	<u>3,970,816</u>
CASH AND CASH EQUIVALENT—END OF THE YEAR	(11)	<u><u>3,855,115</u></u>	<u><u>13,994,240</u></u>

The accompanying notes from (1) to (33) are an integral part of these consolidated financial statements.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1—BACKGROUND

Tenth of Ramadan for Pharmaceutical Industries and Diagnostic Reagents (Rameda) (S.A.E) (the “Company” or the “Parent Company”) was established under the provisions of Law No. 43 of 1974.

The Company was registered in the commercial registry under No.84008 on 15 January 1986.

The registered office is located at plot No. 5 Second Industrial Zone, 6th of October City—Giza—Egypt.

The consolidated financial statements includes the separate financial statements of the Parent Company and its subsidiaries (collectively referred to as the “Group”).

The Group is principally engaged in:

- Manufacturing, marketing, selling and storing of pharmaceutical reagents for human and veterinary use.
- Manufacturing, marketing, selling and storing of diagnostic reagents necessary for individuals, laboratories and hospitals.
- Importing pharmaceutical reagents and raw materials necessary for serving the Company’s purposes without trading.
- Producing pharmaceutical reagents for human and veterinary and diagnostic use for others and by others.
- Producing food supplements for human use for others and by others.

Below is a brief background about the subsidiaries:

Rameda for Pharmaceuticals Trading

A subsidiary with 99.97% shareholding. Its principal activity is importing and exporting pharmaceutical reagents, producing, marketing, selling and storing of pharmaceutical reagents and producing pharmaceutical reagents for human and veterinary and diagnostic use for others

Ramecare Company

A subsidiary with 49% legal ownership. Its principal activity is producing, marketing, selling and storing of pharmaceutical reagents, producing pharmaceutical reagents for human and veterinary and diagnostic use for others.

It was considered a subsidiary since the Parent Company is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over it.

Ramepharma Company

A subsidiary with 49% legal ownership. Its principal activity is producing, marketing, selling and storing of pharmaceutical reagents, producing pharmaceutical reagents for human and veterinary and diagnostic use for others.

It was considered a subsidiary since the Parent Company is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over it.

2—SIGNIFICANT ACCOUNTING POLICIES

2-1 Basis of preparation

The consolidated financial statements are prepared under the going concern assumption on a historical cost basis.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2018

2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

The consolidated financial statements are prepared and presented in Egyptian pounds, which is the Group's functional currency.

The consolidated financial statements of the Group have been prepared in accordance with the Egyptian accounting standards and the applicable laws and regulations.

The accounting policies adopted in this period are consistent with the policies adopted in the prior period.

2.2 Basis of consolidation

The consolidated financial statements comprise the separate financial statements of the Parent Company and its subsidiaries as at and for the year ended 31 December 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangements with the other vote holders of the investee
- Right arising from other contractual arrangements
- The Group voting rights and potential voting rights

The Group re-assess whether or not it controls an investee if facts and circumstances indicates that there are changes to one or more of the three elements of controls. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed off during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The following steps are followed in preparing the consolidated financial statements:

- a— Eliminate the carrying amount of the Parent Company investment in each subsidiary and the Parent Company share of equity of each subsidiary.
- b— Identify the non-controlling interest in the profit or loss of the consolidated subsidiaries for the reporting period.
- c— Identify the non-controlling interests in the net assets of consolidated subsidiaries and presented in the consolidated financial statement separately from the Parent ownership interests. Non-controlling interests in the net assets consist of:
 - (1) The amount of non-controlling interests as of the original date of combination.
 - (2) The non-controlling interests' share of changes in equity since the date of the combination.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2018

2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

d— Intergroup balances and transactions, revenues and expenses are eliminated.

- The separate financial statements of the Parent Company and its subsidiaries used in the preparation of the consolidated financial statements are prepared as of the same date.
- The separate financial statements of the Parent Company and its subsidiaries used in the preparation of the consolidated financial statements are prepared using uniform accounting policies for similar transactions and other events with similar circumstances.
- Non-controlling interests are presented in the consolidated financial position within equity, separately from the equity of the owners of the Parent Company, and the non-controlling interests share in the group profit or loss is presented separately.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2-3-1 Business combination

Accounting for business combination under EAS 29 only applies if it is considered that a business has been acquired. For acquisitions meeting the definition of a business, the acquisition method of accounting is used to account for the acquisition of subsidiaries by the Parent Company. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of profit or loss.

2-3-2 Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2018

2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2-3-3 Foreign currency translation

Transactions in foreign currencies are initially recorded using prevailing exchange rates at date of transaction, whenever practical management may use fixed monthly exchange rates that are revised in case there is a significant change in the prevailing exchange rate at the date of transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated using the exchange rates prevailing at the financial position date. All differences are recognized in the consolidated statement of profit or loss.

Nonmonetary items that are measured at historical cost in foreign currencies are translated using the exchange rates prevailing at the date of the initial recognition.

Nonmonetary items measured at fair value in foreign currencies are translated using the exchange rates prevailing at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in consolidated statement of other comprehensive income ("OCI") or profit or loss are also recognized in consolidated statement of OCI or consolidated statement of profit or loss, respectively)

2-3-4 Fixed assets

Fixed assets are stated at historical cost net of accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the fixed assets when that cost is incurred, if the recognition criteria are met. Likewise, when a major improvement is performed, its cost is recognized in the carrying amount of the fixed assets as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of profit or loss as incurred.

Depreciation of an asset begins when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, and is computed using the straight-line method according to the estimated useful life of the asset as follows:

	<u>Years</u>
Buildings	33
Machinery and equipment	10
Transportation and dragging equipment	5-10
Laboratory equipment	10
Tools	10
Furniture and fixtures	4-10

Fixed assets are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing the asset is included in the consolidated statement of profit or loss when the asset is derecognized.

The assets residual values, useful lives and methods of depreciation are reviewed at each financial position date

Freehold Land is recognized at its acquisition cost and is not depreciated.

The Group assesses at each financial position date whether there is an indication that fixed assets may be impaired. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2018

2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

impaired and is written down to its recoverable amount. Impairment losses are recognized in the consolidated statement of profit or loss.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss.

2-3-5 Assets under construction

Assets under construction represent the amounts that are incurred for the purpose of constructing or purchasing fixed assets or intangible assets until it is ready to be used in the operation, upon which it is transferred to fixed assets or intangible assets. Assets under construction are valued at cost less impairment.

2-3-6 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost.

After initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets internally generated are not capitalized and the expenditures are charged to the consolidated statement of profit or loss in the year in which the expenditure was incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization expense is charged to the consolidated statement of profit or loss.

The period of amortization and the amortization method for an intangible assets with finite useful lives are reviewed at each financial position date.

2-3-7 Inventory

The inventory elements are valued as follows:

- a) Raw materials and packing materials: at the lower of cost (using the moving weighted average method) or net realizable value.
- b) Spare parts: at the lower of cost (using the moving weighted average method) or net realizable value.
- c) Finished goods: at the lower of cost (using the weighted average method) or net realizable value.

The cost includes direct materials, direct labor and allocated share of manufacturing overhead excluding borrowing costs.

- d) Work in process: at the lower of cost or net realizable value. Cost includes direct material, direct labor and allocated share of manufacturing overheads based on the percentage of completion.

Goods in transit: at the lower of cost or net realizable value, and is recognized in the consolidated financial statements when risks and rewards are transferred to the Group which is determined based on shipping terms. Cost includes the purchase price of the materials and directly attributable expenses incurred to date. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2018

2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

The amount of any write down of inventories to net realizable value and all losses of inventories are recognized in cost of sales in the consolidated statement of profit or loss in the period the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realizable value, is recognized as reduction of cost of sales in the consolidated statement of profit or loss in the period in which the reversal occurs.

2-3-8 Trade and Notes receivables and other receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

These receivables are recognized initially at fair value.

After initial measurement, such financial assets are subsequently measured at amortized cost less impairment.

The Group assesses whether impairment exists individually, for receivables that are individually significant, or collectively for receivables that are not individually significant.

The calculation of impairment is based on actual incurred historical data. The impairment loss is recognized in the consolidated statement of profit or loss. Reversal of impairment is recognized in the consolidated statement of profit or loss in the period in which it occurs.

2-3-9 Trade and notes payable, accrued expenses and other payables

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

2-3-10 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at the financial position date and adjusted to reflect the current best estimate.

Where the effect of the time value of money is material, the amount of a provision should be the present value of the expected expenditures required to settle the obligation.

Where discounting is used, the increase in the provision due to the passage of time is recognized in the consolidated statement of profit or loss as a finance expense.

2-3-11 Social Insurance

The Group makes contributions to the Social Insurance Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

2-3-12 Legal reserve

According to the Group's articles of association, 5% of the net profits of the year is transferred to the legal reserve until this reserve reaches 50% of the issued capital. The reserve is used upon a decision from the general assembly meeting based on the proposal of the Board of Directors. The transfer to the legal reserve is made once the consolidated financial statements for the year are approved in the general assembly meeting.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2018

2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-3-13 General Reserve

According to the Group's articles of association, the general assembly meeting may decide to allocate a certain percentage of the net profits of the year to the general reserve. The reserve is used upon a decision from the general assembly meeting based on the proposal of the board of directors. The general reserve forms part of other reserves.

2-3-14 Borrowings

Borrowings are initially recognized at fair value less transaction cost. Amounts maturing within one year are classified as current liabilities, unless the Group has the right to postpone the settlement for a period exceeding one year after the financial position date, then the loan balance should be classified as non-current liabilities.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance expenses in the consolidated statement of profit or loss.

2-3-15 Income taxes

Income tax is calculated in accordance with the Egyptian tax law.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority.

Deferred income tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2018

2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2-3-16 Dividends

The Group recognizes a liability to pay a dividend when the distribution is authorized and distribution is no longer at the discretion of the Group. As per law 159, a distribution is authorized when it is approved by the shareholders in the general assembly meeting.

2-3-17 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. 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.

The following specific recognition criteria must also be met before revenue is recognized:

• Sale of pharmaceutical products

Revenue from the sale of pharmaceutical products is recognized when the significant risks and rewards of ownership of the pharmaceutical products have passed to the buyer, for 'local sales' usually upon the delivery of the goods, for 'export sales', once the products are dispatched to dedicated stores area belonging to the customer.

• Provision for sales of goods returns

As part of the normal sales cycle, the Group receives sales returns from its customers. To account for the financial impact of potential customer goods returns, the Group estimates future returns on previously sold goods. Provision for the sales return are recorded for estimated goods returns based on return history, current sales levels and expiry dates for the products sold.

• Rendering of services (toll manufacturing)

Revenue from toll manufacturing services, which takes from one to three days, is recognized upon the completion of the manufacturing process and the internal tests.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2018

2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

• **Interest income**

Interest income is recognized as interest accrues using the effective interest “EIR” method. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

• **Lease income**

Lease income is accounted for on a straight-line basis over the lease term.

2-3-18 Expenses

All expenses including cost of revenues, general and administrative expenses, selling and marketing expenses, finance expenses and other expenses are recognized and charged to the consolidated statement of profit or loss in the financial year in which these expenses are incurred.

2-3-19 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2-3-20 Leases (as a lessee)

Lease contracts are classified as operating lease in accordance with the Egyptian accounting standards and Egyptian laws and regulations, where the lease payments are recognized as an expense on a straight-line basis over the lease term.

2-3-21 Related party transactions

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Boards of Directors.

2-3-22 Contingent Liabilities and Assets

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

2-3-23 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2018

2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For assets traded in an active market, fair value is determined by reference to quoted market bid prices.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

For unquoted assets, fair value is determined by reference to the market value of a similar asset or is based on the expected discounted cash flows.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1—Fair value measurements are those derived from quoted prices in an active market (that are unadjusted) for identical assets or liabilities.
- Level 2—Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3—Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognized in the consolidation financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2-3-24 Impairment of assets

Impairment of financial assets

The Financial assets of the Group include cash on hand and at banks, trade and notes receivable and due from related parties. The Group assesses at each financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. The policy for the measurement of the impairment losses is included in respective financial assets accounting policy.

Impairment of non-financial assets

The Group assesses at each financial position date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset or cash-generating units (CGU) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. An asset's recoverable amount is

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2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Impairment losses are recognized in the consolidated statement of profit or loss.

A previously recognized impairment loss is only reversed if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss.

2-3-25 Statement of cash flows

The statement of cash flows is prepared using the indirect method.

2-3-26 Cash and cash equivalent

For the purpose of preparing the consolidated statement of cash flow, the cash and cash equivalent comprise of cash on hand, current accounts with banks and time deposits maturing within three months.

3—SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these consolidated financial statements requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, the accompanying disclosures and the disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised.

The key judgments and estimates that have a significant impact on the consolidated financial statements of the Group are discussed below:

3-1 Judgments

Revenue Recognition for sale of goods

In making their judgment, the management considered the detailed criteria for the recognition of revenue from the sale of goods as set out in "EAS 11 Revenue" including the judgement about whether significant risks and rewards have been transferred.

3-2- Estimates

Impairment of trade and other receivables

An estimate of the collectible amount of trade and other receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimate is performed on an individual basis. Amounts which are not individually significant, but are past due, are assessed collectively and a provision is applied according to the length of time past due, based on historical recovery rates.

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3—SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Provision for sales returns

The Group's management determines the estimates provision for the expected sales returns. This estimate is determined after considering the past experience of sales returns and sales volume and expiry dates of the products sold. The management periodically reviews the estimated provision amount to ensure that provision is adequate to cover the sales return.

Useful lives of fixed assets

The Group's management determines the estimated useful lives of its fixed assets for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The management periodically reviews the estimated useful lives and the depreciation method to ensure that the method and the period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Useful lives of intangible assets

The useful lives of intangible assets are assessed as either finite or indefinite. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. The management periodically reviews the estimated useful lives and the amortization method to ensure that the method and the period of amortization are consistent with the expected pattern of economic benefits from these assets.

Taxes

The Group is subject to income taxes in Egypt. Significant judgment is required to determine the total provision for current and deferred taxes. The Group establishes provision, based on reasonable estimates, for possible consequences of audits by the tax authorities in Egypt. The amount of such provision is based on various factors, such as experience of previous tax audits and different interpretations of tax regulations by the Group and the responsible tax authority. Such differences of interpretations may be on a wide variety of issues depending on the conditions prevailing in Egypt.

Deferred tax assets are recognized for unused accumulated tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

4—SEGMENT INFORMATION

Currently the Group's primary business segment is the production and selling of pharmaceutical products which contributes to 95% of total revenue and balance 5% is contributed by toll manufacturing services (December 2017 : 95% and 5% receptively). The Group's management monitors the business under two segments, "production and selling of pharmaceutical products" and "manufacturing for others" (Toll manufacturing) for the purpose of making business decisions.

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4—SEGMENT INFORMATION (Continued)

Accordingly, the Group's revenues during the year ended 31 December 2018 were reported under two segments in the consolidated financial statements.

The Group produces and sells several pharmaceutical products and render services as follows:

Year	Services Toll Manufacturing “Domestic”	Sales of pharmaceutical products				Total
		Export	Domestic			
			Private sales	Veterinary	Tenders	
EGP	EGP	EGP	EGP	EGP	EGP	
2018	39,496,189	60,513,864	523,513,072	4,220,691	177,467,253	805,211,069
2017	30,974,024	50,666,141	383,255,867	6,126,389	157,432,194	628,454,615

Revenue from the top five customers presented 76% of total revenues (December 2017: EGP 78%).

5—FIXED ASSETS

	Freehold Land	Buildings	Machinery and equipment	Transportation and dragging equipment	Laboratory equipment	Tools	Office furniture and fixtures	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost								
As at 1 January 2018	18,637,425	172,626,690	140,791,852	10,297,938	13,374,308	1,455,946	16,116,670	373,300,829
Additions	—	988,448	4,315,166	1,902,404	1,373,990	1,886,756	2,373,624	12,840,388
Transferred from assets under construction	—	—	741,950	—	—	—	—	741,950
Disposals	—	—	—	—	—	—	(68,585)	(68,585)
As at 31 December 2018	<u>18,637,425</u>	<u>173,615,138</u>	<u>145,848,968</u>	<u>12,200,342</u>	<u>14,748,298</u>	<u>3,342,702</u>	<u>18,421,709</u>	<u>386,814,582</u>
Accumulated depreciation								
As at 1 January 2018	—	(39,138,509)	(79,029,671)	(8,372,334)	(6,252,652)	(920,608)	(11,619,556)	(145,333,330)
Depreciation for the year	—	(5,021,246)	(13,791,904)	(575,389)	(917,233)	(94,506)	(1,224,952)	(21,625,230)
Related to disposals	—	—	—	—	—	—	27,683	27,683
As at 31 December 2018	<u>—</u>	<u>(44,159,755)</u>	<u>(92,821,575)</u>	<u>(8,947,723)</u>	<u>(7,169,885)</u>	<u>(1,015,114)</u>	<u>(12,816,825)</u>	<u>(166,930,877)</u>
Net book value as at 31 December 2018	<u>18,637,425</u>	<u>129,455,383</u>	<u>53,027,393</u>	<u>3,252,619</u>	<u>7,578,413</u>	<u>2,327,588</u>	<u>5,604,884</u>	<u>219,883,705</u>
Net book value as at 31 December 2017	<u>18,637,425</u>	<u>133,488,181</u>	<u>61,762,181</u>	<u>1,925,604</u>	<u>7,121,656</u>	<u>535,338</u>	<u>4,497,114</u>	<u>227,967,499</u>

There is a commercial mortgage on all machinery and equipment in favour of the Commercial International Bank as a guarantee for the loans granted to the Group (note 17).

The cost of fixed assets as of 31 December 2018 include EGP 15,634,658 which represents fully depreciated assets that are still in use.

Depreciation for the year was allocated to the consolidated statement of profit or loss as follows:

	December 2018
	EGP
Cost of revenue	20,172,451
Selling and marketing expenses	411,991
General and administrative expenses	1,040,788
	<u>21,625,230</u>

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5—FIXED ASSETS (Continued)

Gain from sale of fixed assets was calculated as follows :

	December 2018
	EGP
Cost of disposed assets	(68,585)
Accumulated depreciation of disposed assets	27,683
Net book value of disposed assets	(40,902)
Proceeds from sale of fixed assets	57,730
Gain from sale of fixed assets	<u>16,828</u>

	Freehold Land	Buildings	Machinery and equipment	Transportation and dragging equipment	Laboratory equipment	Tools	Office furniture and fixtures	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost								
As at 1 January 2017	18,637,425	168,872,184	133,248,686	10,945,110	12,580,168	1,450,861	14,833,993	360,568,427
Additions	—	2,113,320	2,096,905	37,438	794,140	5,085	1,310,798	6,357,686
Transferred from assets under construction	—	1,641,186	6,570,631	—	—	—	9,944	8,221,761
Disposals	—	—	(1,124,370)	(684,610)	—	—	(38,065)	(1,847,045)
As at 31 December 2017	<u>18,637,425</u>	<u>172,626,690</u>	<u>140,791,852</u>	<u>10,297,938</u>	<u>13,374,308</u>	<u>1,455,946</u>	<u>16,116,670</u>	<u>373,300,829</u>
Accumulated depreciation								
As of 1 January 2017	—	(34,216,707)	(67,134,232)	(8,340,989)	(5,107,436)	(827,012)	(10,709,100)	(126,335,476)
Depreciation for the year	—	(4,921,802)	(12,640,344)	(561,028)	(1,145,216)	(93,596)	(936,951)	(20,298,937)
Related to disposals	—	—	744,905	529,683	—	—	26,495	1,301,083
As at 31 December 2017	<u>—</u>	<u>(39,138,509)</u>	<u>(79,029,671)</u>	<u>(8,372,334)</u>	<u>(6,252,652)</u>	<u>(920,608)</u>	<u>(11,619,556)</u>	<u>(145,333,330)</u>
Net book value as at 31 December 2017	<u>18,637,425</u>	<u>133,488,181</u>	<u>61,762,181</u>	<u>1,925,604</u>	<u>7,121,656</u>	<u>535,338</u>	<u>4,497,114</u>	<u>227,967,499</u>

There is a commercial mortgage on all machinery and equipment in favour of the Commercial International Bank as a guarantee for the loans granted to the Company (note 17). The cost of fixed assets as of 31 December 2017 include EGP 15,337,270, which represents fully depreciated assets that are still in use.

Depreciation for the year was allocated to the consolidated statement of profit or loss as follows:

	Dec 2017
	EGP
Cost of revenue	18,993,072
Selling and marketing expenses	376,957
General and administrative expenses	928,908
	<u>20,298,937</u>

Gain from sale of fixed assets was calculated as follows :

	Dec 2017
	EGP
Cost of disposed assets	(1,847,045)
Accumulated depreciation of disposed assets	1,301,083
Net book value of disposed assets	(545,962)
Proceeds from sale of fixed assets	271,101
Loss from sale of fixed assets	<u>(274,861)</u>

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6—ASSETS UNDER CONSTRUCTION

	<u>2018</u>	<u>2017</u>
	EGP	EGP
Service equipment and infra-structure facilities	166,664,672	8,433,008
Laboratory equipment	570,590	570,590
Buildings and furniture	46,501,372	1,663,995
	<u>213,736,634</u>	<u>10,667,593</u>
Impairment in value of assets under construction	(686,437)	(1,048,059)
	<u><u>213,050,197</u></u>	<u><u>9,619,534</u></u>

The movement of assets under construction during the year is as follows:

	<u>2018</u>	<u>2017</u>
	EGP	EGP
Beginning balance	10,667,593	10,826,708
Additions during the year	203,810,991	8,062,646
Transferred to fixed assets during the year	(741,950)	(8,221,761)
Ending balance	<u><u>213,736,634</u></u>	<u><u>10,667,593</u></u>

Capitalized borrowing cost:

The amount of borrowing costs capitalized on service equipment and infra-structure facilities during the year ended 31 December 2018 amounted to EGP 7,648,622 (December 2017: EGP 833,283). The capitalized borrowing cost represents the cost of specific borrowings made for these assets at a rate of 18.78% (December 2017: 20.35%).

7—INTANGIBLE ASSETS

	<u>Registration Rights</u>	
	<u>2018</u>	<u>2017</u>
	EGP	EGP
Cost as at 1 January	79,654,175	51,356,106
Additions	33,661,700	28,298,069
Total cost as at 31 December 2018	<u>113,315,875</u>	<u>79,654,175</u>
Accumulated amortization as at 1 January	(9,002,775)	(6,138,647)
Amortization for the year	(3,708,517)	(2,864,128)
Impairment in value of intangible assets	(9,000)	(9,000)
Accumulated amortization as at 31 December 2018	<u>(12,720,292)</u>	<u>(9,011,775)</u>
Net book value as at 31 December 2018	<u><u>100,595,583</u></u>	<u><u>70,642,400</u></u>

The balance of the intangible assets represents the cost of acquiring the registration rights of certain pharmaceutical products and is amortized using the straight-line method over their useful life (20 years). Management estimate the expected future benefit of the registration rights to be utilize over 20 years, and assessed for impaired whenever there is an indication that the economic benefit of the product is impaired.

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8—INVENTORIES

	2018	2017
	EGP	EGP
Raw materials	77,813,236	30,638,656
Packing and packaging materials	22,540,397	30,465,098
Spare parts	11,231,382	6,606,483
Finished goods	106,649,651	44,368,768
Work in progress	36,964,491	29,650,018
Goods in transit	21,503,128	27,074,697
Inventory with others	3,010,331	5,088,062
	<u>279,712,616</u>	<u>173,891,782</u>
Write down in inventories	(1,570,298)	(2,569,522)
	<u><u>278,142,318</u></u>	<u><u>171,322,260</u></u>

Raw material and finished goods inventory amounting to EGP 275,7 million are mortgaged as a guarantee for the credit facilities (Note 16).

The movement in the write down in value of inventories is as follows:

	2018	2017
	EGP	EGP
Beginning balance	(2,569,522)	(1,578,075)
Charge during the year	—	—
Reversal	999,224	(991,447)
Ending balance	<u><u>(1,570,298)</u></u>	<u><u>(2,569,522)</u></u>

The write down in value of inventories during the year was included in the cost of sales.

9—TRADE AND NOTES RECEIVABLES

	2018	2017
	EGP	EGP
Trade receivable	121,228,875	60,283,664
Trade receivable—toll manufacturing	8,192,593	4,606,406
Trade receivable—warehouse rent	—	6,616
Notes receivable	238,806,065	207,297,109
	<u>368,227,533</u>	<u>272,193,795</u>
Impairment in value of trade and notes receivables	(2,118,559)	(723,905)
	<u><u>366,108,974</u></u>	<u><u>271,469,890</u></u>

Notes receivables amounting to EGP 187,4 million are mortgaged as a guarantee for the credit facilities (Note 16)

The ageing analysis of net trade and notes receivables is as follows:

		Neither impaired nor past due			Past due but not impaired	
	Total	Less than 60 days	From 61 to 120 days	From 121 to 365 days	More than 365 days	Past due and Impaired
2018	366,108,974	214,595,309	100,268,047	52,184,432	1,179,745	(2,118,559)
2017	271,469,890	170,770,351	60,026,347	40,810,658	586,439	(723,905)

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9—TRADE AND NOTES RECEIVABLES (Continued)

The movement of the impairment in value of trade receivable is as follows:

	2018	2017
	EGP	EGP
Beginning balance	(723,905)	(723,905)
Charged during the year	(1,394,654)	—
Ending balance	<u>(2,118,559)</u>	<u>(723,905)</u>

10—PREPAYMENTS AND OTHER RECEIVABLES

	2018	2017
	EGP	EGP
Prepaid expenses	924,991	1,041,386
Advances to suppliers	17,283,048	8,193,182
Accrued revenues	—	69,497
Tax authority	6,770,601	3,459,746
Social insurance authority	271,190	131,875
Letters of credit margin	4,139,652	23,093,856
Deposits with others	1,432,625	1,586,022
Employees' imprests and advances	1,674,542	1,664,508
Customs-authority	4,111,999	—
Other receivables	3,049,483	134,058
	<u>39,658,131</u>	<u>39,374,130</u>

11—CASH ON HAND AND AT BANKS

	2018	2017
	EGP	EGP
a) Egyptian Pounds		
Cash on hand	121,124	28,375
Current accounts	3,182,882	6,898,661
Term deposits	443,876	—
	<u>3,747,882</u>	<u>6,927,036</u>
b) Foreign currencies		
Current accounts	551,109	7,067,204
	<u>551,109</u>	<u>7,067,204</u>
	<u>4,298,991</u>	<u>13,994,240</u>

Cash balances are denominated in the following currencies:

	2018	2017
	EGP	EGP
Egyptian pound (EGP)	3,747,882	6,927,036
US dollar (USD)	521,727	6,995,521
Euro (EUR)	29,382	71,683
	<u>4,298,991</u>	<u>13,994,240</u>

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11—CASH ON HAND AND AT BANKS (Continued)

For the purpose of cash flow statements, cash and cash equivalents consist of following.

	2018	2017
	EGP	EGP
Cash in hand	121,124	28,375
Current accounts	3,733,991	13,965,865
	<u>3,855,115</u>	<u>13,994,240</u>

12—PROVISIONS

	Balance as at January 2018	Charged during the year	Used during the year	Balance as at December 2018
	EGP	EGP	EGP	EGP
Provision for expected claims	612,270	1,600,000	(140,448)	2,071,822
Provision for sales returns	—	5,485,132	—	5,485,132
	<u>612,270</u>	<u>7,085,132</u>	<u>(140,448)</u>	<u>7,556,954</u>

* Provision for sales returns is deduced from sale.

	Balance as at January 2017	Charged during the year	Used during the year	Balance as at December 2017
	EGP	EGP	EGP	EGP
Provision for expected claims	1,112,270	—	(500,000)	612,270
	<u>1,112,270</u>	<u>—</u>	<u>(500,000)</u>	<u>612,270</u>

13—TRADE AND NOTES PAYABLE

	2018	2017
	EGP	EGP
Trade payables	48,926,631	20,788,468
Notes payables	9,480,455	18,443,554
	<u>58,407,086</u>	<u>39,232,022</u>

14—ACCRUED EXPENSES AND OTHER PAYABLES

	2018	2017
	EGP	EGP
Accrued expenses	10,181,137	13,893,440
Tax authority (other than income tax)	24,455,578	17,172,940
Other payables	11,107,955	1,174,022
	<u>45,744,670</u>	<u>32,240,402</u>

Trade payables, accrued expenses and other payables are non-interest bearing.

15—CAPITAL

The Group's authorized capital amounted to EGP 200 million, whereas the issued and paid up capital amounted to EGP 120 million divided over 120,000 shares of par value EGP 1,000 each.

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15—CAPITAL (Continued)

The extra ordinary general assembly meeting held on 2 May 2011 decided to increase the Group's authorized capital to EGP 1 billion and to increase the issued and paid up capital to EGP 160,900,000 divided over 160,900 shares of par value EGP 1,000 each.

The extra ordinary general assembly meeting held on 14 March 2018 decided to amend the par value of the share from EGP 1,000 per share to EGP 0.25 per share. Accordingly, the Company's issued capital amounts to EGP 160,900,000 divided over 643,600,000 shares of par value EGP 0.25 each as follows:

	<u>%</u>	<u>No, of shares</u>	<u>Amount</u> <u>EGP</u>
Greville Investing Limited	99.9988	643,592,000	160,898,000
Mr.Ayman Mamdouh Fathy Abaas	0.0006	4,000	1,000
Eng. Shamel Faheem Aboul Fadl	0.0006	4,000	1,000
	<u>100</u>	<u>643,600,000</u>	<u>160,900,000</u>

* General Assembly Meeting held on 22nd May 2018 has approved dividends amounting to EGP 4,530,500.

16—CREDIT FACILITIES

The movement of the credit facilities during the year is as follows:

	<u>2018</u> <u>EGP</u>	<u>2017</u> <u>EGP</u>
Opening balance	272,598,550	191,523,654
Used during the year	702,068,205	429,451,944
Payment during the year	(554,151,868)	(347,749,121)
Net foreign exchange differences	—	(627,927)
Ending balance	<u>420,514,887</u>	<u>272,598,550</u>
	<u>2018</u> <u>EGP</u>	<u>2017</u> <u>EGP</u>
Credit facilities maturing within 12 months	420,514,887	272,598,550
Bank credit	4,142,395	1,311,821
	<u>424,657,282</u>	<u>273,910,371</u>

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16—CREDIT FACILITIES (Continued)

The interest rate on the Credit facilities ranges from 18.5% to 21.25% as of 31 December 2018 (December 2017: from 16.08% to 17.21%).

Credit Facilities	Facility amount EGP	Interest rate	Maturity Date	2018 EGP	2017 EGP
CIB	200,000,000	0.75%+CBE corridor rate	31/07/2019	154,585,015	143,043,831
Audi Bank	125,000,000	1%+CBE lending rate	31/07/2019	136,106,470	73,894,823
Arab Bank	60,000,000	1.5%+CBE lending rate with floor interest rate 21.25%	30/06/2019	46,911,102	43,140,079
ABK	49,900,000	0.75%+CBE lending rate with floor interest rate 18.5%	30/06/2019	32,491,987	12,519,817
ADIB	80,000,000	1.00%+CBE lending rate	30/06/2019	50,420,313	—
Total Credit Facilities				<u>420,514,887</u>	<u>272,598,550</u>

All of the above facilities are guaranteed by inventories and notes receivables (Note 8 and 9)

17—LONG TERM LOANS

During the year 2015, the Company signed an agreement with Commercial International Bank to merge all loans granted to the Company during the years from 2011 to 2015 amounting to EGP 94,853,000 as of July 2015 in a long-term loan carries an annual interest rate of 2.25% over the corridor rate repayable over 52 monthly installments starting 1 August 2015 and maturing on 1 November 2019. During the year ended 31 December 2018, interest rate reduced from 2.25% to 1.1% over the corridor rate and revised rate is effective for the remaining 11 monthly instalments. "Loan (1)". The Company paid EGP 24,000,000 during the current year (December 2017: EGP 20,400,000) and the balance outstanding amounted to EGP 27,451,779 as at 31 December 2018 (December 2017: EGP 51,451,779).

During the year 2017, the Company signed an agreement with Commercial International Bank to obtain a loan amounting to EGP 86.422 million with an annual interest rate of 1.25% over the Corridor rate repayable over 36 monthly installments starting from 29 October 2018 and maturing on 29 March 2021. During the year ended 31 December 2018, interest rate reduced from 1.25% to 1.1% over the corridor rate. "Loan (2)". The Company has drawn down EGP 50,369,622 during the year ended 31 December 2018 (December 2017: EGP 11,427,875) and also paid EGP 1,500,000 during the current year (December 2017: Nil) the balance outstanding amounted to EGP 60,297,497 as at 31 December 2018 (December 2017: EGP 11,427,875).

During the year 2018, the Company signed an agreement with Commercial International Bank to obtain a loan amounting to EGP 78,766,000 with an annual interest rate of 0.9% over the Corridor rate repayable over 19 monthly installments after the expiry of grace period, which is 15 months from the date of first use. "Loan (3)". The Company has drawn down EGP 66,241,746 during the year ended 31 December 2018 and the balance outstanding amounted to EGP 66,241,746 as at 31 December 2018.

The Company obtained those loans against a guarantee of a commercial mortgage over all the Company's tangible assets and intangible assets constituents over all imported machinery and equipment financed under this loan (notes 5 and 7).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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17—LONG TERM LOANS (Continued)

The balance of loans as of 31 December 2018 as follows:

<u>Loans</u>	<u>Interest rate</u>	<u>2018</u> EGP	<u>2017</u> EGP
Current portion of long term loans			
Loan (1)*	1.1%+CBE lending rate	27,451,779	24,000,000
Loan (2)*	1.1%+CBE lending rate	60,297,497	1,500,000
Loan (3)*	0.9%+CBE lending rate	66,241,746	—
Total current portion of long term loans		153,991,022	25,500,000
Non-current portion of long term loans			
Loan (1)	1.1%+CBE lending rate	—	27,451,779
Loan (2)	1.1%+CBE lending rate	—	9,927,875
Loan (3)	0.9%+CBE lending rate	—	—
Total non-current portion of long term loans		—	37,379,654
		<u>153,991,022</u>	<u>62,879,654</u>

* Some of the Company's loan agreements (classified as non-current during the year) are subjected to covenant clauses, whereby the Company is required to meet certain key financial ratios. The Company did not fulfil the debt/equity ratio as required in the contract for loan 2 and loan 3 of 1.57 of which the Company has currently drawn an amount of EGP 126,539,022. Due to this breach of the covenant clause, the bank is contractually entitled to request for immediate repayment of the outstanding loans amount of EGP 126,539,022. The outstanding balance is presented as a current liability as at 31 December 2018. The bank has approved exceptional and tentatively the breach and had not requested early repayment of the loans as of the date when these financial statements were approved by the Board of Directors. The company received acceptance letter for CIB that do not recall the loan.

18—CAPITAL COMMITMENTS

As at 31 December 2018, the Group had contractual commitments in respect of its assets under construction in the consolidated financial statements amounted to EGP 152,526,872. (EGP 84,494,017 as at 31 December 2017).

19—REVENUES

	<u>2018</u> EGP	<u>2017</u> EGP
Sales of goods (net)	765,714,880	597,480,591
Toll manufacturing services revenue	39,496,189	30,974,024
	<u>805,211,069</u>	<u>628,454,615</u>

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20—COST OF REVENUES

	2018	2017
	EGP	EGP
Salaries, social insurance and other fringe benefits	59,842,597	47,745,576
Raw materials	241,169,763	187,086,452
Spare parts and materials	15,104,225	9,021,000
Government fees and medical stamps	7,104,302	8,500,057
Other operating expenses	24,647,603	30,393,051
Energy expenses	18,768,754	15,112,269
Depreciation and amortization (Note 5,7)	23,880,968	21,857,200
Rent	3,357,420	1,855,612
Maintenance	7,460,675	5,372,204
	<u>401,336,307</u>	<u>326,943,421</u>

21—SELLING AND MARKETING EXPENSES

	2018	2017
	EGP	EGP
Salaries, social insurance and other fringe benefits	57,421,758	42,490,429
Depreciation (Note 5)	411,991	376,957
Rent	2,466,822	1,953,987
Advertising and marketing	56,036,934	53,846,793
	<u>116,337,505</u>	<u>98,668,166</u>

22—GENERAL AND ADMINISTRATIVE EXPENSES

	2018	2017
	EGP	EGP
Salaries, social insurance and other fringe benefits	18,463,370	14,948,227
Professional fees	14,656,846	2,224,655
Maintenance	679,600	307,635
Hospitality	—	350,072
Transportation	—	300,803
Donations	—	400,000
Bank charges	3,386	—
Depreciation (Note 5)	1,040,788	928,908
Others	4,508,236	2,074,309
	<u>39,352,226</u>	<u>21,534,609</u>

23—OTHER INCOME

	2018	2017
	EGP	EGP
Gain from sale of fixed assets (Note 5)	16,828	—
Other income	4,545,167	2,685,730
	<u>4,561,995</u>	<u>2,685,730</u>

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2018

24—FINANCE EXPENSES

	<u>2018</u>	<u>2017</u>
	<u>EGP</u>	<u>EGP</u>
Debit interests	<u>(83,699,352)</u>	<u>(66,438,167)</u>
	<u>(83,699,352)</u>	<u>(66,438,167)</u>

25—INCOME TAXES

	<u>2018</u>	<u>2017</u>
	<u>EGP</u>	<u>EGP</u>
Current income tax	<u>(39,002,081)</u>	<u>(26,223,737)</u>
Deferred income tax	<u>648,891</u>	<u>27,802</u>
Income tax expense	<u>(38,353,190)</u>	<u>(26,195,935)</u>

DEFERED INCOME TAXES

	<u>Statement of financial position</u>		<u>Statement of profit or loss</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Depreciation and amortization	<u>(22,056,350)</u>	(21,763,439)	<u>(292,911)</u>	(252,781)
Provisions	<u>1,234,155</u>	137,761	<u>1,096,394</u>	(112,500)
Impairment of trade and notes receivables	<u>476,676</u>	162,879	<u>313,797</u>	—
Write down in value of inventory	<u>353,317</u>	578,142	<u>(224,825)</u>	223,076
Unrealized foreign exchange differences	<u>(243,564)</u>	—	<u>(243,564)</u>	170,007
Net deferred income taxes	<u>(20,235,766)</u>	<u>(20,884,657)</u>	<u>648,891</u>	<u>27,802</u>

* No deferred tax assets were recognized for the carry forward tax losses of the subsidiaries, since it is not expected that the future tax profits will be sufficient to offset the carry forward tax losses.

RECONCILIATION OF THE EFFECTIVE INCOME TAX RATE

	<u>Tax Rate</u>	<u>2018</u>	<u>Tax Rate</u>	<u>2017</u>
		<u>EGP</u>		<u>EGP</u>
Profits before income taxes		<u>167,135,586</u>		<u>115,644,716</u>
Income tax based on tax rate	22.5%	<u>37,605,507</u>	22.5%	26,020,061
Losses for which no deferred tax asset recognized		—		11,445
Non-deductible expenses		<u>747,683</u>		<u>164,429</u>
Effective Tax Rate	22.95%	<u>38,353,190</u>	22.65%	<u>26,195,935</u>

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26—EARNINGS PER SHARE

Basic and diluted earnings per share was calculated by dividing the profits for the year available for distribution to the Parent Company by the weighted average number of shares outstanding during the year as follows:

	<u>2018</u>	<u>2017</u>
	<u>EGP</u>	<u>EGP</u>
Basic and diluted, profit for the year attributable to		
Equity holder of the Parent Company	129,021,273	89,448,815
Weighted average number of shares outstanding during the year	643,600,000	643,600,000
Earnings per share	<u>0.2005</u>	<u>0.1389</u>

- There are no shares with diluted effect and hence the basic and diluted earnings per share are the same.
- The par value of the share was amended from EGP 1,000 to EGP 0.25 per share. Accordingly, the Company's issued capital amounts to EGP 160,900,000 divided over 643,600,000 shares of par value EGP 0.25 each (Note 16). The weighted average number of shares are retrospectively adjusted to reflect the share split accordingly earning per share for the year ended 2017 has been restated.

27—TAX POSITION

a) Corporate Tax

- The Company's records were inspected till the year 2009 and the taxes due were paid. Except year 2006, the Company objected on the assessment and the issue is currently in the internal committee of tax authority.
- The Company's records were inspected for the years from 2010 till 2013. The company objected on the assessment and the issue is currently in the internal committee of tax authority.
- No tax inspection took place for the Company's records for the years from 2014 till 2018.

b) Salary Tax

- The Company's records were inspected till the year 2012 and the taxes due were paid.
- The Company's records are currently under inspection for the years from 2013 till 2015.
- No tax inspection took place for the Company's records for the years 2016 and 2018.

c) Stamp Tax

- The Company's records were inspected till 2013 and the taxes due were paid.
- No tax inspection took place for the Company's records for the years from 2014 to 2018.

d) VAT Tax

- The Company's records were inspected till the year 2015 and the taxes due were paid.
- No inspection took place for the Company's records for the year 2016 and 2018.

1— With respect to Subsidiaries

- No inspection has happened for the subsidiaries' record.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2018

28—RELATED PARTY DISCLOSURES

For the purpose of these consolidated financial statements, parties are considered to be related to the Group, if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

a) Due from related parties

	<u>2018</u>	<u>2017</u>
	<u>EGP</u>	<u>EGP</u>
Eman Mohamed Hegazy	12,750	12,750
Eman Wahed El-Zomor	12,750	12,750
	<u>25,500</u>	<u>25,500</u>

b) Due to related parties

	<u>2018</u>	<u>2017</u>
	<u>EGP</u>	<u>EGP</u>
Compass Capital	8,148	—
	<u>8,148</u>	<u>—</u>

c) Salaries and incentives of key managers

The key managers compensation during year ended 31 December 2018 and 31 December 2017 is as follow:

	<u>2018</u>	<u>2017</u>
	<u>EGP</u>	<u>EGP</u>
Salaries and incentives	16,065,756	15,454,079
	<u>16,065,756</u>	<u>15,454,079</u>

29—LEASE COMMITMENTS—GROUP AS A LESSEE

The Group has entered into operating lease agreements to lease certain apartments, with lease terms between three and five years. The Group has the option, under some of its leases, to extend the lease terms for three to five years.

Future minimum rentals payments under non-cancellable operating leases as follows:

	<u>2018</u>	<u>2017</u>
	<u>EGP</u>	<u>EGP</u>
Within one year	2,384,091	2,120,219
After one year but not more than five years	13,143,758	4,809,066
	<u>15,527,849</u>	<u>6,929,285</u>

30—FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

The Group has exposure to the following risks from its use of financial instruments:

a) Credit risk

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2018

30—FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

- b) Market risk
- c) Liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors of the Group has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's senior management are responsible for developing and monitoring the risk management policies and report regularly to the Board of Directors on their activities.

The Group's current financial risk management framework is a combination of formally documented risk management policies in certain areas and informal risk management policies in other areas.

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to credit risk principally from its receivables from customers, due from related parties, other receivables, including balances with banks.

Trade and notes receivables

The customer credit risk is established by the Group's policies, procedures and controls relating to customer credit risk management. Credit quality of a customer is assessed by the management. Outstanding customer receivables are regularly monitored. An impairment analysis is performed at each reporting date on an individual bases.

The maximum exposure is limited to the balances disclosed in note (9)

Other financial assets and balances with banks

The Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these assets.

Credit risk from balances with banks is managed by group treasury. The Group limits its exposure to credit risk by only placing balances with international banks and local banks of good reputation, in addition, the local banks are under the supervision of the central Bank of Egypt and thus their exposure to credit risk is minimal.

The maximum exposure is limited to the balances disclosed in note (11)

Due from related parties

Due from related parties are with minimal credit risk, with a maximum exposure equal to the carrying amount of these balances.

b) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as currency risk and interest rate risk, which will affect the Group's income. Financial instruments affected by market risk include interest-bearing loans and borrowings and deposits. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Group does not hold or issue derivative financial instruments.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2018

30—FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Exposure to interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's obligations with floating interest rates and interest bearing time deposits.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no impact on the Group's equity other than the profit impact stated below.

	2018		2017	
	Change in rate	Effect on profit before tax EGP	Change in rate	Effect on profit before tax EGP
Financial assets	+1%	—	+1%	—
	-1%	—	-1%	—
Financial liabilities	+1%	(1,131,415)	+1%	(2,738,235)
	-1%	1,131,415	-1%	2,738,235

Exposure to foreign currency risk

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

	2018		2017	
	Change in rate	Effect on profit before tax EGP	Change in rate	Effect on profit before tax EGP
USD	+10%	248,796	+10%	699,552
	-10%	(248,796)	-10%	(699,552)

c) Liquidity risk

The cash flows, funding requirements and liquidity of the Group are monitored by Group's management. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. The Group manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group currently has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2018

30—FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

<u>Financial liabilities</u>	<u>Less than 3 Months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
As at 31 December 2018					
Credit facilities	235,080,590	210,669,520	—	—	445,750,110
Trade and notes payables	22,212,442	36,194,562	—	—	58,407,004
Accrued expenses and other payables . .	18,562,493	6,226,071	20,956,188	—	45,744,752
Long term loans	17,552,314	73,054,270	94,626,670	—	185,233,254
Total undiscounted financial liabilities . .	<u>293,407,839</u>	<u>326,144,423</u>	<u>115,582,858</u>	<u>—</u>	<u>735,135,120</u>
<u>Financial liabilities</u>	<u>Less than 3 Months</u>	<u>3 to 12 Months</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
As at 31 December 2017					
Dividends payable	523,846	—	—	—	523,846
Credit facilities	79,419,974	223,574,658	—	—	302,994,632
Trade and notes payables	22,774,142	16,457,880	—	—	39,232,022
Accrued expenses and other payables . .	7,898,568	24,341,834	—	—	32,240,402
Long term loans	7,576,314	21,581,443	40,633,130	—	69,790,887
Total undiscounted financial liabilities . .	<u>118,192,844</u>	<u>285,955,815</u>	<u>40,633,130</u>	<u>—</u>	<u>444,781,789</u>

31—CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of Parent Company.

The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manage its capital structure and makes adjustments in light of change in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a leverage ratio. Which is total liabilities divided by net equity. The Group's policy is to keep leverage ratio between 1 to 2.

32—FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities. Financial assets of the Group include cash on hand and at banks, trade and notes receivable, due from related parties and other receivables. Financial liabilities of the Group include credit facilities, long-term loans, trade and notes payable, dividends payable, income taxes payable, accrued expenses and other payables.

The fair values of the financial assets and liabilities are not materially different from their carrying value unless stated otherwise.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2018

33—COMPARATIVE FIGURES

Certain comparative figures for the year ended 31 December 2017 were reclassified due to judgmentally previously different classification to conform with the current year's presentation which provide reliable and more relevant information as follows:

Consolidated statement of financial position as at 31 December 2017:

<u>Account</u>	<u>As previously reported</u>	<u>Reclassification adjustments</u>	<u>As restated</u>
	EGP	EGP	EGP
Assets under construction	15,634,534	(6,015,000)	9,619,534
Intangible assets	64,627,400	<u>6,015,000</u>	70,642,400
		—	
Credit facilities and bank credit	(269,766,875)	(4,143,496)	(273,910,371)
Cash on hand and at banks	9,850,744	<u>4,143,496</u>	13,994,240
		—	

**TENTH OF RAMADAN FOR PHARMACEUTICAL
INDUSTRIES AND DIAGNOSTIC REAGENTS
(RAMEDA) (S.A.E)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
TOGETHER WITH AUDITOR'S REPORT**

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**

Consolidated Financial Statements

For the year ended 31 December 2017

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AUDITOR'S REPORT

TO THE SHAREHOLDERS OF TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**, represented in the consolidated statement of financial position as at 31 December 2017, and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

These consolidated financial statements are the responsibility of the Company's Management, as Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Egyptian Accounting Standards and applicable Egyptian laws. Management responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. This responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Egyptian Standards on Auditing and applicable Egyptian laws. Those standards require that we comply with ethical requirements, plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on these consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements referred to above, give a true and fair view, in all material respects, of the consolidated financial position of **TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**, as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the related applicable Egyptian laws and regulations.

Ashraf Emil Botros
FESAA—FEST
RAA 9259
EFSAR 81

Cairo: 18 July 2018

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	<u>Note</u>	<u>2017</u> <u>EGP</u>	<u>2016</u> <u>EGP</u>
ASSETS			
Non-current assets			
Fixed assets	(5)	227,967,499	234,232,951
Assets under construction	(6)	25,944,303	10,137,649
Intangible assets	(7)	54,317,631	45,217,459
Total non-current assets		308,229,433	289,588,059
Current assets			
Inventories	(8)	171,322,260	131,046,683
Trade and notes receivable	(9)	271,469,890	190,479,640
Due from related parties	(30)	25,500	25,500
Prepayments and other receivables	(10)	39,374,130	17,588,289
Cash on hand and at banks	(11)	9,850,744	3,970,816
Total current assets		492,042,524	343,110,928
TOTAL ASSETS		800,271,957	632,698,987
EQUITY AND LIABILITIES			
Equity			
Capital	(15)	160,900,000	160,900,000
Legal reserve		5,738,185	4,379,996
Other reserves		278,952	278,952
Retained earnings		91,542,599	71,230,273
Profits for the year		89,448,815	26,908,976
Total equity of Parent Company		347,908,551	263,698,197
Non-controlling interest		(57)	(23)
Total equity		347,908,494	263,698,174
LIABILITIES			
Non-current liabilities			
Long term loans	(17)	37,379,654	51,451,779
Deferred tax liabilities	(27)	20,884,657	20,912,459
Total non-current liabilities		58,264,311	72,364,238
Current liabilities			
Provisions	(12)	612,270	1,112,270
Credit facilities	(16)	269,766,875	190,073,654
Current portion of long term loans	(17)	25,500,000	20,400,000
Trade and notes payable	(13)	39,232,022	46,046,206
Dividends payable		523,846	—
Income taxes payable	(27)	26,223,737	8,070,458
Accrued expenses and other payables	(14)	32,240,402	30,933,987
Total current liabilities		394,099,152	296,636,575
TOTAL LIABILITIES		452,363,463	369,000,813
TOTAL LIABILITIES AND EQUITY		800,271,957	632,698,987

Chief Financial Officer
Mohamed Abo Amira

Board Member
Amr Abdallah Morsy

The accompanying notes from (1) to (35) are an integral part of these consolidated financial statements.
Auditor's report attached

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For The Year Ended 31 December 2017

	<u>Note</u>	<u>2017</u>	<u>2016</u>
		<u>EGP</u>	<u>EGP</u>
Revenues	(19)	627,539,061	394,118,441
Cost of revenues	(20)	(326,484,690)	(220,726,429)
GROSS PROFIT		301,054,371	173,392,012
Selling and marketing expenses	(21)	(98,668,166)	(78,934,805)
General and administrative expenses	(22)	(21,534,609)	(18,425,110)
Other income	(23)	3,142,553	1,749,243
Other expenses	(24)	(274,861)	—
Finance expenses	(25)	(68,074,572)	(43,741,754)
Finance income	(26)	—	755,587
PROFITS FOR THE YEAR BEFORE INCOME TAXES		115,644,716	34,795,173
Income taxes	(27)	(26,195,935)	(7,886,257)
PROFITS FOR THE YEAR		89,448,781	26,908,916
Attributable to:			
Equity holders of the Parent Company		89,448,815	26,908,976
Non-controlling interests		(34)	(60)
		89,448,781	26,908,916
Earnings per share			
Basic and diluted, profit for the year attributable to equity holders of the Parent Company	(28)	555.93	167.24

Chief Financial Officer
Mohamed Abo Amira

Board Member
Amr Abdallah Morsy

The accompanying notes from (1) to (35) are an integral part of these consolidated financial statements.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Year Ended 31 December 2017

	<u>2017</u>	<u>2016</u>
	EGP	EGP
PROFITS FOR THE YEAR	89,448,781	26,908,916
OTHER COMPREHENSIVE INCOME	<u>—</u>	<u>—</u>
TOTAL COMPREHENSIVE INCOME	<u>89,448,781</u>	<u>26,908,916</u>
Attributable to		
Equity holders of the Parent Company	89,448,815	26,908,976
Non-controlling interest	<u>(34)</u>	<u>(60)</u>
	<u>89,448,781</u>	<u>26,908,916</u>

The accompanying notes from (1) to (35) are an integral part of these consolidated financial statements.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2017

	Paid up Capital	Legal reserve	Other reserves	Retained earnings	Profit for the year	Total equity of Parent Company	Non- controlling interest	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Balance as of 1 January 2016 .	160,900,000	3,892,252	278,952	62,104,531	9,613,486	236,789,221	37	236,789,258
Transferred to legal reserve and retained earnings	—	487,744	—	9,125,742	(9,613,486)	—	—	—
Profits for the year	—	—	—	—	26,908,976	26,908,976	(60)	26,908,916
Balance as of 31 December 2016	160,900,000	4,379,996	278,952	71,230,273	26,908,976	263,698,197	(23)	263,698,174
Transferred to legal reserve and retained earnings	—	1,358,189	—	25,550,787	(26,908,976)	—	—	—
Dividends	—	—	—	(5,238,461)	—	(5,238,461)	—	(5,238,461)
Profits for the year	—	—	—	—	89,448,815	89,448,815	(34)	89,448,781
Balance as of 31 December 2017	160,900,000	5,738,185	278,952	91,542,599	89,448,815	347,908,551	(57)	347,908,494

The accompanying notes from (1) to (35) are an integral part of these consolidated financial statements.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)
CONSOLIDATED STATEMENT OF CASH FLOWS
For The Year Ended 31 December 2017**

	Note	2017 EGP	2016 EGP
CASH FLOWS FROM OPERATING ACTIVITIES			
Profits before income taxes		115,644,716	34,795,173
Adjustments to reconcile profit before tax to net cash flow:			
Write off of assets under construction		9,000	—
Write down of inventories	(8)	991,447	963,343
Net foreign exchange differences		1,131,776	(1,216,610)
Depreciation of fixed assets and amortization of intangible assets . .	(5,7)	23,163,065	23,553,416
Impairment in value of Trade receivables	(9)	—	600,000
Debit interests	(25)	66,438,167	43,141,754
Loss (Gain) from sale of fixed assets	(5)	274,861	(5,619)
		<u>207,653,032</u>	<u>101,831,457</u>
Change in inventories	(8)	(41,267,024)	(55,774,238)
Change in Trade and notes receivable	(9)	(80,602,956)	(6,364,810)
Change in prepayments and other receivables	(10)	(21,785,841)	(6,819,395)
Change in Trade and notes payable	(13)	(6,814,184)	27,191,259
Change in accrued expenses and other payables	(14)	(661,326)	10,844,740
Cash flows provided from operating activities		56,521,701	70,909,013
Debit interests paid	(25)	(64,470,426)	(43,141,754)
Provisions used	(12)	(500,000)	—
Income taxes paid		<u>(8,070,458)</u>	<u>(1,284,231)</u>
NET CASH FLOWS (USED IN) PROVIDED FROM OPERATING ACTIVITIES		(16,519,183)	26,483,028
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to acquire fixed assets, intangible assets and assets under construction	(5,6,7)	(42,359,400)	(21,295,376)
Proceeds from sale of fixed assets	(5)	271,101	8,500
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(42,088,299)	(21,286,876)
CASH FLOWS FROM FINANCING ACTIVITIES			
Credit facilities used	(16)	428,495,036	366,063,671
Payment of credit facilities	(16)	(349,623,888)	(354,344,265)
Receipts from long term loans	(17)	11,427,875	—
Payment of long term loans	(17)	(20,400,000)	(18,000,000)
Dividends paid		<u>(4,714,615)</u>	<u>—</u>
NET CASH FLOWS PROVIDED FROM (USED IN) FINANCING ACTIVITIES		65,184,408	(6,280,594)
Net change in cash and cash equivalent during the year		6,576,926	(1,084,442)
Net foreign exchange difference		(696,998)	185,603
Cash and cash equivalent—beginning of the year		<u>3,970,816</u>	<u>4,869,655</u>
CASH AND CASH EQUIVALENT—END OF THE YEAR	(11)	<u>9,850,744</u>	<u>3,970,816</u>

The accompanying notes from (1) to (35) are an integral part of these consolidated financial statements.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

1—BACKGROUND

Tenth of Ramadan for Pharmaceutical Industries and Diagnostic Reagents (Rameda) (S.A.E) (the “Company” or the “Parent Company”) was established under the provisions of Law No. 43 of 1974.

The Company was registered in the commercial registry under No.84008 on 15 January 1986.

The registered office is located at plot No. 5 Second Industrial Zone, 6th of October City—Giza—Egypt.

The consolidated financial statements includes the separate financial statements of the Parent Company and its subsidiaries (collectively referred to as the “Group”).

The Group is principally engaged in:

- Producing, marketing, selling and storing of pharmaceutical reagents for human and veterinary use.
- Producing, marketing, selling and storing of diagnostic reagents necessary for individuals, laboratories and hospitals.
- Importing pharmaceutical reagents and raw materials necessary for serving the Company’s purposes without trading.
- Producing pharmaceutical reagents for human and veterinary and diagnostic use for others and by others.
- Producing food supplements for human use for others and by others.

Below is a brief background about the subsidiaries:

Rameda for Pharmaceuticals Trading

A subsidiary with 99.97% shareholding. Its principal activity is importing and exporting pharmaceutical reagents, producing, marketing, selling and storing of pharmaceutical reagents and producing pharmaceutical reagents for human and veterinary and diagnostic use for others

Ramecare Company

A subsidiary with 49% shareholding. Its principal activity is producing, marketing, selling and storing of pharmaceutical reagents, producing pharmaceutical reagents for human and veterinary and diagnostic use for others.

It was considered a subsidiary since the Parent Company is exposed, or has rights, to variable returns from its involvement with this entity and has the ability to affect those returns through its power over it.

Ramepharma Company

A subsidiary with 49% shareholding. Its principal activity is producing, marketing, selling and storing of pharmaceutical reagents, producing pharmaceutical reagents for human and veterinary and diagnostic use for others.

It was considered a subsidiary since the Parent Company is exposed, or has rights, to variable returns from its involvement with this entity and has the ability to affect those returns through its power over it.

2—SIGNIFICANT ACCOUNTING POLICIES

2-1 BASIS OF PREPARATION

The consolidated financial statements are prepared under the going concern assumption on a historical cost basis.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
31 December 2017

2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

The consolidated financial statements are prepared and presented in Egyptian pounds, which is the Group's functional currency.

The consolidated financial statements of the Group have been prepared in accordance with the Egyptian accounting standards and the applicable laws and regulations.

The accounting policies adopted this year are consistent with those policies adopted in the prior year.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at and for the year ended 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangements with the other vote holders of the investee
- Right arising from other contractual arrangements
- The Group voting rights and potential voting rights

The Group re-assess whether or not it controls an investee if facts and circumstances indicates that there are changes to one or more of the three elements of controls. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The following steps are followed in preparing the consolidated financial statements:

- a— Eliminate the carrying amount of the Parent Company investment in each subsidiary and the Parent Company share of equity of each subsidiary.
- b— Identify the non-controlling interest in the profit or loss of the consolidated subsidiaries for the reporting period.
- c— Identify the non-controlling interests in the net assets of consolidated subsidiaries and presented in the consolidated financial statement separately from the Parent ownership interests. Non-controlling interests in the net assets consist of:
 - (1) The amount of non-controlling interests as of the original date of combination.
 - (2) The non-controlling interests' share of changes in equity since the date of the combination.
- d— Intergroup balances and transactions, revenues and expenses are eliminated.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
31 December 2017

2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

- The separate financial statements of the Parent Company and its subsidiaries used in the preparation of the consolidated financial statements are prepared as of the same date.
- The separate financial statements of the Parent Company and its subsidiaries used in the preparation of the consolidated financial statements are prepared using uniform accounting policies for similar transactions and other events with similar circumstances.
- Non-controlling interests are presented in the consolidated financial position within equity, separately from the equity of the owners of the Parent Company, and the non-controlling interests share in the group profit or loss is presented separately.

2.3 Summary of significant accounting policies

2-3-1 Business combination

Accounting for business combination under EAS 29 only applies if it is considered that a business has been acquired. For acquisitions meeting the definition of a business, the acquisition method of accounting is used to account for the acquisition of subsidiaries by the Parent Company. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any Non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of profit or loss.

2-3-2 Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
31 December 2017

2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-3-3 Foreign currency translation

Transactions in foreign currencies are initially recorded using prevailing exchange rates at date of transaction, whenever practical management may use fixed monthly exchange rates that are revised in case there is a significant change in the prevailing exchange rate at the date of transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated using the exchange rates prevailing at the financial position date. All differences are recognized in the consolidated statement of profit or loss.

Nonmonetary items that are measured at historical cost in foreign currencies are translated using the exchange rates prevailing at the date of the initial recognition.

Nonmonetary items measured at fair value in foreign currencies are translated using the exchange rates prevailing at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income ("OCI") or profit or loss are also recognized in OCI or profit or loss, respectively)

2-3-4 Fixed assets

Fixed assets are stated at historical cost net of accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the fixed assets when that cost is incurred, if the recognition criteria are met. Likewise, when a major improvement is performed, its cost is recognized in the carrying amount of the fixed assets as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of profit or loss as incurred.

Depreciation of an asset begins when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, and is computed using the straight-line method according to the estimated useful life of the asset as follows:

	<u>Years</u>
Buildings	33
Machinery and equipment	10
Transportation and dragging equipment	5-10
Laboratory equipment	10
Tools	10
Furniture and fixtures	4-10

Fixed assets are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing the asset is included in the consolidated statement of profit or loss when the asset is derecognized.

The assets residual values, useful lives and methods of depreciation are reviewed at each financial year-end.

Freehold Land is recognized at its acquisition cost and not depreciated

The Group assesses at each financial position date whether there is an indication that fixed assets may be impaired. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the consolidated statement of profit or loss

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
31 December 2017

2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss.

2-3-5 Assets under construction

Assets under construction represent the amounts that are incurred for the purpose of constructing or purchasing fixed assets or intangible assets until it is ready to be used in the operation, upon which it is transferred to fixed assets or intangible assets. Assets under construction are valued at cost less impairment.

2-3-6 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost.

After initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets internally generated are not capitalized and the expenditures are charged to the consolidated statement of profit or loss in the year in which the expenditure was incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization expense is charged to the consolidated statement of profit or loss.

The period of amortization and the amortization method for an intangible assets with finite useful lives are reviewed at the end of each financial year at least.

2-3-7 Inventory

The inventory elements are valued as follows:

- a) Raw materials and packing materials: at the lower of cost (using the moving weighted average method) or net realizable value.
- b) Spare parts: at the lower of cost (using the moving weighted average method) or net realizable value.
- c) Finished goods: at the lower of cost (using the weighted average method) or net realizable value.

The cost includes direct materials, direct labor and allocated share of manufacturing overhead excluding borrowing costs.

- d) Work in process: at the lower of cost or net realizable value. Cost includes direct material, direct labor and allocated share of manufacturing overheads based on the percentage of completion

Goods in transit: at the lower of cost or net realizable value, and is recognized in the consolidated financial statements when risks and rewards are transferred to the Group which is determined based on shipping terms. Cost includes the purchase price of the materials and directly attributable expenses incurred to date.

Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

The amount of any write down of inventories to net realizable value and all losses of inventories shall be recognized in cost of sales in the consolidated statement of profit or loss in the period the write down or loss

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
31 December 2017

2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realizable value, shall be recognized as reduction of cost of sales in the consolidated statement of profit or loss in the period in which the reversal occurs.

2-3-8 Trade and Notes receivables and other receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

These receivables are recognized initially at fair value.

After initial measurement, such financial assets are subsequently measured at amortized cost less impairment.

The Group assesses whether impairment exists individually, for receivables that are individually significant, or collectively for receivables that are not individually significant.

The calculation of impairment is based on actual incurred historical data. The impairment loss is recognized in the consolidated statement of profit or loss. Reversal of impairment is recognized in the consolidated statement of profit or loss in the period in which it occurs.

2-3-9 Trade and notes payable, accrued expenses and other payables

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

2-3-10 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at the financial position date and adjusted to reflect the current best estimate.

Where the effect of the time value of money is material, the amount of a provision should be the present value of the expected expenditures required to settle the obligation.

Where discounting is used, the increase in the provision due to the passage of time is recognized in the consolidated statement of profit or loss as a finance expense.

2-3-11 Social Insurance

The Group makes contributions to the Social Insurance Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

2-3-12 Employees' End-of-Services

The Group provides a defined contribution plan for the employees' end-of-service. The Group's liability for each period is determined by the contribution value determined based on the salaries at the end of each period. The obligation is measured on an undiscounted basis.

2-3-13 Legal reserve

According to the Group's articles of association, 5% of the net profits of the year is transferred to the legal reserve until this reserve reaches 50% of the issued capital. The reserve is used upon a decision from the

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
31 December 2017

2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

general assembly meeting based on the proposal of the Board of Directors. The transfer to the legal reserve is made once the financial statements are approved in the general assembly meeting .

2-3-14 General Reserve

According to the Group's articles of association, the general assembly meeting may decide to allocate a certain percentage of the net profits of the year to the general reserve. The reserve is used upon a decision from the general assembly meeting based on the proposal of the board of directors. The general reserve forms part of other reserves.

2-3-15 Borrowings

Borrowings are initially recognized at fair value less transaction cost. Amounts maturing within one year are classified as current liabilities, unless the Group has the right to postpone the settlement for a period exceeding one year after the financial position date, then the loan balance should be classified as non-current liabilities.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance expenses in the consolidated statement of profit or loss.

2-3-16 Income taxes

Income tax is calculated in accordance with the Egyptian tax law.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority.

Deferred income tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
31 December 2017

2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2-3-17 Dividends

The Group recognizes a liability to pay a dividend when the distribution is authorized and distribution is no longer at the discretion of the Group. As per law 159, a distribution is authorized when it is approved by the shareholders as per general assembly meeting.

2-3-18 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognized:

• Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually upon the delivery of the goods.

• Rendering of services (toll manufacturing)

Revenue from toll manufacturing services, which takes from one to three days, is recognized upon the completion of the manufacturing process and the internal tests.

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2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

• **Interest income**

Interest income is recognized as interest accrues using the effective interest “EIR” method. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

• **Lease income**

Lease income is accounted for on a straight-line basis over the lease term.

2-3-19 Expenses

All expenses including cost of revenues, general and administrative expenses, selling and marketing expenses, finance expenses and other expenses are recognized and charged to the consolidated statement of profit or loss in the financial year in which these expenses are incurred.

2-3-20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2-3-21 Leases (as a lessee)

Lease contracts are classified as operating lease in accordance with the Egyptian accounting standards and Egyptian laws and regulations, where the lease payments are recognized as an expense on a straight-line basis over the lease term.

2-3-22 Related party transactions

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Boards of Directors.

2-3-23 Contingent Liabilities and Assets

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

2-3-24 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For assets traded in an active market, fair value is determined by reference to quoted market bid prices.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

For unquoted assets, fair value is determined by reference to the market value of a similar asset or is based on the expected discounted cash flows.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1—Fair value measurements are those derived from quoted prices in an active market (that are unadjusted) for identical assets or liabilities.
- Level 2—Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3—Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2-3-25 Impairment of assets

Impairment of financial assets

The Financial assets of the Group include cash on hand and at banks, trade and notes receivable, due from related parties and other receivables. The Group assesses at each financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Impairment of non-financial assets

The Group assesses at each financial position date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset or cash-generating units (CGU) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the consolidated statement of profit or loss.

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2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

A previously recognized impairment loss is only reversed if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss.

2-3-26 Statement of cash flows

The statement of cash flows is prepared using the indirect method.

2-3-27 Cash and cash equivalent

For the purpose of preparing the consolidated statement of cash flow, the cash and cash equivalent comprise of cash on hand, current accounts with banks and time deposits maturing within three months.

3—SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these consolidated financial statements requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, the accompanying disclosures and the disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised.

The key judgments and estimates that have a significant impact on the consolidated financial statements of the Group are discussed below:

3-1 Judgments

Revenue Recognition for sale of goods

In making their judgment, the management considered the detailed criteria for the recognition of revenue from the sale of goods as set out in "EAS 11 Revenue" including the judgement about whether significant risks and rewards have been transferred.

3-2- Estimates

Impairment of trade and other receivables

An estimate of the collectible amount of trade and other receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimate is performed on an individual basis. Amounts which are not individually significant, but are past due, are assessed collectively and a provision is applied according to the length of time past due, based on historical recovery rates.

Useful lives of fixed assets

The Group's management determines the estimated useful lives of its fixed assets for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The management periodically reviews the estimated useful lives and the depreciation method to ensure that the method and the period of depreciation are consistent with the expected pattern of economic benefits from these assets.

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3—SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Useful lives of intangible assets

The useful lives of intangible assets are assessed as either finite or indefinite.

The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The management periodically reviews the estimated useful lives and the amortization method to ensure that the method and the period of amortization are consistent with the expected pattern of economic benefits from these assets.

Taxes

The Group is subject to income taxes in Egypt. Significant judgment is required to determine the total provision for current and deferred taxes. The Group establishes provision, based on reasonable estimates, for possible consequences of audits by the tax authorities in Egypt. The amount of such provision is based on various factors, such as Experience of previous tax audits and different interpretations of tax regulations by the Group and the responsible tax authority. Such differences of interpretations may be on a wide variety of issues depending on the conditions prevailing in Egypt.

Deferred tax assets are recognized for unused accumulated tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

4—SEGMENT INFORMATION

Currently the Group's primary business segment is the production and selling of pharmaceutical products which contributes to 95% of total revenue and balance 5% is contributed by toll manufacturing services. The Group's management monitors the business under one segment, "production and selling of pharmaceutical products" for the purpose of making business decisions.

Accordingly, the Group's revenues during the year ended 31 December 2017 were reported under one segment in the consolidated financial statements.

Although there is one operating segment, the Group produces and sells several products and render services as follows:

	SERVICES	SALES OF GOODS				
	Toll		Domestic			
Year	Manufacturing “Domestic”	Export	Private sales	Veterinary	Tenders	Total
2017	30,974,024	49,538,732	387,107,177	5,990,066	153,929,060	627,539,061
2016	12,304,551	30,303,795	236,839,334	3,148,658	111,522,103	394,118,441

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4—SEGMENT INFORMATION (Continued)

Revenue from the top five customers presented 75% of total revenues (2016: EGP 83%).

5—FIXED ASSETS

	Freehold Land	Buildings	Machinery and equipment	Transportation and dragging equipment	Laboratory equipment	Tools	Office furniture and fixtures	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost								
As of 1 January 2017 . . .	18,637,425	168,872,184	133,248,686	10,945,110	12,580,168	1,450,861	14,833,993	360,568,427
Additions	—	2,113,320	2,096,905	37,438	794,140	5,085	1,310,798	6,357,686
Transferred from assets under construction . . .	—	1,641,186	6,570,631	—	—	—	9,944	8,221,761
Disposals	—	—	(1,124,370)	(684,610)	—	—	(38,065)	(1,847,045)
As of 31 December 2017	<u>18,637,425</u>	<u>172,626,690</u>	<u>140,791,852</u>	<u>10,297,938</u>	<u>13,374,308</u>	<u>1,455,946</u>	<u>16,116,670</u>	<u>373,300,829</u>
Accumulated depreciation								
As of 1 January 2017 . . .	—	(34,216,707)	(67,134,232)	(8,340,989)	(5,107,436)	(827,012)	(10,709,100)	(126,335,476)
Depreciation for the year .	—	(4,921,802)	(12,640,344)	(561,028)	(1,145,216)	(93,596)	(936,951)	(20,298,937)
Disposals	—	—	744,905	529,683	—	—	26,495	1,301,083
As of 31 December 2017	<u>—</u>	<u>(39,138,509)</u>	<u>(79,029,671)</u>	<u>(8,372,334)</u>	<u>(6,252,652)</u>	<u>(920,608)</u>	<u>(11,619,556)</u>	<u>(145,333,330)</u>
Net book value as of								
31 December 2017 . . .	<u>18,637,425</u>	<u>133,488,181</u>	<u>61,762,181</u>	<u>1,925,604</u>	<u>7,121,656</u>	<u>535,338</u>	<u>4,497,114</u>	<u>227,967,499</u>
31 December 2016 . . .	<u>18,637,425</u>	<u>134,655,477</u>	<u>66,114,454</u>	<u>2,604,121</u>	<u>7,472,732</u>	<u>623,849</u>	<u>4,124,893</u>	<u>234,232,951</u>

There is a commercial mortgage on all machinery and equipment in favor of the Commercial International Bank as a guarantee for the loans granted to the Group (note 17).

The cost of fixed assets as of 31 December 2017 include EGP 15,337,270, which represents fully depreciated assets that are still in use.

Depreciation for the year was allocated to the statement of profit or loss as follows:

	2017
	EGP
Cost of sales and services	18,993,072
Selling and marketing expenses	376,957
General and administrative expenses	928,908
	<u>20,298,937</u>

Gain from sale of fixed assets was calculated as follows:

	2017
	EGP
Cost of disposed assets	(1,847,045)
Accumulated depreciation of disposed assets	1,301,083
Net book value of disposed assets	(545,962)
Proceeds from sale of fixed assets	271,101
loss from sale of fixed assets	<u>(274,861)</u>

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5—FIXED ASSETS (Continued)

	Freehold Land	Buildings	Machinery and equipment	Transportation and dragging equipment	Laboratory equipment	Tools	Office furniture and fixtures	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost								
As of 1 January 2016 . . .	18,637,425	167,970,846	128,302,650	10,560,555	11,250,755	1,432,341	13,677,829	351,832,401
Transferred from assets under construction . . .	—	901,338	2,649,909	384,555	1,329,413	18,520	1,182,475	6,466,210
Additions	—	—	2,296,127	—	—	—	—	2,296,127
Disposals	—	—	—	—	—	—	(26,311)	(26,311)
As of 31 December 2016	<u>18,637,425</u>	<u>168,872,184</u>	<u>133,248,686</u>	<u>10,945,110</u>	<u>12,580,168</u>	<u>1,450,861</u>	<u>14,833,993</u>	<u>360,568,427</u>
Accumulated depreciation								
As of 1 January 2016 . . .	—	(29,337,143)	(55,143,128)	(7,058,050)	(4,086,000)	(735,378)	(8,796,629)	(105,156,328)
Depreciation for the year .	—	(4,879,564)	(11,991,104)	(1,282,939)	(1,021,436)	(91,634)	(1,935,901)	(21,202,578)
Disposals	—	—	—	—	—	—	23,430	23,430
As of 31 December 2016	<u>—</u>	<u>(34,216,707)</u>	<u>(67,134,232)</u>	<u>(8,340,989)</u>	<u>(5,107,436)</u>	<u>(827,012)</u>	<u>(10,709,100)</u>	<u>(126,335,476)</u>
Net book value as of								
31 December 2016 . . .	<u>18,637,425</u>	<u>134,655,477</u>	<u>66,114,454</u>	<u>2,604,121</u>	<u>7,472,732</u>	<u>623,849</u>	<u>4,124,893</u>	<u>234,232,951</u>
31 December 2015 . . .	<u>18,637,425</u>	<u>138,633,703</u>	<u>73,159,522</u>	<u>3,502,505</u>	<u>7,164,755</u>	<u>696,963</u>	<u>4,881,200</u>	<u>246,676,073</u>

There is a commercial mortgage on all machinery and equipment in favor of the Commercial International Bank as a guarantee for the loans granted to the Group (note 17).

The cost of fixed assets as of 31 December 2016 include EGP 13,115,636, which represents fully depreciated assets that are still in use.

Depreciation for the year was allocated to the statement of profit or loss as follows:

	2016 EGP
Cost of sales and services	18,809,460
Selling and marketing expenses	515,233
General and administrative expenses	1,877,885
	<u>21,202,578</u>

Gain from sale of fixed assets was calculated as follows:

	2016 EGP
Cost of disposed assets	(26,311)
Accumulated depreciation of disposed assets	23,430
Net book value of disposed assets	(2,881)
Proceeds from sale of fixed assets	8,500
Gain from sale of fixed assets	<u>5,619</u>

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6—ASSETS UNDER CONSTRUCTION

	<u>2017</u>	<u>2016</u>
	<u>EGP</u>	<u>EGP</u>
Service equipment and infra-structure facilities	8,433,008	10,475,023
Laboratory equipment	570,590	44,351
Buildings and furniture	1,663,995	316,334
Cost of acquisition of pharmaceutical products	16,324,769	350,000
	26,992,362	11,185,708
Impairment in value of assets under construction	(1,048,059)	(1,048,059)
	<u>25,944,303</u>	<u>10,137,649</u>

The movement of assets under construction during the year is as follows:

	<u>2017</u>	<u>2016</u>
	<u>EGP</u>	<u>EGP</u>
Beginning balance	11,185,708	4,670,519
Additions during the year	36,001,715	15,877,387
Transferred to fixed assets during the year	(8,221,761)	(6,466,210)
Transferred to intangible assets during the year	(11,964,300)	(2,895,988)
Write off of assets under construction	(9,000)	—
Ending balance	<u>26,992,362</u>	<u>11,185,708</u>

Capitalized borrowing cost:

The Parent Company started the construction of new production line “Lyophilization area” in 2017. This project is expected to be completed during 2018 .The amount of borrowing costs capitalized on service equipment and infra-structure facilities during the year ended 31 December 2017 amounted to EGP 833,283 (2016:Nil). The capitalized borrowing cost represents the cost of specific borrowings made for these assets at a rate of 19.75%.

7—INTANGIBLE ASSETS

	<u>2017</u>	<u>2016</u>
	<u>EGP</u>	<u>EGP</u>
Cost at 1 January	51,356,106	45,329,257
Additions	—	3,130,861
Transferred from assets under construction	11,964,300	2,895,988
Total cost at 31 December	<u>63,320,406</u>	<u>51,356,106</u>
Accumulated amortization at 1 January	(6,138,647)	(3,787,809)
Amortization for year	(2,864,128)	(2,350,838)
Accumulated amortization at 31 December	<u>(9,002,775)</u>	<u>(6,138,647)</u>
Net book value	<u>54,317,631</u>	<u>45,217,459</u>

The balance of the intangible assets represents the cost of acquisition of pharmaceutical products and is amortized using the straight-line method over their useful life (20 years).

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8—INVENTORIES

	<u>2017</u>	<u>2016</u>
	<u>EGP</u>	<u>EGP</u>
Raw materials	30,638,656	35,554,977
Packing and packaging materials	30,465,098	14,172,882
Spare parts	6,606,483	4,460,492
Finished goods	44,368,768	55,598,754
Work in progress	29,650,018	8,114,745
Goods in transit	27,074,697	10,852,577
Inventory with others	5,088,062	3,870,331
	<u>173,891,782</u>	<u>132,624,758</u>
Write down in value of inventories	<u>(2,569,522)</u>	<u>(1,578,075)</u>
	<u><u>171,322,260</u></u>	<u><u>131,046,683</u></u>

Some raw material and finished goods inventory are mortgaged as a guarantee for the credit facilities (Note 16).

The movement in the write down in value of inventories is as follows:

	<u>2017</u>	<u>2016</u>
	<u>EGP</u>	<u>EGP</u>
Beginning balance	(1,578,075)	(614,732)
Charge during the year	(991,447)	(963,343)
Ending balance	<u><u>(2,569,522)</u></u>	<u><u>(1,578,075)</u></u>

The write down in value of inventories during the year was included in the cost of sales.

9—TRADE AND NOTES RECEIVABLE

	<u>2017</u>	<u>2016</u>
	<u>EGP</u>	<u>EGP</u>
Trade receivable	60,283,664	49,384,036
Trade receivable—toll manufacturing	4,606,406	3,476,608
Trade receivable—warehouse rent	6,616	31,109
Notes receivable	207,297,109	138,311,792
	<u>272,193,795</u>	<u>191,203,545</u>
Impairment in value of Trade and notes receivables	<u>(723,905)</u>	<u>(723,905)</u>
	<u><u>271,469,890</u></u>	<u><u>190,479,640</u></u>

Some notes receivables are mortgage as a guarantee for the credit facilities Note 16

The ageing analysis of net Trade and notes receivables is as follows:

		Neither impaired nor past due			Past due but not impaired
	Total	Less than 60 days	From 61 to 120 days	From 121 to 365 days	More than 365 days
2017	271,469,890	170,770,351	60,026,347	40,086,753	586,439
2016	190,479,640	86,510,059	82,497,431	20,596,847	875,303

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As at 31 December 2017, Trade and notes receivables impairment amounted to EGP 723,905. (impairment of 2016: EGP 723,905)

Refer to note 31a on credit risks of trade receivables, which discusses how the Group manages and measures credit quality of trade receivables that are past due nor impaired.

The movement of the impairment in value of Trade receivable is as follows:

	2017	2016
	EGP	EGP
Beginning balance	(723,905)	(123,905)
Charged during the year	—	(600,000)
Ending balance	<u>(723,905)</u>	<u>(723,905)</u>

10—PREPAYMENTS AND OTHER RECEIVABLES

	2017	2016
	EGP	EGP
Prepaid expenses	1,041,386	719,301
Advances to suppliers	8,193,182	7,794,929
Accrued revenues	69,497	63,722
Tax authority	3,459,746	4,624,489
Social insurance authority	131,875	—
Letters of credit	23,093,856	1,189,733
Deposits with others	1,586,022	1,207,461
Employees' imprests and advances	1,664,508	1,286,765
Other receivables	134,058	701,889
	<u>39,374,130</u>	<u>17,588,289</u>

11—CASH ON HAND AND AT BANKS

	2017	2016
	EGP	EGP
a) Egyptian Pounds		
Cash on hand	28,375	25,625
Current accounts	2,755,165	770,173
	<u>2,783,540</u>	<u>795,798</u>
b) Foreign currencies		
Current accounts	7,067,204	3,175,018
	<u>7,067,204</u>	<u>3,175,018</u>
	<u>9,850,744</u>	<u>3,970,816</u>

Cash balances are denominated in the following currencies:

	2017	2016
	EGP	EGP
Egyptian pound (EGP)	2,783,540	795,798
US dollar (USD)	6,995,521	3,174,867
Euro (EUR)	71,683	151
	<u>9,850,744</u>	<u>3,970,816</u>

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12—PROVISIONS

	Balance as of January 2017	Charged during the year	Used during the year	Balance as of December 2017
	EGP	EGP	EGP	EGP
Provision for expected claims	1,112,270	—	(500,000)	612,270
	<u>1,112,270</u>	<u>—</u>	<u>(500,000)</u>	<u>612,270</u>

	Balance as of January 2016	Charged during the year	Used during the year	Balance as of December 2016
	EGP	EGP	EGP	EGP
Provision for expected claims	1,112,270	—	—	1,112,270
	<u>1,112,270</u>	<u>—</u>	<u>—</u>	<u>1,112,270</u>

The usual information is not disclosed in accordance with the Egyptian Accounting Standards because management believes that this may significantly affect the results of negotiations with parties involved in the dispute. These provisions are reviewed by management each year and are adjusted on the basis of latest developments, discussions and agreements with those parties.

13—TRADE AND NOTES PAYABLE

	2017	2016
	EGP	EGP
Trade payable	20,788,468	25,381,642
Notes payable	18,443,554	20,664,564
	<u>39,232,022</u>	<u>46,046,206</u>

14—ACCRUED EXPENSES AND OTHER PAYABLES

	2017	2016
	EGP	EGP
Accrued expenses	13,893,440	17,018,357
Tax authority (other than income tax)	17,172,940	11,972,729
Social insurance authority	—	496,670
Other payables	1,174,022	1,446,231
	<u>32,240,402</u>	<u>30,933,987</u>

Trade payables, accrued expenses and other payables are non-interest bearing and for explanations on the Group's liquidity risk management process, refer to (Note 31c).

15—CAPITAL

The Group's authorized capital amounted to EGP 200 million, whereas the issued and paid up capital amounted to EGP 120 million divided over 120,000 shares of par value EGP 1,000 each,

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15—CAPITAL (Continued)

The extra ordinary general assembly meeting held on 2 May 2011 decided to increase the Group's authorized capital to EGP 1 billion and to increase the issued and paid up capital to EGP 160,900,000 divided over 160,900 shares of par value EGP 1,000 each as follows:

	%	No, of shares	Amount EGP
Greville Investing Limited	99,98	160,898	160,898,000
Mr.Ayman Mamdouh Fathy Abaas	0.01	1	1,000
Eng. Shamel Faheem Aboul Fadl	0.01	1	1,000
	<u>100</u>	<u>160,900</u>	<u>160,900,000</u>

16—CREDIT FACILITIES

The movement of the credit facilities during the year is as follows:

	2017 EGP	2016 EGP
Balance at the beginning of the year	191,523,654	178,036,217
Used during the year	428,495,036	366,063,671
Payment during the year	(349,623,888)	(354,344,265)
Net foreign exchange differences	(627,927)	318,031
Balance at the end of the year	<u>269,766,875</u>	<u>190,073,654</u>
	<u>2017 EGP</u>	<u>2016 EGP</u>
Credit facilities maturing within 12 months	<u>269,766,875</u>	<u>190,073,654</u>
	<u>269,766,875</u>	<u>190,073,654</u>

The interest rate on the Credit facilities ranges from 16.08% to 17.21%.

Credit Facilities	Facility amount	Interest rate	Maturity date	2017 EGP	2016 EGP
CIB	150,000,000	1.5%+CBE corridor rate	30/06/2018	140,241,009	97,380,099
Audi Bank	125,000,000	1.75%+CBE lending rate	30/06/2018	73,865,970	66,996,900
Arab Bank	60,000,000	1.5%+CBE lending rate	28/08/2018	43,140,079	25,696,655
ABK	49,900,000	0.75%+CBE lending rate	15/11/2018	12,519,817	—
Total Credit Facilities				<u>269,766,875</u>	<u>190,073,654</u>

All of the above facilities are guaranteed by inventories and notes receivables.

17—LONG TERM LOANS

A—During the year 2011, the Group obtained a loan from Commercial International Bank (CIB) amounting to EGP 18 million with an annual interest rate of 2.75% over the corridor rate repayable over 14 quarterly instalments starting from 31 March 2012 till 30 June 2015.

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17—LONG TERM LOANS (Continued)

B—During the year 2011, the Group obtained a loan from Commercial International Bank (CIB) amounting to EGP 29 million with an annual interest rate of 2.75% over the corridor rate repayable over 20 quarterly instalments starting from 31 January 2013 till 31 October 2017.

C—During the year 2012, the Group obtained a loan from Commercial International Bank (CIB) amounting to EGP 40 million with an annual interest rate of 3% over the corridor rate repayable over 19 quarterly instalments starting from 28 February 2012 till 31 August 2016.

D—During the year 2013, the Group obtained a loan from Commercial International Bank (CIB) amounting to EGP 29,250,000 with an annual interest rate of 2.6% over the corridor rate repayable over 14 quarterly instalments starting from 31 January 2014 till 30 April 2017.

E—During the year 2014, the Group obtained a loan from Commercial International Bank (CIB) amounting to EGP 25 million with an annual interest rate of 2.6% over the corridor rate repayable over 16 quarterly instalments starting from 1 February 2016 till 1 November 2019.

The Group obtained these loans against a guarantee of a commercial mortgage over all the Group's physical and moral constituents (note 6) in favor of the Commercial International Bank.

During the year 2015, the Group signed an agreement with Commercial International Bank to merge all of the above the loans granted to the Group amounting to EGP 94,853,000 as of July 2015 in a long-term loan with an annual interest rate of 2.25% over the corridor rate repayable over 52 monthly installments maturing 1 August 2015 till 1 November 2019. **“Loan (1)”**.

During the year 2017, the Group signed an agreement with Commercial International Bank obtained a loan amounting to EGP 89 million with an annual interest rate of 1.25% over the Corridor rate repayable over 30 monthly installments from the date of the letter of credit. **“Loan (2)”**. The Group has drawn down EGP 11,427,875 during the year and the balance outstanding amounted to EGP 11,427,875 as at 31 December 2017.

The Group obtained those loans against a guarantee of a commercial mortgage over all the Group's physical and moral constituents as well as a possession mortgage over all imported machinery and equipment financed under this loan (note 6).

The balance of long-term loans amounted to EGP 62,879,654 as at 31 December 2017 (EGP 71,851,779 as at 31 December 2016) as follows:

<u>Loans</u>	<u>Interest rate</u>	<u>2017</u> <u>EGP</u>	<u>2016</u> <u>EGP</u>
Current portion of long term loans			
Loan (1)	2.25%+CBE lending rate	24,000,000	20,400,000
Loan (2)	1.25%+CBE lending rate	1,500,000	—
Total current portion of long term loans		25,500,000	20,400,000
Non-current portion of long term loans			
Loan (1)	2.25%+CBE lending rate	27,451,779	51,451,779
Loan (2)	1.25%+CBE lending rate	9,927,875	—
Total non-current portion of long term loans		37,379,654	51,451,779
		62,879,654	71,851,779

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18—CAPITAL COMMITMENTS

As at 31 December 2017, the Group had contractual commitments in respect of its assets under construction not provided for in the consolidated financial statements amounted to EGP84,494,017. (EGP 729,481 as of 31 December 2016).

19—REVENUES

	<u>2017</u>	<u>2016</u>
	<u>EGP</u>	<u>EGP</u>
Sales of goods net	596,565,037	381,813,890
Toll manufacturing services revenue	30,974,024	12,304,551
	<u>627,539,061</u>	<u>394,118,441</u>

20—COST OF REVENUE

	<u>2017</u>	<u>2016</u>
	<u>EGP</u>	<u>EGP</u>
Salaries, social insurance and other fringe benefits	47,745,576	37,784,181
Raw materials	187,086,452	119,238,421
Spare parts and materials	9,021,000	7,168,936
Government fees and medical stamps	8,500,057	5,791,142
Other operating expenses	29,934,320	12,559,420
Energy expenses	15,112,269	11,448,538
Depreciation of fixed assets and amortization of intangible assets	21,857,200	21,160,298
Rent	1,855,612	1,135,912
Maintenance	5,372,204	4,439,581
	<u>326,484,690</u>	<u>220,726,429</u>

21—SELLING AND MARKETING EXPENSES

	<u>2017</u>	<u>2016</u>
	<u>EGP</u>	<u>EGP</u>
Salaries, social insurance and other fringe benefits	42,490,429	35,060,034
Depreciation of fixed assets	376,957	515,233
Rent	1,953,987	2,581,817
Advertising and marketing	53,846,793	40,777,721
	<u>98,668,166</u>	<u>78,934,805</u>

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22—GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2017</u>	<u>2016</u>
	EGP	EGP
Salaries, social insurance and other fringe benefits	14,948,227	12,780,109
Professional fees	2,224,655	1,761,615
Maintenance	307,635	311,113
Hospitality	350,072	230,114
Transportation	300,803	162,905
Donations	400,000	2,039
Depreciation of Fixed assets	928,908	1,877,885
Others	2,074,309	1,299,330
	<u>21,534,609</u>	<u>18,425,110</u>

23—OTHER INCOME

	<u>2017</u>	<u>2016</u>
	EGP	EGP
Gain from sale of fixed assets	—	5,619
Other income	3,142,553	1,743,624
	<u>3,142,553</u>	<u>1,749,243</u>

24—OTHER EXPESNES

	<u>2017</u>	<u>2016</u>
	EGP	EGP
Loss from sale of fixed assets	(274,861)	—
	<u>(274,861)</u>	<u>—</u>

25—FINANCE COST

	<u>2017</u>	<u>2016</u>
	EGP	EGP
Debit interests	(66,438,167)	(43,141,754)
Impairment in value of Trade receivable	—	(600,000)
Net foreign exchange losses	(1,636,405)	—
	<u>(68,074,572)</u>	<u>(43,741,754)</u>

26—FINANCE INCOME

	<u>2017</u>	<u>2016</u>
	EGP	EGP
Net foreign exchange gain	—	755,587
	<u>—</u>	<u>755,587</u>

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27—INCOME TAXES

	<u>2017</u>	<u>2016</u>
	<u>EGP</u>	<u>EGP</u>
Current income tax	(26,223,737)	(8,070,458)
Deferred income tax	27,802	184,201
Income tax expense	<u>(26,195,935)</u>	<u>(7,886,257)</u>

DEFERED INCOME TAXES

	<u>Statement of financial position</u>		<u>Statement of profit or loss</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Depreciation and amortization	(21,763,439)	(21,510,658)	(252,781)	2,457
Provisions	137,761	250,261	(112,500)	—
Impairment in value of Trade receivable	162,879	162,879	—	135,000
Write down in value of inventory	578,142	355,066	223,076	216,751
Unrealized foreign exchange differences	—	(170,007)	170,007	(170,007)
Net deferred income taxes	<u>(20,884,657)</u>	<u>(20,912,459)</u>	<u>27,802</u>	<u>184,201</u>

* No deferred tax assets were recognized for the carry forward tax losses of the subsidiaries, since it is not expected that the future tax profits will be sufficient to offset the carry forward tax losses.

RECONCILIATION OF THE EFFECTIVE INCOME TAX RATE

	<u>Tax Rate</u>	<u>2017</u>	<u>Tax Rate</u>	<u>2017</u>
		<u>EGP</u>		<u>EGP</u>
Profits before income taxes		115,644,716		34,795,173
Income tax based on tax rate	22.5%	26,020,061	22.5%	7,828,914
Non-deductible expenses		164,429		—
Losses not recognized its deferred tax		11,445		57,343
Effective Tax Rate	22.65%	<u>26,195,935</u>	22.66%	<u>7,886,257</u>

28—EARNINGS PER SHARE

Basic earnings per share was calculated by dividing the profits for the year available for distribution to the Parent Company by the weighted average number of shares outstanding during the year as follows:

	<u>2017</u>	<u>2016</u>
	<u>EGP</u>	<u>EGP</u>
Basic and diluted, profit for the year attributable to equity holder of the Parent Company	89,448,815	26,908,976
Weighted average number of shares outstanding during the year	160,900	160,900
Earnings per share	<u>555.93</u>	<u>167.24</u>

- There are no shares with diluted effect and hence the basic and diluted earnings per share are the same.

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29—TAX POSITION

1- With respect to Parent Company

a) Corporate Tax

- The Parent's records were inspected till the year 2005 and the taxes due were paid.
- The Parent's records were inspected for the year 2006. The Parent objected on the assessment and the issue is currently in the internal committee of tax authority.
- The Parent's records were inspected for the years from 2007 till 2009 and the taxes due were paid.
- The Parent's records were inspected for the years from 2010 till 2013 on deemed profit basis. The Parent objected on the assessment and the records will be re-inspected on an actual basis.
- No tax inspection took place for the Parent's records for the years from 2013 till 2016.

b) Salary Tax

- The Parent's records were inspected till the year 2012 and the taxes due were paid.
- No tax inspection took place for the Parent's records for the years from 2013 till 2016.

c) Stamp Tax

- The Parent's records were inspected till 31 July 2006 and the taxes due were paid.
- The Parent's records were inspected for the period from 1 August 2006 till 31 December 2010. The Parent objected on the assessment and the issue is currently in the internal committee of tax authority.
- The Parent's records were inspected for the years from 2011 till 2014 on a deemed profit basis. The Parent objected on the assessment and the records will be re-inspected on an actual basis.
- No tax inspection took place for the Parent's records for the years 2015 and 2016.

d) VAT Tax

- The Parent's records were inspected till the year 2015 and the taxes due were paid.
- No inspection took place for the Parent's records for the year 2016.

2- With respect to Subsidiaries

- No inspection has happened for the subsidiaries' records.

30—RELATED PARTY DISCLOSURES

For the purpose of these consolidated financial statements, parties are considered to be related to the Group, if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

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30—RELATED PARTY DISCLOSURES (Continued)

a) Related party balances

	2017		2016	
	Due to	Due from	Due to	Due from
	EGP	EGP	EGP	EGP
Eman Mohamed Hegazy	12,750	—	12,750	—
Eman Wahed El-Zomor	12,750	—	12,750	—
	<u>25,500</u>	<u>—</u>	<u>25,500</u>	<u>—</u>

b) Salaries and incentives of key managers

The key managers compensation during year ended 31 December 2017, 2016 is as follow:

	2017	2016
	EGP	EGP
Salaries and incentives	15,454,079	13,690,052
	<u>15,454,079</u>	<u>13,690,052</u>

31—Lease commitments—Group as a lessee

The Group has entered into operating lease agreements to lease certain apartments, with lease terms between three and five years. The Group has the option, under some of its leases, to extend the lease terms for three to five years.

Future minimum rentals payments under non-cancellable operating leases as at 31 December are, as follows:

	2017	2016
	EGP	EGP
Within one year	2,120,219	2,260,871
After one year but not more than five years	4,809,066	6,504,110
More than five years	—	425,175
	<u>6,929,285</u>	<u>9,190,166</u>

32—FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

The Group has exposure to the following risks from its use of financial instruments:

- a) Credit risk
- b) Market risk
- c) Liquidity risk
- d) Capital management

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors of the Group has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's senior management are responsible for developing and monitoring the risk management policies and report regularly to the Board of Directors on their activities.

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32—FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The Group's current financial risk management framework is a combination of formally documented risk management policies in certain areas and informal risk management policies in other areas.

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group are exposed to credit risk principally from its receivables from customers, due from related parties, other receivables and from its financing activities, including balances with banks.

Trade and notes receivables

The customer credit risk is established by the Group's policies, procedures and controls relating to customer credit risk management. Credit quality of a customer is assessed based on extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored. An impairment analysis is performed at each reporting date on an individual bases.

The maximum exposure is limited to the balances disclosed in note (9)

Other financial assets and balances with banks

With respect to credit risk arising from the other financial assets of the Group at amortised cost, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these assets

Credit risk from balances with banks and is managed by financial sector. The Group limits its exposure to credit risk by only placing balances with international banks and local banks of good reputation, in addition, the local banks are under the supervision of the central Bank of Egypt and thus their exposure to credit risk is minimal.

The maximum exposure is limited to the balances disclosed in note (11)

Due from related parties

Due from related parties are with minimal credit risk, with a maximum exposure equal to the carrying amount of these balances.

b) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as currency risk and interest rate risk, which will affect the Group's income. Financial instruments affected by market risk include interest-bearing loans and borrowings and deposits. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Group does not hold or issue derivative financial instruments.

Exposure to interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's obligations with floating interest rates and interest bearing time deposits.

Interest on financial instruments having floating rates re-priced at intervals of less than one year.

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32—FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no impact on the Group's equity other than the profit impact stated below.

	2017		2016	
	Change in rate	Effect on profit before tax	Change in rate	Effect on profit before tax
		EGP		EGP
Financial asset	+1%	—	+1%	—
	-1%	—	-1%	—
Financial liability	+1%	(2,738,235)	+1%	(1,915,273)
	-1%	2,738,235	-1%	1,915,273

Exposure to foreign currency risk

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

	2017		2016	
	Change in rate	Effect on profit before tax	Change in rate	Effect on profit before tax
		EGP		EGP
USD	+10%	699,552	+10%	556,827
	-10%	(699,552)	-10%	(556,827)

c) Liquidity risk

The cash flows, funding requirements and liquidity of the Group are monitored by Group's management. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. The Group manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group currently has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Financial liabilities

As at 31 December 2017	Less than 3 Months	3 to 12 months	1 to 5 years	Over 5 years	Total
	EGP	EGP	EGP	EGP	EGP
Dividends payable	523,846	—	—	—	523,846
Credit facilities	79,419,974	223,574,658	—	—	302,994,632
Trade and notes payables	22,774,142	16,457,880	—	—	39,232,022
Accrued expenses and other payables . .	7,898,568	24,341,834	—	—	32,240,402
Long term loans	7,576,314	21,581,443	40,633,130	—	69,790,887
Total undiscounted financial liabilities . .	<u>118,192,844</u>	<u>285,955,815</u>	<u>40,633,130</u>	<u>—</u>	<u>444,781,789</u>

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32—FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Financial liabilities

<u>As at 31 December 2016</u>	<u>Less than 3 Months</u>	<u>3 to 12 Months</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Credit facilities	2,807,259	205,346,887	—	—	208,154,146
Trade and notes payables	42,255,529	3,790,677	—	—	46,046,206
Accrued expenses and other payables . . .	1,727,088	29,206,899	—	—	30,933,987
Long term loans	7,972,410	22,888,131	66,800,917	—	97,661,458
Total undiscounted financial liabilities . .	<u>54,762,286</u>	<u>261,232,594</u>	<u>66,800,917</u>	<u>—</u>	<u>382,795,797</u>

d) Capital management

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of Parent Company.

The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manage its capital structure and makes adjustments in light of change in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure. The Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a leverage ratio. Which is total liabilities divided by net equity. The Group's policy is to keep leverage ratio between 1 to 1.57.

33—FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities. Financial assets of the Group include cash on hand and at banks, Trade and notes receivable, due from related parties and other receivables. Financial liabilities of the Group include credit facilities, long- term loans, Trade and notes payable, dividends payable, income taxes payable, accrued expenses and other payables.

The fair values of the financial assets and liabilities are not materially different from their carrying value unless stated otherwise.

34—SUBSEQUENT EVENTS

The extra ordinary general assembly meeting held on 14 March 2018 decided the following:

- 1— Amend the par value of the share from EGP 1,000 to EGP 0.25. Accordingly, the Company's issued capital amounts to EGP 160,900,000 divided over 643,600,000 shares of par value EGP 0.25 each. The necessary legal procedures in this regard are currently under process.
- 2— Agreed in principle to list the Company in the stock exchange and offer its shares in one of the stock markets in a public offering and / or private offering

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35—COMPARATIVE FIGURES

Certain comparative figures for the year ended 31 December 2016 were reclassified due to judgmentally previously different classification to conform with the current year's presentation which provide reliable and more relevant information as follows:

Balance sheet reclassifications:

<u>Account</u>	<u>Before</u>	<u>Reclassification</u>	<u>After</u>
Trade and notes payable	19,214,564	1,450,000	20,664,564
Credit facilities	191,523,654	(1,450,000)	190,073,654
		<u>—</u>	

Cash Flow reclassifications:

<u>Account</u>	<u>Before</u>	<u>Reclassification</u>	<u>After</u>
Write down of inventories	—	963,343	963,343
Change in inventories	(54,810,895)	(963,343)	(55,774,238)
		<u>—</u>	
Net foreign exchange differences	—	(1,216,610)	(1,216,610)
Change in trade and notes receivable	(7,713,849)	1,349,039	(6,364,810)
Credit facilities	1,305,478,499	(1,768,032)	1,303,710,467
Net foreign exchange differences "cash"	—	185,603	185,603
Change in trade and notes payable	25,741,259	1,450,000	27,191,259
		<u>—</u>	

**TENTH OF RAMADAN FOR PHARMACEUTICAL
INDUSTRIES AND DIAGNOSTIC REAGENTS
(RAMEDA) (S.A.E)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
TOGETHER WITH AUDITOR'S REPORT**

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016**

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**, represented in the consolidated financial position as of 31 December 2016, and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

These financial statements are the responsibility of the Company's Management, as Management is responsible for the preparation and fair presentation of the financial statements in accordance with Egyptian Accounting Standards and applicable Egyptian laws. Management responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. This responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Egyptian Standards on Auditing and applicable Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on these financial statements.

Opinion

In our opinion, the consolidated financial statements referred to above, give a true and fair view, in all material respects, of the consolidated financial position of **TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**, as of 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Egyptian Accounting Standards and the related applicable Egyptian laws and regulations.

Ashraf Emil Botros

FESAA—FEST

RAA 9259

EFSAR 8

Cairo: 27 April 2017

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**

CONSOLIDATED FINANCIAL POSITION

As OF 31 December 2016

	<u>Note</u>	<u>2016</u> <u>EGP</u>	<u>2015</u> <u>EGP</u>
ASSETS			
Non-Current assets			
Fixed assets	(4)	234,232,951	246,676,073
Intangible assets	(6)	45,217,459	41,541,448
Assets under construction	(5)	10,137,649	3,631,460
Total Non-Current assets		289,588,059	291,848,981
Current assets			
Inventories	(7)	131,046,683	76,235,788
Accounts and notes receivable	(8)	190,479,640	183,365,791
Due from related parties	(23)	25,500	25,500
Prepayments and other receivables	(9)	17,588,289	10,768,894
Cash on hand and at banks	(10)	3,970,816	4,869,655
Total current assets		343,110,928	275,265,628
TOTAL ASSETS		632,698,987	567,114,609
EQUITY AND LIABILITIES			
Equity			
Issued and paid up capital	(14)	160,900,000	160,900,000
Legal reserve		4,379,996	3,892,252
Other reserves		278,952	278,952
Retained earnings		71,230,273	62,104,531
Profits for the year		26,908,976	9,613,486
Equity attributable to the holding company		263,698,197	236,789,221
Minority interest		(23)	37
Total equity		263,698,174	236,789,258
LIABILITIES			
Non-Current liabilities			
Long term loans	(16)	51,451,779	71,851,779
Deferred tax liability	(21)	20,912,459	21,096,660
Total Non-Current liabilities		72,364,238	92,948,439
Current liabilities			
Provisions	(11)	1,112,270	1,112,270
Credit facilities	(15)	191,523,654	178,036,216
Current portion of long term loans	(16)	20,400,000	18,000,000
Accounts and notes payable	(12)	44,596,206	18,854,947
Income taxes payable		8,070,458	1,284,232
Accrued expenses and other payables	(13)	30,933,987	20,089,247
Total current liabilities		296,636,575	237,376,912
TOTAL LIABILITIES		369,000,813	330,325,351
TOTAL LIABILITIES AND EQUITY		632,698,987	567,114,609

Chief Financial Officer
Mohamed Abo Amira

Managing Director
Amr Abdallah Morsy

The accompanying notes from (1) to (26) are an integral part of these consolidated financial statements.
Auditors' report attached.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For The Year Ended 31 December 2016**

	<u>Note</u>	<u>2016</u> EGP	<u>2015</u> EGP
Net sales		381,813,890	278,051,769
Other operating revenues		12,304,551	11,772,643
Cost of revenues		(220,726,429)	(173,583,599)
GROSS PROFIT		173,392,012	116,240,813
Selling and marketing expenses		(78,934,805)	(61,449,091)
General and administrative expenses		(18,425,110)	(15,914,287)
Finance expenses	(19)	(43,741,754)	(34,893,519)
Other income	(18)	1,749,243	5,764,567
Finance income	(20)	755,587	—
PROFITS FOR THE YEAR BEFORE INCOME TAXES		34,795,173	9,745,483
Income taxes	(21)	(7,886,257)	(132,024)
PROFITS FOR THE YEAR		<u>26,908,916</u>	<u>9,613,459</u>
Distributed as follows:			
Owners of parent company		26,908,976	9,613,486
Minority interest		(60)	(27)
PROFITS FOR THE YEAR		<u>26,908,916</u>	<u>9,613,459</u>

Chief Financial Officer
Mohamed Abo Amira

Managing Director
Amr Abdallah Morsy

The accompanying notes from (1) to (26) are an integral part of these consolidated financial statements.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Year Ended 31 December 2016**

	<u>2016</u>	<u>2015</u>
	<u>EGP</u>	<u>EGP</u>
Net profits for the year	26,908,916	9,613,459
Other comprehensive income	<u>—</u>	<u>—</u>
TOTAL COMPREHENSIVE INCOME	<u>26,908,916</u>	<u>9,613,459</u>
Distributed as follows:		
Owners of parent company	26,908,976	9,613,486
Minority interest	<u>(60)</u>	<u>(27)</u>
TOTAL COMPREHENSIVE INCOME	<u>26,908,916</u>	<u>9,613,459</u>

The accompanying notes from (1) to (26) are an integral part of these consolidated financial statements

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2016

	Capital	Legal reserve	Other reserves	Retained earnings	Profits for the year	Total equity of parent company	Minority interest	Total Equity
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Balance as of 1 January 2015 . .	160,900,000	3,380,843	278,952	52,567,986	10,047,954	227,175,735	64	227,175,799
Transferred to legal reserve and retained earnings	—	511,409	—	9,536,545	(10,047,954)	—	—	—
Profits for the year	—	—	—	—	9,613,486	9,613,486	(27)	9,613,459
Balance as of 31 December 2015	160,900,000	3,892,252	278,952	62,104,531	9,613,486	263,789,221	(37)	263,789,258
Transferred to legal reserve and retained earnings	—	487,744	—	9,125,742	(9,613,486)	—	—	—
Profits for the year	—	—	—	—	26,908,976	26,908,976	(60)	26,908,916
Balance as of 31 December 2016	160,900,000	4,379,996	278,952	71,230,273	26,908,976	263,698,197	(23)	263,698,174

The accompanying notes from (1) to (26) are an integral part of these consolidated financial statements.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2016

	<u>Note</u>	<u>2016</u> <u>EGP</u>	<u>2015</u> <u>EGP</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profits for the year before income taxes		34,795,173	9,745,483
Depreciation of fixed assets and intangible assets	(4),(6)	23,553,416	21,856,931
Impairment in the value of accounts receivable	(8)	600,000	—
Debit interests	(19)	43,141,754	34,856,349
Gain from sale of fixed assets	(4)	(5,619)	(51,098)
		102,084,724	66,407,665
Change in inventories	(7)	(54,810,895)	(18,412,977)
Change in accounts and notes receivable	(8)	(7,713,849)	2,635,015
Change in due from related parties	(23)	—	2,300,000
Change in prepayments and other receivables	(9)	(6,819,395)	11,534,680
Change in accounts and notes payable	(12)	25,741,259	(1,928,249)
Change in accrued expenses and other payables	(13)	10,844,738	370,545
Cash flows provided from operating activities		69,326,582	62,908,579
Provisions used	(11)	—	(436,331)
Debit interests paid		(43,141,754)	(34,856,349)
Income taxes paid	(19)	(1,284,231)	(2,212,958)
NET CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES		24,900,597	25,402,941
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to acquire fixed assets and assets under construction	(4),(5)	(15,268,526)	(15,487,212)
Proceeds from sale of fixed assets	(4)	8,500	51,499
Payments to acquire intangible assets	(6)	(6,026,848)	(2,295,308)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(21,286,874)	(17,740,021)
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in credit facilities	(15)	13,487,438	7,187,588
Change in long term loans	(16)	(18,000,000)	(13,273,221)
NET CASH FLOWS (USED IN) FINANCING ACTIVITIES		(4,512,562)	(6,085,633)
Net change in cash and cash equivalent during the year		(898,839)	1,577,287
Cash and cash equivalent—beginning of the year		4,869,655	3,292,368
CASH AND CASH EQUIVALENT—END OF THE YEAR	(10)	3,970,816	4,869,655

The accompanying notes from (1) to (26) are an integral part of these consolidated financial statements.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2016

1—BACKGROUND

Tenth of Ramadan for Pharmaceutical Industries and Diagnostic Reagents (Rameda) (S.A.E) was established under the provisions of Law No. 43 of 1974.

The Company was registered in the commercial registry under No.84008 on 15 January 1986.

The registered office is located at plot No. 5 Second Industrial Zone, 6th of October City—Giza—Egypt.

The purpose of the Company is:

- Producing, marketing, selling and storing pharmaceutical reagents for human and veterinary use.
- Producing, marketing, selling and storing diagnostic reagents necessary for individuals, laboratories and hospitals.
- Importing pharmaceutical reagents and raw materials necessary for serving the Company's purposes without trading.
- Producing pharmaceutical reagents for human, veterinary, and diagnostic use for others and with others.
- Producing food supplements for human use for others and by others.

Below is a brief background about the subsidiaries:

Rameda for Pharmaceuticals Trading Company

A subsidiary with a shareholding percentage of 99.92%, the principal activity of the Company is importing and exporting pharmaceutical reagents, production, registering of pharmaceutical reagents and production of pharmaceutical reagents, marketing consulting, commercial agencies and producing pharmaceutical reagents for human, veterinary, and diagnostic with others.

Ramecare Company

A subsidiary with a shareholding percentage of 49%, the principal activity of the Company is: registering of pharmaceutical reagents and production of pharmaceutical reagents, marketing consulting, commercial agencies and producing pharmaceutical reagents for human, veterinary, and diagnostic with others. It considered a subsidiary company because of Ramada's control over operational and financial policies.

Ramepharma Company

A subsidiary with a shareholding percentage of 49%, The principal activate of the Company is: registering of pharmaceutical reagents and production of pharmaceutical reagents, marketing consulting, commercial agencies and producing pharmaceutical reagents for human, veterinary, and diagnostic with others. It considered a subsidiary company because of Ramada's control over operational and financial policies.

2—CONSOLIDATION PROCEDURES

In preparing the consolidated financial statements, the financial statements of the parent company and its subsidiaries are combined by adding together like items of assets, liabilities, equity, income, and expenses in order that the consolidated financial statements present financial information about the group as that of a single economic entity.

The following steps are followed in preparing consolidated financial statements:

- a) The investment's book value of the holding company in each subsidiary is eliminated against the holding company's share in the equity of each subsidiary.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
31 DECEMBER 2016

2—CONSOLIDATION PROCEDURES (Continued)

- b) Identifying the non-controlling interest in the consolidated net profit/loss of the subsidiaries during the reported period as well as in the consolidated net assets of the subsidiaries.
- c) Eliminating the inter-company balances between the groups.
- d) Eliminating the inter-company transactions between the group including sales, expenses and dividends.
- e) Eliminating the inter-company profits / losses resulted from transactions between the group, which are recognized in the assets' value such as inventories and fixed assets.

3—SIGNIFICANT ACCOUNTING POLICIES

3-1 BASIS OF PREPARATION

The consolidated financial statements have been prepared under the going concern assumption on a historical cost basis.

The consolidated financial statements have been prepared and presented in Egyptian pounds, which is the Company's functional currency.

Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with the Egyptian accounting standards and the applicable laws and regulations.

The accounting policies adopted this year are consistent with those of the previous year except for the amendments required by the new Egyptian Accounting Standards issued during the year 2015 that are effective for the periods starting on or after January 1, 2016. Disclosed below are the most prominent amendments, which are applicable to the Company and the effects of this new amendment on the separate financial statements, if any.

EAS (1) revised Presentation of financial statements

The revised standard requires the Company to disclose all items of income and expenses that were recognized during the period in two separate statements, statement of profit or loss (statement of income) which disclose all items of income and expenses and statement of comprehensive income which starts with profit or loss and presents items of other comprehensive income (statement of comprehensive income).

It also requires an additional statement to the statement of financial position to disclose the balances as of the beginning of the first presented comparative period in case of retrospective implementation or change in an accounting policy or reclassification carried out by the Company.

The amended standard does not require the presentation of working capital.

The Company has prepared the statement of comprehensive income and presented the financial statements in accordance with the revised standard and there are no retrospective adjustments that requires presenting the statement of financial position, which include beginning balances of the first presented comparative period.

EAS (10) revised Fixed Assets and Depreciation

The revised standard has eliminated the option of using the revaluation model in the subsequent measurement of fixed assets.

The strategic (major) spare parts and stand-by equipment can be classified as fixed assets when the entity expects to use them for more than one period (when the definition of fixed assets applies thereto).

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
31 DECEMBER 2016

3—SIGNIFICANT ACCOUNTING POLICIES (Continued)

There is no impact for this amendment on the Company's financial statements

EAS (14) revised Borrowing Costs

The revised standard has eliminated previous benchmark treatment that recognised the borrowing cost directly attributable to the acquisition, construction or production of a qualifying asset in the statement of profit or loss. The revised standard requires capitalisation of this cost on qualifying assets.

There is no impact for this amendment on the Company's financial statements.

EAS (38) revised Employee Benefits

The revised standard requires immediate recognition for accumulated actuarial gains and losses in statement comprehensive income. Also, the recognition of past service cost as expense at the earlier of:

A) When plan amended or curtailed or,

B) When entity execute substantial restructure for its activities, hence the entity recognise related restructuring costs which comprise paying end of service benefits.

EAS (40) Financial Instruments “Disclosures”

A new EAS (40) Financial instruments “Disclosures” has been issued to include all the required disclosures relating to financial instruments.

The Company made the required disclosures in the financial statements.

EAS (41) Operating Segments

The EAS (33) Segment Reporting was superseded by EAS (41) Operating segment. Accordingly, segment reporting which should be disclosed and the required disclosures basically depends on the information about segment in the way that operating decision maker use. As described in note (3-3-25), the Company currently has only one major operating segment.

EAS (45) Fair Value Measurement:

The new EAS (45) Fair Value measurement has been issued; this standard is applied when other standard requires or permits to measure or disclose the fair value. This standard defines fair value and set the frame to measure fair value in one standard and determine the required disclosure for measurements of fair value.

The Company has made the required disclosures according to the standards.

3-2 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these financial statements requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, the accompanying disclosures and the disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
31 DECEMBER 2016

3—SIGNIFICANT ACCOUNTING POLICIES (Continued)

The key judgements and estimates that have a significant impact on the financial statement of the Company are discussed below:

3-2-1 Judgments

Revenue recognition for sale of goods

In making their judgment, management considered the detailed criteria for the recognition of revenue from the sale of goods as set out in "EAS 11 Revenue", and, in particular, whether the significant risks and rewards of ownership of the goods have passed to the buyer, which is usually upon the delivery of the goods and the issuance of an invoice

3-2-2 Estimates

Impairment of trade receivables and other receivables

An estimate of the collectible amount of trade and other receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimate is performed on an individual basis. Amounts which are not individually significant, but are past due, are assessed collectively and a provision is applied according to the length of time past due, based on historical recovery rates.

Useful lives of fixed assets

The Company's management determines the estimated useful lives of its fixed assets for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The management periodically reviews the estimated useful lives and the depreciation method to ensure that the method and the period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Taxes

The Company is subject to income taxes in Egypt. Significant judgment is required to determine the total provision for current and deferred taxes. The Company establishes provision, based on reasonable estimates, for possible consequences of audits by the tax authorities in Egypt. The amount of such provision is based on various factors, such as experience of previous tax audits and different interpretations of tax regulations by the Company and the responsible tax authority. Such differences of interpretations may be on a wide variety of issues depending on the conditions prevailing in Egypt.

Deferred tax assets are recognised for unused accumulated tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are under taken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
31 DECEMBER 2016

3—SIGNIFICANT ACCOUNTING POLICIES (Continued)

3-3 SUMMARY SIGNIFICANT ACCOUNTING POLICIES

3-3-1 Foreign currency translation

a—Transactions in foreign currencies

Transactions in foreign currencies are initially recorded using monthly fixed exchange rates that are revised in case there is a significant changes in exchange rate of any currency.

Monetary assets and liabilities denominated in foreign currencies are retranslated using the exchange rates prevailing at the financial position date. All differences are recognized in the statement of profit or loss.

Nonmonetary items that are measured at historical cost in foreign currencies are translated using the exchange rates prevailing at the date of the initial recognition.

Nonmonetary items measured at fair value in foreign currencies are translated using the exchange rates prevailing at the date when the fair value is determined.

3-3-2 Fixed assets

Fixed assets are stated at historical cost net of accumulated depreciation and accumulated impairment losses, Such cost includes the cost of replacing part of the fixed assets when that cost is incurred, if the recognition criteria are met, Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the fixed assets as a replacement if the recognition criteria are satisfied, All other repair and maintenance costs are recognized in statement of profit or loss as incurred.

Depreciation of an asset starts when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, and is computed using the straight-line method according to the estimated useful life of the asset as follows:

	<u>Years</u>
Buildings	33
Machinery and equipment	10
Transportation and dragging equipment	5-10
Laboratory equipment	10
Tools	10
Furniture and fixtures	4-10

Fixed assets are derecognized upon disposal or when no future economic benefits are expected from its use or disposal, any gain or loss arising on derecognizing of the asset is included in the statement of profit or loss when the asset is derecognized.

The assets residual values, useful lives and methods of depreciation are reviewed at each financial year-end.

The Company assesses at each financial position date whether there is an indication that fixed assets may be impaired, Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount, Impairment losses are recognized in the statement of profit or loss.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized, The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years, such reversal is recognized in the statement of profit or loss,

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
31 DECEMBER 2016

3—SIGNIFICANT ACCOUNTING POLICIES (Continued)

3-3-3 Assets under construction

Assets under construction represent the amounts that are incurred for the purpose of constructing or purchasing fixed assets until it is ready to be used in the operation, upon which it is transferred to fixed assets, Assets under construction are valued at cost less impairment.

3-3-4 Inventories

The inventory elements are valued as follows:

- a) **Raw and packing materials:** at the lower of cost (using the moving average method) or net realizable value.
- b) **Spare parts and supplies:** at the lower of actual cost or net realizable value.
- c) **Finished goods:** at the lower of the cost of production based on the costing sheets or net realizable value.
- d) **Work in process:** at the lower of cost or net realizable value. Cost includes direct material, direct labor and allocated share of manufacturing overheads based on the percentage of completion.

Cost includes direct material, direct labor and allocated share of manufacturing overhead and excludes borrowing cost.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The amount of any write down of inventories to net realizable value and all losses of inventories shall be recognized in cost of sales in the statement of profit or loss in the period the write down or loss occurs, The amount of any reversal of any write down of inventories, arising from an increase in net realizable value, shall be recognized as reduction of cost of sales in the statement of profit or loss in the period in which the reversal occurs.

3-3-5 Accounts and other receivables

Accounts and other receivables are stated at original invoice amount net of any impairment losses.

Impairment losses are measured as the difference between the accounts and other receivables carrying amount and the present value of estimated future cash flows and the impairment loss is recognized in the statement of profit or loss. Reversal of impairment is recognized in the statement of profit or loss in the period in which it occurs.

3-3-6 Accounts and notes payable, accrued expenses and other payables

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

3-3-7 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made, Provisions are reviewed at the financial position date and adjusted to reflect the current best estimate.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
31 DECEMBER 2016

3—SIGNIFICANT ACCOUNTING POLICIES (Continued)

Where the effect of the time value of money is material, the amount of a provision should be the present value of the expected expenditures required to settle the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

3-3-8 Social insurance

The Company makes contributions to the Social Insurance Authority calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

3-3-9 Employees benefits "Defined benefit plan"

The Company applies a contribution plan for the employees end-of-service benefits. The Company's liability for each period is determined based on the salaries at the end of each period. The liability is measured on an undiscounted basis.

3-3-10 Legal reserve

According to the Company's articles of association, 5% of the net profits of the year is transferred to the legal reserve until this reserve reaches 50% of the issued capital, the reserve is used upon a decision from the general assembly meeting based on the proposal of the board of directors.

3-3-11 Borrowings

Borrowings are initially recognized at the value of the consideration received, Amounts maturing within one year are classified as current liabilities, unless the Company has the right to postpone the settlement for a period exceeding one year after the financial position date, then the loan balance should be classified as long-term liabilities.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account, any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate, and the effective interest rate amortization is included in finance cost in the profit or loss statement.

3-3-12 Income taxes

Income taxes are calculated under the Egyptian law and regulations.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority.

Deferred income tax

Deferred income tax is recognized using the liability method on temporary differences between the amount attributed to an asset or liability for tax purposes (tax base) and its carrying amount in the statement of financial position (accounting base) using the applicable tax rate.

Deferred tax asset is recognized when it is probable that the asset can be utilized to reduce future taxable profits and the asset is reduced by the portion that will not create future benefit.

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3—SIGNIFICANT ACCOUNTING POLICIES (Continued)

Current and deferred tax shall be recognized as income or an expense and included in the statement of profit or loss for the period, except to the extent that the tax arises from a transaction or event which is recognized, in the same or a different period, directly in equity.

3-3-13 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognized:

- **Sale of goods**

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

- **Rendering of services**

Revenue from manufacturing medical reagents for others is recognized upon the completion of the manufacturing process and internal tests.

- **Interest Income**

Interest income is recognized when interest is earned using the effective yield method. The effective interest rate is the rate that is used to discount future cash payments that are expected to be paid or collected over the life expectancy of the financial instrument or a shorter period of time if appropriate to fully match the carrying amount of a financial asset or financial liability.

- **Dividends**

Revenue is recognized when the Company's right to receive the dividends is established.

3-3-14 Expenses

All expenses including operating expenses, general and administrative expenses and other expenses are recognized and charged to the statement of profit or loss in the financial year in which these expenses were incurred.

3-3-15 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets, all other borrowing costs are expensed in the period they occur, borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3-3-16 Leases

Lease contracts are classified as operating lease in accordance with the Egyptian laws and regulations where the lease payments are recognized as an expense on a straight line basis over the lease term

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3—SIGNIFICANT ACCOUNTING POLICIES (Continued)

3-3-17 Related party transactions

Related parties represent associated companies, major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the boards of directors.

3-3-18 Contingent Liabilities and Assets

Contingent liabilities are not recognized in the separate financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the separate financial statements but disclosed when an inflow of economic benefits is probable.

3-3-19 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For assets traded in an active market, fair value is determined by reference to quoted market bid prices.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

For unquoted assets, fair value is determined by reference to the market value of a similar asset or is based on the expected discounted cash flows.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the separate financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1—Fair value measurements are those derived from quoted prices in an active market (that are unadjusted) for identical assets or liabilities.
- Level 2—Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3—Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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3—SIGNIFICANT ACCOUNTING POLICIES (Continued)

For assets and liabilities that are recognised in the separate financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3-3-20 Impairment

Impairment of financial assets

The Company assesses at each financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired, a financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Impairment of non-financial assets

The Company assesses at each financial position date whether there is an indication that an asset may be impaired, where the carrying amount of an asset or cash-generating unit's (CGU) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount, impairment losses are recognized in the statement of profit or loss.

A previously recognized impairment loss is only reversed if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized, The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

3-3-21 Statement of cash flows

The statement of cash flows is prepared using the indirect method.

3-3-22 Cash and cash equivalent

For the purpose of preparing the cash flow statement, the cash and cash equivalent comprise cash on hand, current accounts at banks and time deposits maturing within three months.

3-3-23 SEGMENT INFORMATION

Currently the Company's main business segment is the production, marketing, selling and storing of pharmaceutical products. The Company's revenues during the year ended 31 December 2016 were reported under one segment in the financial statements.

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4—FIXED ASSETS

	Land	Buildings	Machinery and equipment	Transportation and dragging equipment	Laboratory equipment	Tools	Furniture and fixtures	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost								
As of 1 January 2016	18,637,425	167,970,846	128,302,650	10,560,555	11,250,755	1,432,341	13,677,829	351,832,401
Transferred from assets under construction	—	—	1,205,281	—	—	—	—	1,205,281
Additions	—	901,338	3,740,755	384,555	1,329,413	18,520	1,182,475	7,557,056
Disposals	—	—	—	—	—	—	(26,311)	(26,311)
As of 31 December 2016	<u>18,637,425</u>	<u>168,872,184</u>	<u>133,248,686</u>	<u>10,945,110</u>	<u>12,580,168</u>	<u>1,450,861</u>	<u>14,833,993</u>	<u>360,568,427</u>
As of 1 January 2016	—	(29,337,143)	(55,143,128)	(7,058,050)	(4,086,000)	(735,378)	(8,796,629)	(105,156,328)
Depreciation for the year	—	(4,879,564)	(11,991,104)	(1,282,939)	(1,021,436)	(91,634)	(1,935,901)	(21,202,578)
Disposals	—	—	—	—	—	—	23,430	23,430
As of 31 December 2016	<u>—</u>	<u>(34,216,707)</u>	<u>(67,134,232)</u>	<u>(8,340,989)</u>	<u>(5,107,436)</u>	<u>(827,012)</u>	<u>(10,709,100)</u>	<u>(126,335,476)</u>
Net book value as of 31 December 2016	<u>18,637,425</u>	<u>134,655,477</u>	<u>66,114,454</u>	<u>2,604,121</u>	<u>7,472,732</u>	<u>623,849</u>	<u>4,124,893</u>	<u>234,232,951</u>
31 December 2015	18,637,425	138,633,703	73,159,522	3,502,505	7,164,755	696,963	4,881,200	246,676,073

- There is a commercial mortgage on machinery and equipment as well as a possession mortgage on some means of transport in favor of the Commercial International Bank as a guarantee for the loans granted to the company (note 16).
- The cost of fixed assets as of 31 December 2016 includes EGP 13,115,636, which represents fully depreciated assets that are still in use.
- Depreciation for the year was allocated to the statement of profit or loss as follows

	2016 EGP
Cost of sales and services	18,809,460
Selling and distribution expenses	515,233
General and administrative expenses	1,877,885
	<u>21,202,578</u>

- Gain from sale of fixed assets was calculated as follows :

	2016 EGP
Cost of disposed assets	(26,311)
Accumulated depreciation of disposed assets	23,430
Net book value of disposed assets	(2,881)
Proceeds from sale of fixed assets	8,500
Gain from sale of fixed assets	<u>5,619</u>

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4—FIXED ASSETS (Continued)

	Land	Buildings	Machinery and equipment	Transportation and dragging equipment	Laboratory equipment	Tools	Furniture and fixtures	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost								
As of 1 January 2015	18,637,425	162,427,514	122,701,065	10,596,053	10,541,120	1,417,986	12,920,324	339,241,487
Additions	—	5,543,332	5,601,585	54,042	709,635	14,355	766,205	12,689,154
Disposals	—	—	—	(89,540)	—	—	(8,700)	(98,240)
As of 31 December 2015 . .	<u>18,637,425</u>	<u>167,970,846</u>	<u>128,302,650</u>	<u>10,560,555</u>	<u>11,250,755</u>	<u>1,432,341</u>	<u>13,677,829</u>	<u>351,832,401</u>
As of 1 January 2015	—	(24,566,836)	(43,920,175)	(5,651,284)	(3,189,252)	(644,480)	(6,913,018)	(84,885,045)
Depreciation for the year . .	—	(4,770,307)	(11,222,953)	(1,496,307)	(896,748)	(90,898)	(1,891,909)	(20,369,122)
Disposals	—	—	—	89,541	—	—	8,298	97,839
As of 31 December 2015 . .	—	(29,337,143)	(55,143,128)	(7,058,050)	(4,086,000)	(735,378)	(8,796,629)	(105,156,328)
Net book value as of								
31 December 2015	<u>18,637,425</u>	<u>138,633,703</u>	<u>73,159,522</u>	<u>3,502,505</u>	<u>7,164,755</u>	<u>696,963</u>	<u>4,881,200</u>	<u>246,676,073</u>
31 December 2014	<u>18,637,425</u>	<u>137,860,678</u>	<u>78,780,890</u>	<u>4,944,769</u>	<u>7,351,868</u>	<u>773,506</u>	<u>6,007,306</u>	<u>254,356,442</u>

- There is a commercial mortgage on machinery and equipment as well as a security deposit on some means of transport in favor of the Commercial International Bank as a guarantee for loans granted to the Company (note 17).
- The cost of fixed assets as at 31 December 2015 includes EGP 5,001,660, which represents fully depreciated assets that are still in use.
- Depreciation for the year was allocated to the statement of profit or loss as follows:

	2015
	EGP
Cost of sales and services	17,973,811
Selling and distribution expenses	522,663
General and administrative expenses	1,872,648
	<u>20,369,122</u>

- Gain from sale of fixed assets was calculated as follows :

	2015
	EGP
Accumulated Disposals of Fixed Assets	(8,700)
Accumulated depreciation of Disposals Fixed Assets	8,298
Net book value of Disposals Fixed Assets	<u>(402)</u>
Proceeds from sale of fixed assets	51,500
Gains on sale of fixed assets	<u>51,098</u>

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5—ASSETS UNDER CONSTRUCTION

	<u>2016</u>	<u>2015</u>
	EGP	EGP
Service machinery and production facilities infra structure	10,466,023	1,739,180
Laboratory equipment	44,351	44,351
Buildings and furniture	316,334	—
Pharmaceutical products	350,000	2,895,988
	<u>11,185,708</u>	<u>4,679,519</u>
Impairment in the value of assets under construction	<u>(1,048,059)</u>	<u>(1,048,059)</u>
	<u>10,137,649</u>	<u>3,631,460</u>

Movement in the assets under construction during the year 31 December 2016 is as follows:

	<u>2016</u>	<u>2015</u>
	EGP	EGP
Beginning balance	4,670,519	19,583,816
Additions during the year	15,518,387	2,798,058
Transferred during the year	<u>(9,362,198)</u>	<u>(17,711,355)</u>
Ending balance	<u>10,826,708</u>	<u>4,670,519</u>

6—INTANGIBLE ASSETS

	<u>2016</u>	<u>2015</u>
	EGP	EGP
Cost at 1 January	45,329,257	25,322,594
Additions	6,026,849	2,295,308
Transferred from assets under construction	—	17,711,355
Total cost 31 December	51,356,106	45,329,257
Accumulated amortization at 1 January	(3,787,809)	(2,300,000)
Amortization for the year	<u>(2,350,838)</u>	<u>(1,487,809)</u>
Accumulated amortization at 31 December	<u>(6,138,647)</u>	<u>(3,787,809)</u>
Net book value	<u>45,217,459</u>	<u>41,541,448</u>

- The balance of the intangible assets represents the value of the trademarks relating to pharmaceutical products that were acquired and is amortized using the straight-line method over the useful life (20 years).

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7—INVENTORIES

	2016	2015
	EGP	EGP
Raw materials	35,554,977	21,372,775
Packing and packaging materials	14,172,882	12,346,376
Spare parts	4,460,492	6,243,890
Finished goods	55,598,754	23,173,478
Work in progress	8,114,745	7,826,329
Goods in transit	10,852,577	1,689,915
Inventory with others	3,870,331	4,197,757
	<u>132,624,758</u>	<u>76,850,520</u>
Write down in value of inventories	<u>(1,578,075)</u>	<u>(614,732)</u>
	<u><u>131,046,683</u></u>	<u><u>76,235,788</u></u>

Movement in the write down in value of inventories is as follows:

	2016	2015
	EGP	EGP
Beginning balance	(614,732)	(978,075)
Charged during the year	(963,343)	—
Reversal of write down in value of inventories	—	363,343
Ending balance	<u>(1,578,075)</u>	<u>(614,732)</u>

8—ACCOUNTS AND NOTES RECEIVABLE

	2016	2015
	EGP	EGP
Accounts receivable	49,384,036	57,199,374
Accounts receivable—operating for others	3,476,608	1,512,871
Accounts receivable—warehouse rent	31,109	74,854
Notes receivable	138,311,792	124,702,597
	<u>191,203,545</u>	<u>183,489,696</u>
Impairment in the value of accounts receivable	<u>(723,905)</u>	<u>(123,905)</u>
	<u><u>190,479,640</u></u>	<u><u>183,365,791</u></u>

At 31 December 2016 and 31 December 2015, the ageing analysis of accounts receivables is as follows:

		Neither impaired nor past due			Past due but not impaired
		Less than 60 days	From 60 to 120 days	From 121 to 365 days	More than 365 days
		EGP	EGP	EGP	EGP
2016	Accounts and notes receivable	191,203,545	86,510,059	82,497,431	21,320,752
2015	Accounts and notes receivable	183,489,696	102,511,150	40,939,115	38,381,732
					1,657,699

As at 31 December 2016, accounts and notes receivables impairment amounted to EGP 723,905. (Impairment of 2015: EGP 123,905)

Refer to (note 24 a) on credit risks of trade receivables, which discusses how the Company manages and measures credit quality of trade receivables that are past due nor impaired.

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8—ACCOUNTS AND NOTES RECEIVABLE (Continued)

Movement in the impairment of accounts and notes receivable is as follows:

	<u>2016</u>	<u>2015</u>
	EGP	EGP
Beginning balance	(123,905)	(123,905)
Charged during the year	(600,000)	—
Ending balance	<u>(723,905)</u>	<u>(123,905)</u>

9—PREPAYMENTS AND OTHER RECEIVABLES

	<u>2016</u>	<u>2015</u>
	EGP	EGP
Prepaid expenses	719,301	298,008
Advances to suppliers	7,794,929	3,103,101
Accrued revenues	63,722	63,722
Tax authority	4,624,489	3,614,996
Letters of credit	1,189,733	1,211,205
Deposits with others	1,207,461	474,721
Employees' imprests and advances	1,286,765	1,806,959
Other receivables	701,889	196,182
	<u>17,588,289</u>	<u>10,768,894</u>
	<u>2015</u>	<u>2016</u>
	EGP	EGP
Amounts recoverable within 12 months	13,965,210	7,756,834
Amounts recoverable after 12 months	3,623,079	3,012,060
	<u>17,588,289</u>	<u>10,768,894</u>

10—CASH ON HAND AND AT BANKS

	<u>2016</u>	<u>2015</u>
	EGP	EGP
A, Egyptian Pound		
Cash on hand	25,625	19,982
Current accounts	770,173	4,468,010
	<u>795,798</u>	<u>4,487,992</u>
B, Foreign currency		
Current accounts	3,175,018	381,663
	<u>3,175,018</u>	<u>381,663</u>
	<u>3,970,816</u>	<u>4,869,655</u>

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10—CASH ON HAND AND AT BANKS (Continued)

Cash balances consist of the following currencies:

	<u>2016</u>	<u>2015</u>
	EGP	EGP
Egyptian pound	795,798	4,487,992
USA dollar	3,174,867	381,158
Euro	151	505
	<u>3,970,816</u>	<u>4,869,655</u>

11—PROVISIONS

	<u>Balance as of 1/1/2016</u>	<u>Charged during the year</u>	<u>Used during the year</u>	<u>Balance as of 31/12/ 2016</u>
	EGP	EGP	EGP	EGP
Provision for expected claims	1,112,270	—	—	1,112,270
	<u>1,112,270</u>	<u>—</u>	<u>—</u>	<u>1,112,270</u>

12—ACCOUNTS AND NOTES PAYABLE

	<u>2016</u>	<u>2015</u>
	EGP	EGP
Accounts payable	25,381,642	9,824,131
Notes payable	19,214,564	9,030,816
	<u>44,596,206</u>	<u>18,854,947</u>

13—ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	<u>2016</u>	<u>2015</u>
	EGP	EGP
Accrued expenses	17,018,357	8,716,910
Tax authority	11,972,729	9,248,997
Social insurance authority	496,670	531,882
Other payables	1,446,231	1,591,458
	<u>30,933,987</u>	<u>20,089,247</u>

Trade payables, accrued expenses and other credit balances are non-interest bearing and for explanations on the Company's liquidity risk management process, refer to (Note 24c).

14—CAPITAL

The Company's authorized capital amounts to EGP 200 million, whereas the issued and paid up capital amounts to EGP 120 million divided over 120000 shares of par value EGP 1,000 each,

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14—CAPITAL (Continued)

The extra ordinary general assembly meeting held on 2 May 2011 decided to increase the Company's authorized capital to EGP 1 billion and to increase the issued and paid up capital to EGP 160,900,000 divided over 160900 shares of par value EGP 1,000 each as follows:

	%	No, of shares	Amount EGP
Greville Investing Limited	99.98	160898	160,898,000
Mr. Ayman Mamdouh Fathy Abaas	0.01	1	1,000
Eng. Shamel FaheemAboulFadl	0.01	1	1,000
	<u>100</u>	<u>160900</u>	<u>160,900,000</u>

15—CREDIT FACILITIES

Movement in the credit facilities during the year ended at 31 December is as follows:

	2016 EGP	2015 EGP
Balance at the beginning of the year	178,036,217	170,848,628
Net change during the year	13,487,437	7,187,588
Balance at Ending of the year	<u>191,523,654</u>	<u>178,036,216</u>

	2016 EGP	2015 EGP
Maturing within 12 months	191,523,654	178,036,216
Maturing after 12 months	—	—
	<u>191,523,654</u>	<u>178,036,216</u>

The interest rate of the credit facilities ranges from 15% to 15.75%.

16—LONG TERM LOANS

A— During the year 2011, the Company obtained a loan from Commercial International Bank (CIB) amounting to EGP 18 million with an annual interest rate of 2.75% over the corridor rate repayable over 14 quarterly instalments starting from 31 March 2012 till 30 June 2015.

B— During the year 2011, the Company obtained a loan from Commercial International Bank (CIB) amounting to EGP 29 million with an annual interest rate of 2.75% over the corridor rate repayable over 20 quarterly instalments starting from 31 January 2013 till 31 October 2017.

C— During the year 2012, the Company obtained a loan from Commercial International Bank (CIB) amounting to EGP 40 million with an annual interest rate of 3% over the corridor rate repayable over 19 quarterly instalments starting from 28 February 2012 till 31 August 2016.

D— During the year 2013, the Company obtained a loan from Commercial International Bank (CIB) amounting to EGP 29,250,000 with an annual interest rate of 2.6% over the corridor rate repayable over 14 quarterly instalments starting from 31 January 2014 till 30 April 2017.

E— During the year 2014, the Company obtained a loan from Commercial International Bank (CIB) amounting to EGP 25 million with an annual interest rate of 2.6% over the corridor rate repayable over 16 quarterly instalments starting from 1 February 2016 till 1 November 2019.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
31 DECEMBER 2016

16—LONG TERM LOANS (Continued)

The Company obtained those loans against a commercial mortgage over all the Company's physical and moral constituents (note 3) as well as a possession mortgage over some means of transport in favor of Commercial International Bank (CIB).

During 2015, the Company reached an agreement with the Commercial International Bank to merge all the loans granted to the Company amounting EGP 94,853,000 as of July 2015 in a long-term loan maturing over 52 monthly in statements, with an annual interest rate of 2.25% over the corridor rate.

The balance of the long-term loan amounted to EGP 71,851,779 as of 31 December 2016 as follows:

	31 December 2016			31 December 2015		
	Long term EGP	Current EGP	Total EGP	Long term EGP	Current EGP	Total EGP
Commercial International						
Bank loans	<u>51,451,779</u>	<u>20,400,000</u>	<u>71,851,779</u>	<u>71,851,779</u>	<u>18,000,000</u>	<u>89,851,779</u>
	<u>51,451,779</u>	<u>20,400,000</u>	<u>71,851,779</u>	<u>71,851,779</u>	<u>18,000,000</u>	<u>89,851,779</u>

17—CAPITAL COMMITMENTS

The balance of the Company's contractual capital commitments as of 31 December 2016 amounted to EGP 729,481. (31 December 2015: Nil).

18—OTHER INCOME

	2016 EGP	2015 EGP
Gain from sale of fixed assets	<u>5,619</u>	51,098
Other income	<u>1,761,624</u>	<u>5,728,469</u>
	<u>1,767,243</u>	<u>5,779,567</u>

19—FINANCINE EXPENSES

	2015 EGP	2016 EGP
Debit interests	<u>(43,141,754)</u>	(34,856,349)
Impairment in value of accounts receivable	<u>(600,000)</u>	—
Net foreign exchange loss	—	(37,170)
	<u>(43,741,754)</u>	<u>(34,893,519)</u>

20—FINANCE INCOME

	2015 EGP	2016 EGP
Net foreign exchange gain	<u>755,587</u>	—
	<u>755,587</u>	—

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
31 DECEMBER 2016

21—INCOME TAXES

	<u>2016</u>	<u>2015</u>
	<u>EGP</u>	<u>EGP</u>
Current income tax	(8,070,458)	(1,284,231)
Deferred income tax	184,201	1,152,207
Income tax expense	<u>(7,886,257)</u>	<u>(132,024)</u>

DEFERED INCOME TAXES

	<u>Statement of financial position</u>		<u>Statement of profit or loss</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Depreciation of fixed assets	(21,510,658)	(21,513,114)	2,457	2,177,345
Provisions	768,206	416,454	351,751	(246,191)
Carry forward tax losses	—	—	—	(778, 947)
Unrealized foreign exchange gain	(170,007)	—	(170,007)	—
Net deferred income taxes	<u>(20,912,459)</u>	<u>(21,096,660)</u>	<u>(184,201)</u>	<u>(1,152,207)</u>

22—TAX SITUATION

1. Tenth of Ramedan for pharmaceutical industries and diagnostic reagents (Rameda)

a) Corporate taxes

- The Company's records were inspected till the year 2005 and the taxes due were paid.
- The Company's records were inspected for the year 2006. The Company objected on the assessment and the issue is currently in the internal committee.
- The Company's records were inspected for the years from 2007 till 2009 and the taxes due were paid.
- The Company's records were inspected for the year from 2010 till 2013 on a deemed profit basis. The Company objected on the assessment and the records will be re-inspected on an actual basis.
- No tax inspection took place for the Company's records for the years 2014 and 2015.

b) Salary Taxes

- The Company's records were inspected till the year 2012 and the taxes due were paid.
- No tax inspection took place for the Company's records for the years from 2013 till 2015.

C) Stamp Duty Taxes

- The Company's records were inspected till 31 July 2006 and the taxes due were paid.
- The Company's records were inspected for the period from 1 August 2006 till 31 December 2010. The Company objected on the assessment and the issue is currently in the Internal committee.
- The Company's records were inspected for the years from 2011 till 2014 on a deemed profit basis. The Company objected on the assessment and requested re-inspection on an actual basis.
- No tax inspection took place for the Company's records for the year 2015.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
31 DECEMBER 2016

22—TAX SITUATION (Continued)

D) Sales taxes

- The Company's records were inspected till the year 2014 and the taxes due were paid.
- No inspection took place for the Company's records for the year 2015.

2 Rameda for pharmaceutical trading company

- No tax inspection took place for the Company's records.

3 Ramecare company

- No tax inspection took place for the Company's records.

4 Rampharma company

- No tax inspection took place for the Company's records.

23—RELATED PARTY DISCLOSURES

For the purpose of these financial statements, parties are considered to be related to the Company, if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related party transactions

During the year, the following were the significant related party transactions, which were carried out in the normal course of business on terms agreed between the parties:

2016 / EGP Shareholders			2015 / EGP Shareholders		
Ms. Eman Mohamed Hegazy	Ms. Eman Wahed Elzomar	Compas capital	Ms. Eman Mohamed Hegazy	Ms. Eman Wahed Elzomar	Compas capital
—	—	—	—	—	2,300,000

The above transaction resulted in the below balances:

	2016		2015	
	Due from related parties	Due to related parties	Due from related parties	Due to related parties
	EGP	EGP	EGP	EGP
Ms. Eman Mohamed Hegazy	12,750	—	12,750	—
Ms. Eman Wahed Elzomar	12,750	—	12,750	—
	<u>25,500</u>	<u>—</u>	<u>25,500</u>	<u>—</u>

24—FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

The Company has exposure to the following risks from its use of financial instruments:

- a) Credit risk,
- b) Market risk, and

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
31 DECEMBER 2016

24—FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

c) Liquidity risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The board of directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's senior management are responsible for developing and monitoring the risk management policies and report regularly to the board of directors on their activities.

The Company's current financial risk management framework is a combination of formally documented risk management policies in certain areas and informal risk management policies in other areas.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk principally from its receivables from customers and notes receivables, other receivables and from its financing activities, including deposits with banks and financial institutions.

Trade and notes receivables

The customer credit risk is established by the Company's policies, procedures and controls relating to customer credit risk management. Credit quality of a customer is assessed based on extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored. An impairment analysis is performed at each reporting date on an individual bases.

Other financial assets and cash deposits

With respect to credit risk arising from the other financial assets of the Company at amortised cost, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these assets

Credit risk from balances with banks and financial institutions is managed by local Company's treasury. The Company limits its exposure to credit risk by only placing balances with international banks and local banks of good reputation. Given the profile of its bankers, management does not expect any counterparty to fail to meet its obligations.

Due from related parties

Due from related parties are with minimal credit risk, with a maximum exposure equal to the carrying amount of these balances.

b) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as currency risk and interest rate risk, which will affect the Company's income. Financial instruments affected by market risk include interest-bearing loans and borrowings and deposits. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Company does not hold or issue derivative financial instruments.

Exposure to interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
31 DECEMBER 2016

24—FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

rates relates primarily to the Company's obligations with floating interest rates and interest-bearing time deposits.

Interest rates on interest-rate financial instruments are repriced from one period to another but the period of time is not more than one year.

c) Liquidity risk

The cash flows, funding requirements and liquidity of the Company are monitored by Company's management. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. The Company manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Company currently has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations.

25—FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments consist of financial assets and financial liabilities. The Company's financial assets include cash on hands and at banks, accounts and notes receivable, due from related parties and other receivables. The Company's financial liabilities include credit facilities, long-term loans, accounts and notes payable, income taxes payable, accrued expenses and other payables.

The fair values of financial assets and liabilities are not materially different from their carrying values unless otherwise stated.

26—COMPARATIVE FIGURES

Certain comparative figures for the year 2015 have been reclassified to conform to the current period presentation

**TENTH OF RAMADAN FOR PHARMACEUTICAL
INDUSTRIES AND DIAGNOSTIC REAGENTS
(RAMEDA) (S.A.E) CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019
TOGETHER WITH AUDITOR'S REPORT**

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**

Consolidated Financial Statements

For the six-months period ended 30 June 2019

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AUDITOR'S REPORT

TO THE SHAREHOLDERS OF TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E) (the "Parent Company") and its subsidiaries (together the "Group")**, represented in the consolidated statement of financial position as at 30 June 2019, and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six—months period then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

These consolidated financial statements are the responsibility of the Parent Company's Management, as Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Egyptian Accounting Standards and applicable Egyptian laws. Management responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. This responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Egyptian Standards on Auditing and applicable Egyptian laws. Those standards require that we comply with ethical requirements, plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on these consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the "Group", as at 30 June 2019, and its consolidated financial performance and consolidated cash flows for the six—months period then ended in accordance with the Egyptian Accounting Standards and the related applicable Egyptian laws and regulations.

Ehab Morad Azer
FESAA—FEST
(RAA 6537)
(EFSA 87)

Cairo: 28 August 2019

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 JUNE 2019

	<u>Notes</u>	<u>June 2019</u> EGP	<u>December 2018</u> EGP
ASSETS			
Non-current assets			
Fixed assets	(5)	303,780,923	219,883,705
Assets under construction	(6)	156,290,651	213,050,197
Intangible assets	(7)	106,324,087	100,595,583
Total non-current assets		566,395,661	533,529,485
Current assets			
Inventories	(8)	275,898,676	278,142,318
Trade and notes receivable	(9)	382,073,438	366,108,974
Due from related parties	(29)	13,491,725	25,500
Prepayments and other receivables	(10)	31,224,974	39,658,131
Cash on hand and at banks	(11)	6,571,514	4,298,991
Total current assets		709,260,327	688,233,914
TOTAL ASSETS		1,275,655,988	1,221,763,399
EQUITY AND LIABILITIES			
Equity			
Paid Up Capital	(15)	160,900,000	160,900,000
Legal reserve		16,649,610	10,213,168
Other reserves		278,952	278,952
Retained earnings		294,570,762	171,985,931
Profits for the period/ year		20,961,625	129,021,273
Total equity of Parent Company		493,360,949	472,399,324
Non-controlling interest		(529,137)	(238,934)
Total equity		492,831,812	472,160,390
LIABILITIES			
Non-current liabilities			
Non-current portion of long term loans	(17)	45,951,248	—
Deferred tax liabilities	(26)	20,364,798	20,235,766
Total non-current liabilities		66,316,046	20,235,766
Current liabilities			
Provisions	(12)	11,767,139	7,556,954
Credit facilities and Bank credit	(16)	489,598,157	424,657,282
Current portion of long term loans	(17)	87,972,000	153,991,022
Trade and notes payable	(13)	66,092,794	58,407,086
Due to related parties	(29)	1,252,568	8,148
Income taxes payable		7,234,107	39,002,081
Accrued expenses and other payables	(14)	52,591,365	45,744,670
Total current liabilities		716,508,130	729,367,243
TOTAL LIABILITIES		782,824,176	749,603,009
TOTAL LIABILITIES AND EQUITY		1,275,655,988	1,221,763,399

Finance Director
Mohamed Abo Amira

Board Member
Amr Abdallah Morsy

The accompanying notes from (1) to (34) are an integral part of these consolidated financial statements.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six-months period ended 30 June 2019**

	Notes	June 2019 EGP	June 2018 EGP
Revenues	(20)	383,872,098	375,293,558
Cost of revenues	(21)	(213,359,812)	(187,352,253)
GROSS PROFIT		170,512,286	187,941,305
Selling and marketing expenses	(22)	(70,433,894)	(59,499,282)
General and administrative expenses	(23)	(17,948,821)	(12,111,208)
Other income	(24)	2,322,715	2,006,189
Impairment of trade and notes receivable		(787,944)	(1,394,654)
Provisions	(12)	(3,768,059)	(1,600,000)
Finance expenses	(25)	(50,603,507)	(38,742,265)
Net foreign exchange gain/(loss)		(1,258,216)	1,215,544
PROFITS FOR THE PERIOD BEFORE INCOME TAXES		28,034,560	77,815,629
Income taxes	(26)	(7,363,138)	(17,985,603)
PROFITS FOR THE PERIOD		20,671,422	59,830,026
Attributable to:			
Equity holders of the Parent Company		20,961,625	59,726,318
Non-controlling interests		(290,203)	103,708
		20,671,422	59,830,026
Earnings per share			
Basic and diluted, profit for the period attributable to equity holders of the Parent Company	(27)	0.0326	0.0928

Finance Director
Mohamed Abo Amira

Board Member
Amr Abdallah Morsy

The accompanying notes from (1) to (34) are an integral part of these consolidated financial statements.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six-months period ended 30 June 2019**

	<u>June 2019</u>	<u>June 2018</u>
	EGP	EGP
PROFITS FOR THE PERIOD	20,671,422	59,830,026
OTHER COMPREHENSIVE INCOME	—	—
TOTAL COMPREHENSIVE INCOME	<u>20,671,422</u>	<u>59,830,026</u>
Attributable to		
Equity holders of the Parent Company	20,961,625	59,726,318
Non-controlling interest	(290,203)	103,708
	<u>20,671,422</u>	<u>59,830,026</u>

The accompanying notes from (1) to (34) are an integral part of these consolidated financial statements.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-months period ended 30 JUNE 2019

	Paid up Capital	Legal reserve	Other reserves	Retained earnings	Profit for the period	Total equity of the Parent Company	Non- controlling interest	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Balance as at 1 January								
2018	160,900,000	5,738,185	278,952	91,542,599	89,448,815	347,908,551	(57)	347,908,494
Transferred to legal reserve								
and retained earnings . . .	—	4,474,983	—	84,973,832	(89,448,815)	—	—	—
Dividends (Note 15)	—	—	—	(4,530,500)	—	(4,530,500)	—	(4,530,500)
Profits for the period	—	—	—	—	59,726,318	59,726,318	103,708	59,830,026
Balance as at 30 June 2018 .	<u>160,900,000</u>	<u>10,213,168</u>	<u>278,952</u>	<u>171,985,931</u>	<u>59,726,318</u>	<u>403,104,369</u>	<u>103,651</u>	<u>403,208,020</u>
Balance as at 1 January								
2019	160,900,000	10,213,168	278,952	171,985,931	129,021,273	472,399,324	(238,934)	472,160,390
Transferred to legal reserve								
and retained earnings . . .	—	6,436,442	—	122,584,831	(129,021,273)	—	—	—
Profits for the period	—	—	—	—	20,961,625	20,961,625	(290,203)	20,671,422
Balance as at 30 June 2019 .	<u>160,900,000</u>	<u>16,649,610</u>	<u>278,952</u>	<u>294,570,762</u>	<u>20,961,625</u>	<u>493,360,949</u>	<u>(529,137)</u>	<u>492,831,812</u>

The accompanying notes from (1) to (34) are an integral part of these consolidated financial statements.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the six-months period ended 30 June 2019**

	Notes	June 2019 EGP	June 2018 EGP
CASH FLOWS FROM OPERATING ACTIVITIES			
Profits for the period before income taxes		28,034,560	77,815,629
Adjustments to reconcile profit before tax to net cash flow:			
Net foreign exchange differences		1,258,216	(1,362,872)
Depreciation and amortization	(5,7)	15,406,043	12,195,754
Provisions charged	(12)	4,210,185	5,032,500
Reversal of impairment of assets under construction		—	(361,622)
Impairment of trade and notes receivable	(9)	787,944	1,394,654
Write down of inventory		5,052,488	—
Finance expenses	(25)	50,603,507	38,742,265
Gain from sale of fixed assets	(5)	(3,199)	(15,736)
		<u>105,349,744</u>	<u>133,440,572</u>
Change in inventories		(2,808,846)	(78,218,946)
Change in trade and notes receivable		(16,752,408)	(16,732,396)
Change in prepayments and other receivables		8,433,157	(56,254,343)
Change in Due to Related Parties		1,244,420	—
Change in trade and notes payable		7,685,708	13,585,251
Change in accrued expenses and other payables		1,306,695	5,251,285
Cash flows provided from operating activities		<u>104,458,470</u>	<u>1,071,423</u>
Finance expenses paid		(45,063,507)	(36,742,265)
Provisions used	(12)	—	(140,448)
Income taxes paid		(39,002,081)	(22,679,670)
NET CASH FLOWS PROVIDED FROM (USED IN) OPERATING ACTIVITIES		<u>20,392,882</u>	<u>(58,490,960)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to acquire fixed assets	(5)	(5,744,078)	(7,774,478)
Payments to acquire assets under construction	(6)	(34,516,593)	(24,383,742)
Payments to acquire intangible assets	(7)	(8,012,499)	—
Proceeds from sale of fixed assets	(5)	4,151	39,950
Investment in term deposits	(11)	(14,198)	(425,000)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		<u>(48,283,217)</u>	<u>(32,543,270)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Credit facilities used		274,670,100	313,904,662
Payment of credit facilities		(209,729,225)	(239,322,518)
Receipts from term loans		732,226	20,147,890
Payment of term loans		(20,800,000)	(12,000,000)
Change in due from related parties		(13,466,225)	—
NET CASH FLOWS PROVIDED FROM FINANCING ACTIVITIES		<u>31,406,876</u>	<u>82,730,034</u>
Net change in cash and cash equivalent during the period		<u>3,516,541</u>	<u>(8,304,196)</u>
Net foreign exchange difference		(1,258,216)	302,751
Cash and cash equivalent—beginning of the period		3,855,115	9,850,744
CASH AND CASH EQUIVALENT—END OF THE PERIOD	(11)	<u><u>6,113,440</u></u>	<u><u>1,849,299</u></u>

The accompanying notes from (1) to (34) are an integral part of these consolidated financial statements.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND
DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the six-months period ended 30 June 2019**

1—BACKGROUND

Tenth of Ramadan for Pharmaceutical Industries and Diagnostic Reagents (Rameda) (S.A.E) (the “Company” or the “Parent Company”) was established under the provisions of Law No. 43 of 1974.

The Company was registered in the commercial registry under No.84008 on 15 January 1986.

The registered office is located at plot No. 5 Second Industrial Zone, 6th of October City—Giza—Egypt.

The consolidated financial statements include the separate financial statements of the Parent Company and its subsidiaries (collectively referred to as the “Group”).

The Group is principally engaged in:

- Manufacturing, marketing, selling and storing of pharmaceutical reagents for human and veterinary use.
- Manufacturing, marketing, selling and storing of diagnostic reagents necessary for individuals, laboratories and hospitals.
- Importing pharmaceutical reagents and raw materials necessary for serving the Parent Company’s purposes without trading.
- Producing pharmaceutical reagents for human and veterinary and diagnostic use for others and by others.
- Producing food supplements for human use for others and by others.

Below is a brief background about the subsidiaries:

Rameda for Pharmaceuticals Trading Company

A subsidiary with 99.97% shareholding. Its principal activity is importing and exporting pharmaceutical reagents, producing, marketing, selling and storing of pharmaceutical reagents and producing pharmaceutical reagents for human and veterinary and diagnostic use for others.

Ramecare Company

A subsidiary with 49% legal ownership. Its principal activity is producing, marketing, selling and storing of pharmaceutical reagents, producing pharmaceutical reagents for human and veterinary and diagnostic use for others.

It was considered a subsidiary since the Parent Company is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over it.

Ramepharma Company

A subsidiary with 49% legal ownership. Its principal activity is producing, marketing, selling and storing of pharmaceutical reagents, producing pharmaceutical reagents for human and veterinary and diagnostic use for others.

It was considered a subsidiary since the Parent Company is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over it.

2—SIGNIFICANT ACCOUNTING POLICIES

2-1 Basis of preparation

The consolidated financial statements are prepared under the going concern assumption on a historical cost basis.

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2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

The consolidated financial statements are prepared and presented in Egyptian pounds, which is the Group's functional currency.

The consolidated financial statements of the Group have been prepared in accordance with the Egyptian accounting standards and the applicable laws and regulations.

The accounting policies adopted in this period are consistent with the policies adopted in the prior period.

2-2 Basis of consolidation

The consolidated financial statements comprise the separate financial statements of the Parent Company and its subsidiaries as at and for the six-month period ended 30 June 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangements with the other vote holders of the investee
- Right arising from other contractual arrangements.
- The Group voting rights and potential voting rights.

The Group re-assess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of controls. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed off during the period are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The following steps are followed in preparing the consolidated financial statements:

- a— Eliminate the carrying amount of the Parent Company investment in each subsidiary and the Parent Company share of equity of each subsidiary.
- b— Identify the non-controlling interest in the profit or loss of the consolidated subsidiaries for the reporting period.
- c— Identify the non-controlling interests in the net assets of consolidated subsidiaries and presented in the consolidated financial statement separately from the Parent ownership interests. Non-controlling interests in the net assets consist of:
 - (1) The amount of non-controlling interests as of the original date of combination.
 - (2) The non-controlling interests' share of changes in equity since the date of the combination.

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2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

d— Intergroup balances and transactions, revenues and expenses are eliminated.

- The separate financial statements of the Parent Company and its subsidiaries used in the preparation of the consolidated financial statements are prepared as of the same date.
- The separate financial statements of the Parent Company and its subsidiaries used in the preparation of the consolidated financial statements are prepared using uniform accounting policies for similar transactions and other events with similar circumstances.
- Non-controlling interests are presented in the consolidated financial position within equity, separately from the equity of the owners of the Parent Company, and the non-controlling interests share in the group profit or loss is presented separately.

2-3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2-3-1 Business combination

Accounting for business combination under EAS 29 only applies if it is considered that a business has been acquired. For acquisitions meeting the definition of a business, the acquisition method of accounting is used to account for the acquisition of subsidiaries by the Parent Company. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of profit or loss.

2-3-2 Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

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2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2-3-3 Foreign currency translation

Transactions in foreign currencies are initially recorded using prevailing exchange rates at date of transaction, whenever practical management may use fixed monthly exchange rates that are revised in case there is a significant change in the prevailing exchange rate at the date of transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated using the exchange rates prevailing at the financial position date. All differences are recognized in the consolidated statement of profit or loss.

Nonmonetary items that are measured at historical cost in foreign currencies are translated using the exchange rates prevailing at the date of the initial recognition.

Nonmonetary items measured at fair value in foreign currencies are translated using the exchange rates prevailing at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in consolidated statement of other comprehensive income ("OCI") or profit or loss are also recognized in consolidated statement of OCI or consolidated statement of profit or loss, respectively).

2-3-4 Fixed assets

Fixed assets are stated at historical cost net of accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the fixed assets when that cost is incurred, if the recognition criteria are met. Likewise, when a major improvement is performed, its cost is recognized in the carrying amount of the fixed assets as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of profit or loss as incurred.

Depreciation of an asset begins when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, and is computed using the straight-line method according to the estimated useful life of the asset as follows:

	<u>Years</u>
Buildings	33
Machinery and equipment	10
Transportation and dragging equipment	5-10
Laboratory equipment	10
Tools	10
Furniture and fixtures	4-10

Fixed assets are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing the asset is included in the consolidated statement of profit or loss when the asset is derecognized.

The assets residual values, useful lives and methods of depreciation are reviewed at each financial position date.

Freehold Land is recognized at its acquisition cost and is not depreciated.

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2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Group assesses at each financial position date whether there is an indication that fixed assets may be impaired. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the consolidated statement of profit or loss.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss.

2-3-5 Assets under construction

Assets under construction represent the amounts that are incurred for the purpose of constructing or purchasing fixed assets or intangible assets until it is ready to be used in the operation, upon which it is transferred to fixed assets or intangible assets. Assets under construction are valued at cost less impairment.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets

2-3-6 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost.

After initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets internally generated are not capitalized and the expenditures are charged to the consolidated statement of profit or loss in the period in which the expenditure was incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization expense is charged to the consolidated statement of profit or loss.

The period of amortization and the amortization method for an intangible assets with finite useful lives are reviewed at each financial position date.

2-3-7 Inventory

The inventory elements are valued as follows:

- a) Raw materials and packing materials: at the lower of cost (using the moving weighted average method) or net realizable value.
- b) Spare parts: at the lower of cost (using the moving weighted average method) or net realizable value.
- c) Finished goods: at the lower of cost (using the weighted average method) or net realizable value.

The cost includes direct materials, direct labor and allocated share of manufacturing overhead excluding borrowing costs.

- d) Work in process: at the lower of cost or net realizable value. Cost includes direct material, direct labor and allocated share of manufacturing overheads based on the percentage of completion.

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2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goods in transit: at the lower of cost or net realizable value, and is recognized in the consolidated financial statements when risks and rewards are transferred to the Group which is determined based on shipping terms. Cost includes the purchase price of the materials and directly attributable expenses incurred to date.

Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

The amount of any write down of inventories to net realizable value and all losses of inventories are recognized in cost of sales in the consolidated statement of profit or loss in the period the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realizable value, is recognized as reduction of cost of sales in the consolidated statement of profit or loss in the period in which the reversal occurs.

2-3-8 Trade and Notes receivables and other receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

These receivables are recognized initially at fair value.

After initial measurement, such financial assets are subsequently measured at amortized cost less impairment.

The Group assesses whether impairment exists individually, for receivables that are individually significant, or collectively for receivables that are not individually significant.

The calculation of impairment is based on actual incurred historical data. The impairment loss is recognized in the consolidated statement of profit or loss. Reversal of impairment is recognized in the consolidated statement of profit or loss in the period in which it occurs.

2-3-9 Trade and notes payable, accrued expenses and other payables

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

2-3-10 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at the financial position date and adjusted to reflect the current best estimate.

Where the effect of the time value of money is material, the amount of a provision should be the present value of the expected expenditures required to settle the obligation.

Where discounting is used, the increase in the provision due to the passage of time is recognized in the consolidated statement of profit or loss as a finance expense.

2-3-11 Social Insurance

The Group makes contributions to the Social Insurance Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

2-3-12 Legal reserve

According to the Group's articles of association, 5% of the net profits of the year is transferred to the legal reserve until this reserve reaches 50% of the issued capital. The reserve is used upon a decision from the

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2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

general assembly meeting based on the proposal of the Board of Directors. The transfer to the legal reserve is made once the consolidated financial statements for the year are approved in the general assembly meeting.

2-3-13 General Reserve

According to the Group's articles of association, the general assembly meeting may decide to allocate a certain percentage of the net profits of the year to the general reserve. The reserve is used upon a decision from the general assembly meeting based on the proposal of the board of directors. The general reserve forms part of other reserves.

2-3-14 Borrowings

Borrowings are initially recognized at fair value less transaction cost. Amounts maturing within one year are classified as current liabilities, unless the Group has the right to postpone the settlement for a period exceeding one year after the financial position date, then the loan balance should be classified as non-current liabilities.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance expenses in the consolidated statement of profit or loss.

2-3-15 Income taxes

Income tax is calculated in accordance with the Egyptian tax law.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority.

Deferred income tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that

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2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2-3-16 Dividends

The Parent Company recognizes a liability to pay a dividend when the distribution is authorized and distribution is no longer at the discretion of the Parent Company. As per law 159, a distribution is authorized when it is approved by the shareholders in the general assembly meeting of the Parent Company.

2-3-17 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. 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.

The following specific recognition criteria must also be met before revenue is recognized:

- **Sale of pharmaceutical products**

Revenue from the sale of pharmaceutical products is recognized when the significant risks and rewards of ownership of the pharmaceutical products have passed to the buyer, for 'local sales' usually upon the delivery of the goods, for 'export sales', once the products are dispatched to dedicated stores area belonging to the customer.

- **Provision for sales of goods returns**

As part of the normal sales cycle, the Group receives sales returns from its customers. To account for the financial impact of potential customer goods returns, the Group estimates future returns on previously sold

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2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

goods. Provision for the sales return are recorded for estimated goods returns based on return history, current sales levels and expiry dates for the products sold.

- **Rendering of services (toll manufacturing)**

Revenue from toll manufacturing services, which takes from one to three days, is recognized upon the completion of the manufacturing process and the internal tests.

- **Interest income**

Interest income is recognized as interest accrues using the effective interest “EIR” method. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

- **Lease income**

Lease income is accounted for on a straight-line basis over the lease term.

2-3-18 Expenses

All expenses including cost of revenues, general and administrative expenses, selling and marketing expenses, finance expenses and other expenses are recognized and charged to the consolidated statement of profit or loss in the financial year in which these expenses are incurred.

2-3-19 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2-3-20 Leases (as a lessee)

Lease contracts are classified as operating lease in accordance with the Egyptian accounting standards and Egyptian laws and regulations, where the lease payments are recognized as an expense on a straight-line basis over the lease term.

2-3-21 Related party transactions

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Boards of Directors.

2-3-22 Contingent Liabilities and Assets

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

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2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-3-23 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For assets traded in an active market, fair value is determined by reference to quoted market bid prices.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

For unquoted assets, fair value is determined by reference to the market value of a similar asset or is based on the expected discounted cash flows.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1—Fair value measurements are those derived from quoted prices in an active market (that are unadjusted) for identical assets or liabilities.
- Level 2—Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3—Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognized in the consolidation financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2-3-24 Impairment of assets

Impairment of financial assets

The Financial assets of the Group include cash on hand and at banks, trade and notes receivable and due from related parties. The Group assesses at each financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is

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2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. The policy for the measurement of the impairment losses is included in respective financial assets accounting policy.

Impairment of non-financial assets

The Group assesses at each financial position date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset or cash-generating units (CGU) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Impairment losses are recognized in the consolidated statement of profit or loss.

A previously recognized impairment loss is only reversed if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss.

2-3-25 Statement of cash flows

The statement of cash flows is prepared using the indirect method.

2-3-26 Cash and cash equivalent

For the purpose of preparing the consolidated statement of cash flow, the cash and cash equivalent comprise of cash on hand, current accounts with banks and time deposits maturing within three months of placement date.

3—SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these consolidated financial statements requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, the accompanying disclosures and the disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised.

The key judgments and estimates that have a significant impact on the consolidated financial statements of the Group are discussed below:

3-1 Judgments

Revenue Recognition for sale of goods

In making their judgment, the management considered the detailed criteria for the recognition of revenue from the sale of goods as set out in "EAS 11 Revenue" including the judgement about whether significant risks and rewards have been transferred.

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3—SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

3-2 Estimates

Impairment of trade and other receivables

An estimate of the collectible amount of trade and other receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimate is performed on an individual basis. Amounts which are not individually significant, but are past due, are assessed collectively and a provision is applied according to the length of time past due, based on historical recovery rates.

Provision for sales returns

The Group's management determines the estimates provision for the expected sales returns. This estimate is determined after considering the past experience of sales returns and sales volume and expiry dates of the products sold. The management periodically reviews the estimated provision amount to ensure that provision is adequate to cover the sales return.

Useful lives of fixed assets

The Group's management determines the estimated useful lives of its fixed assets for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The management periodically reviews the estimated useful lives and the depreciation method to ensure that the method and the period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Useful lives of intangible assets

The useful lives of intangible assets are assessed as either finite or indefinite. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. The management periodically reviews the estimated useful lives and the amortization method to ensure that the method and the period of amortization are consistent with the expected pattern of economic benefits from these assets.

Taxes

The Group is subject to income taxes in Egypt. Significant judgment is required to determine the total provision for current and deferred taxes. The Group establishes provision, based on reasonable estimates, for possible consequences of audits by the tax authorities in Egypt. The amount of such provision is based on various factors, such as experience of previous tax audits and different interpretations of tax regulations by the Group and the responsible tax authority. Such differences of interpretations may be on a wide variety of issues depending on the conditions prevailing in Egypt.

Deferred tax assets are recognized for unused accumulated tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected

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3—SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

4—SEGMENT INFORMATION

Currently the Group's primary business segment is the production and selling of pharmaceutical products which contributes to 95% of total revenue and balance 5% is contributed by toll manufacturing services (June 2018: 95% and 5% receptively). The Group's management monitors the business under two segments, "production and selling of pharmaceutical products" and "manufacturing for others" (Toll manufacturing) for the purpose of making business decisions.

Accordingly, the Group's revenues during the period ended 30 June 2019 were reported under two segments in the consolidated financial statements.

The Group produces and sells several pharmaceutical products and render services as follows:

Period	Services	Sales of pharmaceutical products				
	Toll Manufacturing "Domestic"	Domestic				
	EGP	Export EGP	Private sales EGP	Veterinary EGP	Tenders EGP	Total EGP
June 2019	17,952,681	25,703,753	252,613,031	382,113	87,220,520	383,872,098
June 2018	19,356,060	25,338,305	238,758,424	2,221,929	89,618,840	375,293,558

Revenue from the top five customers presented 82% of total revenues (December 2018: EGP 76%).

5—FIXED ASSETS

	Freehold Land	Buildings	Machinery and equipment	Transportation and dragging equipment	Laboratory equipment	Tools	Office furniture and fixtures	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost								
As of 1 January, 2019 .	18,637,425	173,615,138	145,848,968	12,200,342	14,748,298	3,342,702	18,421,709	386,814,582
Additions	—	1,054,712	2,843,623	174,306	53,860	128,473	1,489,104	5,744,078
Transferred from assets under construction . .	—	7,737,252	83,517,342	—	—	—	21,546	91,276,140
Disposals	—	—	—	—	—	—	(5,858)	(5,858)
As of 30 June, 2019 . .	18,637,425	182,407,102	232,209,933	12,374,648	14,802,158	3,471,175	19,926,501	483,828,942
Accumulated depreciation								
As of 1 January, 2019 .	—	(44,159,755)	(92,821,575)	(8,947,723)	(7,169,885)	(1,015,114)	(12,816,825)	(166,930,877)
Depreciation for the period	—	(3,375,148)	(7,924,195)	(318,143)	(647,582)	(143,836)	(713,144)	(13,122,048)
related to Disposals . .	—	—	—	—	—	—	4,906	4,906
As of 30 June, 2019 . .	—	(47,534,903)	(100,745,770)	(9,265,866)	(7,817,467)	(1,158,950)	(13,525,063)	(180,048,019)
Net book value as at 30 June 2019	18,637,425	134,872,199	131,464,163	3,108,782	6,984,691	2,312,225	6,401,438	303,780,923
Net book value as at 31 December 2018 . .	18,637,425	129,455,383	53,027,393	3,252,619	7,578,413	2,327,588	5,604,884	219,883,705

There is a commercial mortgage on all machinery and equipment in favour of the Commercial International Bank as a guarantee for the loans granted to the Parent Company (note 17).

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5—FIXED ASSETS (Continued)

The cost of fixed assets as of 30 June 2019 include EGP 15,747,380 which represents fully depreciated assets that are still in use.

Depreciation for the period was allocated to the statement of profit or loss as follows:

	June 2019
	EGP
Cost of revenue (note 21)	11,538,239
Selling and marketing expenses (note 22)	199,250
General and administrative expenses (note 23)	1,384,559
	<u>13,122,048</u>

Gain from sale of fixed assets was calculated as follows:

	June 2019
	EGP
Cost of disposed assets	5,858
Accumulated depreciation of disposed assets	4,906
Net book value of disposed assets	952
Proceeds from sale of fixed assets	4,151
Gain from sale of fixed assets	<u>3,199</u>

	Freehold Land	Buildings	Machinery and equipment	Transportation and dragging equipment	Laboratory equipment	Tools	Office furniture and fixtures	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost								
As at 1 January 2018	18,637,425	172,626,690	140,791,852	10,297,938	13,374,308	1,455,946	16,116,670	373,300,829
Additions	—	988,448	4,315,166	1,902,404	1,373,990	1,886,756	2,373,624	12,840,388
Transferred from assets under construction	—	—	741,950	—	—	—	—	741,950
Disposals	—	—	—	—	—	—	(68,585)	(68,585)
As at 31December 2018	<u>18,637,425</u>	<u>173,615,138</u>	<u>145,848,968</u>	<u>12,200,342</u>	<u>14,748,298</u>	<u>3,342,702</u>	<u>18,421,709</u>	<u>386,814,582</u>
Accumulated depreciation								
As at 1 January 2018	—	(39,138,509)	(79,029,671)	(8,372,334)	(6,252,652)	(920,608)	(11,619,556)	(145,333,330)
Depreciation for the year	—	(5,021,246)	(13,791,904)	(575,389)	(917,233)	(94,506)	(1,224,952)	(21,625,230)
Related to Disposals	—	—	—	—	—	—	27,683	27,683
As at 31December 2018	<u>—</u>	<u>(44,159,755)</u>	<u>(92,821,575)</u>	<u>(8,947,723)</u>	<u>(7,169,885)</u>	<u>(1,015,114)</u>	<u>(12,816,825)</u>	<u>(166,930,877)</u>
Net book value as at 31 December 2018	<u>18,637,425</u>	<u>129,455,383</u>	<u>53,027,393</u>	<u>3,252,619</u>	<u>7,578,413</u>	<u>2,327,588</u>	<u>5,604,884</u>	<u>219,883,705</u>
Net book value as at 31 December 2017	<u>18,637,425</u>	<u>133,488,181</u>	<u>61,762,181</u>	<u>1,925,604</u>	<u>7,121,656</u>	<u>535,338</u>	<u>4,497,114</u>	<u>227,967,499</u>

There is a commercial mortgage on all machinery and equipment in favour of the Commercial International Bank as a guarantee for the loans granted to the Group (note 17).

The cost of fixed assets as of 31December 2018 include EGP 15,634,658 which represents fully depreciated assets that are still in use.

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5—FIXED ASSETS (Continued)

Depreciation for the year was allocated to the consolidated statement of profit or loss as follows:

	<u>December 2018</u> EGP
Cost of revenue	20,172,451
Selling and marketing expenses	411,991
General and administrative expenses	1,040,788
	<u>21,625,230</u>

Gain from sale of fixed assets was calculated as follows:

	<u>December 2018</u> EGP
Cost of disposed assets	68,585
Accumulated depreciation of disposed assets	27,683
Net book value of disposed assets	40,902
Proceeds from sale of fixed assets	57,730
Gain from sale of fixed assets	<u>16,828</u>

6—ASSETS UNDER CONSTRUCTION

	<u>June 2019</u> EGP	<u>December 2018</u> EGP
Service equipment and infra-structure facilities	105,623,869	166,664,672
Laboratory equipment	570,590	570,590
Buildings and furniture	50,782,629	46,501,372
	156,977,088	213,736,634
Impairment in value of assets under construction	(686,437)	(686,437)
	<u>156,290,651</u>	<u>213,050,197</u>

The movement of assets under construction during the period is as follows:

	<u>June 2019</u> EGP	<u>December 2018</u> EGP
Beginning balance	213,736,634	10,667,593
Additions during the period/ year	34,516,593	203,810,991
Transferred to fixed assets during the period/ year	(91,276,139)	(741,950)
Ending balance	<u>156,977,088</u>	<u>213,736,634</u>

Capitalized borrowing cost:

The amount of borrowing costs capitalized on service equipment and infra-structure facilities during the period ended 30 June 2019 amounted to EGP 10,517,476 (December 2018: EGP 7,648,622). The capitalized borrowing cost represents the cost of specific borrowings made for these assets at a rate of 17.78% (December 2018: 18.78%).

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7—INTANGIBLE ASSETS

	Registration Rights	
	June 2019	December 2018
	EGP	EGP
Cost as at 1 January	113,306,875	79,654,175
Additions	8,012,499	33,661,700
Total cost as at 30 June 2019	121,319,374	113,315,875
Accumulated amortization as at 1 January	(12,711,292)	(9,002,775)
Amortization for the period/year	(2,283,995)	(3,708,517)
Impairment in value of intangible assets	—	(9,000)
Accumulated amortization as at 30 June 2019	(14,995,287)	(12,720,292)
Net book value as at 30 June 2019	106,324,087	100,595,583

The balance of the intangible assets represents the cost of acquiring the registration rights of certain pharmaceutical products and is amortized using the straight-line method over their useful life (20 years). Management estimate the expected future benefit of the registration rights to be utilize over 20 years, and assessed for impaired whenever there is an indication that the economic benefit of the product is impaired.

Intangible asset balance includes assets under development amounted to EGP 29,390,000 (December 2018: EGP 20,338,500)

8—INVENTORIES

	June 2019	December 2018
	EGP	EGP
Raw materials	78,140,810	77,813,236
Packing and packaging materials	32,840,782	22,540,397
Spare parts	8,919,188	11,231,382
Finished goods	96,730,202	106,649,651
Work in progress	26,503,591	36,964,491
Goods in transit	33,974,751	21,503,128
Inventory with others	5,412,138	3,010,331
	282,521,462	279,712,616
Write down in inventories	(6,622,786)	(1,570,298)
	275,898,676	278,142,318

Raw material and finished goods inventory amounting to EGP 312.2 million are mortgaged as a guarantee for the credit facilities (Note 16).

The movement in the write down in value of inventories is as follows:

	June 2019	December 2018
	EGP	EGP
Beginning balance	(1,570,298)	(2,569,522)
Charged during the period/ year	(5,052,488)	—
Reversal	—	999,224
Ending balance	(6,622,786)	(1,570,298)

The write down in value of inventories during the period/ year was included in the cost of sales.

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9—TRADE AND NOTES RECEIVABLES

	<u>June 2019</u>	<u>December 2018</u>
	<u>EGP</u>	<u>EGP</u>
Trade receivable	151,306,176	121,228,875
Trade receivable—toll manufacturing	10,560,542	8,192,593
Notes receivable	223,113,223	238,806,065
	384,979,941	368,227,533
Impairment in value of trade and notes receivables	(2,906,503)	(2,118,559)
	<u>382,073,438</u>	<u>366,108,974</u>

Notes receivable amounting to EGP 213.3 million are mortgage as a guarantee for the credit facilities (Note 16).

The ageing analysis of trade and notes receivables before impairment is as follows:

	<u>Total</u>	<u>Neither impaired nor past due</u>			<u>Past due but not impaired More than 365 days</u>
		<u>Less than 60 days</u>	<u>From 61 to 120 days</u>	<u>From 121 to 365 days</u>	
June 2019	384,979,941	188,567,078	128,141,718	65,627,381	2,643,764
December 2018	368,227,533	214,595,309	100,268,047	52,184,432	1,179,745

The movement of the impairment in value of trade receivable is as follows:

	<u>June 2019</u>	<u>December 2018</u>
	<u>EGP</u>	<u>EGP</u>
Beginning balance	(2,118,559)	(723,905)
Charged during the period/ year	(787,944)	(1,394,654)
Ending balance	<u>(2,906,503)</u>	<u>(2,118,559)</u>

10—PREPAYMENTS AND OTHER RECEIVABLES

	<u>June 2019</u>	<u>December 2018</u>
	<u>EGP</u>	<u>EGP</u>
Prepaid expenses	1,050,584	924,991
Advances to suppliers	16,688,931	17,283,048
Tax authority	4,484,605	6,770,601
Social insurance authority	129,419	271,190
Letters of credit margin	414,878	4,139,652
Deposits with others	1,449,925	1,432,625
Employees' imprests and advances	1,671,582	1,674,542
Customs-authority	2,892,537	4,111,999
Other receivables	2,442,513	3,049,483
	<u>31,224,974</u>	<u>39,658,131</u>

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11—CASH ON HAND AND AT BANKS

	<u>June 2019</u>	<u>December 2018</u>
	EGP	EGP
a) Egyptian Pounds		
Cash on hand	22,270	121,124
Current accounts	4,167,169	3,182,882
Checks under collection	111,871	—
Term deposits	458,074	443,876
	<u>4,759,384</u>	<u>3,747,882</u>
b) Foreign currencies		
Current accounts	1,812,130	551,109
	<u>1,812,130</u>	<u>551,109</u>
	<u>6,571,514</u>	<u>4,298,991</u>

Cash balances are denominated in the following currencies:

	<u>June 2019</u>	<u>December 2018</u>
	EGP	EGP
Egyptian pound (EGP)	4,759,384	3,747,882
US dollar (USD)	1,807,407	521,727
Euro (EUR)	4,670	29,382
Sterling pound (GBP)	53	—
	<u>6,571,514</u>	<u>4,298,991</u>

For the purpose of cash flow statements cash and cash equivalents consist of following.

	<u>June 2019</u>	<u>June 2018</u>
	EGP	EGP
Cash in hand	22,270	13,382
Current accounts	6,091,170	1,835,917
	<u>6,113,440</u>	<u>1,849,299</u>

12—PROVISIONS

	<u>Balance as at January 2019</u>	<u>Charged during the period</u>	<u>Used during the period</u>	<u>Balance as at June 2019</u>
	EGP	EGP	EGP	EGP
Provision for expected claims	2,071,822	3,768,059	—	5,839,881
Provision for sales returns*	5,485,132	442,126	—	5,927,258
	<u>7,556,954</u>	<u>4,210,185</u>	<u>—</u>	<u>11,767,139</u>

	<u>Balance as at 1 January 2018</u>	<u>Charged during the year</u>	<u>Used during the year</u>	<u>Balance as at 31 December 2018</u>
	EGP	EGP	EGP	EGP
Provision for expected claims	612,270	1,600,000	(140,448)	2,071,822
Provision for sales returns*	—	5,485,132	—	5,485,132
	<u>612,270</u>	<u>7,085,132</u>	<u>(140,448)</u>	<u>7,556,954</u>

* Provision for sales returns is deducted from sales disclosed.

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13—TRADE AND NOTES PAYABLE

	<u>June 2019</u>	<u>December 2018</u>
	<u>EGP</u>	<u>EGP</u>
Trade payables	54,701,704	48,926,631
Notes payables	11,391,090	9,480,455
	<u>66,092,794</u>	<u>58,407,086</u>

14—ACCRUED EXPENSES AND OTHER PAYABLES

	<u>June 2019</u>	<u>December 2018</u>
	<u>EGP</u>	<u>EGP</u>
Accrued expenses	9,893,046	10,181,137
Tax authority (other than income tax)	30,648,192	24,455,578
Advances from customers	11,190,135	9,872,416
Other payables	859,992	1,235,539
	<u>52,591,365</u>	<u>45,744,670</u>

Trade payables, accrued expenses and other payables are non-interest bearing.

15—CAPITAL

The Group's authorized capital amounted to EGP 200 million, whereas the issued and paid up capital amounted to EGP 120 million divided over 120,000 shares of par value EGP 1,000 each.

The extra ordinary general assembly meeting held on 2 May 2011 decided to increase the Group's authorized capital to EGP 1 billion and to increase the issued and paid up capital to EGP 160,900,000 divided over 160,900 shares of par value EGP 1,000 each.

The extra ordinary general assembly meeting held on 14 March 2018 decided to amend the par value of the share from EGP 1,000 per share to EGP 0.25 per share. Accordingly, the Parent Company's issued capital amounts to EGP 160,900,000 divided over 643,600,000 shares of par value EGP 0.25 each as follows:

	<u>%</u>	<u>No. of shares</u>	<u>Amount</u>
			<u>EGP</u>
Greville Investing Limited	99.9988	643,592,000	160,898,000
Mr. Ayman Mamdouh Fathy Abaas	0.0006	4,000	1,000
Eng. Shamel Faheem Aboul Fadl	0.0006	4,000	1,000
	<u>100</u>	<u>643,600,000</u>	<u>160,900,000</u>

* General Assembly Meeting held on 22nd May 2018 has approved dividends amounting to EGP 4,530,500.

16—CREDIT FACILITIES

The movement of the credit facilities during the period/ year is as follows:

	<u>June 2019</u>	<u>December 2018</u>
	<u>EGP</u>	<u>EGP</u>
Opening balance	420,514,887	272,598,550
Used during the period/ year	275,352,282	702,068,205
Payment during the period/ year	(209,729,225)	(554,151,868)
Ending balance	<u>486,137,944</u>	<u>420,514,887</u>

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16—CREDIT FACILITIES (Continued)

	June 2019	December 2018
	EGP	EGP
Credit facilities maturing within 12 months	486,137,944	420,514,887
Bank credit	3,460,213	4,142,395
	<u>489,598,157</u>	<u>424,657,282</u>

The interest rate on the Credit facilities ranges from 17.85% to 18.60% as of 30 June 2019 (December 2018: from 18.50% to 21.25%).

Credit Facilities	Facility amount	Interest rate	Maturity Date	June 2019	December 2018
	EGP			EGP	EGP
CIB*	200,000,000	0.75%+CBE corridor rate	31/07/2019	168,784,358	154,585,015
Audi Bank	125,000,000	1%+CBE lending rate	30/06/2020	123,401,370	136,106,470
Arab Bank	60,000,000	1.5%+CBE lending rate	31/12/2019	60,364,020	46,911,102
ABK	80,000,000	1%+CBE lending rate	31/01/2020	76,492,546	32,491,987
ADIB	80,000,000	1.00%+CBE lending rate	31/12/2019	57,095,650	50,420,313
Total Credit Facilities				<u>486,137,944</u>	<u>420,514,887</u>

* On 10 July 2019, CIB credit facility was renewed for six months.

All of the above facilities are guaranteed by inventories and notes receivables (Note 8 and 9)

17—LONG TERM LOANS

During the year 2015, the Company signed an agreement with Commercial International Bank to merge all loans granted to the Company during the years from 2011 to 2015 amounting to EGP 94,853,000 as of July 2015 in a long-term loan carries an annual interest rate of 2.25% over the corridor rate repayable over 52 monthly installments starting 1 August 2015 and maturing on 1 November 2019. During the year ended 31 December 2018, interest rate reduced from 2.25% to 1.10% over the corridor rate and revised rate is effective for the remaining 5 monthly instalments. "Loan (1)". The Company paid EGP 14,940,000 during the current period (December 2018: EGP 24,000,000) and the balance outstanding amounted to EGP 12,512,000 as at 30 June 2019 (31 December 2018: EGP 27,452,000).

During the year 2017, the Company signed an agreement with Commercial International Bank to obtain a loan amounting to EGP 86.422 million with an annual interest rate of 1.25% over the Corridor rate repayable over 36 monthly installments starting from 29 October 2018 and maturing on 29 March 2021. During the year ended 31 December 2018, interest rate reduced from 1.25% to 1.10% over the corridor rate. "Loan (2)". The Company paid EGP 7,200,000 during the current period (December 2018: EGP 1,500,000) the balance outstanding amounted to EGP 54,437,276 as at 30 June 2019 (31 December 2018: EGP 60,297,276).

During the year 2018, the Company signed an agreement with Commercial International Bank to obtain a loan amounting to EGP 78,766,000 with an annual interest rate of 0.9% over the Corridor rate repayable over 19 monthly installments after the expiry of grace period, which is 15 months from the date of first use. "Loan (3)". The Company has drawn down EGP 732,226 during the period ended 30 June 2019 and the balance outstanding amounted to EGP 66,973,972 as at 30 June 2019. (31 December 2018: EGP 66,241,746).

The Company obtained those loans against a guarantee of a commercial mortgage over all the Company's tangible assets and intangible assets constituents over all imported machinery and equipment financed under this loan (notes 5 and 7).

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17—LONG TERM LOANS (Continued)

The balance of loans as of 30 June 2019 as follows:

<u>Loans</u>	<u>Interest rate</u>	<u>June 2019</u> EGP	<u>December 2018</u> EGP
Current portion of long term loans			
Loan ⁽¹⁾	1.1%+CBE lending rate	12,512,000	27,452,000
Loan ⁽²⁾	1.1%+CBE lending rate	25,720,000	60,297,276
Loan ⁽³⁾	0.9%+CBE lending rate	49,740,000	66,241,746
Total current portion of long term loans		87,972,000	153,991,022
Non-current portion of long term loans			
Loan ⁽¹⁾	1.1%+CBE lending rate	—	—
Loan ⁽²⁾	1.1%+CBE lending rate	28,717,276	—
Loan ⁽³⁾	0.9%+CBE lending rate	17,233,972	—
Total non-current portion of long term loans		45,951,248	—
		133,923,248	153,991,022

As of 31 December 2018, Some of the Company's loan agreements (classified as non-current during the year) are subject to covenant clauses, whereby the Company is required to meet certain key financial ratios. The Company did not fulfil the debt/equity ratio as required in the contract for loan 2 and loan 3 of which the Company had drawn an amount of EGP 126,539,022. Due to this breach of the covenant clause, the bank was contractually entitled to request for immediate repayment of the outstanding loan. Consequently, the outstanding balance was presented as a current liability as at 31 December 2018. During the period ended 30 June 2019, the bank has approved exceptional and tentatively the breach and had not requested early repayment of the loans.

18—CAPITAL COMMITMENTS

As at 30 June 2019, the Parent Company had contractual commitments in respect of its assets under construction not provided for in the consolidation financial statements amounted to EGP 1,847,850. (EGP 848,247 as at 31 December 2018).

19—CONTINGENT LIABILITIES

As at 30 June 2019, the Parent Company has obligations in respect of its inventory (Cash against document) not provided for in the consolidation financial statements amounted to EGP 18,058,575. (EGP 25,038,377 as at 31 December 2018).

20—REVENUES

	<u>June 2019</u> EGP	<u>June 2018</u> EGP
Sale of goods (net)	365,919,417	355,937,498
Toll manufacturing services revenue	17,952,681	19,356,060
	383,872,098	375,293,558

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21—COST OF REVENUES

	<u>June 2019</u>	<u>June 2018</u>
	EGP	EGP
Salaries, social insurance and other fringe benefits	31,330,687	28,473,549
Raw materials	123,305,471	112,955,285
Spare parts and materials	8,719,537	8,068,968
Government fees and medical stamps	2,832,762	4,484,650
Other operating expenses	15,424,845	10,199,108
Energy expenses	9,540,011	7,349,977
Depreciation and amortization (Note 5,7)	13,822,234	11,298,471
Rent	2,896,856	1,262,274
Maintenance	5,487,409	3,259,971
	<u>213,359,812</u>	<u>187,352,253</u>

22—SELLING AND MARKETING EXPENSES

	<u>June 2019</u>	<u>June 2018</u>
	EGP	EGP
Salaries, social insurance and other fringe benefits	36,020,455	27,664,846
Depreciation (Note 5)	199,250	204,314
Rent	1,326,507	1,143,748
Advertising and marketing	32,887,682	30,486,374
	<u>70,433,894</u>	<u>59,499,282</u>

23—GENERAL AND ADMINISTRATIVE EXPENSES

	<u>June 2019</u>	<u>June 2018</u>
	EGP	EGP
Salaries, social insurance and other fringe benefits	11,248,827	8,547,630
Professional fees	2,658,621	1,014,893
Maintenance	228,176	240,700
Depreciation (Note 5)	1,384,559	692,969
Others	2,427,328	1,615,016
Bank charges	1,310	—
	<u>17,948,821</u>	<u>12,111,208</u>

24—OTHER INCOME

	<u>June 2019</u>	<u>June 2018</u>
	EGP	EGP
Gain from sale of fixed assets (Note 5)	3,199	15,736
Other income	2,319,516	1,990,453
	<u>2,322,715</u>	<u>2,006,189</u>

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25—FINANCE EXPENSES

	<u>June 2019</u>	<u>June 2018</u>
	EGP	EGP
Debit interests	(47,916,680)	(36,773,205)
Bank Charges	(2,686,827)	(1,969,060)
	<u>(50,603,507)</u>	<u>(38,742,265)</u>

26—INCOME TAXES

	<u>June 2019</u>	<u>June 2018</u>
	EGP	EGP
Current income tax	(7,234,107)	(18,616,431)
Deferred income tax	(129,031)	630,828
Income tax expense	<u>(7,363,138)</u>	<u>(17,985,603)</u>

DEFERRED INCOME TAXES

	<u>Statement of financial position</u>		<u>Statement of profit or loss</u>	
	<u>June 2019</u>	<u>Dec 2018</u>	<u>June 2019</u>	<u>June 2018</u>
	EGP	EGP	EGP	EGP
Depreciation and amortization	(23,882,056)	(22,056,350)	(1,825,706)	(44,025)
Provisions	1,333,633	1,234,155	99,478	634,552
Impairment of trade and notes receivables	653,963	476,676	177,287	313,797
Write down of inventory	1,490,127	353,317	1,136,810	—
Unrealized foreign exchange differences	39,536	(243,564)	283,100	(273,496)
Net deferred income taxes	<u>(20,364,797)</u>	<u>(20,235,766)</u>	<u>(129,031)</u>	<u>630,828</u>

RECONCILIATION OF THE EFFECTIVE INCOME TAX RATE

	<u>Tax Rate</u>	<u>June 2019</u>	<u>Tax Rate</u>	<u>June 2018</u>
		EGP		EGP
Profits before income taxes		28,034,560		77,815,629
Income tax based on tax rate	22.5%	6,307,776	22.5%	17,508,516
Non-deductible expenses		1,055,362		477,087
Effective Tax Rate	26.26%	<u>7,363,138</u>	23.11%	<u>17,985,603</u>

27—EARNINGS PER SHARE

Basic and diluted earnings per share was calculated by dividing the profits for the period/ year available for distribution to the Parent Company by the weighted average number of shares outstanding during the year as follows:

	<u>June 2019</u>	<u>June 2018</u>
	EGP	EGP
Basic and diluted, profit for the period attributable to Equity holder of the Parent Company	20,961,625	59,726,318
Weighted average number of shares outstanding during the period	643,600,000	643,600,000
Earnings per share	<u>0.0326</u>	<u>0.0928</u>

- There are no shares with diluted effect and hence the basic and diluted earnings per share are the same.

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28—TAX POSITION

a) Corporate Tax

- The Company's records were inspected till the year 2009 and the taxes due were paid. Except year 2006, the Company objected on the assessment and the issue is currently in the internal committee of tax authority.
- The Company's records were inspected for the years from 2010 till 2013. The company objected on the assessment and the issue is currently in the internal committee of tax authority.
- No tax inspection took place for the Company's records for the years from 2014 till 2018.

b) Salary Tax

- The Company's records were inspected till the year 2012 and the taxes due were paid.
- The Company's records are currently under inspection for the years from 2013 till 2015.
- No tax inspection took place for the Company's records for the years 2016 and 2018.

c) Stamp Tax

- The Company's records were inspected till 2013 and the taxes due were paid.
- No tax inspection took place for the Company's records for the years from 2014 to 2018.

d) VAT Tax

- The Company's records were inspected till the year 2015 and the taxes due were paid.
- No inspection took place for the Company's records for the year 2016 and 2018.

1—With respect to Subsidiaries

- No inspection has happened for the subsidiaries' record.

29—RELATED PARTY DISCLOSURES

For the purpose of these consolidated financial statements, parties are considered to be related to the Group, if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

a) Due from related parties

	<u>June 2019</u>	<u>December 2018</u>
	EGP	EGP
Greville Co.	13,466,225	—
Eman Mohamed Hegazy	12,750	12,750
Eman Wahed El-Zomor	12,750	12,750
	<u>13,491,725</u>	<u>25,500</u>

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29—RELATED PARTY DISCLOSURES (Continued)

b) Due to related parties

	<u>June 2019</u>	<u>December 2018</u>
	EGP	EGP
Compass Capital*	<u>1,252,568</u>	<u>8,148</u>
	<u>1,252,568</u>	<u>8,148</u>

* Management fees amount of EGP 1,252,568 (31 December 2018: EGP 8,148) arises from management services from Compass Capital according to service agreement.

c) Salaries and incentives of key managers

The key management's compensation during period ended 30 June 2019 and 30 June 2018 is as follow:

	<u>June 2019</u>	<u>June 2018</u>
	EGP	EGP
Salaries and incentives	<u>10,522,915</u>	<u>8,103,926</u>
	<u>10,522,915</u>	<u>8,103,926</u>

30—LEASE COMMITMENTS—GROUP AS A LESSEE

The Group has entered into operating lease agreements to lease certain apartments, with lease terms between three and five years. The Group has the option, under some of its leases, to extend the lease terms for three to five years.

Future minimum rentals payments under non-cancellable operating leases as follows:

	<u>June 2019</u>	<u>December 2018</u>
	EGP	EGP
Within one year	<u>3,444,841</u>	2,384,091
After one year but not more than five years	<u>15,377,509</u>	<u>13,143,758</u>
	<u>18,822,351</u>	<u>15,527,849</u>

31—FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

The Group has exposure to the following risks from its use of financial instruments:

- a) Credit risk
- b) Market risk
- c) Liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors of the Group has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's senior management are responsible for developing and monitoring the risk management policies and report regularly to the Board of Directors on their activities.

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31—FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The Group's current financial risk management framework is a combination of formally documented risk management policies in certain areas and informal risk management policies in other areas.

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to credit risk principally from its receivables from customers, due from related parties, other receivables, including balances with banks.

Trade and notes receivables

The customer credit risk is established by the Group's policies, procedures and controls relating to customer credit risk management. Credit quality of a customer is assessed by the management. Outstanding customer receivables are regularly monitored. An impairment analysis is performed at each reporting date on an individual basis.

The maximum exposure is limited to the balances disclosed in note (9).

Other financial assets and balances with banks

The Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these assets.

Credit risk from balances with banks is managed by the Parent Company treasury. The Group limits its exposure to credit risk by only placing balances with international banks and local banks of good reputation, in addition, the local banks are under the supervision of the central Bank of Egypt and thus their exposure to credit risk is minimal.

The maximum exposure is limited to the balances disclosed in note (11).

Due from related parties

Due from related parties are with minimal credit risk, with a maximum exposure equal to the carrying amount of these balances.

b) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as currency risk and interest rate risk, which will affect the Group's income. Financial instruments affected by market risk include interest-bearing loans and borrowings and deposits. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Group does not hold or issue derivative financial instruments.

Exposure to interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's obligations with floating interest rates and interest-bearing time deposits.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no impact on the Group's equity other than the profit impact stated below.

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31—FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

	June 2019		December 2018	
	Change in rate	Effect on profit before tax	Change in rate	Effect on profit before tax
		EGP		EGP
Financial assets	+1%	282	+1%	790
	–1%	(282)	–1%	(790)
Financial liabilities	+1%	(542,464)	+1%	(792,748)
	–1%	542,464	–1%	792,748

Exposure to foreign currency risk

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

	June 2019		December 2018	
	Change in rate	Effect on profit before tax	Change in rate	Effect on profit before tax
		EGP		EGP
USD	+10%	(315,436)	+10%	248,796
	–10%	315,436	–10%	(248,796)
EURO	+10%	185,077	+10%	—
	–10%	(185,077)	–10%	—

c) Liquidity risk

The cash flows, funding requirements and liquidity of the Group are monitored by Group's management. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. The Group manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group currently has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Financial liabilities	Less than 3 Months	3 to 12 months	1 to 5 years	Over 5 years	Total
	EGP	EGP	EGP	EGP	EGP
As at 30 June 2019					
Credit facilities	233,252,502	277,159,570	—	—	510,412,072
Trade and notes payables	30,503,852	35,588,944	—	—	66,092,796
Accrued expenses and other payables . . .	8,818,792	43,772,573	—	—	52,591,365
Term loans	29,514,026	72,898,469	51,473,576	—	153,886,071
Total undiscounted financial liabilities . .	<u>302,089,172</u>	<u>429,419,556</u>	<u>51,473,576</u>	<u>—</u>	<u>782,982,304</u>

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31—FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

<u>Financial liabilities</u>	<u>Less than 3 Months EGP</u>	<u>3 to 12 months EGP</u>	<u>1 to 5 years EGP</u>	<u>Over 5 years EGP</u>	<u>Total EGP</u>
As at 31 December 2018					
Credit facilities	235,080,590	210,669,520	—	—	445,750,110
Trade and notes payables	22,212,442	36,194,562	—	—	58,407,004
Accrued expenses and other payables . .	18,562,493	6,226,071	20,956,188	—	45,744,752
Term loans	17,552,314	73,054,270	94,626,670	—	185,233,254
Total undiscounted financial liabilities . .	<u>293,407,839</u>	<u>326,144,423</u>	<u>115,582,858</u>	<u>—</u>	<u>735,135,120</u>

32—CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of Parent Company.

The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manage its capital structure and makes adjustments in light of change in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a leverage ratio. Which is total liabilities divided by net equity. The Group's policy is to keep leverage ratio between 1 to 2.

33—FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities. Financial assets of the Group include cash on hand and at banks, trade and notes receivable, due from related parties and other receivables. Financial liabilities of the Group include credit facilities, term loans, trade and notes payable, dividends payable, income taxes payable, accrued expenses and other payables.

The fair values of the financial assets and liabilities are not materially different from their carrying value unless stated otherwise.

34—COMPARATIVE FIGURES

Certain comparative figures for the six-month period ended 30 June 2019 were reclassified due to judgmentally previously different classification to conform with the current period's presentation which provide reliable and more relevant information.

Consolidated statement of Profit or Loss as at 30 June 2018:

<u>Account</u>	<u>As previously reported EGP</u>	<u>Reclassification adjustments EGP</u>	<u>As restated EGP</u>
Revenues	374,482,423	811,135	375,293,558
Other income	2,817,324	(811,135)	2,006,189
		<u>—</u>	
General and administrative expenses	(14,080,268)	1,969,060	(12,111,208)
Impairment of trade and notes receivable	—	(1,394,654)	(1,394,654)
Finance expenses	(38,167,859)	(574,406)	(38,742,265)
		<u>—</u>	

APPENDIX A—SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN IFRS AND EAS

The Company prepares its consolidated financial statements in accordance with EAS. EAS differs in certain respects from IFRS and the following is a narrative summary of significant differences between EAS, as applied by the Group, and IFRS. The Group has not reconciled any differences between EAS and IFRS and does not undertake to do so or to identify all potential differences that may exist.

The differences included below relate to the significant differences that may impact amounts recorded in the Company's consolidated financial statements rather than differences that may arise as a result of financial statement presentation or disclosure.

It should be noted that Allied for Accounting & Auditing has not performed any audit, review or other procedures with respect to the narrative summary of differences included below.

Property, plant and equipment

Under IFRS, the use of either cost or revaluation model for property, plant and equipment is permitted. Frequent valuations of entire classes of assets are required when the revaluation model is chosen. Under EAS, the revaluation is not permitted except in certain circumstances (e.g., merger and changing legal structure). The revaluation option was removed in revised EAS effective 1 January 2016.

Accounting for Intangible Assets

Under IFRS, the use of either cost model or revaluation model for intangible assets is permitted. If an intangible asset is accounted for using the revaluation model, all the other assets in its class shall also be accounted for using the same model, unless there is no active market for those assets.

Under the revised EAS effective 1 January 2016, the revaluation model option is not permitted and the entity can only use the cost model.

Leases

IFRS 16 sets out the principles for recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as IAS 17. Under EAS, the leased asset is recognised by the lessor and depreciated, and, the lessee recognises lease payments in the income statement in the period in which it is incurred. The new EAS 49 was issued in March 2019 and became effective 1 January 2019 for finance leases and will become effective 1 January 2020 for operating leases. EAS 49 has been issued to reflect the requirements of IFRS 16.

Profit sharing to employees and board of directors

Under IFRS profit sharing of employees and members of the board of directors is recognised when incurred in the income statement (using the accrual basis of accounting). Under EAS, profit sharing of employees and members of the board of directors is recognised as a dividend distribution through equity and as a liability when approved by the relevant company's Shareholders meeting.

Revenues

Effective 1 January 2018, IFRS 15—*Revenues* specifies how and when an entity recognises revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. It provides a single, principles based five-step model to be applied to all contracts with customers. Revenue is recognised when an entity transfers control of goods or services to a customer at the amount to which an entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised either over time, in a manner that best reflects the entity's performance, or at a point in time, when control of the goods or services is transferred to the customer.

EAS has not been updated to reflect the requirements of IFRS 15, although such an update is being considered to be put into effect as early as 2020. Under EAS, revenue is measured at the fair value of the consideration received or receivable by the entity and recognised when prescribed conditions are met, which depend on the nature of the revenue.

Recognition and Measurement of Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, bringing together the classification and measurement, impairment and hedge accounting sections of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard became effective for annual periods beginning on or after 1 January 2018.

IFRS 9 introduces new models for (a) classifying financial, (b) impairment model based on a forward-looking expected credit loss model and (c) less rule based hedging model to reflect the effect of an entity's risk management activities in the financial statements.

EAS has not been updated to reflect the requirements of IFRS 9, although such an update is being considered to be put into effect as early as 2020. Instead, under EAS 26 an entity applies standards which are broadly equivalent to IAS 39—*Financial Instruments: Recognition and Measurement*.

APPENDIX B—GLOSSARY

ABK	Al Ahly Bank of Kuwait—Egypt
ADIB	Abu Dhabi Islamic Bank
Anatomical therapeutic chemical (ATC) classification system . . .	A classification system used for the classification of active ingredients of pharmaceutical products according to the organ or system on which they act and their therapeutic, pharmacological and chemical properties, controlled by the World Health Organization Collaborating Centre for Drug Statistics Methodology. See “ <i>Appendix C—ATC Classification System</i> ”.
Antispasmodic/ataractic combination	Used for the treatment of digestion problems such as irritable bowel syndrome and diverticular diseases.
API or active pharmaceutical ingredient or active ingredients	The substance within a pharmaceutical, nutraceutical or cosmeceutical product that produces the product’s intended therapeutic effect. Such substance may be chemical or natural in nature
Articles	The articles of association of the Company, as amended from time to time.
BFS	Blow-fill-seal, a process used to produce a sterile water or a drug filled container which is formed, filled and sealed in a continuous process without human intervention inside a sterile, enclosed area within a machine
Board	The board of directors of the Company from time to time
CAGR	Compound annual growth rate
CAPA	The Egyptian Central Administration of Pharmaceutical Affairs
CBE	The Central Bank of Egypt
Cephalosporin	Cephalosporins are a subclass of antibiotics called beta-lactam antibiotics (antibiotics that have a chemical structure referred to as a beta-lactam ring). Beta-lactam antibiotics also include carbapenems, monobactams, and penicillins. They are used in the treatment of bacterial infections (e.g. lower respiratory tract infections).
CIB	Commercial International Bank
CI Capital Investment Banking	CI Capital Investment Banking S.A.E.
Closed Subscription	The Company’s offer to the Selling Shareholder of the right to subscribe for Closed Subscription Shares, capped at the number of Offer Shares sold by the Selling Shareholder in the Combined Offering, at the Offer Price.
Closed Subscription Shares	New Shares to be offered to the Selling Shareholder in the Closed Subscription
CML	The Egyptian Capital Market Law
Combined Offer Shares . .	The International Offer Shares and the Egyptian Retail Offer Shares
Combined Offering	The International Offering together with the Egyptian Retail Offering
Company	Tenth of Ramadan for Pharmaceutical Industries and Diagnostic Reagents (Rameda) S.A.E.
Compass Capital	Compass Capital for Financial Investments S.A.E.
cosmeceutical	A cosmetic that has medical benefits, such as a therapeutic effect
CPI	Consumer price index

Cyclo-oxygenase/platelet aggregation inhibitors . .	Used to prevent platelet accumulation of platelets that cause blood clots.
Dapoxetine	A selective serotonin reuptake inhibitor, used to treat premature ejaculation in men.
Directors	The directors of the Company whose names appear on page 105 of this Offering Circular
DFSA	Dubai Financial Services Authority
EDA	The Egyptian Drug Authority
EEAA	Egyptian Environment Affairs Agency
Egyptian Government . . .	The government of the Arab Republic of Egypt
Egyptian Retail Offer Shares	The shares being offered by the Selling Shareholder to the public in Egypt in the Egyptian Retail Offering
Egyptian Retail Offering .	The domestic offering of Egyptian Retail Offer Shares by the Selling Shareholder to the public in Egypt
Egyptian Revolution	Widespread protests against the regime of Hosni Mubarak, which led to Mubarak's resignation as president in early 2011 resulting in a period of military control
EGX	The Egyptian Stock Exchange
EMEA	Europe, the Middle East and Africa
FRA	Egypt's Financial Regulatory Authority
GDP	Gross domestic product
GOEIC	General Organization for Export and Import Control
GMP	Good Manufacturing Practice, a system within the pharmaceutical industry for ensuring that products are consistently produced and controlled according to quality standards. It is designed to minimise the risks involved in any pharmaceutical production that cannot be eliminated through testing the final product.
GNP	Gross national product
Group	the Company and its consolidated subsidiaries.
HSBC	HSBC Bank plc
IDA	the Egyptian Industrial Development Authority
IFRS	The International Financial Reporting Standards
IMF	The International Monetary Fund
Importers Registry Law . .	Law No. 121 of 1982
International Offer Shares	The Shares offered in the International Offering
International Offering . . .	The offer by the Selling Shareholder of Shares outside Egypt
Investec	Investec Bank plc
IPO Adviser	Compass Capital for Financial Investments S.A.E.
IQVIA	IQVIA Holdings Inc., formerly IMS Health and Quintiles, an information, services and technology company for the healthcare industries and clinical research
IR Code	The United States Internal Revenue Code of 1986, as amended
IRS	United States Internal Revenue Service

Joint Bookrunners	HSBC, Investec and CI Capital Investment Banking
Joint Global Coordinators	HSBC and Investec
Lidocaine	A medication used for, among other things, numbing tissue in a specific area
Lyophilise	Freeze drying, also known as lyophilisation. Freeze-dried pharmaceutical products are produced as lyophilised powders for reconstitution in vials and in prefilled syringes.
Macro dosing bottles	Macro dosing powder machines are used to fill non-free-flowing powders into large glass or plastic bottles
MCDR	The Misr for Central Clearing Depository and Registry
Member State	Each member state of the European Economic Area
MENA	The Middle East and North Africa
Micro dosing	Micro dosing powder machines are used to fill non-free-flowing powders into small glass or plastic bottles
MiFID II	EU Directive 2014/65/EU on markets in financial instruments, as amended
MiFID II Product Governance Requirements	Together, (a) the EU Directive 2014/65/EU on markets in financial instruments, as amended, (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures
MOHP	The Egyptian Ministry of Health and Population
molecule	A set of pharmaceutical products that all contain the same API or combination of APIs or a set of nutraceutical or cosmeceutical products that contain the same active ingredient or combination of active ingredients
nutraceutical	A source of nutrients (e.g., vitamins and minerals) or other substances with a nutritional effect. These products are not intended to diagnose, treat, cure or prevent any disease.
Offering Circular	This document.
Offer Price	The price per share in the Combined Offering.
Order	Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended
PFIC	A passive foreign investment company
Pharmacy Law	Egyptian Law No. 127 of 1955
product	A specific dosage form (e.g., capsule, liquid, powder or tablet) or dosage strength of a molecule
Prospectus Regulation	Regulation (EU) 2017/1129, as amended from time to time
Proton pump inhibitors	Used for the treatment of stomach issues like reflux esophagitis associated with gastroesophageal reflux disease (or GERD), duodenal and gastric ulcer, etc.
Public Subscription Notice	the public subscription notice to be issued in connection with the Egyptian Retail Offering
QIBs	Qualified institutional buyers as defined in and pursuant to Rule 144A
Qualified Investors	Qualified investors within the meaning of Article 2(1)(e) of the Prospectus Regulation
Ramecare	Ramecare LLC, incorporated on 30 August 2012 as an Egyptian limited liability company, is a 49% owned subsidiary of Rameda SAE.

Rameda SAE	Tenth of Ramadan for Pharmaceutical Industries and Diagnostic Reagents (Rameda) S.A.E.
Rameda for Trading	Rameda for Trading SAE, incorporated on 25 September 2011 as an Egyptian joint stock company, is a wholly owned subsidiary of Rameda SAE.
Ramepharma	Ramepharma LLC, incorporated on 15 August 2012 as an Egyptian limited liability company, is a 49% owned subsidiary of Rameda SAE.
Regulation S	Regulation S under the U.S. Securities Act
Relevant Member State	Each Member State of the EEA that has implemented the Prospectus Regulation
Rule 144A	Rule 144A under the U.S. Securities Act
Selling Shareholder	Greville Investing Limited
Shares	The Company's issued ordinary shares
Shareholder	A holder of Shares in the Company
Stabilisation Fund	An amount equal to 100% of the gross proceeds of the sale of the Egyptian Retail Offer Shares sold in the Egyptian Retail Offering at the Offer Price to be financed by the Selling Shareholder and made available to CI Capital Investment Banking one day prior to commencement of trading.
Stabilisation Period	The period beginning on the date of the commencement of trading of Shares on the EGX, and ending 30 days after that date.
Target Market Assessment	Approval process under which it is determined that securities are: (a) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (b) eligible for distribution through all distribution channels as are permitted by MiFID II
Treaty	The Income Tax Convention between the United States and Egypt.
UAE	United Arab Emirates
Underwriting Agreement	The underwriting agreement entered into between the Company, the Selling Shareholder and the Joint Bookrunners, as described in the section entitled " <i>Plan of Distribution</i> "
United Kingdom	The United Kingdom of Great Britain and Northern Ireland
Universal Health Insurance Law	Law No. 2 of 2018 by the Egyptian Parliament pertaining to medical insurance
U.S. Securities Act	The U.S. Securities Act of 1933, as amended
United States or U.S.	The United States of America, its territories and possessions, any State of the United States and the District of Columbia
USD, U.S. dollars and US\$	The lawful currency of the United States
WFI	Water for injection. Intended for use in the manufacture of injectable drugs whose solvent is water.

APPENDIX C—ATC CLASSIFICATION SYSTEM

The anatomical therapeutic chemical, or ATC, classification system is used by the World Health Organization for the classification of active ingredients of drugs according to the organ or system on which they act and their therapeutic, pharmacological and chemical properties. The system classifies active ingredients using five levels of classification.

ATC 1 is comprised of a number of main groups based on the organ or system on which the active ingredient will act. The first character of an active ingredient's ATC code indicates its ATC 1 classification using one letter. The second and third characters of an active ingredient's ATC code represent its ATC 2 classification (indicated by a specific two-digit number), which represent therapeutic sub-groups of its ATC 1 classification. The fourth and fifth characters in an active ingredient's ATC code represent its ATC 3 and ATC 4 classifications, respectively, each represented by a single letter. Its ATC 3 classification identifies the active ingredient as falling within a certain pharmacological subgroup of its ATC 2 classification and its ATC 4 classification identifies it as falling within a certain chemical subgroup of its ATC 3 classification. The sixth and seventh characters of a product's ATC code indicate its ATC 5 classification using a two digit number. The ATC 5 classification represents the chemical substance of the active ingredient.

An example for one of our molecules, Protofix, is as follows:

<u>Level</u>	<u>Basis</u>	<u>Classification</u>
ATC 1	Anatomical main group	Alimentary tract and metabolism
ATC 2	Therapeutic subgroup	Anti-acid, anti-flatulence and anti-ulcerants
ATC 3	Pharmacological subgroup	Anti-ulcerants
ATC 4	Chemical subgroup	Proton pump inhibitors
ATC 5	Active ingredient	Pantoprazole

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