

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

**LIMITED REVIEW REPORT AND CONSOLIDATED  
INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS PERIOD ENDED  
31 MARCH 2018**

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

**Consolidated interim condensed financial statements  
For the three months period ended 31 March 2018**

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## Limited review report on the consolidated interim condensed financial statements

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

### Introduction

We have reviewed the accompanying consolidated statement of financial position at 31 March 2018 of Middle East Glass Manufacturing Company (S.A.E.) and the related consolidated statements of profits or losses, comprehensive income, changes in equity and cash flows for the three months then ended. Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these consolidated interim condensed financial statements based on our review.

### Scope of limited review

Except as explained in the following paragraph, we conducted our limited review in accordance with Egyptian Standard on Review Engagements No. 2410, "Review of Interim Financial Statements Performed by the Independent Auditor of the Entity." A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

### Basis for qualified conclusion

Included within assets of disposal group classified as held for sale in the consolidated interim condensed statement of financial position at 31 March 2018 an amount due from a related party amounting to EGP 54,934,761. Management has not carried out an impairment study to determine the recoverable amount of this balance. Had we been able to obtain this study matters have come to our attention indicating that adjustments might be necessary to the consolidated interim condensed financial statements.

### Qualified Conclusion

Except for the adjustments to the consolidated interim condensed financial statements that we might have become aware of had we been able to obtain the study referred to above, based on our limited review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim condensed financial statements is not prepared in all material respects, in accordance with Egyptian Accounting Standards.

Mohamed Ahmed Fouad, CPA  
R.A.A. 11595  
F.R.A. 235  
Mansour & Co. PricewaterhouseCoopers  
Public Accountants & Consultants



5 June 2018

Cairo

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


Consolidated statement of financial position - As at 31 March 2018


(All amounts in Egyptian Pounds)

	Notes	31 March 2018	31 December 2017
<b><u>Non-current assets</u></b>			
Property, plant and equipment	4	1,114,376,477	1,130,437,412
Intangible assets		297,936,702	301,487,466
<b>Total non-current assets</b>		<b>1,412,313,179</b>	<b>1,431,924,878</b>
<b><u>Current assets</u></b>			
Inventory		357,502,809	346,364,003
Trade and notes receivable		328,337,864	277,921,766
Prepaid expenses and other receivables		242,171,163	217,118,616
Due from tax authority		40,743,522	28,292,414
Non-current assets held for sale		1,982,161	1,982,161
Due from related parties		85,782,715	66,733,245
Cash and bank balances		47,209,085	45,371,842
<b>Total current assets</b>		<b>1,103,729,319</b>	<b>983,784,047</b>
Assets of disposal group classified as held for sale	7	907,831,002	876,394,171
<b>Total assets</b>		<b>3,423,873,500</b>	<b>3,292,103,096</b>
<b><u>Owners' equity</u></b>			
Issued and paid up capital		50,322,580	50,322,580
Legal reserve		25,161,260	25,161,260
Share premium reserve		172,217,162	172,217,162
Other reserves		13,129,007	13,129,007
Payments under capital increase		432,825,002	432,825,002
Accumulated losses		(494,261,685)	(506,541,354)
<b>Total owners' equity</b>		<b>199,393,326</b>	<b>187,113,657</b>
Non-controlling interest		67,609,706	62,769,340
<b>Total equity</b>		<b>267,003,032</b>	<b>249,882,997</b>
<b><u>Non-current liabilities</u></b>			
Borrowings	5/B	908,556,503	937,012,099
Retirement benefits obligations		10,050,440	7,017,888
Deferred tax liabilities		47,350,215	53,526,548
Long term notes payable		22,453,180	12,912,917
<b>Total non-current liabilities</b>		<b>988,410,338</b>	<b>1,010,469,452</b>
<b><u>Current liabilities</u></b>			
Provisions		42,169,654	43,045,057
Bank borrowings and overdraft	5/A	688,532,237	658,809,749
Trade and notes payable		384,504,447	402,205,271
Accrued expenses and other payables		296,202,418	210,250,498
Due to tax authority		53,278,735	33,003,353
<b>Total current liabilities</b>		<b>1,464,687,491</b>	<b>1,347,313,928</b>
Liabilities directly associated with disposal group classified as held for sale	7	703,772,639	684,436,719
<b>Total owners' equity and liabilities</b>		<b>3,423,873,500</b>	<b>3,292,103,096</b>

The accompanying notes on pages 7 - 17 form an integral part of these consolidated financial statements.

Limited review report attached

  
Mr. Mohamed Khalifa  
Chief Financial Officer

  
Mr. Peter Carpenter  
Board Member

  
Mr. Abdul Galil Beshar  
Chairman

5 June 2018

MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

Consolidated statement of profit or loss  
For the three months period ended 31 March 2018

(All amounts in Egyptian Pounds)

	Notes	31 March 2018	31 March 2017
Sales		374,516,338	340,914,000
Cost of sales		<u>(244,466,870)</u>	<u>(231,880,976)</u>
<b>Gross profit</b>		<b>130,049,468</b>	<b>109,033,024</b>
Selling and marketing expenses		(58,498,259)	(35,850,013)
General and administrative expenses		(19,491,126)	(17,785,203)
Other operating expense		(2,987,878)	(203,965)
Other operating income		13,650,767	16,418,335
<b>Profit from operations</b>		<b>62,722,972</b>	<b>71,612,178</b>
Finance costs, net		(61,359,514)	(77,133,559)
<b>Net profit / (loss) before tax</b>		<b>1,363,458</b>	<b>(5,521,381)</b>
Income tax		3,655,663	3,599,133
<b>Net profit / (loss) from continuing operations</b>		<b>5,019,121</b>	<b>(1,922,248)</b>
Net Profit for the period from discontinued operations (net of tax)		12,100,914	10,670,491
<b>Net profit for the year</b>		<b>17,120,035</b>	<b>8,748,243</b>
<b>Net Profit for the period from discontinued operations (net of tax) is attributable to:</b>			
Owners' equity		7,260,548	6,402,503
Non-controlling interest		4,840,366	4,267,988
		<b>12,100,914</b>	<b>10,670,491</b>
<b>Net Profit for the year is attributable to:</b>			
Owners' equity		12,279,669	4,480,255
Non-controlling interest		4,840,366	4,267,988
		<b>17,120,035</b>	<b>8,748,243</b>
<b>Earnings / (loss) per share (Basic / diluted) from continuing and discontinuing operations</b>			
Earnings per share from continuing operations	6	0.10	(0.03)
Earnings per share from discontinuing operations	6	0.14	0.12
<b>Total earnings / (loss) per share</b>		<b>0.24</b>	<b>0.09</b>

The accompanying notes on pages 7 - 17 form an integral part of these consolidated financial statements.

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

Consolidated statement of other comprehensive income  
For the three months ended 31 March 2018

(All amounts in Egyptian Pounds)

	<u>31 March 2018</u>	<u>31 March 2017</u>
Net profit / (loss) for the period	17,120,035	(1,922,248)
<b>Total comprehensive profit / (loss)</b>	<b><u>17,120,035</u></b>	<b><u>(1,922,248)</u></b>
<b>Net Profit / (loss) for the year from discontinued operations (net of tax) is attributable to:</b>		
Owners' equity	7,260,548	6,402,503
Non-controlling interest	4,840,366	4,267,988
	<b><u>12,100,914</u></b>	<b><u>10,670,491</u></b>
<b>Net Profit / (loss) for the year is attributable to:</b>		
Owners' equity	12,279,669	4,480,255
Non-controlling interest	4,840,366	4,267,988
	<b><u>17,120,035</u></b>	<b><u>8,748,243</u></b>

The accompanying notes on pages 7 - 17 form an integral part of these consolidated financial statements.

MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

Consolidated statement of changes in equity  
For the three months period ended 31 March 2018

(All amounts in Egyptian Pounds)

	Issued and paid up capital	Legal reserve	Special reserve	Other reserves	Payment under capital increase	Retained earnings (Accumulated losses)	Total owners' equity	Non- controlling interest	Total equity
<b>Balance at 1 January 2017</b>	50,322,580	25,161,260	172,217,162	13,129,007	-	(527,646,798)	(266,816,789)	43,868,477	(222,948,312)
Total comprehensive profit for the period	-	-	-	-	-	4,480,255	4,480,255	4,267,988	8,748,243
<b>Balance at 31 March 2017</b>	<b>50,322,580</b>	<b>25,161,260</b>	<b>172,217,162</b>	<b>13,129,007</b>	<b>-</b>	<b>(523,166,543)</b>	<b>(262,336,534)</b>	<b>48,136,465</b>	<b>(214,200,069)</b>
<b>Balance at 1 January 2018</b>	50,322,580	25,161,260	172,217,162	13,129,007	432,825,002	(506,541,354)	187,113,657	62,769,340	249,882,997
Total comprehensive profit for the period	-	-	-	-	-	12,279,669	12,279,669	4,840,366	17,120,035
<b>Balance at 31 March 2018</b>	<b>50,322,580</b>	<b>25,161,260</b>	<b>172,217,162</b>	<b>13,129,007</b>	<b>432,825,002</b>	<b>(494,261,685)</b>	<b>199,393,326</b>	<b>67,609,706</b>	<b>267,003,032</b>

The accompanying notes on pages 7 - 17 form an integral part of these consolidated financial statements.

MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

Consolidated statement of cash flows  
For the three months period ended 31 March 2018

(All amounts in Egyptian Pounds)

	Note	31 March 2018	31 March 2017
<b><u>Cash flows from operating activities</u></b>			
Net profit for the period before tax		13,464,372	5,149,110
<b><u>Adjusted by:</u></b>			
Interest expenses		85,901,363	68,216,272
Interest income		(23,482)	(3,611)
Depreciation and amortization	4	40,108,881	48,295,792
Gain on sale of property, plant and equipment		(177,440)	(80,547)
Retirement benefits provision		3,032,552	250,000
Unrealized foreign exchange losses		(2,858,936)	(9,407,132)
<b>Cash flows from operating activities before changes in working capital</b>		<b>139,447,310</b>	<b>112,419,884</b>
Inventories		38,122,262	(13,370,991)
Trade and notes receivables		(124,578,260)	11,148,848
Prepaid expenses and other receivables		(36,830,129)	(29,540,049)
Due from tax authority		(12,978,105)	(5,347,247)
Due from related parties		(15,446,764)	(138,827,450)
Trade and notes payables		(35,554,967)	74,764,067
Accrued expenses and other payables		66,046,735	(7,406,670)
Due to tax authority		18,024,007	5,636,243
Provisions used		(875,403)	(1,400,440)
Payment of employees retirement benefits		-	(770,902)
<b>Cash flows generated from operations</b>		<b>35,376,686</b>	<b>7,305,293</b>
Interest paid		(68,202,498)	(43,581,238)
<b>Net cash outflow from operating activities</b>		<b>(32,825,812)</b>	<b>(36,275,945)</b>
<b><u>Cash flows from investing activities</u></b>			
Purchase of property, plant and equipment	4	(22,641,270)	(33,933,009)
Proceeds from sale of property, plant and equipment	4	659,899	103,598
Interest income received		23,482	3,611
<b>Net cash outflow from investing activities</b>		<b>(21,957,889)</b>	<b>(33,825,800)</b>
<b><u>Cash flows from financing activities</u></b>			
Property, plant and equipment creditors		(8,567,007)	(6,872,694)
Bank overdrafts		60,312,137	98,228,637
Repayments of borrowings	5	(13,135,179)	(46,752,640)
Proceeds from borrowings	5	14,183,228	55,894,995
<b>Net cash inflow from financing activities</b>		<b>52,793,179</b>	<b>100,498,298</b>
<b>Increase in cash and cash equivalent</b>		<b>(1,990,522)</b>	<b>30,396,553</b>
Cash and cash equivalents at beginning of the period		52,990,662	63,471,240
<b>Cash and cash equivalents at end of the period</b>		<b>51,000,140</b>	<b>93,867,793</b>

The accompanying notes on pages 7 - 17 form an integral part of these consolidated financial statements.



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

### Notes to the consolidated financial statements For the three months period ended 31 March 2018

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

#### 1. General information

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

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

The Company and its subsidiaries together comprise "the Group".

The registered office of the Company is 6 Mokhayam El-Daem Street, Ninth District, Nasr City, Cairo. The Company's main activity is manufacturing all kinds of glass bottles and the acquisition of other entities that operate in the same field.

The main activities of the Group are as follows:

- (1) Manufacture, sale and export of glass containers used for the packaging of food and beverage.
- (2) Manufacture, sale and export of plastic products for the food and beverage industry and disposable plastic medical products for the pharmaceutical industry.
- (3) Acquiring other companies working in the same field.

The ultimate parent is Deram Holdings Inc. The parent of the Company is MAC Investments S.A.E. with 51.43% ownership.

<b>Subsidiaries</b>	<b>Share</b>	<b>Activity</b>
Medco Plast for Packing & Wrapping Systems	60%	Manufacturing Plastic for Packing
Middle East Glass Containers Sadat (previously Wadi Glass Container)	100%	Manufacturing Glass Containers
MEG Misr for Glass	99.97%	Manufacturing Glass Containers
Misr for Manufacturing Glass (owned 100% by MEG Misr for Glass)	-	Manufacturing all kinds of Glass Bottles and the acquisition of other entities that operate in the same field

These consolidated financial statements have been approved for issuance by the Chairman on 5 June 2018.

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2018

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

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#### 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these condensed interim financial statements are the same as included in the annual financial statements for the year ended 31 December 2012 financial statements. These policies have been consistently applied to all the periods presented, unless otherwise stated.

##### A. Basis of preparation

These interim condensed separate financial statements have been prepared in accordance with the Egyptian Accounting standards (EASs) and relevant Egyptian laws and regulation.

These interim condensed separate financial statements as at 31 March 2018 have been prepared in accordance with EAS 30 "Interim financial reporting". As permitted by EAS 30, the Company has opted to prepare a condensed version as compared to the year end separate financial statements.

These interim condensed separate financial statements do not include all of the information and disclosure required for a complete set of separate financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2017.

The company has prepared these separate financial statements in accordance with local regulations. The company will prepare its consolidated financial statement within maximum 60 days from financial position date in accordance with the disclosure standards that has been set by the Egyptian Financial supervisory authority (EFSA).

##### B. Fair value of financial instruments

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
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group. 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.

The Group 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.

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2018

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

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#### **Fair value of financial instruments (continued)**

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level of inputs that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

#### **Debt covenants**

The Company is required to comply with certain financial covenants for bank loan facilities and as at the balance sheet date was not fully compliant with all covenants; temporary waivers were obtained stating that the Company should take necessary actions to comply with the debt covenants.

### **3. Critical accounting estimates and judgments**

#### **(1) Critical accounting estimates and assumptions**

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made in applying the Group's accounting policies were applied consistently across the annual periods. The significant judgements and key sources of estimation uncertainty that have a significant effect on the amounts recognised in these financial statements are outlined below.

##### **a. Employee benefits**

Management determines employee benefit liabilities using an independent actuarial expert and revises the sufficiency of these liabilities on an annual basis according to the accounting policy (Note 2.R). Note (23) shows the main assumptions used to determine the employee benefit liabilities.

##### **b. Property, plant and equipment – useful life**

Property, plant and equipment are a substantial portion of the total assets of the Group, depreciation expense that is related to this property, plant and equipment is a substantial portion of annual operating expenses.

The useful life of property, plant and equipment which were based on management estimation and assumptions has a significant impact on assets value. Each item of the property, plant and equipment has a useful life estimation based on the past experience of corresponding assets, expected period in which economic benefits will flow to the Group during the operation of the asset.

The useful life of property, plant and equipment estimates and assumptions are reviewed periodically to assess if there is any adjustments or changes related to useful life or residual values if there is any adjustments will be implemented on future years.

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

**Notes to the consolidated financial statements  
For the three months period ended 31 March 2018**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

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**Critical accounting estimates and judgments (continued)**

**c. Intangible assets useful lives – customer list**

The Group amortizes customer list arising from a business combination using the straight line method over 5 years which is estimated to be the period of the projected cash flows for customer lists.

**d. Impairment of goodwill**

The group tests whether goodwill has suffered any impairment on an annual basis in accordance with the accounting policy stated in Note 2-E. The recoverable amounts of cash generating units are determined based on value-in-use calculations. These calculations require the use of estimates (Note 6).

**e. Impairment of trade receivables**

Impairment of trade receivables are estimated according to the aging of the debts. Management assesses the credit position and the payment ability of customers in which their debt is overdue as per the given credit facility and estimates, accordingly the Group recognizes the required impairment.

**(2) Critical judgment in applying the accounting policies**

In general applying the group's accounting policies does not require judgments.

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

**Notes to the consolidated financial statements - For the three months period ended 31 March 2018**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

**4. Property, plant and equipment**

	Land	Buildings	Machinery, equipment and molds	Vehicles and transportation	Furniture and office equipment	Computers & software	Projects under construction	Total
<b>31 December 2017</b>								
<b>Cost</b>								
Balance at beginning of the year	329,296,952	218,996,168	1,533,379,516	23,623,618	14,422,576	8,759,064	195,073,831	2,323,551,725
Additions	-	213,169	68,815,816	735,457	1,291,044	923,695	81,178,847	153,158,028
Reclassification from assets held for sale	-	-	5,645,385	-	-	-	-	5,645,385
Disposals	-	-	(60,719,604)	(791,746)	(398,354)	(316,660)	-	(62,226,364)
Transferred from projects under construction	-	505,201	18,170,196	-	-	-	(18,675,397)	-
Transfer to disposal group classified as held for sale	(12,540,437)	(8,028,030)	(290,749,098)	(7,363,969)	(1,777,405)	(2,121,746)	(50,431,588)	(373,012,273)
<b>Balance at the end of the year</b>	<b>316,756,515</b>	<b>211,686,508</b>	<b>1,274,542,211</b>	<b>16,203,360</b>	<b>13,537,861</b>	<b>7,244,353</b>	<b>207,145,693</b>	<b>2,047,116,501</b>
<b>Accumulated depreciation</b>								
Balance at beginning of the year	-	(57,703,147)	(851,382,324)	(15,503,258)	(10,123,624)	(5,967,080)	-	(940,679,433)
Depreciation expense	-	(10,684,173)	(154,132,600)	(2,918,547)	(1,486,801)	(847,051)	-	(170,069,172)
Transfer to disposal group classified as held for sale	-	2,460,923	123,361,723	4,825,856	1,257,262	845,966	-	132,751,730
Disposals depreciation	-	-	59,873,415	945,917	226,843	271,611	-	61,317,786
<b>Balance at the end of the year</b>	<b>-</b>	<b>(65,926,397)</b>	<b>(822,279,786)</b>	<b>(12,650,032)</b>	<b>(10,126,320)</b>	<b>(5,696,554)</b>	<b>-</b>	<b>(916,679,089)</b>
<b>Net book value at the end of the year</b>	<b>316,756,515</b>	<b>145,760,111</b>	<b>452,262,425</b>	<b>3,553,328</b>	<b>3,411,541</b>	<b>1,547,799</b>	<b>207,145,693</b>	<b>1,130,437,412</b>
<b>31 March 2018</b>								
<b>Cost</b>								
Balance at beginning of the year	316,756,515	211,686,508	1,274,542,211	16,203,360	13,537,861	7,244,353	207,145,693	2,047,116,501
Additions	-	45,093	6,680,630	-	120,311	105,801	13,545,347	20,497,182
<b>Balance at the end of the year</b>	<b>316,756,515</b>	<b>211,731,601</b>	<b>1,281,222,841</b>	<b>16,203,360</b>	<b>13,658,172</b>	<b>7,350,154</b>	<b>220,691,040</b>	<b>2,067,613,683</b>
<b>Accumulated depreciation</b>								
Balance at beginning of the year	-	(65,926,397)	(822,279,786)	(12,650,032)	(10,126,320)	(5,696,554)	-	(916,679,089)
Depreciation expense	-	(2,421,667)	(33,165,413)	(456,295)	(340,161)	(174,581)	-	(36,558,117)
<b>Balance at the end of the year</b>	<b>-</b>	<b>(68,348,064)</b>	<b>(855,445,199)</b>	<b>(13,106,327)</b>	<b>(10,466,481)</b>	<b>(5,871,135)</b>	<b>-</b>	<b>(953,237,206)</b>
<b>Net book value at the end of the year</b>	<b>316,756,515</b>	<b>143,383,537</b>	<b>425,777,642</b>	<b>3,097,033</b>	<b>3,191,691</b>	<b>1,479,019</b>	<b>220,691,040</b>	<b>1,114,376,477</b>

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2018

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

#### Property, plant and equipment (continued)

The Group leases certain assets which are not recognised as fixed assets according to Policy No. 2d of the Egyptian Accounting Standard No.20 which recognises lease payments as expenses in the statement of profits or losses.

#### Pledge on assets:

All machinery, tools and production lines are subject to commercial pledges, as collateral in the first degree for bank loans extended to the group.

Project under construction analysis is as follows:

<b>Balance at 1 January 2018</b>	<b>Additions during the period</b>	<b>Balance at 31 March 2018</b>
207,145,693	13,545,347	<b>220,691,040</b>

The balance of project under construction as of 31 March 2018 is represented as follows:

	<b>31 March 2018</b>
New and upgraded furnace	92,606,519
New batch house	40,448,508
Forming machines	34,528,757
Machinery and tools	26,905,772
Cooling machine	11,192,830
Buildings	8,253,416
Others	6,755,238
	<b>220,691,040</b>

#### 5. Bank borrowings and overdraft

	<b>31 March 2018</b>	<b>31 December 2017</b>
<b>A. Borrowings - current portion</b>		
Bank loans	272,792,816	249,773,186
Bank overdrafts	415,739,421	409,036,563
<b>Total current portion</b>	<b>688,532,237</b>	<b>658,809,749</b>
<b>B. Borrowings non-current portion</b>		
Bank loans	908,556,503	937,012,099
<b>Total non-current portion</b>	<b>908,556,503</b>	<b>937,012,099</b>
<b>Total</b>	<b>1,597,088,740</b>	<b>1,595,821,848</b>

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2018

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

#### Bank borrowings and overdraft (continued)

Bank facilities extended to group companies are subject to security arrangements as follows:

- Contracts with certain customers.
- Restrictions over transfers of subsidiaries' shares owned by the Company.
- Commercial pledges of plant and machinery.
- Personal guarantee issued by the minority shareholder of a subsidiary.
- Assignment of insurances.

The average interest rate on loans is 2.75% over the Central Bank lending rate (the "corridor" rate) for loans in Egyptian pounds, 4.75% over Euribor for loans in Euro and 3.75% over 3 month Libor for loans denominated in US Dollars.

As at 31 March 2018, the contractual maturities of the Company's financial liabilities were as follows:

	Less than 6 month	Between 6 month & 1 year	Between 1 & 2 years	More than 2 years
<b>31 March 2018</b>				
Accounts and notes payable	224,346,170	160,158,277	-	-
Long-term notes payable	-	-	24,695,389	3,607,791
Accrued expenses and other payables	218,806,507	41,201,210	-	-
Bank overdrafts	342,779,845	-	-	-
Loans and borrowings	236,308,856	111,307,019	215,946,519	870,064,427
<b>Total</b>	<b>1,022,241,378</b>	<b>312,666,506</b>	<b>240,641,908</b>	<b>873,672,218</b>
<b>31 December 2017</b>				
Accounts and notes payable	208,040,536	181,251,818	11,533,469	1,379,448
Accrued expenses and other payables	157,620,333	24,302,428	-	-
Bank overdrafts	337,956,832	71,079,731	-	-
Loans and borrowings	259,650,036	585,541,553	278,129,341	1,070,376,418
<b>Total</b>	<b>963,267,737</b>	<b>862,175,530</b>	<b>289,662,810</b>	<b>1,071,755,866</b>

#### 6. Earnings / (loss) per share

Basic earnings / (loss) per share is calculated by dividing the net profit / (loss) attributable to the shareholders of the parent company by the weighted average number of ordinary shares issued, after considering proposed employees' profit share.

##### A. Earnings per share from continuing operations to parent company shareholders

	31 March 2018	31 March 2017
Net attributable (loss) / profit to owners' equity	5,019,121	(1,922,248)
Weighted average number of issued and paid shares	50322580	50322580
<b>Earnings per share</b>	<b>0.10</b>	<b>(0.04)</b>

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

**Notes to the consolidated financial statements  
For the three months period ended 31 March 2018**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

**Earnings / (loss) per share (continued)**

**B. Earnings per share from discontinued operations**

	<b>31 March 2018</b>	<b>31 March 2017</b>
Net attributable (loss) / profit to owners' equity	7,260,548	6,402,503
Weighted average number of issued and paid shares	50322580	50322580
<b>Earnings / (loss) per share</b>	<b>0.14</b>	<b>0.13</b>

The diluted earnings / (loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming full conversion of all potential dilutive ordinary shares. As of 31 March 2018 and 31 December 2017, the parent company does not have potential diluted shares and therefore, diluted earnings / (loss) per share is equal to basic loss per share.

**7. Assets and liabilities of disposal group classified as held-for-sale**

In October 2017, the Board of Directors of the Company approved the sale of 74% of its investment in "Medco Plast for Packing and Packaging Systems "S.A.E.". The sale is expected to be completed before the end of the first half of 2018.

**(a) Assets of Medco Plast for Packing and Packaging System S.A.E. classified as held-for-sale**

	<b>31 March 2018</b>	<b>31 December 2017</b>
Fixed assets	241,922,171	240,260,545
Goodwill	36,034,167	36,034,167
Trade and other receivables	324,874,094	238,407,349
inventories	122,070,675	171,331,743
Due from related parties	179,138,841	182,741,547
Cash on hand and at bank	3,791,054	7,618,820
<b>Total</b>	<b>907,831,002</b>	<b>876,394,171</b>

**(b) Liabilities of Medco Plast for Packing and Packaging System S.A.E. Classified as held-for-sale**

	<b>31 March 2018</b>	<b>31 December 2017</b>
Trade and other payables	63,900,554	93,231,423
Provisions	200,000	200,000
Deferred tax liabilities	20,518,034	20,518,034
Fixed assets creditors	21,530,973	30,097,980
Bank borrowings and overdrafts	597,623,078	540,389,282
<b>Total</b>	<b>703,772,639</b>	<b>684,436,719</b>

In accordance with EAS 32, this disposal group was measured at the carrying value which is lower than fair value amounting to EGP647 million. This type of non-recurring valuation, which was made by using unobservable input, is the discounted projected cash flows, and therefore falls within level 3 of the fair value hierarchy.



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

### Notes to the consolidated financial statements For the three months period ended 31 March 2018

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

#### Assets and liabilities of disposal group classified as held-for-sale (continued)

The table below shows the results of the discontinued operation for the year and the result of re-measurement of available for sale assets:

	<b>31 March 2018</b>	<b>31 March 2017</b>
Revenues	247,357,779	190,832,608
Expenses	(235,256,865)	(180,162,641)
<b>Profits / (loss) of discontinued operations</b>	<b>12,100,914</b>	<b>10,669,967</b>
Income tax	-	-
<b>Profits of discontinued operations after tax</b>	<b>12,100,914</b>	<b>10,669,967</b>

#### (c) Cash flows from discontinued operations

	<b>31 March 2018</b>	<b>31 March 2017</b>
Cash flow from operating activities	(51,010,365)	(56,959,136)
Cash flows from investing activities	(1,484,190)	(8,472,573)
Cash flows from financing activities	48,666,789	62,982,823
<b>Total cash flows</b>	<b>(3,827,766)</b>	<b>(2,448,886)</b>

#### 8. Financial statements by category

##### Financial assets:

	<b>Loans and receivables</b>	
	<b>31 March 2018</b>	<b>31 December 2017</b>
Trade and notes receivables	328,337,864	277,921,766
Due from related parties	85,782,715	66,733,245
Other receivables	161,596,379	177,768,925
Cash and bank balances	47,209,085	45,371,842

##### Financial liabilities:

	<b>Other financial liabilities</b>	
	<b>31 March 2018</b>	<b>31 December 2017</b>
Borrowings	1,597,088,740	1,595,821,848
Trade and other payable	384,504,447	402,205,271
Accrued expenses and other payables	260,007,717	181,922,761
Long term notes payable	22,453,180	12,912,917

- Other receivables presented above excludes prepaid expenses and advances to suppliers.
- Accrued expenses and other payables presented above excludes advances from customers and social insurance authority.

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

**Notes to the consolidated financial statements  
For the three months period ended 31 March 2018**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

**9. Segment reporting**

The operating segments are based on reports prepared by the management of the group, who treat the business from perspective of two segments (Glass and Plastics).

	Glass segment		Plastic segment		Total	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 December 2017
<b>Operating results</b>						
Net revenue	374,516,338	340,914,000	245,233,988	188,992,551	619,750,326	529,906,551
<b>Segment gross profit</b>	<b>130,049,468</b>	<b>109,033,024</b>	<b>45,991,753</b>	<b>31,079,532</b>	<b>176,041,221</b>	<b>140,112,556</b>
Operating profit	62,722,972	71,612,178	35,888,182	22,852,211	98,611,154	94,464,389
Interest income	23,482	3,611	-	-	23,482	3,611
Interest expense	(62,684,387)	(55,205,946)	(23,216,976)	(13,010,326)	(85,901,363)	(68,216,272)
Foreign exchange (loss) gain	1,301,391	(21,930,700)	(570,292)	828,082	731,099	(21,102,618)
Income tax	3,655,663	3,599,133	-	-	3,655,663	3,599,133
Net profit for the period	5,019,121	(1,922,248)	12,100,914	10,670,491	17,120,035	8,748,243
Non-controlling interest	-	-	4,840,366	4,267,988	4,840,366	4,267,988
	<b>31 March 2018</b>	<b>31 December 2017</b>	<b>31 March 2018</b>	<b>31 December 2017</b>	<b>31 March 2018</b>	<b>31 December 2017</b>

**Other information**

Segment assets	2,516,052,498	2,415,708,925	907,831,002	876,394,171	3,423,873,500	3,292,103,096
Segment liabilities	2,453,097,829	2,357,783,380	703,772,639	684,436,719	3,156,870,468	3,042,220,099
Depreciation and amortization	40,108,881	161,201,936	-	22,875,811	40,108,881	184,077,747

Sales between segments are carried out at arm's length and are eliminated on consolidation. Revenue from external parties is measured in the same way as in the statement of profits or losses.

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

**Notes to the consolidated financial statements  
For the three months period ended 31 March 2018**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

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**10. Share split**

On 14 September 2017, the Extraordinary General Assembly Meeting approved a ten-for-one share split of its ordinary share and accordingly, the shares' par value has become EGP 1 instead of EGP 10 per share. Shares before split and the number of issued shares became 50322580 instead of 5032258. Share was entered in the commercial register on 31 January 2018. Earnings per share information have been retrospectively adjusted to reflect the new number of shares and par value.

**11. Non-cash transactions**

For the cash flow statement preparation purposes, the group posted non-cash transaction which is not presented in the statement of cash flows. As follows:

	<b>31 March 2018</b>
Unsettled accrued finance cost	17,698,865