ANNUAL REPORT

# 2020

A World
**OF ENERGY**

# INNOVATING

TAQA ARABIA
ADAPTING
OVER TIME

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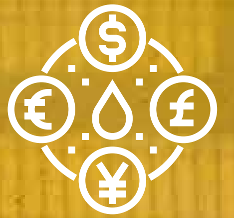
# KEY FINANCIAL INDICATORS

## MORE THAN TWO DECADES IN THE INDUSTRY

**7.9**
BILLION EGP
REVENUE



**447**
MILLION EGP
PROFIT

TAQA Arabia's services span a diverse range of energy sectors. Our projects and latest initiatives align with the State's 2030 vision. In this context, we have been getting involved in carrying out the operations of the projects under this vision that aim to develop a national sustainable economy and environment.

At TAQA we are keen on giving our clients a full perspective on the market dynamics through our knowledge base and hand-on experience to help in developing their potential growth; knowing which partnership to move on with, when and where to invest and which steps will be adding to their future outlooks.

TAQA Arabia, the largest private energy distribution company in Egypt, has been providing top quality energy solutions, reaching millions of customers across Egypt and MENA region.



## "WE ARE ONE STEP AHEAD WITH OUR UNRIVALED TECHNOLOGIES"

+ 1.4
Million Customers

3400
Employees

1.3 M +
Customers connected to Natural Gas

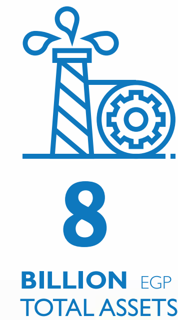
2.3 Billion
In investments

42
cities across Egypt

15
Companies Established and Incorporated

75
Oil & Gas Stations in Different Areas of Egypt

# EXECUTIVE OVERVIEW




## TAQA IS CONSTANTLY STRIVING TO REACH THE NEXT STAGE OF SUCCESS.

After the challenging consequences that materialized following the breakout of the pandemic, we at TAQA have been able to discover new ways to adjust and maneuver. This wouldn't have been possible if it weren't for the adaptability and flexibility that prevailed among our dedicated teams, as well as the hands-on experience and knowledge of our high-caliper management team who together developed the values we operate with:

# AN EVENTFUL YEAR WITH CHALLENGES

This year has been quite eventful despite the pandemic. At TAQA Arabia, COVID19-was a turning point where we all learned the value of flexibility that was demonstrated among our pool of **3.4 K employees**; thanks to whom our on-ground operations-which couldn't be halted- continued to function normally.

We are proud to say that TAQA Arabia was able to carry on its mission; serving the growing energy needs of Egypt. Our different arms continued to grow and expand in alignment with the state's energy vision, with special focus on the downstream gas value chain that was uniquely managed. We succeeded in reaching **1.3M connected customers to natural gas**, increased the number of natural gas filling stations "CNG stations" with conversion centers for **altering 2,000 vehicles every year**, as well as the "CNG Mobile Services". The service is a technology that safely transports gas to off-grid or the yet-uncharted-areas.

**ENG. KHALED ABU BAKR**
TAQA Arabia Executive Chairman



**1**
**Adaptability and innovation**, placing TAQA atop the region in the industry at the time of worldwide challenges.

**2**
**Commitment to cater for the growing demand** of the energy sector in Egypt, the Middle East and Africa and to our clients' services throughout the year.

**3**
**Dedication and prevailing team spirit** that made TAQA successfully carry on with its on-ground operations, streaming natural gas to new areas, and increasing the number of natural gas filling stations "CNG stations" with conversion centers.

**4**
**Resilient agility** against the volatility of the pandemic.

With more than two decades of operational experience in the industry, we have now grown to realize that energy is a portal to the prosperity of the economy. Therefore, it was natural for TAQA Arabia to align its strategies with the global vision and create innovative channels for the economic growth.

### TECHNOLOGY-DRIVEN STRATEGY

This year, TAQA Arabia was able to cope with the changing circumstances of the industry by inventing efficient means that best cater for the increasing needs for energy in the region. Thus, TAQA Arabia landed as the sole company to carry out the excess power utilization model thanks to its recent expansions in acquiring a 100% of the market share. In the same context, TAQA Arabia marked the first company to introduce the CNG Mobile technology, which has contributed to the transportation of natural gas to national un-charted or off-grid areas through equipped vehicles, saving the cost of building expensive pipelines. The benefiting areas include all of the industrial, hotel, residential resorts, and all kinds of off-grid/unreached sectors.

# AT A GLANCE

The Middle East and Africa provide powerful and abundant natural energy resources. TAQA Arabia established itself in 2006 in response to the growing demand for energy in the region and presented itself as a leader in the industry.

## ONE-STOP DESTINATION FOR ENERGY

Since its inception, TAQA has become the largest privately energy distribution company in Egypt and now covers three main platforms : Gas, Power, and Oil Marketing.

These Three arms allow TAQA to be a one-stop destination for energy distribution. The Gas arm handles concessions, distribution and sales; as well as EPC works ; the Power arm oversees electricity generation and renewable energy; and the Oil Marketing arm is responsible for retail stations and lubricant sales.

Due to this extensive coverage and streamlined activities, TAQA has been able to yield impressive returns for its partners, shareholders, customers and governments, further solidifying its status as an industry leader.

# BUSINESS REVIEW

# GAS

TAQA Gas handles all downstream activity aspects, ranging from the development to the operation of natural gas distribution networks in residential areas and industrial zones.

Distributing natural gas to more than 1.3 Million customers in over 8 governorates. TAQA Gas also specializes in the technical assessment of projects prior to installation.

# POWER

TAQA Power's backbone is Global Energy, a company established in 1999 and acquired by TAQA in 2006. The firm's scope of activities is extensive, encompassing engineering as well as electricity generation and distribution.

Its clients range from industrial, residential, commercial, oil and gas to touristic clients all across Egypt. TAQA Power's electricity generation solutions are tailored to meet clients' specific needs and provide efficient power management, emergency power supplies, and distributed power transformation. On the distribution end, TAQA Power exploits its immense engineering strength, which includes construction, management, operation, and maintenance of medium (22 ,11, and 33 kV) and low-voltage electricity distribution networks. The company's customized distribution networks ensure that clients have the safe and reliable electricity solutions that it strives to offer.

# OIL MARKETING

TAQA Oil Marketing owns and operates 59 full service stations in Egypt. TAQA for Marketing Oil Products S.A.E. was established in 2008 as the first privately owned Egyptian company licensed to market petroleum products, including fuels and lubricants through a retail network of service stations under the TAQA brand name and is Egypt's sole distributor of Castrol product and the leading global lubricants manufacturer. It began local production of select Castrol products in the fourth quarter of 2009. Castrol products in the Egyptian market fulfill the demands of motorists across all classes and passionate bikers through an extensive range of automotive engine oils, manual and automatic transmission fluids, chain lubricants, and brake fluids in addition to a range of commercial diesel engine oils to cover the needs of fleets, owner operators and B2B segments.

# EXECUTIVE MANAGEMENT TEAM

## Khaled Abu Bakr
Executive Chairman

Eng. Abu Bakr, the Co-Founder of TAQA Arabia, is a veteran entrepreneur of the energy industry, and has played a key role in the development of the gas and power private sector in Egypt and the region.

Over the past 30 years, he has been instrumental in helping grow the sustainable role of the public and private sector in the Egyptian gas and energy sector.

Eng. Abu Bakr is the regional coordinator for Middle East and Africa in the international gas union, chairman of the Egyptian gas association, as well as being a board member of several business organizations in the fields oil & gas, power & renewable energy

## Pakinam Kafafi
Chief Executive Officer

Pakinam Kafafi built her career at EFGHermes, where she rose to the position of Vice President of EFG-Hermes Investment Banking, and became a member of EFGHermes Group. In 2003, she held the position of Strategy and Investment General Manager at Gas & Energy Group (Genco).

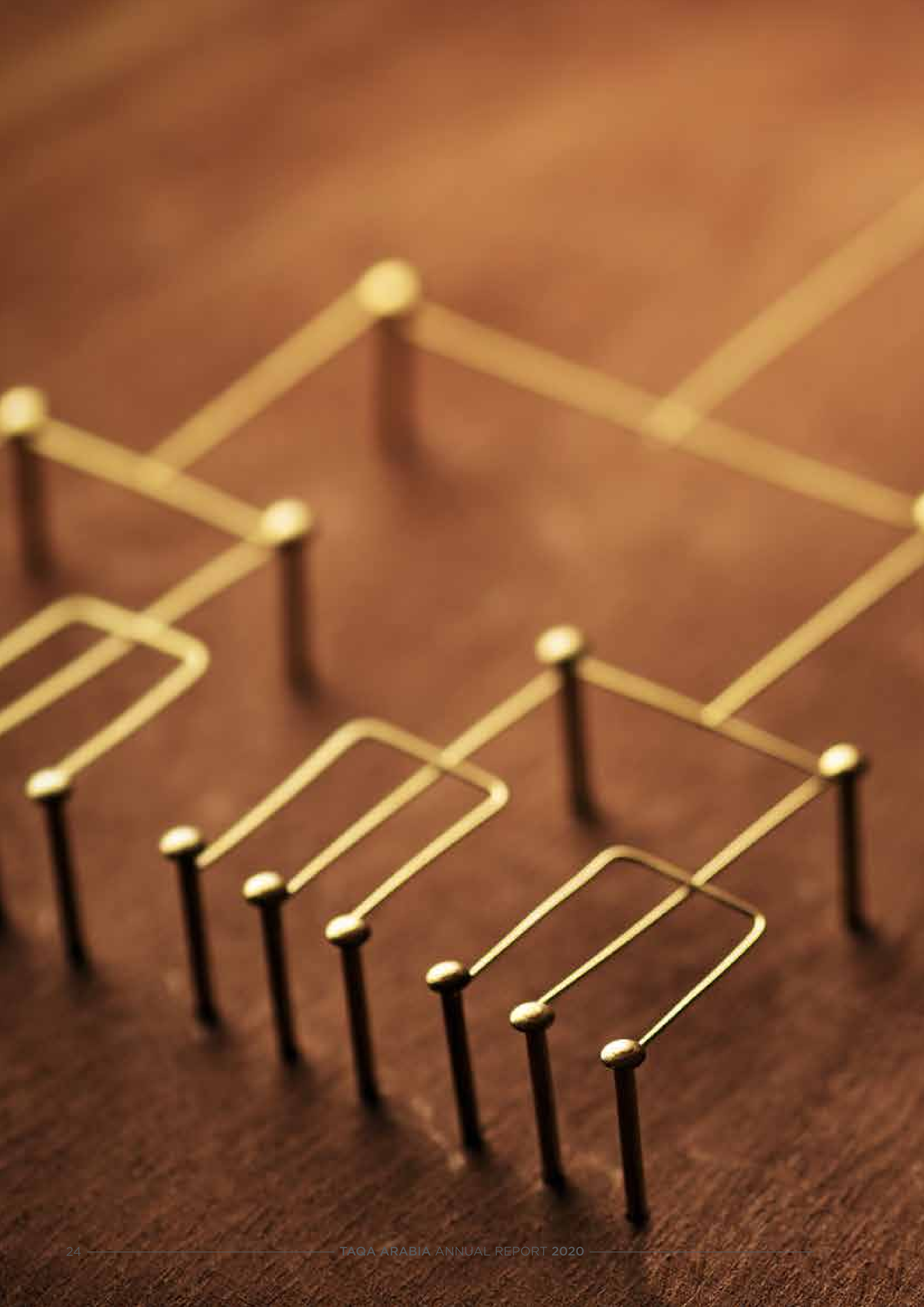
In 2006, Kafafi joined TAQA Arabia as Investment Director to be soon promoted as the CEO, bringing to the company over 22 years of experience in the investment field. As the CEO, Kafafi oversees the strategic direction of the company and leads the operations.

Kafafi is an active and highly respected member of the local business community and was the Co-Chair of the “Women in Business Committee” at the American Chamber of Commerce.

## Peter Mofeed
Chief Financial Officer

Peter Mofeed benefits from vast experience in finance and investments, and has held a multitude of positions in prestigious organizations, such as the Commercial International Bank (CIB) where he moved between the corporate and investment banking departments before being assigned the role of Vice President of CI Investment Banking, an advisory firm established by CIB. He also headed the finance department in Ezz Steel.

Mofeed joined TAQA Arabia in 2010 as the Chief Financial Officer, where his focus is to evaluate new projects and arrange the necessary financing for the Group’s subsidiaries.



# MANAGING DIRECTORS OF TAQA ARMS

# MARKET INNOVATION

Pioneering market innovation is part of our tactical approach to how we work as well as our medium and longterm strategies. This allows us to always be ahead of the competition and continually open new markets.

**Tarek El Hawary**
TAQA Gas & TAQA E.P.C

With a strong technical background dating back to 1985, Tarek El Hawary started his career as a Site Engineer at Egypt Gas Co., before moving to House Gas as a Project Manager, where he worked on network construction and customer conversions.

In 2005, El Hawary joined City Gas, a subsidiary of TAQA Arabia, as a Deputy MD and then Managing Director for Technical Affairs. In this capacity, he supervised the work crew, resolved technical difficulties and made sure that quality and productivity were kept up to par.

**SAMY ABDELKADER**
TAQA Power

Samy Abdelkader holds a BSC in Mechanical Engineering, 1984 with MBA in 1990. He has got a vast experience extended for 30 years in Industrial Management including Sales, Marketing, Commercial, Distribution, Supply Chain and International Trade.

He spent more than 22 years in international posts with diverse teams and diverse geographies. He has been an Executive Committee member for the last 18 years and a Board Member for the last 13 years. He spent the last 9 years of his career with Lafarge as a General Manager of Lafarge Cement Egypt and before that he was the Managing Director and CEO of Lafarge WAPCO Nigeria. Samy takes a personal interest and utmost responsibility of health and safety of everyone working or making business with the organization he leads.

**Mohamed Nafea**
TAQA Oil Marketing

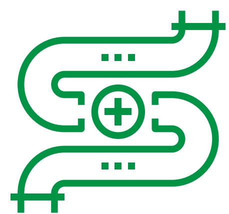
Throughout his 21 years of professional practice in oil marketing, Mohamed Nafea held various positions in Mobil Oil Egypt, Mobil Oil Morocco, and Exxon Mobil Egypt.

Relying on broad experience, Nafea was appointed as President and Fuels Marketing Manager of Mobil Oil Morocco and Retail Marketing Manager of Exxon Mobil Egypt, where he led the marketing and sales of fuels, convenience products and other back court offers through a retail chain of 409 outlets.

# GAS ARM

## TAQA GAS DISTRIBUTES GAS TO MORE THAN 1.3 MILLION CUSTOMERS IN OVER 8 EGYPTIAN GOVERNORATES.

TAQA Gas Arabia



**6.7**

**BILLION**

CUBIC METERS ANNUALLY

The company operates all downstream activity aspects, ranging from the development to the operation of natural gas distribution networks in residential cities and industrial zones. As the entity's gas arm, TAQA Gas handles transmission and distribution of natural gas that covers more than 1.3 million residential, commercial, and industrial customers in 8 governorates in 42 cities across Egypt. In addition, TAQA Gas has different projects across the region including Iraq and the UAE.

TAQA Gas uniquely manages the whole downstream gas value chain including both; natural gas filling stations (CNG Stations) under the brand name (Master Gas) as well as the compressed natural gas (CNG Mobile Services) for clients in remote areas out of the natural gas networks reach.

TAQA Gas offers natural gas conversions for vehicles through its affiliate Master Gas, which has been converting approximately 2,000 cars every year via 12 conversion centres nationwide.

TAQA Gas distributes about 6.7 BCM of natural gas annually with an existing capacity to distribute 9.6 BCM per year.

TO REACH UP TO

**1.3**

**MILLION** CUSTOMERS

GAS GRID TO COVER

## GAS DISTRIBUTION

TAQA Gas› range of services covers the entire aspects of downstream activity including: development, operation, and maintenance of gas networks in cities and industrial zones. The company also is responsible for concession and maintenance operations, pressure reduction stations, high-pressure transmission pipelines, medium and low-pressure distribution networks, technical assistance, customer service, customer invoicing, gas marketing, and 24-hour emergency services. These operations include more than 21 pressure reduction stations, regulators with capacities of up to 210,000 cubic meters per hour, and a network of pipes stretching more than 7 million meters in length and ranging from 32mm to 350mm inches in diameter.

Furthermore, TAQA Gas handles in the technical assessment of projects, design analyzing, performing qualitative risk analysis, and determining techno-economic feasibility studies and environmental impact.

## CNG

Under its brand name (Master Gas), TAQA manages downstream gas value chain including both; natural gas filling stations (CNG Stations), and the compressed natural gas (CNG Mobile Services) for clients in remote areas out of the natural gas networks reach.

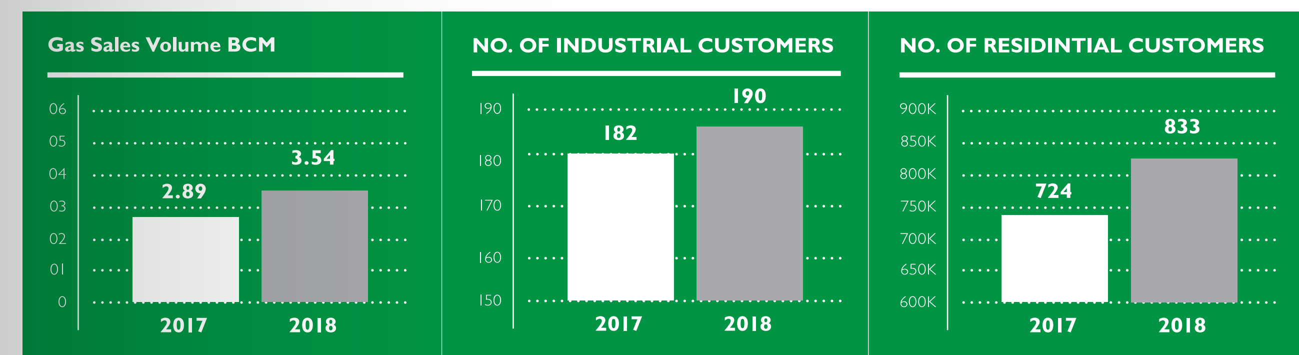
The CNG Stations in Master Gas offers natural gas conversions for vehicles converting approximately 2,000 cars every year via 12 conversion centres nationwide.

Whereas the « CNG Mobile Services « provides technology, which easily and safely distributes gas to all of the industrial, hotels , residential resorts, or any other off-grid sector unreached yet by the natural gas national grid Through equipped vehicles transporting compressed gas.

Currently, the company performs, 24/7 emergency response, collections, operation & maintenance for over 1.3 million customers. The number of industrial users reached 250 and include fertilizer factories, CNG stations, as well as touristic compounds and hotels.

## 2020 HIGHLIGHTS

- Residential customers reached in 2020 1,320,000, vs 1,165,000 in 2019
- Industrial customers' reached in 2020  263,000, vs 231,000 in 2019



# TAQA Gas Engineering & Construction

Taqa Engineering & Construction is the only private sector provider of engineering solutions that cater to both public and private third-party clients responsible for building natural gas pipeline connections, as well as connecting customers and clients to the national grid. The company's engineering and design services are operated by TAQA's Engineering, Design, and Technical Studies Division, known as the Engineering Gulf of Suez Company (EGUSCO), which is one of the leading engineering consultants in the Middle East and Africa for natural gas project .

**263**
**INDUSTRIAL CUSTOMERS**

TAQA Construction division is TAQA Gas' lever for construction and procurement, providing a wide spectrum of services to new markets and clients.

**342 Km HIGH PRESSURE PIPELINE (Steel)**

## CONSTRUCTION SERVICES

The construction division offers energy and infrastructure solutions to over 1.3 million domestic and international customers including public and private companies. It provides an array of construction services, with the help of its pool of talented and multi-accredited team, ranging from gas and electricity connections, water sanitation, dual fuel supplies, water networks, pipelines, sewer construction, and telecom duct works.

## ENGINEERING AND DESIGN SERVICES

TAQA Engineering and Design division provides a multitude of pioneering engineering and design consultancy solutions for natural and liquid-petroleum gas in the MENA region.

TAQA Engineering division has a wide range of engineering and consultancy services. These services cover gas pipeline engineering, route selection, optimization of pipeline systems, coating and protection standards, process design, execution plan, project schedule, security framework, strategic planning, cost forecasting, and draft tender packages. It also covers feasibility, marketing, planning studies, and business plan development, such as technical and economic audits and natural gas utilization consulting services.

## GAS BUSINESS HISTORICAL RESULTS

| | 2017 | 2018 |
|---|---|---|
| Gas Sales Volume BCM | 2.89 | 3.54 |
| No. of Operated Residential Customers | 724570 | 833000 |
| No. Of industrials Customers | 182 | 190 |
| NGV Converted Cars | 81 | 96 |
| CNG Quantities Million (SCM) | 14.2 | 14.03 |

# POWER ARM

TAQA POWER STARTED THE CONSTRUCTION OF PHASE II IN "EL MOTAWEREEN SUBSTATION" WITH A CAPACITY OF 250 MVA WITH AN INVESTMENT COST OF EGP 600 MILLION.

**9**
**MILLION SQM**
INDUSTRIAL PARK ESTABLISHED

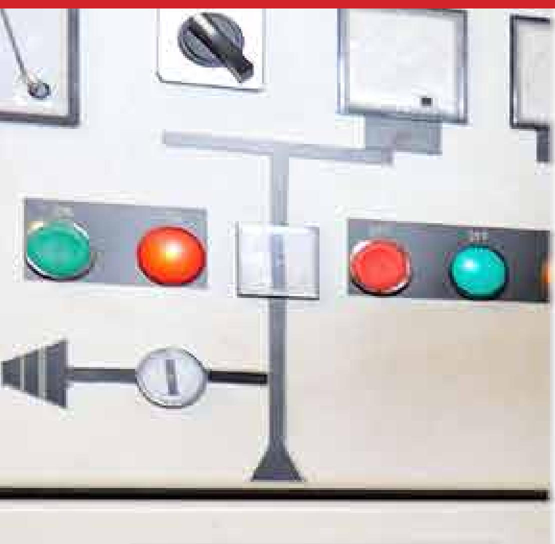
**1,178**
**MILLION KWHR**
SOLD ELECTRICITY

TAQA Power is a spearheading facility in the field of power distribution that has been licensed to distribute power in South Sinai since 2000.

TAQA Power concluded the construction of phase I of its industrial zone, power distribution project in August 2013, both accomplishments made TAQA Power the first Egyptian private-sector company licensed to distribute power in an industrial zone since 2009.

By August 2019, TAQA Power started the construction of phase II, known as "EL Motawereen Substation" with a capacity of 250 MVA at costs of EGP 600 million. Despite the challenges that have materialized as a result following the global pandemic, "Al Motawereen Substation" was slated to start its commercial operation on Q1 of 2021.

In the last quarter of 2017, TAQA Power certificates were audited by external TUV auditors who recommenced the ongoing validity of the ISO certification for ISO 9001:2008, ISO 14001:2004, and OHSAS 18001:2007.



TAQA Power is also a pioneering company licensed to distribute power in South Sinai touristic area since 2000.

## 2020 HIGHLIGHTS

Business Growth:

TAQA Power managed to keep the gross profit growth by 7%, which amounts to EGP 329 million in 2020, versus 307 EGP million in 2019, due to the supervision and quotations revenues of the new projects.

Business Excellence

1. TAQA Power integrated management system has been certified since 2013.
2. TAQA Power had a surveillance audit conducted on July 2020 by the Russian Register and TAQA was re-certified in the second surveillance audit for:

- Quality Management System ISO 9001:2015
- Environmental Management System ISO 14001:2015
- Safety Management System ISO 45001:2018

Egyptian Electric Utility and Consumer Protection Regulatory Agency (Egypt ERA)

- Annual renewal of electricity generation and distribution licenses, including defined geographical zones and add ons for TAQA Power projects.
- Annual Renewal of Generation license for the PV project in the Feed-In Tariff- Program for TAQA Arabia for Solar Energy SPV.

TAQA Power's PVS plant in Dina Farms obtained interim license in 2020

## TAQA POWER GENERATION

HIGHLIGHTS:

TAQA Power continued exporting the excess power capacity from E-Styrenics power generation plant at Dekhela port, Alexandria governorate to 6th of October Industrial Parks through Egypt's electricity unified grid.

- TAQA Power successfully continued providing 24/7 power supply for the following:

- Several tourist hotels in Marsa Alam, Red Sea governorate (Hilton) through the light-fuel-oil-fired power plants with a capacity of 3.3 MW
- Scimitar Oil Production Co., Red Sea governorate by Natural Gas fired power plant with a capacity of 6.2 MW.
- The Egyptian Polystyrene Production Co "E-Styrenics", Dekhila port, Alexandria by Natural Gas fired power plant of 12.15 MW.

Feed-In Tariff Program

TAQA Power was engaged in Feed-In Tariff project, establishing two new companies in 2015:

TAQA Arabia for Solar Energy S.A.E – 50 MW PV in Benban. The project started in April 2018 and reached COD (commercial operation date) in Feb-2019, within a time frame of 9 months and an average manpower of 450. The System capacity is 65 MW DC, which generates 50 MW AC.



The system component:

200,000 PV Resin panels, 280 string combiner box, 28 ABB inverter, 15 schichar transformer, Schneider MVSG.

- TAQA project is the first project to reach COD in phase two in Benban.
- TAQA Project was finalized within the set budget, and within the set timeline.
- TAQA project is shortlisted as one of the best E&S plots in Benban by the IFC.
- TAQA Project has completed 500,000 safe working man-hours; without LTI's or fatalities.
- TAQA won the annual award for the best-project by the World Bank Group.
- Total Project Cost USD 72.5 million.

TAQA Arabia for solar energy is the only company in Benban considered to be 100% Egyptian.

Waste To Energy program (W2E)

TAQA was qualified among 32 local and international companies in the FIT program for W2E, sponsored by Ministry of Environment, and got selected among the top 8 companies in phase I of this project.

NEW LINE OF BUSINESS:

Energy Efficiency & Services

TAQA Power provides Operational Consultancy Services, introducing complete energy solutions to our clients. This has significantly reduced investment costs and helped applying the most efficient and practical technical solutions, in accordance with the applied regulations. These services include, but not limited to: "Operational Maximum Load Demand Study "and "Value Engineering Requirements". Likewise, the company provides other tailored solutions that accommodate the nature of each project.

Off-Grid PV Project

TAQA power is currently developing several PV projects with various capacities to increase the reliability of renewable sources of energy and decrease the fossil fuels emissions.

POWER DISTRIBUTION HIGHLIGHTS:

General

- TAQA Power smoothly operates Mall of Arabia, one of the biggest mixed-use retail/ commercial/residential complex in Egypt m2 with contracted capacity of 30 MW, serving 416 commercial tenants and future residential clients. With ongoing supervision works for internal networks related to project expansions.
- TAQA signed 10-year power supply and

distribution agreement with Marakez for Mall of Tanta, by which TAQA serves 90 clients with a contracted capacity of 7 MW with ongoing smooth operations to the mall.

- TAQA signed 10-year power supply and distribution agreement for TOWN Center Mall Al-Salam (Cairo/ Ismailia Road), where TAQA will be serving 120 clients with a total contracted capacity of 3MW.
- TAQA signed a 15-year power supply and distribution agreement for Fifth Square project, a residential Complex in New Cairo, owned by Marina Lagoon for Real Estate Investment with a total contracted capacity 52 MW. Supervision works are currently underway on internal network pending EGYPTERA geographical add on approval to start commercial operations.
- TAQA signed a 10-year power supply and distribution agreement with Vernbro Global investment in TANTA with a total contracted capacity of 12MW. Supervision works are ongoing on internal network pending EGYPTERA geographical add on approval to start commercial operations.
- TAQA signed power supply and distribution agreement with CPC –Egypt for industrial development for their new industrial project in Sadat City on a total land area of 1.1M m2 with a total contracted capacity of 17 MW. Supervision works are ongoing on the project's internal network pending EGYPTERA geographical add on approval to start commercial operations.

TAQA signed Power supply and distribution agreement with Polaris el Zamil for industrial parks for their new industrial project in Sadat City on a total land area of about 1.3M m2 with a total contracted capacity of 17 MW. Supervision works are ongoing on the project's internal network pending EGYPTERA geographical add on approval to start commercial operations.

- TAQA Power smoothly operates the Galleria 40 Mall, 6th of October, with a total land area of 37,931 m2, and a contracted capacity of 3 MW, serving 71 commercial tenants and 29 business units.
- TAQA Power successfully continued the operation of Nabq Substation (66/22KV), with a contracted capacity of 220 MW in Sharm El-Sheikh. It is the first privately-owned station that provides energy via its own power facilities.
- TAQA Power successfully continues the operation of 6th Of October Industrial Parks, medium voltage electricity networks.
- TAQA Power smoothly operates Al-Futtaim Group's Cairo Festival City Mall, the biggest mixed-used retail/ commercial/ residential complex in Egypt. Recently, TAQA Power is currently renewing the distribution contract for another decade, which is scheduled to end in 2031, with ongoing supervision works for internal networks related to project expansion.
- TAQA Power smoothly operates the distribution and metering system in Emaar-Up Town Cairo, a reputable project at Mokattam neighborhood, in the heart of Cairo.
- TAQA Power successfully and smoothly operates on going smooth operations for Palm Spring for Touristic and Real Estate Development for distributing electricity in Palm Spring compound, 6th of October, with a total land area of 5,500 m2, and a capacity of 5 MW, serving 112 residential units.
- TAQA and Dina for agricultural investments signed power purchase agreement related to 5.98MW solar power plant in October 2020.
- TAQA Power successfully continued providing 24/7 power supply for:

• 103 Hotels and tourist residential projects in Nabq tourist center, Sharm El Sheikh, Red Sea governorate, with contracted capacity of 220 MW, over an area of 27 million sqm.

• 8 Hotels in Taba Golden Coast touristic center, Taba Gulf of Aqaba, Red Sea governorate with a capacity of 11.6 MW, over an area of 4 million sqm.

• 247 Factories in 6th of October city, a new Industrial Park established on an area of 9 million sqm by the Industrial Development Authority.

• 7734 Residential/commercial customers in New Cairo Concessions, established on an area of 8 million sqm as follows:

• 5,108 Customers in Nakhil.

• 373 Customers in Kattameya Residence.

• 192 Customers in Swan Lake.

• 21 Customers in Porto Cairo.

• 526 Customers in Cairo Festival City.

• 341 End-users in Cairo Festival City Mall.

• 55 Customers in Porto Cairo Mall.

• 49 Customers in Emeralds Mall.

• 42 Customers in Maxim.

• 83 Customers in Marina City.

• 36 Customers in palm Spring.

• 22 Customers in Mall of Arabia.

• Wady Degla and Smash, schools, institutes in New Cairo.

• 416 Commercial tenants in Mall of Arabia, 6th of October.

• 90 Commercial Tenants in Mall of Tanta, in Tanta.

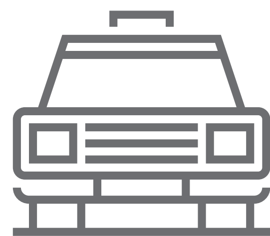
## POWER BUSINESS HISTORICAL RESULTS

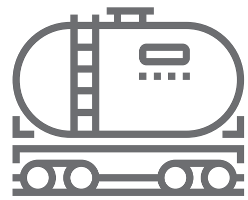
| Item | 2019 | 2020 |
|---|---|---|
| Residential/commercial segment customers | 6,248 | 6,885 |
| Industrial/touristic segment customers | 316 | 358 |
| Contracted capacity | 504 | 544 |
| Power Sold Volumes (KWh) | 1,292 | 1,178 |
| Conventional power generation projects. | 35MW | 150 MW |
| Operating projects | 35MW | 27MW |
| Distribution projects | 1,011 MW (Capacity) | 109.6MW |
| Solar PV generation projects | 65MW | 71MW |
| Total power distributed Conventional | 123,995,563 | 107,369,991 kwhr |
| Total power distributed Renewable energy (PV) | 126,030,000 | 152,739,309 kwhr |
| Total power distributed | 1,020,520,308 | 896,293,481 kwhr |

OIL MARKETING

# TAQA OIL MARKETING'S SUEZ TERMINAL NOW SERVES AROUND 60 CUSTOMERS AND 8 MAJOR OIL MARKETING COMPANIES

TAQA Arabia Oil Marketing





**59**
**SERVICE STATIONS**

**2104**
**TONS LUBRICANTS SALES**
EVERY YEAR

**TAQA Oil Marketing operates 59 full-service fuel stations across Egypt.**

A thriving company under the umbrella of TAQA Arabia, TAQA Oil Marketing has been operating for over a decade, landing uniquely in the market as the first licensed privately – owned Egyptian company to supply petroleum products. The company is also the sole distributor of the full range of Castrol refined products in Egypt through its service stations.

Since its launch in 2008 and to date, TAQA Oil Marketing has been one of the fastest growing companies in the market, opening 59 service stations until the end of 2020.

TAQA Oil Marketing inaugurated four additional TAQA stations across the country and expanded its full-service fuel stations to 59 in total.

751 MILLION LITER SALES

## TAQA OIL MARKETING

During the year, TAQA Oil Marketing signed exclusive agreements with three distributors across Cairo, Alexandria, and the Delta to expand the distribution of Castrol products to lube shops and workshops while continuing to serve the BIWS channel.

### TAQA Suez Fuels Terminal:

- During 2020 the Suez Terminal continued to provide high-value products and services to our customers and competitors alike, supporting the company`s sales and financial results following the successful performance of 2019.
- The Suez Terminal now services around 60 customers and 8 major oil marketing companies including COOP, NPCO (Wataneya), Chill Out, Nile Petroleum, Libya Oil and Emirates Misr.
- Despite the challenges resulting from the pandemic, including a drop in consumption, the Suez Terminal continued to be successful, achieving an annual output of 970 M liters which represents a monthly average of 80.9 M liters in 2020. This comes as a positive indicator compared to 2019, where the total output was 900 M liters for a monthly average of 75 M liters.
- The Suez Terminal achieved a total service income of 4.8 million EGP from servicing other marketing companies which represents an increase of %22 from 2019.
- During the year, upgrade projects worth 9 million EGP were also implemented and included Tank # 3 Maintenance & Concrete Flooring.
- TAQA Marketing is starting a new project to build a fuel storage terminal in Alexandria in order to increase its storage capacity to cope with the company's potential stations expansion plans.



## 2020 HIGHLIGHTS

•Inaugurating four additional TAQA stations.

## NIAT 94.4 MILLION EGP

• Gross sales revenues of 4,841 K million EGP which is in line with previous year
• Additional CAPEX in Service stations and Suez Terminal reached EGP 59 million in 2020.

## TAQA OIL MARKETING RESULTS 2020

| Description | 2019 | 2020 | Increase % | Comment |
|---|---|---|---|---|
| Total Sales volume KLT | 453,832 | 423,144 | -7% | Due to coronavirus lockdown |
| Total serviced income KLE | 3,966 | 4,864 | 23% | |

| Item | 2019 | 2020 |
|---|---|---|
| Capex of services stations ( EGP) | 55,408,782 | 43,825,287 |
| Volume of lubricants (thousands of liters) | 3,160 | 2,104 |
| Gasoline million tons (all grades) | 253,220 | 239,128 |
| Diesel (retail) | 497,182 | 455,681 |
| Number of stations | 55 | 59 |

# RENEWABLE ENERGY

“TAQA Arabia is leading the way, being the first company to install the metrological station required for readings of solar radiation both in Benban and Zaafarana”

## FEED-IN TARIFF PROJECTS (PV & WIND)

TAQA Arabia has been qualified to develop a 50MW project under the feed-in tariff project establishing a new SPV for this purpose under the name of TAQA Arabia for Solar Energy S.A.E

The project started in April 2018 and reached COD (commercial operation date) in Feb-2019, within a time frame of 9 months and an average manpower of 450. The System capacity is 65 MW DC, which generates 50 MW AC.

Further, TAQA Arabia has been qualified among others in a consortium “TAQA & Solar Reserve (an American based international market player ) TAQA Solar Reserve to develop a 50MW project in Zaafarana.

**TAQA Solar reserve have been qualified among other local & international bidders to bid for the upcoming BOO Projects:**

- 200 MWBOO, West of Nile PV Project

- 100 MW BOO, West of Nile CSP project

Both projects are (ON HOLD)

**TAQA with Mitsui & Solar Reserve has been qualified for the 600 MW PV project

**Waste to Energy – FIT TAQA qualified among 32 companies in the FIT program for waste to energy program sponsored by Ministry of Environment , TAQA got selected among the top 8 companies in phase 1 of this project, currently the project agreements under preparation

**Green Hydrogen initiative – MoU signed with MAN Energy solutions (VW Group) to study the green hydrogen use in transportation mainly in touristic areas.

# CORPORATE SOCIAL RESPONSIBILITY

## PROVIDING JOBS AND ON THE CLOCK TRAINING.

CSR

SUCCESSFULLY BUILT MORE THAN **20,000** HOMES

TAQA Arabia is dedicated to advance the well-being of communities as a part of its corporate social responsibility program

TAQA Arabia believes that success is not only about financials and returns but more about the social impact and how we can improve the quality of lives for people in the community. This impact is not measured only by the services we provide to our customers, but also by our commitment to the community and the changes we can make to support it. This is evident in the company's successful model in taking steps to meet the state's Vision 2030 towards sustainable development through the field of energy.

In this context, TAQA dedicated an amount of EGP 4,341,804 to Benban Investors Society to pump the maximum possible investments in the field of energy, and also contribute to the development areas in the society.

Giving back and benefiting the communities in which we live is extremely important to the company. This was reflected in the TAQA's contribution to the construction of a state-of-the-art specialized eye care hospital in Suez area serving all Suez and neighboring cities residents, boosting public health. Moreover, during the outbreak of the global pandemic, the company granted more than EGP 300k to contribute to the private sector initiative hosted by the AMCHAM Egypt to provide and supply public hospitals with equipment (ventilators) and several other supplies.

Believing that communities cannot advance without a skillful manpower and a strong entrepreneurial mindset of its youth, TAQA concerted effort to operate in ways that enhance the employees' performance, allocating more than EGP 120k Internal Employee Support. On the other hand, TAQA decided to encourage entrepreneurships in Egypt, by partnering up with Injaz to help the young people achieve their goals through the Master Class program. The program assists the youth in gaining the necessary entrepreneurial skills to start their own businesses. Similarly, the company contributed to the work of the Salesian Don Bosco Institute that provides technical and professional training to thousands of young people to give them the skills needed to find ideal employment and develop Egypt's human capital.

This makes the total donations from TAQA Arabia EGP 7,459,664 to contribute to its society, which all started in 2012 by partnering with Habitat's work in Egypt is to build and renovate homes for 10% of Egypt's less privileged by 2023. To date, the foundation has successfully built more than 20,000 homes for over 100,000 people who would otherwise be homeless.

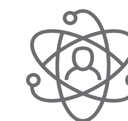
# CORPORATE GOVERNANCE

**TAQA Arabia places a strong emphasis on strong corporate governance and is constantly seeking to create resourceful, streamlined processes from the top down.**

Employees are one of the most essential pillars in achieving any goals and making sure challenges are met as the company strives to move forward. In 2011, the Corporate Governance Department was established in order to recognize and implement global standards and paramount practices to grow the company's unmatched market leadership around the world.

## HUMAN RESOURCE DEVELOPMENT

Human resources are the company's strongest and most valuable assets, and the development of these assets is an extremely vital step towards its success. Despite a challenging and ever-changing investment climate, the company has not laid off any employees in 2011. On the contrary, TAQA focused on training programs in effective crisis management and related fields and continued to uphold its commitment to technical training across each of the business arms. TAQA Arabia also sponsored countless summer trips for more than 285 employees in 2011, covering an estimated 80 to 90% of their expenses in order to help them enjoy some time off with their families.



## HEALTH, SAFETY AND THE ENVIRONMENT

Part of TAQA's investment is targeted to safeguard the health of the company's valuable employees and customers while minimizing the effect of activities on the environment. TAQA's QHSE departments ensure the utmost compliance with health, safety and environmental standards while maintaining its view of achieving a percent rate of defective operations, accidents, and zero environmental hostility.

# FINANCIAL STATEMENTS

## TAQA ARABIA COMPANY (S.A.E.) AND ITS SUBSIDIARIES

# AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED **31 DECEMBER 2020**



**CONTENTS**


- Auditor's report
- Consolidated statement of financial position
- Consolidated statement of profit or loss
- Consolidated statement of comprehensive income
- Consolidated statement of changes in equity
- Consolidated statement of cash flows
- Notes to the consolidated financial statements

# AUDITOR'S REPORT

## To: The Shareholders of TAQA Arabia Company (S.A.E.)

### Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of TAQA Arabia Company and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as at 31 December 2020 and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the fiscal 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 Group's management. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Egyptian Accounting Standards and in light of the prevailing 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. Management's 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 in light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and 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 Group'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 Group'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.

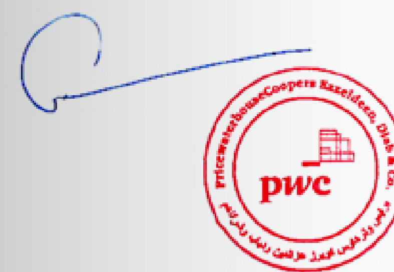
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on these consolidated financial statements.

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TAQA Arabia Company and its subsidiaries as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the fiscal year then ended in accordance with Egyptian Accounting Standards and in light of the related Egyptian laws and regulations.

WAEL SAKR
R.A.A. 26144
F.R.A. 381

28 February 2021
Cairo Auditor's



## 1. General information

TAQA Arabia Company S.A.E "the Company" was established under the provisions of Law No. 159 of 1981 and its executive regulations.

The registered office of the company is 2 Kasr El Dobara Sq., Garden City, Cairo, Egypt.

These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group").

The group is primarily involved in the following activities:

- Construct, manage, operate and maintain natural gas transmission and distribution lines.
- Construct, manage, operate and maintain power plants, electricity transformers and distribution networks.
- Construct, manage, operate and maintain water desalination stations, refineries, water purification, distribution networks, transmission lines, as well as pumping stations, processing and purification, sewage and industrial drainage grid.
- Distribute electricity, natural gas and water to the company or to third parties, subject to the provision of laws, regulations and decrees applicable licensing condition for the exercise of such activities.

The ultimate parent company for the group is Citadel Capital S.A.E. (Qalaa Holdings), which is the controlling party.

The Consolidated financial statements have been approved for issuance by the Board of Directors on 21 February 2021. The General Assembly meeting of shareholders has the right to amend the financial statements after its issuance.

## 2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### A. Basis of preparation

The consolidated financial statements comprise the financial statements of TAQA Arabia Company (the Parent) and its subsidiaries listed below.



| Name of subsidiary company | Origin country | Percentage of ownership | 2020 | 2019 |
|---|---|---|---|---|
| Investment in subsidiaries | | | | |
| Gas and Energy Company "TAQA Gas" - SAE (Subsidiary) | Egypt | 99.99 % | 360,352,529 | 360,352,529 |
| TAQA for Electricity, Water and Cooling - SAE (Subsidiary) | Egypt | 99.99 % | 162,197,500 | 195,960,000 |
| TAQA for producing and distributing Electricity at free zones - SAE (Subsidiary) | Egypt | 99.99 % | 33,762,500 | - |
| TAQA Arabia BV (Subsidiary) | Netherlands | 100 % | 159,299,990 | 159,299,990 |
| TAQA for Marketing Petroleum Products - SAE (Subsidiary) | Egypt | 99.99 % | 51,000,000 | 51,000,000 |
| International Company for Gas works (House gas) (Subsidiary) | Egypt | 99,85 % | 30,862,526 | 30,862,526 |
| Nile Valley Gas Company (Subsidiary) | Egypt | 55,56 % | 22,315,650 | 22,315,650 |
| Pharaonic Gas Company – SAE (Subsidiary) | Egypt | 99,99 % | 16,455,865 | 16,455,865 |
| Qatar Group for Gas - LLC *(Subsidiary) | Qatar | 45 % | 14,837,327 | 14,837,327 |
| Master Gas Company (Subsidiary) - LLC | Egypt | 27,83% | 16,700,000 | - |
| Arab Company for Gas Services – LLC *(Subsidiary) | Libya | 49 % | 11,038,773 | 11,038,773 |
| TAQA Engineering and Construction (Subsidiary) | Egypt | 99,2 % | 7,326,705 | 7,326,705 |
| Gas and Energy Group Limited – LLC (Subsidiary) | B.V. I | 100 % | 1,231,723 | 1,231,723 |
| TAQA for producing and distributing Electricity | Egypt | 99.99% | 500,000 | - |
| Genco for Mechanical and Electricity Work - LLC(Subsidiary) | Qatar | 100 % | 320,880 | 320,880 |
| TAQA Arabia PV for solar energy | Egypt | 99.97 % | 749,750 | 299,900 |
| TAQA Arabia for solar power | Egypt | .000004% | 10 | 10 |
| Investment in Associates | | | | |
| Castrol Egypt (associate) | Egypt | 49% | 9,800,000 | 9,800,000 |

* TAQA Arabia Company has an effective control over these companies in accordance with the agreement with other shareholders.

The Consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards (EASs) and applicable laws and regulations in Egypt. The Consolidated financial statements have been prepared under the historical cost basis, except for certain financial assets and liabilities (including derivative instruments) measured at fair value.

The Group presents its assets and liabilities in statement of financial position based on current/ non-current classification. The asset is classified as current when it is:

- Expected to be realised or intended to be sold or used in normal operating course;
- Held primarily for trading.
- Expected to be realised within 12 months after the end of the reporting period, or
- Cash or cash equivalents 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.

The liability is classified as current when:

- It is expected to be settled in normal operating course;
- Held primarily for trading.
- Expected to be realized within 12 months after the end of the reporting period, or
- The entity does not have an unconditional right to defer the settlement of the

liability for at least twelve months after the end of the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current.

The preparation of consolidated financial statements in conformity with EAS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas, where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The EASs require the reference to the International Financial Reporting Standard (IFRSs) when there is no EAS, or legal requirements that explain the treatment of specific balances and transactions.

### B. Basis of consolidation

#### (1) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

#### i) Acquisition method

The Group applies the acquisition method to account for business combinations.

The consideration transferred in a business combination is measured at the fair value of the assets transferred and the liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date.

### Basis of consolidation (continued)

In any business combination, the Group recognise any non-controlling interests in the subsidiary at the proportionate share of the recognised amounts of acquiree's identifiable net assets at the date of acquisition.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair

value at the acquisition date. Any gains or losses arising from such re-measurement are recognised within statement of profit or loss.

Inter-company assets, liabilities, equity, income, expenses and cash flows related to transactions between group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

#### ii) Changes in ownership interests held within controlling interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners.

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

#### iii) Disposal of subsidiaries

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss.

#### iv) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired, and contingent liabilities at the date of acquisition.

### Basis of consolidation (continued)

If the consideration transferred, non-controlling interest in the acquiree and the date of acquisition fair value of the Group's equity previously held at the acquiree is less than the net of the identifiable acquired assets and liabilities assumed at the date of acquisition, the Group recognise the resulting gain is directly recognised in consolidated statement of profit or loss at the date of acquisition and the gains are attributed to the parent shareholders.

For the purpose of impairment testing, goodwill acquired in a business combination

is allocated to each of the Group's CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored inside the Group at the operating segments level.

The Group undertakes impairment reviews of goodwill acquired in a business combination. Goodwill is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired by comparing its carrying amount including goodwill with its recoverable amount, which is the higher of fair value less costs of sale and value in use. The Group recognise any impairment loss immediately in profit or loss and is not subsequently reversed.

#### v) Measurement period

The measurement period is the year required for the Group to obtain the information needed for initial measurement of the items resulting from the acquisition of the subsidiary, and does not exceed

one year from the date of acquisition. In case the Group obtains new information during the measurement period relative to the acquisition, amendment is made retrospectively for the amounts recognised at the date of acquisition.

(2) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights in the associate.

i) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

**Basis of consolidation (continued)**

ii) Changes in ownership interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners.

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

iii) Losses of associates

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity. When those companies realise profits in subsequent years, the Group resumes to recognise its share in those profits, but only after its share of profits equals its share in unrecognised losses.



iv) Transactions with associates

Profits and losses resulting from upstream and downstream transactions between the Group (including its subsidiaries) and the associates are recognised only to the extent of unrelated investor's interests in the associate.

**C. New Egyptian Accounting Standards ("EAS") and interpretations adopted by the Group**

On 28 March 2019, the minister of Investment issued a decree no. 69 for 2019 which includes new standards and amendments to the existing standards. The amendments in the EASs have been published in the official gazette on 7 April 2019. According to the decree of prime minister no. 1871 for 2020 which postponed the adoption of the new standards to be for the financial years beginning on 1 January 2021. However, the group has elected to early adopt these new standards effective 1 January 2020 as follows:

(1) EAS No. (47) – "Financial instruments":

EAS 47 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces EAS 26 Financial Instruments: Recognition and Measurement.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below

A- Transition from EAS 26

In accordance with the transitional provisions in EAS 47, comparative figures have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of EAS 47 are recognized in retained earnings and reserves as at 1 January 2020 (if any). Accordingly, the information presented for 2019 does not reflect the requirements of EAS 47 and therefore not comparable to the information presented for period under EAS 47

B- Classification and measurement of financial assets and financial liabilities

EAS 47 largely retains the existing requirements in EAS 26 for the classification and measurement of financial liabilities. However, it eliminates the previous EAS 26 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of EAS 47 has not had a significant effect on the Group's accounting policies related to financial liabilities. The impact of EAS 47 on the classification and measurement of financial assets is set out below.

Under EAS 47, on initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets under EAS 47 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

According to the Group's business model trade receivable, treasury bills and other debit balances will be classified as financial asset at amortized cost.

All the group's investments in debt instruments that are currently classified as held to maturity will satisfy the conditions for classification at amortized cost under EAS 47 and hence there will be no change to the accounting for these assets. Accordingly, the group does not expect the new guidance to affect the classification and measurement of these financial assets.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the

accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. Also, group's financial liabilities have not been restructured or modified.

New Egyptian Accounting Standards ("EAS") and interpretations adopted by the Group (continued)

### C- Impairment of financial assets

The group has three types of financial assets that are subject to EAS 47's new expected credit loss model:

- Balances with banks
- Trade receivables and other debit balances
- Financial assets at amortized cost

The Group was required to revise its impairment methodology under EAS 47 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed below.

While balances with banks are also subject to the impairment requirements of EAS 47, the identified impairment loss was immaterial.

Trade receivables and other debit balances

The group applies the EAS 47 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The group is following the simplified approach for trade receivables which according to it the group measures the loss allowance at an amount equal to full lifetime expected credit losses. The group applies provision matrix which uses historical loss experience for each trade receivables segment and adjust historical loss rates to reflect information about current condition, and reasonable and supportable forecasts of future economic conditions.

Based on the assessment, management identified that there is an impact of ECL on the opening retained earnings as of 1 January 2020 hence an adjustment has been done by an amount of approximately EGP 11 million.

Financial asset at amortized cost- treasury bills

The group has adopted 12-month ECL approach, based on management assessment, management identified that there is an impact of ECL on the opening retained earnings as of 1 January 2020 hence an adjustment has been done by an amount of approximately EGP 16 million (net of tax).

### D- Impact on the consolidated financial statements

As a result of the changes in the group's accounting policies, EAS 47 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the consolidated statement of financial position as at 31 December 2019 but are recognized in the opening consolidated statement of financial position sheet on 1 January 2020.

### New Egyptian Accounting Standards ("EAS") and interpretations adopted by the Group (continued)

The following tables show the adjustments recognized for each individual line item. Line items that were not affected by the changes have not been included.

| | 31 December 2019 as originally presented | Impact of EAS 47 | 1 January 2020 Restated |
|---|---|---|---|
| Assets | | | |
| Non-current assets | | | |
| Deferred tax assets | 22,714,180 | 4,734,006 | 27,448,186 |
| Total non-current assets | 22,714,180 | 4,734,006 | 27,448,186 |
| Current assets | | | |
| Loss allowance for trade receivables | (44,943,210) | (11,348,314) | (56,291,524) |
| Loss allowance for treasury bills | - | (20,936,272) | (20,936,272) |
| Loss allowance for time deposits | - | (103,755) | (103,755) |
| Total current assets | (44,943,210) | (32,388,341) | (77,331,551) |
| Equity | | | |
| Retained earnings | 633,400,833 | (23,738,650) | 609,662,183 |
| Non-controlling interests | 173,703,609 | (3,915,685) | 169,787,924 |
| Total equity | 807,104,442 | (27,654,335) | 779,450,107 |

The total impact on the group's retained earnings as at 1 January 2020 is as follows:

| | Amount EGP |
|---|---|
| Closing retained earnings 31 December 2019 - EAS 26 | 633,400,833 |
| Increase in provision for trade receivables | (7,432,629) |
| Increase in provision for debt investments at amortized cost | (16,306,021) |
| Opening retained earnings 1 January 2020– EAS 47 | 609,662,183 |

### (2) EAS No. (48) – "Revenue from contracts with customers":

The minister of Investment has issued a new standard for the recognition of revenue. EAS 48 'Revenue from contracts with customers' outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes EAS 8 which covers construction contracts and EAS 11 which covers contracts for goods. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. Determining the timing of the transfer of control at a point in time or over time which requires judgment. The new and old accounting policies are set out in Note (2.V).

### A- Transition from EAS 8 and EAS 11

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group has adopted EAS 48 from 1 January 2020 as early adoption using the cumulative effect method (modified retrospective) with the effect of initially applying this standard recognized at the date of initial application. Accordingly, the information presented for 2019 has not been restated, it is presented, as previously reported, under EAS 8, EAS 11 and related interpretations.

## New Egyptian Accounting Standards ("EAS") and interpretations adopted by the Group (continued)

Revenue is recognized in the consolidated statement of profit or loss to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and the revenue and costs, if applicable, can be measured reliably.

### B- Impact on the consolidated financial statements

The Group has applied the new standard on the Group's consolidated financial statements and based on the assessment, group management identified that there is no material impact of the implications of EAS 48 on the opening retained earnings as at 1 January 2020 hence no adjustment has been done, but there will be an impact on the consolidated financial statements for the current period due to the satisfaction of the performance obligation and recognition of revenues over time or at point in time given the nature of the Group's business model. Additionally, the group has assessed the contracts and no different performance obligations were identified which could have an impact on the recognition of revenue.

(3) EAS No. (49) – "Leases":

EAS 49 'Leases' introduces a single, on-statement of financial position accounting model for lessees. A lessee recognises a right-of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases

A- Transition from EAS 20

The group has adopted EAS 49 Leases retrospectively using the simplified transition approach for the reporting period commencing 1January 2020 but has not restated comparatives information for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position as at 1 January 2020. The group does not have any leases that were previously classified as finance leases.

In applying EAS 49 for the first time, the group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2020 as short-term leases;
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.



B- Impact on the consolidated financial statements

As indicated above, the group has adopted EAS 49 Leases from January 1, 2020 as early adoption but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard.

The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening retained earnings on January 1, 2020, if any.



The following tables show the adjustments recognised for each individual line item in the consolidated statement of financial position. Line items that were not affected by the changes have not been included.

| | December 2019 as 31 originally presented | Impact of EAS 49 | January 2020 1 Restated |
|---|---|---|---|
| Assets | | | |
| Non-current assets | | | |
| Right of use assets | - | 297,540,628 | 297,540,628 |
| Total non-current assets | | 297,540,628 | 297,540,628 |
| Current assets | | | |
| Trade receivables and other debit balances | 1,479,340,632 | (24,262.947) | 1,455.077,685 |
| Total current assets | 1,479,340,632 | (24,262,947) | 1,455.077,685 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Lease liabilities | - | 253,646,361 | 253,646,360 |
| Total non-current liabilities | | 253,646,361 | 253,646,360 |
| Current liabilities | | | |
| Lease liabilities | - | 19,631,320 | 19,631,320 |
| Total current liabilities | - | 19,631,320 | 19,631,320 |

The group, as a lessee, recognizes a right-of-use asset and a lease liability on the lease commencement date.

Upon initial recognition the right of use asset is measured as the amount equal to initially measured lease liability adjusted for lease prepayments. Subsequently, the right of use asset is measured at cost net of any accumulated amortization and accumulated impairment losses. Depreciation is calculated on a straight-line basis over the shorter estimated useful lives of the right-of-use assets or the lease term.

The lease liability was measured upon initial recognition at the present value of the future lease payments and related fixed services payments over the lease term, discounted with the country specific incremental borrowing rate. Generally, the group uses its incremental borrowing rate as the discount rate. Subsequently lease liabilities are measured at amortized cost using the effective interest rate method.

Right-of-use assets and lease liabilities will be remeasured subsequently if one of the following events occurs:

- Change in lease price due to indexation or rate which has become effective in reporting period.
- Modifications to the lease contract.
- Reassessment of the lease term.

Leases of non-core assets and not related to the main operating activities of the Group, which are short- term in nature (less than 12 months including extension options) and leases of low-value items are

expensed in the consolidated statement of comprehensive income as incurred.

### New Egyptian Accounting Standards ("EAS") and interpretations adopted by the Group (continued)

On adoption of EAS 49, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of EAS 20 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's Incremental borrowing rate as of 1 January 2020.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2020 was 16.2%.

In assessing the lease term for the adoption of EAS 49, the group concluded that these cancelable future lease periods should be included within the lease term, which represents an increase to the future lease payments used in determining the lease liability upon initial recognition. The reasonably certain period used to determine the lease term is based on facts and circumstances related to the underlying leased asset and lease contracts.

The following table reconciles the group's operating lease commitments as of

31 December 2019, to the lease liabilities recognized upon initial application of EAS 49 on 1 January 2020.

| | |
|---|---|
| Operating lease commitments as of 31 December 2019 | 912,235,790 |
| Short term leases | (1,146,065) |
| Low values | (6,931,957) |
| Total undiscounted lease payments which are reasonably certain | 904,157,768 |
| | |
| Discounting effect using incremental borrowing rate | (630,880,088) |
| EAS 49 Lease liability recognized on balance sheet as of 1 January 2020 | 273,277,680 |
| | |
| EAS 49 lease liability presented as: | |
| Non-current | 253,646,360 |
| Current | 19,631,320 |
| | 273,277,680 |

### D. Foreign currency translation

#### (1) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The consolidated financial statements are presented in EGP.

#### (2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

Foreign exchange gains and losses resulting from settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss in the period in which these difference arise, except when currency exchange differences resulting from the translation of non-monetary item are deferred in other comprehensive income.

Foreign currency translation (continued)

#### (3) Group companies

The results and financial positions of the Group's companies that have a functional currency different from the Group's presentation currency, and their functional currency is not the currency of a hyperinflationary economy, are translated into the presentation currency of the consolidated financial statements as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position.
- Income and expenses for each statement of profit or loss presented are translated at average exchange rates during the year (unless there are fluctuations affecting exchange rates during the year, in which case the average exchange rate for that year is not considered appropriate, instead, the exchange rate prevailing at the dates of these transactions is used).
- All foreign currency differences are recognised as a separate item in other comprehensive income.

Exchange differences arising on translation of the net investment in foreign entities are recognised in other comprehensive income, as well as loans and financial instruments denominated in foreign currencies and allocated as investment hedges. When the investment in a foreign entity is disposed of, the foreign currency differences transferred to equity are recognised as part of the gain or loss of the investment disposal.

The Group treats any goodwill arising from the acquisition of a foreign activity, and any fair value adjustments to the carrying values of assets and liabilities arising from the acquisition of foreign activity, as assets and liabilities of the foreign activity - and they are thus reported in the functional currency of foreign activity and translated at the closing rate. All foreign currency differences are recognised in other comprehensive income.

### E. Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the asset and bringing it to a ready-for-use condition.

Subsequent costs, major overhauls, or renovations are included in the asset's carrying amount or recognised as a consolidated asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Major overhauls are depreciated using straight line method over the remaining useful life of the related asset or the estimated useful life of the overhaul, whichever is less. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit and loss during the financial period in which they are incurred.

### Property, plant and equipment (continued)

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

| Asset | Estimated useful lives in years |
|---|---|
| Buildings | 20 -50 |
| Buildings on lands leased from others | Contract period |
| Machinery & equipment | 3 -5 |
| Motor vehicles | 3 -5 |
| Furniture, office equipment & software | 4 -10 |
| Pipelines & stations equipment | 15 |
| Generators | 20 |
| Networks | 25 |
| Leasehold improvements | 3-5 or the lease term, whichever is lower |

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and recognised within 'other (expense) / income – net' in the consolidated statement of profit or loss.

**F. Intangible assets and goodwill**

Recognition and measurement

Goodwill:

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

Other intangible assets:

Other intangible assets, including patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when the intangible asset will increase the future economic benefits embodied in project, research, and development under construction which is recognised as intangible assets. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the (straight - line method) over their estimated useful lives and is generally recognised in profit or loss. Goodwill is not amortised.

G. Assets under construction

Assets under construction are stated at cost and transferred to property, plant and equipment when they meet all the fixed assets recognition conditions and ready for use. When the assets under construction cost exceed the value expected to be recoverable, it is reduced to the expected refundable cost and the difference is recoverable directly to the consolidated statement of profit and loss.

H. Impairment of non-financial asset

Non-financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units – CGU).

Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at the end of each financial period.

The impairment loss is reversed by the amount recognised in prior period when there is an indication that these losses may no longer exist or decreased, which should not exceed the carrying amount that would have been determined (net of depreciation) in recognizing this reversal in the consolidated statement of profit or loss.

I. Financial assets

Financial assets under EAS 47

(1) Classifications

From 1 January 2020 after early adoption, the group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- Those to be measured at amortised cost. The Group's financial asset at amortised cost comprise of trade receivables, other debit balances and treasury bills.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

The group reclassifies debt investments when and only when its business model for managing those assets changes.

Financial assets (continued)

(2) Recognition and measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments – treasury bills

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. According to the group business model the group subsequently measure debt instruments at amortised cost for Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of profit or loss.

(3) Impairment

From 1 January 2020 after early adoption, the group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by EAS 47, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

(4) Accounting policies applied until 31 December 2019

The group has applied EAS 47 retrospectively but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the group's previous accounting policy.

Classifications

The group classifies its financial assets in the following categories,

- Loans and receivables, and
- Held to maturity (treasury bills).
- Available for sale financial assets

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and in the case of assets classified as held to maturity, re-evaluates this designation at the end of each reporting period.

Financial assets (continued)

### Reclassification

Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

### Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

### Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Interest on held-to-maturity investments and loans and receivables calculated using the effective interest method is recognised in the consolidated statement of profit or loss as part of revenue from continuing operations.

### Subsequent measurement

Subsequent to the initial recognition, loans and receivables and held-to-maturity investments were carried at amortised cost using the effective interest method.

### Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

## J. Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.  The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions.  The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes as well as movements on the hedging reserve in other comprehensive income are disclosed in (Note 26).  The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

### Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income.

Amounts accumulated in other comprehensive income are reclassified to profit or loss in the years when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps is recognised in the consolidated statement of profit or loss within 'finance costs'.

The gain or loss relating to the ineffective portion is recognised in the statement of profit or loss within 'other income/ (expenses) – net'.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in the consolidated statement of profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the consolidated statement of profit or loss within 'other gains/ (losses) – net'.

## K. Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with EAS 28 provisions, contingent liabilities and contingent assets and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

## L. Inventory

Raw materials, finished goods and spare parts are stated at the lower of cost and net realizable value. Cost is determined on moving average basis. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion; allowance is established for slow moving items on the basis of management's review and assessment of inventory movements.

## M. Trade receivables

Trade receivables are amounts due from customers for goods sold or services rendered in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

## N. Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, less bank overdrafts.

## O. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## P. Employees' benefits

### Profit sharing

According to Companies law, employees are entitled to a profit sharing according to the proposals made by the board of directors and subject to approval by the general assembly of shareholders. Profit sharing is recognised as a dividend distribution through equity and as a liability when approved by the shareholders.

### Defined contribution plan

The Group contributes to the government social insurance system for the benefit of its personnel in accordance with the social insurance law No. 79 for the year 1975 and its amendments. The Group's liability is confined to the amount of its contribution. Contributions are charged to the consolidated statement of profit and loss using the accrual basis of accounting.

## Q. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the financial position date.

## R. Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial year of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.



When funds are borrowed for the purpose of acquiring a qualifying asset to bear the cost of borrowing, the Group determines the amount of borrowing costs that are capitalised on this asset, which is the actual borrowing costs incurred by the entity during the year because of the borrowing transaction less any revenue realised from the temporary investment of borrowed funds.

The Group recognises other borrowing costs as expenses in the year the Group incurs such costs

## S. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. The group recognises the necessary commitments for restructuring and non-related activities of the Group in the provision for restructuring costs.

Contingent liability is a present obligation that arises from past events but not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. The contingent liabilities are disclosed only in the consolidated financial statement and not recognised.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

When the time value of money assumption is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### Provisions (continued)

When it is expected to recharge some or all required expenditures to settle a provision to a third party outside the group, the group recognises the recoverable amount when its assured that the recovery will take place if the group settled the obligation. The recoverable amount is presented as consolidated asset in the consolidated statement of financial position, and the recoverable amount should not exceed the amount of the provision.

## T. Share capital

Ordinary shares are classified as equity. Incremental costs (if any) directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## U. Current and deferred income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the consolidated statement of profit or loss except to the extent that it relates to items recognised directly in owners' equity, in which case it is recognised directly in owners' equity

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated statement of financial position date in the countries where the Group operate and generate taxable income. Management annually evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying

amounts in the consolidated statement of financial position. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the consolidated statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### V. Revenue recognition

The application of the new standard requires management to apply the following new accounting policies from 1 January 2020 after early adoption:

The Group recognizes revenue to depict the transfer of the control of the promised services or products to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services or products. Revenue is measured at the fair value of the consideration received or receivable, considering contractually defined terms of payment and excluding discounts, rebates, customer returns and other sales taxes or duty.

The Group recognises revenue from contracts with customers based on a five-step model as set out in EAS 48:

1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer. The Group accounts for all distinct goods or services as a separate performance obligation.
3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
5. Recognise revenue when (or as) the entity satisfies a performance obligation at a point in time or over time.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Company and the entity has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied. The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognizing revenue.

### Revenue recognition (continued)

The Group has the following revenue streams:

- Revenue from Construction contracts;
- Revenue from Gas sales commission;
- Revenue from Cars conversion revenues;
- Revenue from Natural gas revenues
- Revenue from Refined oil and lubes revenues; and

Revenue from Power service revenues.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a good or service to a customer at a point in time and over time.

### Construction contracts

Revenue from construction contracts is recognised over the accounting period in which the service is rendered to the customers. The revenue relating to revenue from construction contracts is accounted for as a single performance obligation. As the satisfaction of this performance obligation not create an asset with an alternative use to the customer and the customer has an enforceable right to payment for performance completed to date, therefore, revenue is recognised over time.

Revenue from construction contracts is recognised in the consolidated statement of comprehensive income in according to the percentage of completion through calculating what is actually accomplished from the clauses of the contract to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and the revenue and costs, if applicable, can be measured reliably

The contract costs are measured through calculating what is spent from the clauses of contract for the stage in which the revenue is recognised. The contract costs include all direct costs from materials, labor, subcontractors and overheads related to the execution of contract clauses like indirect labor and maintenance expenses as it also includes the general and administrative expenses spent directly on the contracting works.

The provision for estimated losses according to the construction contracts in progress is formed, if any, in the financial period during which those losses are assessed.

### Gas sales commission

Revenue from gas sales commission is recognised in the accounting period in which the gas is delivered to customers, where the group remits the funds it collects to EGPC net of its actual commission, which is calculated as a percentage of gas consumption. The revenue relating to gas sale commission is accounted for as a single performance obligation. The payment is due after transfer of the control. Therefore, revenue is recognised at point in time once the gas is transferred to the customer.

Revenue is recognised in the consolidated statement of comprehensive income to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will

not occur and the revenue and costs, if applicable, can be measured reliably.

### Cars conversion revenues

Revenue from cars conversion is recognised in the accounting period in which the service is rendered upon the completion of preparing cars to function using natural gas. The revenue relating to cars conversion is accounted for as a single performance obligation. The payment is due after transfer of the control. Therefore, revenue is recognised at point in time once the conversion service is rendered to the customer.

Revenue is recognised in the consolidated statement of comprehensive income to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and the revenue and costs, if applicable, can be measured reliably.

### Natural gas revenues

Revenue from sale of natural gas is recognised in the accounting period in which the natural gas is supplied to the cars. The revenue relating to sale of natural gas is accounted for as a single performance obligation. The payment is due after transfer of the control. Therefore, revenue is recognised at point in time once the natural gas is transferred to the customer.

Revenue is recognised in the consolidated statement of comprehensive income to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and the revenue and costs, if applicable, can be measured reliably.

### Refined oil and lubes revenues

Revenue from sale of refined oil and lubes is recognised in the accounting period in which the refined oil and lubes are delivered to the wholesalers. The revenue relating to sale of refined oil and lubes are accounted for as a single performance obligation. The payment is due after transfer of the control. Therefore, revenue is recognised at point in time once the refined oil and lubes are transferred to the wholesalers.

Revenue is recognised in the consolidated statement of comprehensive income to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and the revenue and costs, if applicable, can be measured reliably.

### Power service revenues

Revenue from sale of power services through the generation and distribution of electricity is recognised in the accounting period in which the electricity is supplied to the customers. The revenue relating to sale of electricity is accounted for as a single performance obligation. The payment is due after transfer of the control. Therefore, revenue is recognised at point in time once the electricity transferred to the customers.

Revenue is recognised in the consolidated statement of comprehensive income to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and the revenue and costs, if applicable, can be measured reliably.

### Accounting policies applied until 31 December 2019

Revenues are measured at the fair value of the consideration received or receivable and are recognised when it is probable that the economic benefits associated with the transaction will flow to the entities and the amount of the revenue can be reliably measured.; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for the Group's activities, as described below:



### Revenue recognition (continued)

### Construction contracts

Revenue from construction contracts is recognised in the consolidated statement of profit or loss according to the percentage of completion through calculating what is actually accomplished from the clauses of the contract.

The contract costs are measured through calculating what is spent from the clauses of contract for the stage in which the revenue is recognised. The contract costs include all direct costs from materials, labor, subcontractors and overheads related to the execution of contract clauses like indirect labor and maintenance expenses as it also includes the general and administrative expenses spent directly on the contracting works.

The provision for estimated losses according to the construction contracts in progress is formed, if any, in the financial period during which those losses are assessed.

### Gas sales commission

For actual gas sales, the company remits the funds it collects to EGPC net of its actual commission, which is calculated as a percentage of gas consumption.

### Cars conversion revenues

Revenue is recognised upon the completion of preparing cars to function using natural gas instead of Benzene upon issuing the invoice to the client.

### Natural gas revenues

Revenues is recognised when supplying cars with natural gas.

### Refined oil and lubes revenues

Revenues is recognised when refined oil products and lubes products are delivered to the customers.

### Power service revenues

Revenues of services is recognised when the conditions of the signed contracts are fulfilled with others on accrual basis and according to the specified period in the contracts.

### W. Interest income

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective interest rate over the period to maturity, when it is determined that such income will accrue to the group.

### X. Dividends

Dividend income is recognised when the right to receive payment is established from non-Subsidiaries.

### Y. Dividend distribution

Dividend distribution is recognised as a liability in the Group's financial statements in the year in which the dividends are approved by the Group's Ordinary General Assembly of Shareholders.

### Z. Leases

Until 31 December 2019, leases in which a significant portion of the risks and rewards of ownership were not transferred to the group as lessee were classified as operating leases, where Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

The group leases various properties, rental contracts are typically made for fixed periods of 3 to 15 years lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and

finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and
- Restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

## AA. Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held – for - sale.

When an operation is classified as a discontinued operation, the comparative consolidated statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

## BB. Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision-maker (CODM). The executive committee is responsible for allocating resources and assessing performance of the operating segments.

The executive committee assesses the performance of the operating segments based on the total revenues / gross profit/ EBITDA/operating profit/ total assets of segment and the total liabilities. This measurement basis excludes discontinued operations. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the Group's head office, which manages the cash flows and liquidity requirements.



## 3. Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including, foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The group's management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the group's financial performance.

The group's risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies and evaluates financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

| Risk | Exposure arising from | Measurement | Management |
|---|---|---|---|
| Market risk – foreign exchange | Future commercial transactions Recognized financial assets and liabilities not denominated in Egyptian pounds | Cash flow forecasting Sensitivity analysis | By local banks that the Company deals with in official rates |
| Market risk – interest rate | Long-term borrowing at variable rates | Sensitivity analysis | Investment in short treasury bills and interest rate swaps |
| Market risk – security prices | No investment in a quoted equity securities | Not applicable | Not applicable |
| Credit risk | Cash and cash equivalents, trade receivables, derivative financial and debt investments | Aging analysis Credit ratings | Diversification of bank deposits, credit limits and governmental treasury bills |
| Liquidity risk | Loans and other liabilities | Rolling cash flow forecasts | Availability of committed credit lines and borrowing facilities |

## Financial risk management (continued)

### (A) Derivatives

The Group uses derivative financial instruments to hedge certain risk exposures. Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in recognising interest expense at a fixed interest rate for the hedged floating interest rate loans.

| | 2020 | 2019 |
|---|---|---|
| Non-current (Liabilities) | | |
| Interest rate swap contracts – cash flow hedge | (114,705,426) | (72,462,881) |
| Total non-current derivative financial instrument (Liabilities) | (114,705,426) | (72,462,881) |

i) Classification of derivatives

Derivatives are accounted for at fair value through profit or loss unless they are designated as hedges. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting year.

The Group's accounting policy for its cash flow hedges is set out in note (2.J).

All derivative financial instruments are represented in interest rate swaps which have maturities of more than twelve months and are classified within 'non-current liabilities.

ii) Hedge effectiveness

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability, such as all or some future interest payments on variable rate debt or a highly probable forecast transaction and could affect profit or loss.

A hedge is normally regarded as highly effective if, at inception and throughout the life of the hedge, the enterprise can expect changes in the cash flows of the hedged item to be almost fully offset by the changes in the cash flows of the hedging instrument.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as, payment dates, maturities and notional amount. The Group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, the economic relationship was 100% effective.

In hedges of interest rate swap, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the derivative counterparty. It may occur due to:

- The credit value/debit value adjustment on the interest rate swaps which is not matched by the loan, and
- Differences in critical terms between the interest rate swaps and loans.

There was no ineffectiveness during the year in relation to the interest rate swaps.

Financial risk management (continued)

(B) Market risk

(i) Foreign exchange rates risk

The Group is exposed to foreign exchange rates risk arising from various foreign currency exposures primarily with respect to currencies other than EGP.

Foreign exchange rates risks are the risks of fluctuations in the fair value of future cash flows of a financial instrument due to changes in foreign currency exchange rates.

The following analysis shows the foreign currencies position presented in Egyptian Pound at 31 December:

| | 2020 | | | 2019 |
|---|---|---|---|---|
| | Assets | Liability | Net | Net |
| USD | 198,330,344 | (110,771,698) | 87,558,646 | 28,714,707 |
| Euro | 405,091 | (1,372,865) | (967,774) | 143,582 |
| GBP | 932 | (112,551) | (111,619) | (70,605) |
| AED | 338,416 | - | 338,416 | 161,617 |

There is no significant impact on the group's profits if the exchange rate of the Egyptian pound is strengthened or weakened by 10% against foreign currencies.

(ii) Price risk

The Group has no investments in a quoted equity security, so it's not exposed to the fair value risk due to changes in the prices.

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from financial instruments issued at variable rates which expose the group to cash flow interest rate risk. During 31 December 2020 and 31 December 2019, the group's borrowings at variable rate were mainly denominated in Egyptian Pounds and US Dollars.

The Group's borrowings and receivables are carried at amortized cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

The following table demonstrates the sensitivity of the consolidated statement of profit or loss to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the consolidated statement of comprehensive income is the effect of the assumed changes in interest rates on the Group's profit for a year, based on the floating rate financial assets and financial liabilities held at 31 December 2020 and 31 December 2019.

| | Increase / decrease in basis points | Effect on profit for the year EGP |
|---|---|---|
| 31 December 2020 EGP | 10% | 14,398,453 |
| 31 December 2019 EGP | 10% | 13,637,527 |

Financial risk management (continued)

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Under these swaps, the Group agrees with other parties to exchange, at specified intervals (Semi-annually), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly.

The exposure of the Group's borrowing to interest rate changes and the contractual at the end of the reporting period are as follows:

| | 2020 | % of loans | 2019 | % of loans |
|---|---|---|---|---|
| Variable rate borrowings | 985,058,418 | 61.6% | 706,915,217 | 51.6% |

An analysis by maturities is provided in note (3.D) below. The percentage of total loans shows the proportion of loans that are currently at variable rates in relation to the total amount of borrowings.

The Group's income and operating cash flows are independent of changes in market interest rates. As the market dictates, the Group sometimes borrows at variable rates leaving certain exposure to changes in interest rate risk.

### (C) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions and contractual cash flows of debt investments carried at amortized cost and favorable derivative financial instruments as well as credit exposures to trade receivables and other debit balances and amounts due from related parties. The Group's credit risk is managed as a whole, except for the credit risk related to the customers' account balances, as each of the Group's companies manages and analyses the credit risk of their own customers.

Risk Management

For banks and financial institutions, only high-credit-quality and rating banks and financial institutions are dealt with and all banks under supervision of Central bank of Egypt (CBE).

For the new customers, their credit risk is analysed before standard payment and delivery terms and conditions are agreed with customers.

If trade receivables are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Credit limits are set for each customer based on internal and external credit limits in accordance with limits set by the board. The credit limits are regularly reviewed for each individual customer.

The classes within trade and other receivables do not contain impaired assets and are not past due.

Majority of the group' customers are existing customers (more than 6 months) with no history of defaults.

Financial risk management (continued)

The group's investments in debt instruments are low risk investments, where for Treasury bills, the Group deals with government which are considered with a high credit rating (Egypt B+)

Security

There is security has been obtained by the group that can be called upon if the counterparty was in default.

Impaired of financial assets

The group has the followings types of financial assets that are subject to the expected credit loss model:

• Trade receivables, and

• Debt investments carried at amortised cost.

While cash and cash equivalents are also subject to the impairment requirements of EAS 47, the identified impairment loss was immaterial.

| | 2020 | 2019 |
|---|---|---|
| Trade receivables and other debit balances | 1,307,562,412 | 1,373,576,179 |
| Cash on hand and at bank and highly liquid investment | 2,081,696,399 | 1,417,197,887 |
| Investments in treasury bills | 953,300,269 | 1,187,945,389 |
| | **4,342,559,080** | **3,978,719,455** |



### Trade receivables

The group applied the EAS 47 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

### Financial risk management (continued)

On that basis, the loss allowance as at 31 December 2020 and 1 January 2020 (on adoption of EAS 47) was determined as follows for trade receivables:

| 31 December 2020 | Carrying amount – trade receivables | Expected credit loss rate | Loss allowance |
|---|---|---|---|
| House Gas | 3,917,824 | 7.68 % | 300,754 |
| TAQA EC (Egusco) | 8,616,534 | 3.25 % | 280,072 |
| City Gas | 21,074,620 | 6.36 % | 1,339,684 |
| Repco Gas | 3,879,525 | 3.38 % | 131,113 |
| Trans Gas | 38,503,136 | 0.78 % | 299,546 |
| Master Gas | 15,092,048 | 20.92 % | 3,157,960 |
| Nile Valley Gas | 34,148,923 | 8.79 % | 3,003,349 |
| Qatar Gas Group Limited | 68,516,856 | 15.36 % | 10,527,585 |
| Global for Energy | 470,396,290 | 8.06 % | 37,936,872 |
| TAQA for industrial zone | 54,400,721 | 9.10 % | 4,951,402 |
| TAQA Arabia for solar energy | 23,672,976 | 0.76 % | 180,750 |
| TAQA for Marketing Petroleum Products | 19,693,087 | 0.52 % | 102,207 |
| | **761,912,540** | | **62,211,294** |

| 1 January 2020 | Carrying amount – trade receivables | Expected credit loss rate | Loss allowance |
|---|---|---|---|
| House Gas | 1,919,037 | 15.67 % | 300,754 |
| TAQA EC (Eguseco) | 3,188,256 | 3.25 % | 103,631 |
| City Gas | 14,304,488 | 4.65 % | 665,202 |
| Repco Gas | 5,127,771 | 1.06 % | 54,536 |
| Trans Gas | 1,874,586 | 0.42 % | 7,865 |
| Master Gas | 13,981,502 | 17.59 % | 2,459,733 |
| Nile Valley Gas | 61,812,953 | 2.59 % | 1,603,072 |
| Qatar Gas Group Limited | 55,053,039 | 15.87 % | 8,737,018 |
| Global for Energy | 483,471,289 | 6.81 % | 32,936,873 |
| TAQA for industrial zone | 84,450,642 | 10.83 % | 9,143,937 |
| TAQA Arabia for solar energy | 22,546,759 | 0.78 % | 176,695 |
| TAQA for Marketing Petroleum Products | 33,090,825 | 0.31 % | 102,208 |
| Other | 1,447,266 | | - |
| | **782,268,413** | | **56,291,524** |

## Financial risk management (continued)

The closing loss allowances for trade receivables as at 31 December 2020 reconcile to the opening loss allowances as follows:

| | 2020 |
|---|---|
| 31 December 2019 calculated under EAS 26 | 44,943,210 |
| Opening loss allowance as at 1 January 2020 – calculated under EAS 47 | 56,291,524 |
| Increase in allowance recognised in P&L during the year | 5,919,770 |
| Balance | 62,211,294 |

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period predetermined by the group.

Impairment losses on trade receivables is presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

### Debt investments (treasury bills)

All of the Group's debt investments at amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses.

| | 2020 | 2019 |
|---|---|---|
| Investment in treasury bills more than 3 months | 953,300,269 | 1,187,945,389 |
| loss allowances for treasury bills | (14,757,088) | - |
| | 938,543,181 | 1,187,945,389 |
| Investments in treasury bills less than 3 months | 724,093,138 | 164,526,863 |
| loss allowances for treasury bills | (2,204,838) | - |
| | 721,888,300 | 164,526,863 |

The closing loss allowances for treasury bills as at 31 December 2020 reconcile to the opening loss allowances as follows:

| | 2020 |
|---|---|
| 31 December 2019 calculated under EAS 26 | - |
| Opening loss allowance as at 1 January 2020 – calculated under EAS 47 | 20,936,272 |
| Allowance formed during the year | 8,432,850 |
| Allowance no longer required | (12,407,196) |
| Balance | 16,961,926 |



## Financial risk management (continued)

### (D) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.

The tables below analyse the group's financial liabilities into relevant maturity groupings based on their contractual maturities for: all non-derivative financial liabilities, and net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows.

| 2020 | Less than six months | 6 months to 1 year | 1-2 Years | More than 2 years |
|---|---|---|---|---|
| Non derivatives | | | | |
| Trade payables and other credit balances | 2,643,783,810 | - | - | 393,207,824 |
| Due to related parties | 19,315,133 | - | - | - |
| Borrowings | 64,687,696 | 77,721,819 | 158,420,748 | 1,309,419,001 |
| Future interest payments | 45,530,830 | 47,231,317 | 116,588,549 | 519,010,296 |
| Bank facilities | 1,153,812,764 | - | - | - |
| Lease liability | 10,708,808 | 12,236,874 | 43,674,812 | 281,203,034 |
| Financial guarantee less likely to be paid * | 383,025,414 | - | - | - |
| | 4,320,864,455 | 137,190,010 | 318,684,109 | 2,502,840,155 |

| 2019 | Less than six months | 6 months to 1 year | 1-2 Years | More than 2 years |
|---|---|---|---|---|
| Non derivatives | | | | |
| Trade payables and other credit balances | 2,101,603,912 | 52,743,230 | - | 283,536,218 |
| Due to related parties | 35,974,613 | | | |
| Borrowings | 38,381,521 | 86,905,258 | 149,535,292 | 1,094,803,869 |
| Future interest payments | 93,040,747 | 88,472,218 | 163,952,448 | 841,172,243 |
| Bank facilities | 1,465,233,091 | - | - | - |
| Financial guarantee less likely to be paid* | 383,025,414 | - | - | - |
| | 4,117,259,298 | 228,120,706 | 313,487,740 | 2,219,512,330 |

## Financial risk management (continued)

| Derivatives | Less than six months | 6 months to 1 year | 1-2 Years | More than 2 years |
|---|---|---|---|---|
| | | Hedging derivatives – Interest rate swaps | | |
| 2019 | 9,639,533 | 9,694,913 | 34,512,218 | 90,490,359 |
| 2018 | 4,368,662 | 5,127,175 | 21,043,050 | 51,491,070 |

### (1) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders using the financial statements. The Groups also aims to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce the Group's debts.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and bank overdrafts less cash and bank balances. The total share capital comprises the amount of equity and net loans.

### Net debt to total capital ratio

Net debt to total capital ratio (gearing ratios) as at 31 December 2020 and 31 December 2019 were as follows:

| | 2020 | 2019 |
|---|---|---|
| **Total borrowings** | | |
| Borrowings | 1,610,249,264 | 1,369,625,940 |
| Bank facilities | 1,153,812,764 | 1,465,233,091 |
| **Total borrowings** | **2,764,062,028** | **2,834,859,031** |
| Less: Cash on hand and at bank and highly liquid investment | (2,079,387,806) | (1,417,197,887) |
| Less: investment in treasury bills | (938,543,181) | (1,187,945,389) |
| **Net debt** | (253,868,959) | 229,715,755 |
| Total equity | 1,638,329,873 | 1,519,113,738 |
| **Total capital** | **1,384,460,914** | **1,748,829,493** |
| **Gearing ratio** | 1 | 13% |

### Capital management

The Group manages its capital through the composition of net debt and total equity.

### Debt covenants

The Group is required to comply with certain financial covenants (note17) for bank loan facilities and as at the consolidated statement of financial position date the group has complied with these covenants.





### Financial risk management (continued)

### (2) Fair value estimation

Fair value is the price that would be received to sell an asset or paid to settle 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 pay the liability takes place either:

In the principal market for the asset or liability, or

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

The Group should be able to have access to the principal market or the most advantageous market. In the absence of principal market, the Group does not need to conduct a thorough search of all possible markets to determine the principal or the most advantageous market. However, the Group takes into consideration all information reasonably available.

**Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

### Fair value measurement

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its financial instruments into the three levels prescribed under the accounting standards.

The following table presents the Group's financial instruments at 31 December 2020:
**Financial assets at fair value**

| | Level 3 | Total |
|---|---|---|
| Financial assets at fair value through other comprehensive income | 51,261,460 | **51,261,460** |

### Financial liabilities at fair value

| | Level 2 | Total |
|---|---|---|
| Hedging derivatives – Interest rate swaps | (114,705,426) | **(114,705,426)** |

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

**Financial risk management (continued)**

The following table presents the Group's financial instruments at 31 December 2019:

Financial assets at fair value

| | Level 3 | Total |
|---|---|---|
| Financial assets at fair value through other comprehensive income | 51,261,460 | **51,261,460** |

Financial liabilities at fair value

| | Level 2 | Total |
|---|---|---|
| Hedging derivatives – Interest rate swaps | (72,462,881) | **(72,462,881)** |

### Financial liabilities at fair value

Financial instruments represented in interest rate swaps are not traded in an active market, accordingly their fair value is determined by using valuation techniques.

a) Valuation techniques used to determine fair values

These valuation techniques maximize the use of observable market data where it is available; and rely as little as possible on the Group's specific estimates.

If all significant inputs required to measure the fair value of the instrument are observable, the instrument is included in Level 2, otherwise it is included under Level 3.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date

The fair value for available for sale (level 3) has been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

b) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

| Description | Fair value at | | Un-observable inputs |
|---|---|---|---|
| | 2020 | 2019 | |
| Financial assets at fair value through other comprehensive income | 51,261,460 | 51,261,460 | DCF |

c) Valuation processes

The finance department of relevant subsidiary includes a team that performs the valuations on quarterly basis. The finance department places a partial reliance on experts in the valuation of hedging derivatives.

The main level 3 inputs used by the group are derived and evaluated as follows:

Risk rate adjustment specific to the company is derived from the assessment of one-year default probability.

d) Sensitivity analysis

Financial assets at fair value through other comprehensive income

There is no significant impact on the group's profits if the discount rate was lower or higher by 10% from management's estimates.

### 4. Critical accounting estimates and adjustments

Estimates and adjustments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**(1) Accounting estimates and assumptions**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

a) Impairment in goodwill

The Group tests annually whether it is probable that goodwill may suffer any impairment in value, based on the recoverable amount for the cash generating unit which estimated by calculating value in use using net estimated cash flows before taxes based on approved budgets from the Group management during next five years. Group management determines assumptions related to discount rates and cash flow forecasting based on sales growth, operating costs, estimated profits. Taking into consideration capital expenditures for future renewable plans

b) Expected credit losses for trade receivables

The group applies the EAS 47 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets (3.C)

c) Deferred tax assets

Deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilized. This involves judgment regarding the future financial performance of the Group.

Management analyzes the Company's business plan and its taxable/deductible temporary differences in conjunction with the requirements of EAS 24 to identify the need to recognize a deferred tax asset or deferred tax liability.

## d) Provisions

Provisions are related to claims expected to be made by third parties in connection with the Group's operations. Provisions is recognised based on management study and in-light of its advisors opinion and shall be used for its intended purposes. In case of any differences between the actual claims received and the preliminary recorded amounts, such differences will affect the year in which these differences are occurred.

## (2) Critical Judgements in applying the Group accounting policies

In general, applying the Group accounting policies does not require judgments (apart from those involving estimates, refer to Note 4-1) that have significant effects on the amounts recognised in the consolidated financial statements.

| | Land | Building | Leasehold | Machinery & Equipment | Motor vehicles | Furniture, office equipment, & computer | Generators, net-works & pipelines, & station equip-ment | Solar power plant | Total |
|---|---|---|---|---|---|---|---|---|---|
| **At 1 January 2019** | | | | | | | | | |
| Cost | 10,470,621 | 155,436,597 | 20,972,241 | 130,857,684 | 32,084,782 | 40,046,122 | 474,502,459 | - | **864,370,506** |
| Accumulated Depreciation | - | (41,985,651) | (11,931,656) | (49,693,179) | (22,876,136) | (27,202,228) | (187,633,448) | - | **(341,322,298)** |
| **Net book value** | **10,470,621** | **113,450,946** | **9,040,585** | **81,164,505** | **9,208,646** | **12,843,894** | **286,869,011** | **-** | **523,048,208** |
| **Year ended 31 December 2019** | | | | | | | | | |
| Opening net book value | **10,470,621** | **113,450,946** | **9,040,585** | **81,164,505** | **9,208,646** | **12,843,894** | **286,869,011** | **-** | **523,048,208** |
| Additions | - | 22,647,162 | 3,128,916 | 13,863,437 | 4,674,000 | 9,136,218 | 81,099,665 | 1,106,203,804 | **1,240,753,202** |
| Disposals | - | - | - | (68,646) | (287,271) | (102,300) | (1,238,817) | - | **(1,697,034)** |
| Depreciation charge | - | (8,396,787) | (2,179,457) | (13,081,720) | (3,194,176) | (6,635,710) | (32,588,123) | (37,622,150) | **(103,698,123)** |
| Accumulated depreciation of disposals | - | - | - | 11,930 | 287,271 | - | 643,407 | 748,690 | **1,691,298** |
| Translation difference of cost | - | - | (6,375) | (197,119) | (142,884) | (113,813) | - | (62,535,448) | **(62,995,639)** |
| Translation difference of depreciation | - | - | 797 | 169,087 | 81,595 | 63,235 | - | 2,084,514 | **2,399,228** |
| **Closing net book value** | **10,470,621** | **127,701,321** | **9,984,466** | **81,861,474** | **10,627,181** | **15,191,524** | **334,785,143** | **1,008,879,410** | **1,599,501,140** |
| **At 31 December 2019** | | | | | | | | | |
| Cost | 10,470,621 | 178,083,759 | 24,094,782 | 144,455,356 | 36,328,627 | 48,966,227 | 554,363,307 | 1,043,668,356 | **2,040,431,035** |
| Accumulated Depreciation | - | (50,382,438) | (14,110,316) | (62,593,882) | (25,701,446) | (33,774,703) | (219,578,164) | (34,788,946) | **(440,929,895)** |
| **Net book value** | **10,470,621** | **127,701,321** | **9,984,466** | **81,861,474** | **10,627,181** | **15,191,524** | **334,785,143** | **1,008,879,410** | **1,599,501,140** |
| **Year ended 31 December 2020** | | | | | | | | | |
| Opening net book value | **10,470,621** | **127,701,321** | **9,984,466** | **81,861,474** | **10,627,181** | **15,191,524** | **334,785,143** | **1,008,879,410** | **1,599,501,140** |
| Additions | - | 27,344,024 | 30,248,291 | 16,894,143 | 3,036,500 | 7,692,127 | 110,421,856 | 30,205,413 | **225,842,354** |
| Depreciation charge | - | (9,552,399) | (3,046,184) | (14,567,164) | (3,718,266) | (6,931,343) | (37,782,604) | (42,224,483) | **(117,822,443)** |
| Disposals | - | (84,237) | (23,848) | (149,697) | - | (25,952) | (11,811,406) | - | **(12,095,140)** |
| Accumulated depreciation of disposals | - | 30,822 | 23,848 | 74,387 | - | 20,531 | 4,717,707 | - | **4,867,295** |
| Translation difference of cost | - | - | (1,076) | (44,342) | (27,246) | (28,090) | - | (21,670,168) | **(21,770,922)** |
| Translation difference of depreciation | - | - | - | 38,940 | 19,295 | 17,749 | - | 2,024,782 | **2,100,766** |
| **Closing net book value** | **10,470,621** | **145,439,531** | **37,185,497** | **84,107,741** | **9,937,464** | **15,936,546** | **400,330,696** | **977,214,954** | **1,680,623,050** |
| **At 31 December 2020** | | | | | | | | | |
| Cost | 10,470,621 | 205,343,546 | 54,318,149 | 161,155,460 | 39,337,881 | 56,604,312 | 652,973,757 | 1,052,203,601 | **2,232,407,327** |
| Accumulated Depreciation | - | (59,904,015) | (17,132,652) | (77,047,719) | (29,400,417) | (40,667,766) | (252,643,061) | (74,988,647) | **(551,784,277)** |
| **Net book value** | **10,470,621** | **145,439,531** | **37,185,497** | **84,107,741** | **9,937,464** | **15,936,546** | **400,330,696** | **977,214,959** | **1,680,623,050** |

## Property, plant and equipment (continued)

Depreciation expense is allocated in the consolidated statement of profit or loss, as follows:

| | 2020 | 2019 |
|---|---|---|
| Cost of sales | 111,082,476 | 98,141,429 |
| General and administration expenses | 6,739,967 | 5,556,694 |
| | **117,822,443** | **103,698,123** |

## 6. Assets under construction

| | 2020 | 2019 |
|---|---|---|
| Power stations | 411,074,888 | 213,320,061 |
| Fuel stations | 71,284,724 | 64,529,652 |
| CNG stations | 64,072,122 | - |
| IT equipment and others | 1,602,363 | 4,500,482 |
| | **548,034,097** | **282,350,195** |

The below table shows the movement of projects under construction during the year:

| | 2020 | 2019 |
|---|---|---|
| **Balance as at 1 January** | 282,350,195 | 1,179,783,151 |
| Additions during the year | 452,693,825 | 163,358,570 |
| Transferred to fixed assets | (184,616,917) | (1,054,252,643) |
| Transferred to intangible assets | (1,203,328) | (6,538,883) |
| Adjustments | (1,189,678) | - |
| **Balance at 31 December** | **548,034,097** | **282,350,195** |

## 7. Intangible assets

| | 2019 |
|---|---|
| Cost at 1 January 2018 | 16,154,839 |
| Additions | 2,965,763 |
| Accumulated amortization | (3,453,771) |
| **Net Book Value as at 31 December 2018 and 1 January 2019** | **15,666,831** |
| Additions | 13,741,104 |
| amortization | (5,324,389) |
| **Net Book Value 31 December 2019 and 1 January 2020** | **24,083,546** |
| Additions | 1,203,328 |
| Amortization | (5,108,067) |
| **Net Book Value 31 December 2020** | **20,178,807** |



## Intangible assets (continued)

Amortization expense is allocated in the consolidated statement of profit or loss, as follows:

| | 2020 | 2019 |
|---|---|---|
| Cost of sales | 529,905 | 932,097 |
| General and administrative expenses | 4,578,162 | 4,392,292 |
| | **5,108,067** | **5,324,389** |

## 8. Goodwill

Goodwill arising on the acquisition of the following companies:

| | 2020 | 2019 |
|---|---|---|
| Gas and Energy Company (TAQA Gas) | 197,610,943 | 197,610,943 |
| House Gas (Subsidiary of TAQA Gas) | 673,508 | 673,508 |
| Master Gas (Subsidiary of TAQA Gas) | 566,471 | 566,471 |
| City Gas Company (Subsidiary of TAQA Gas) | 12,364,500 | 12,364,500 |
| Nile Valley Gas (Subsidiary of TAQA Gas) | 98,690,816 | 98,690,816 |
| Trans Gas (Subsidiary of TAQA Gas) | 5,648,763 | 5,648,763 |
| Repco Gas (Subsidiary of TAQA Gas) | 5,982,761 | 5,982,761 |
| Global Energy Company (Subsidiary of TAQA Electricity, Water and Cooling) | 56,073,463 | 56,073,463 |
| Qatar Gas Group | 15,489,459 | 15,489,459 |
| | **393,100,684** | **393,100,684** |

### Impairment

The Group test the Goodwill impairment based on recoverable amount of cash-generating unit, which is estimated by calculating the value in use, using pre-tax cash flows based on financial budgets approved by management, which cover a period of five years maximum. The management determines the specific assumptions of cash flow forecasts based on past experience and expectations of the market.

### Goodwill Impairment Test

Goodwill is allocated to cash-generating units (CGUs, which represent the lowest level within the Group at which the goodwill is monitored by management which is the level of the operating segment) as follows:

| | 2020 | 2019 |
|---|---|---|
| Gas and Energy Company (TAQA Gas) | 197,610,943 | 197,610,943 |
| Nile Valley Gas (Subsidiary of TAQA Gas) | 98,690,816 | 98,690,816 |
| Global Energy Company (Subsidiary of TAQA Electricity, Water and Cooling) | 56,073,463 | 56,073,463 |
| Qatar Gas Group | 15,489,459 | 15,489,459 |
| City Gas Company (Subsidiary of TAQA Gas) | 12,364,500 | 12,364,500 |
| Repco Gas (Subsidiary of TAQA Gas) | 5,982,761 | 5,982,761 |
| Trans Gas (Subsidiary of TAQA Gas) | 5,648,763 | 5,648,763 |
| House Gas (Subsidiary of TAQA Gas) | 673,508 | 673,508 |
| Master Gas (Subsidiary of TAQA Gas) | 566,471 | 566,471 |
| | **393,100,684** | **393,100,684** |

## Goodwill (continued)

The recoverable amount of each CGU was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate stated below. The growth rates do not exceed the long-term average growth rate for the business sector of the economy in which the CGU operates.

| | Gas and Energy Company (TAQA Gas) | Global Energy Company (Subsidiary of TAQA Electricity, Water and Cooling) | Nile Valley Gas (Subsidiary of TAQA Gas) | Trans Gas (Subsidiary of TAQA Gas) | City Gas Company (Subsidiary of TAQA Gas) | Repco Gas (Subsidiary of TAQA Gas) | Qatar Gas Group |
|---|---|---|---|---|---|---|---|
| **2020** | | | | | | | |
| Growth rate beyond five years | 3% | 3% | 3% | 3% | 3% | 3% | 3% |
| Pre-tax discount rate | 18.15% | 16.52% | 18.15% | 18.15% | 18.15% | 18.15% | 8.37% |

Growth rate: represent the average growth rate used to extrapolate the cash flows beyond the budget period. The growth rates are consistent with the forecast of the industry's reports.

Pre-tax discount rate: A weighted-average cost of capital was applied specific to each CGU as a hurdle rate to discount cash flows. The discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates.

### Sensitivity to the changes in the assumptions:

Management believe that no reasonable change in any of the above key assumptions (growth rate, and discount rate) would cause the carrying value of the CGU including goodwill to materially exceed its recoverable amount.

## 9. Subsidiaries financial highlights

Below is the main financial information of the subsidiaries at 31 December 2020 and 31 December 2019:as follows:

| 31 December 2020 | Assets | Total equity | Revenue | Net profit (loss) |
|---|---|---|---|---|
| Gas and Energy Company "TAQA Gas" - SAE (Subsidiary) | 635,880,800 | 228,842,353 | 82,129,038 | 51,800,087 |
| TAQA for Electricity, Water and Cooling - SAE (Subsidiary) | 273,401,112 | 248,963,864 | - | (667,842) |
| TAQA Arabia BV(Subsidiary) | 159,299,988 | 157,540,332 | - | (642,201) |
| TAQA for Marketing Petroleum Products - SAE (Subsidiary) | 891,965,669 | 146,109,479 | 4,840,103,580 | 93,515,886 |
| Gas and Energy Group Limited – LLC(Subsidiary) | 3,665,859 | (200,353,694) | - | (7,300,000) |
| International Company for Gas works (House gas) (Subsidiary) | 192,429,100 | 41,898,530 | 260,923,053 | 17,306,409 |
| Nile Valley Gas Company (Subsidiary) | 730,848,789 | 114,670,940 | 726,710,373 | 117,142,676 |
| Pharaonic Gas Company – SAE(Subsidiary) | 12,446,163 | 8,817,541 | - | (936,342) |
| Qatar Group for Gas - LLC *(Subsidiary) | 150,381,379 | 27,946,327 | 179,126,306 | 22,027,135 |
| Arab Company for Gas Services – LLC *(Subsidiary) | 26,993,177 | 24,470,250 | - | - |
| TAQA Engineering and Construction (Subsidiary) | 40,983,708 | 25,455,948 | 40,642,664 | 6,895,589 |
| TAQA Arabia for Solar Power | 1,263,580,039 | 210,619,302 | 172,334,636 | 23,894,915 |



| 31 December 2019 | Assets | Total equity | Revenue | Net profit (loss) |
|---|---|---|---|---|
| Gas and Energy Company "TAQA Gas" - SAE (Subsidiary) | 253,128,977 | 224,337,692 | 299,090,976 | 262,944,090 |
| TAQA for Electricity, Water and Cooling - SAE (Subsidiary) | 272,486,340 | 249,631,706 | 117,368,600 | 107,935,824 |
| TAQA Arabia BV(Subsidiary) | 159,299,988 | 158,153,406 | - | (455,516) |
| TAQA for Marketing Petroleum Products - SAE (Subsidiary) | 463,217,668 | 97,814,461 | 4,832,656,838 | 113,177,707 |
| Gas and Energy Group Limited – LLC(Subsidiary) | 3,665,859 | (193,553,694) | - | 50,425,031 |
| International Company for Gas works (House gas) (Subsidiary) | 179,331,920 | 59,121,797 | 217,254,930 | 26,090,507 |
| Nile Valley Gas Company (Subsidiary) | 1,046,569,688 | 91,018,198 | 645,672,202 | 61,659,685 |
| Pharaonic Gas Company – SAE(Subsidiary) | 12,237,485 | 9,877,243 | - | (55,018) |
| Qatar Group for Gas - LLC *(Subsidiary) | 148,440,644 | 24,228,522 | 173,664,643 | 12,204,943 |
| Arab Company for Gas Services – LLC *(Subsidiary) | 26,993,177 | 24,470,250 | - | - |
| TAQA Engineering and Construction (Subsidiary) | 28,426,846 | 19,833,520 | 24,748,824 | 5,700,770 |
| TAQA Arabia for Solar Power | 1,337,504,072 | 226,180,722 | 150,094,488 | 33,433,693 |

## 10. Right of use assets

| | Right of use assets |
|---|---|
| Balance at 1 January 2020 on initial adoption of EAS 49 | 297,226,414 |
| Additions during the year | 73,268,083 |
| Amortization expenses | (23,023,264) |
| Exchange differences | (50,684) |
| **Balance as of 31 December 2020** | **347,420,549** |

Right of use assets represent properties rented by the group.

Amortization expense is allocated in the consolidated statement of profit or loss, as follows:

| | 2020 | 2019 |
|---|---|---|
| Cost of sales | 21,123,729 | - |
| General and administrative expenses | 1,899,535 | - |
| | **23,023,264** | **-** |

## 11. Inventories

| | 2020 | 2019 |
|---|---|---|
| Raw materials | 224,564,909 | 259,696,987 |
| Finished goods | 71,168,751 | 81,321,447 |
| Spare parts | 49,544,002 | 48,827,752 |
| | **345,277,662** | **389,846,186** |
| Less: provision of inventory write-downs | (7,295,027) | (7,595,587) |
| | **337,982,635** | **382,250,599** |

## 12. Trade receivables and other debit balances

### a) Non-current

| | 2020 | 2019 |
|---|---|---|
| Deposits with others | 193,377,097 | 208,893,557 |
| Trade receivables | **29,093,694** | **24,242,239** |
| Prepaid expenses | 108,337 | 14,636,154 |
| | **222,579,128** | **247,771,950** |

### b) Current

| | 2020 | 2019 |
|---|---|---|
| Trade receivables | 761,912,540 | 782,268,414 |
| Other receivables | 282,252,269 | 246,719,529 |
| Prepayments and advance to suppliers | 126,225,222 | 149,146,937 |
| Notes receivable | 150,669,343 | 62,420,023 |
| Construction contracts in progress | 71,385,315 | 243,211,308 |
| Deposits with other | 49,742,287 | 25,802,965 |
| Staff loans | 12,249,251 | 14,714,666 |
| | **1,454,436,227** | **1,524,283,842** |
| Less | | |
| Impairment of trade receivables and other debit balances (3C) | (62,211,294) | (44,943,210) |
| | **1,392,224,933** | **1,479,340,632** |

### Classification of trade receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Details about the group's impairment policies and the calculation of the loss allowance are provided in Note (3C).

### Other receivables

These amounts generally arise from transactions outside the usual operating activities of the group. Interest may be charged at commercial rates.

Impairment of trade receivables

For information about the impairment of trade receivables refer to Note (3C).

## 13. Financial assets at fair value through other comprehensive income

| | 2020 | 2019 |
|---|---|---|
| Orient investment properties ltd. | 51,261,460 | 51,261,460 |
| | **51,261,460** | **51,261,460** |

During the year 2019, TAQA Arabia Company acquired 3,000,000 ordinary shares in Orient Investment Properties at USD 1.00 per share, amounting to USD 3,000,000 (equivalent to EGP 51,261,460) Ltd.

TAQA Arabia Company did not exert significant influence over the above investment as the company does not participate in policy making processes, has no material transactions, and does not exchange managerial personnel or provide essential technical assistance. The company does not have control, or joint control over this investment.

## 14. Related parties

The Group entered into several transactions with companies and entities that are included within the definition of related parties, as stated in EAS 15, "Disclosure of related parties". The related parties comprise the Group's board of directors, their entities, companies under common control, and/ or joint management and control, and their partners and employees of senior management. The management decides the terms and conditions of transactions and services provided from/ to related parties, as well as other expenses.

The ultimate parent is Citadel Capital Company S.A.E

### A. The below table summarises the nature and volume of transactions with related parties during the year, and the balances due at the date of the consolidated financial statements.

| Name of the Company | Nature of relationship | Nature of transactions | 2020 | 2019 |
|---|---|---|---|---|
| Castrol Egypt | Associate | Sale of Lubricants | 21,028,528 | 33,294,427 |

The transactions with related parties resulted in the following balances at period / year end:

### B. Due from related parties – non-current

| | 2020 | 2019 |
|---|---|---|
| Castrol Egypt | 39,200,000 | 39,200,000 |
| | **39,200,000** | **39,200,000** |

### C. Due to related parties

| | 2020 | 2019 |
|---|---|---|
| Castrol Egypt | 19,315,133 | 35,974,613 |
| | **19,315,133** | **35,974,613** |

### D. Key management compensation

TAQA group key management compensation within all of the Group Companies represents short term employee benefits which is amounting to EGP 105,062,846 for 2020 and EGP 97,185,244 for 2019 and does not include post-employment benefits, termination benefits or shared based payments.

## 15. Cash on hand and at bank and highly liquid investment

| | 2020 | 2019 |
|---|---|---|
| Cash on hand and at banks* | 971,395,408 | 867,984,971 |
| Time deposit ** | 386,207,853 | 384,686,053 |
| Investments in treasury bills less than 3 months | 724,093,138 | 164,526,863 |
| | **2,081,696,399** | **1,417,197,887** |
| Loss allowances for treasury bills *** | (2,204,838) | - |
| Loss allowances for time | (103,755) | - |
| | **2,079,387,806** | **1,417,197,887** |

* Cash on hand and at Banks disclosed above and in the statement of cash flows include EGP 54.5M represent debt service reserve account for TAQA solar loan with IFC against interest and instalment payment for the period of 6 months and foreign currency availability reserve for 3 months of interest and instalment.

** Time deposits disclosed above include short-term deposits amounting to EGP 383M that are held by HSBC bank as collateral against the loan granted by HSBC Bank Egypt to Citadel Capital for International Investments and its renewal every 6 months and last renew was on 31 December 2020.

### Impairment of treasury bills

*** For information about the impairment of treasury bills refer to Note (3C).

### For cash flow purposes, cash and cash equivalents comprise the following:

| | 2020 | 2019 |
|---|---|---|
| Cash on hand and at banks | 971,395,408 | 867,984,971 |
| Time deposits | 386,207,853 | 384,686,053 |
| Investments in treasury bills less than 3 months | 724,093,138 | 164,526,863 |
| Less: restricted cash | (383,025,414) | (383,025,414) |
| | **1,698,670,985** | **1,034,172,473** |

## 16. Bank facilities

| | 2020 | 2019 |
|---|---|---|
| TAQA Gas Group | 657,451,462 | 1,293,873,215 |
| Power Group | 319,054,306 | 63,183,695 |
| TAQA Marketing | 177,306,996 | 108,025,589 |
| Qatar Gas Group | - | 150,592 |
| | **1,153,812,764** | **1,465,233,091** |

The above bank facilities are represented in bank overdrafts that are mainly secured by the treasury bills.



## 17. Borrowings

| | 2020 | 2019 |
|---|---|---|
| **Non-current portion** | | |
| HSBC | 312,529,698 | 356,886,846 |
| NBE | 133,264,343 | 23,666,848 |
| Emirates NBD | 277,386,647 | 54,592,859 |
| IFC | 744,659,061 | 809,192,608 |
| | **1,467,839,749** | **1,244,339,161** |
| **Current portion** | | |
| HSBC | 78,750,000 | 69,215,768 |
| NBE | 10,801,853 | 3,366,655 |
| Emirates NBD | 4,346,501 | 4,166,666 |
| IFC | 48,511,161 | 48,537,690 |
| | **142,409,515** | **125,286,779** |
| | **1,610,249,264** | **1,369,625,940** |

| | 2020 | 2019 |
|---|---|---|
| Accrued interest | 63,189,423 | 49,726,366 |

### Loans repayment schedule:

31 December 2020

| | Less than six months | 6 months to 1 year | 1-2 Years | More than 2 years |
|---|---|---|---|---|
| Loans principal | 64,687,696 | 77,721,819 | 158,420,748 | 1,309,419,001 |

31 December 2019

| | Less than six months | 6 months to 1 year | 1-2 Years | More than 2 years |
|---|---|---|---|---|
| Loans principal | 38,381,521 | 86,905,258 | 149,535,292 | 1,094,803,869 |

### The main terms and conditions of outstanding loans are as follows:

(A) TAQA Marketing

HSBC bank:

- A loan of EGP 20 million was obtained from the Bank. The amount of the loan drawdown as of 31 December 2020 amounted to EGP 15.4 million in addition to the accrued interest.
- Payment is made on 18 equal quarterly instalments and the premium amount is EGP 857,834 and the first instalment were due in March 2016 and the final instalment paid on December 2020.

**Securities:**

- Irrecoverable power of attorney authorising HSBC to affect fist degree commercial mortgage over the company tangible and intangible assets financed under this agreement in addition to all documents to affect the commercial mortgage.

**The Company undertakes the following:**

- The distribution of any profits shall be made only after the payment of all the bank's receivables in that year including the original amount and the proceeds thereof.
- The rate of "financial leverage" shall not exceed 1:1.5 for the duration of the loan.
- Debt service shall not be less than 1:1.1

**National Bank of Egypt:**

- A loan of EGP 20 million was obtained from the Bank. The amount of the loan drawdown as of 31 December 2020 amounted to LE 16.8 million in addition to accrued interest. The payment is made on 20 equal quarterly instalments. The premium is EGP 914,265 and the first instalment is due in December 2017. The last instalment is due in July 2022.
- A loan of EGP 50 million was obtained from the Bank. The amount of the loan drawdown as of 31 December 2020 amounted to EGP 42.7 million in addition to accrued interest. The payment is made on 20 equal quarterly instalments. the first instalment is due in August 2021.
- loan of EGP 15.8 million was obtained from the Bank. The amount of the loan drawdown as of 31 December 2020 amounted to EGP 15.8 million in addition to accrued interest. The payment is made on 20 equal quarterly instalments. the first instalment is due in March 2021.

**Securities:**

- Not to distribute any profits until after payment of all the bank's receivables in that year including the original amount and its proceeds.
- The "financial leverage" ratio shall not exceed 2 for the duration of the loan.
- The ratio of "total bank debt to total equity" shall not exceed 1.5: 1 throughout the term of the loan.
- The rate of coverage of loans and returns shall not be less than (1) times.

**Emirates NBD:**

- The loan was obtained in the amount of LE 25 million from the Bank. The amount of the loan drawdown as of 31 December 2020 amounted to EGP 18.4 million in addition to the accrued interest.
- The payment is made on 24 equal quarterly instalments. The premium is EGP 1.046.625. The first instalment is repayable in May 2019. The last instalment is due in January 2024.

**Securities:**

- The Company shall undertake an irrevocable power of attorney to authorize the Bank to activate a commercial mortgage of the first class on the assets of the company subject to the loan.

**The Company undertakes the following:**

- Not to distribute any profits until after payment of all the bank's receivables in that year including the original amount and its proceeds.
- Debt service shall not be less than 1.1: 1 loan period.
- The "leverage" ratio shall not exceed 2.5: 1 throughout the loan period.



**(B) TAQA Arabia**

**HSBC bank:**

- A loan of EGP 450 million was obtained from the bank on 17 October 2017, the amount of the loan drawdown as of December 31, 2020 amounted of EGP 450 million in addition to the accrued interest
- Payment is made on 12 semi-annual instalments and is due to be repaid first instalment in March 2019. The final instalment is due in March 2025.

**Securities:**

- Pledge the shares of the Gas Group and its subsidiaries.
- Has pledged to transfer the profits of the gas group and its subsidiaries to TAQA Arabia with HSBC, so that the transferred amounts will be covered by 1.25 times of the annual paid.
- Non-distribution of dividends to TAQA Arabia's shareholders in the event of a breach or failure of the Bank to satisfy the debt service rate.

**(C) TAQA industrial zone**

**ENBD:**

- A loan of EGP 366,7M was obtained from the bank on 31 December 2019 with interest rate of corridor plus 2% above corridor margin, the amount of the loan drawdown as of December 31, 2020 amounted of EGP 267.6 M. in addition to the accrued interest.
- Payment is made on quarterly instalments and is due to be repaid first instalment in December 2021. The final instalment is due in September 2029.

**Securities:**

- The bank has been granted a power of attorney for commercial mortgage of TAQA for industrial zones
- Assigning all cash and financial revenues and revenues generated by the funded project

**(D) TAQA Solar**

**IFC:**

- The company signed the contract with international finance corporation (IFC) and other international corporations on 9 October 2017 to obtain a loan to finance a construction of the solar power plant in Benban zone of Aswan Governorate with an amount of USD 54.2M. (2019: USD 53.6M.) with interest rate of LIBOR for six months plus margin. The loan will be repaid on 33 equal instalments due from 15 July 2019 to 15 July 2035.

**The Securities created to the Lenders under TAQA Solar project**

- Offshore securities
- Equity Subordination And Assignment Deed
- Offshore Assignment Deed
- Reinsurance Assignment Deed
- Offshore Share Pledge Agreement
- EPC Direct Agreement
- O&M Direct Agreement
- Onshore securities
- Moveable Collateral Register POA
- Movables Pledge Agreement
- Network connection agreement of cost sharing agreement
- Usufruct agreement, cost sharing agreement
- Onshore Share Pledge (TAQA Solar-Swenett Solar B.V)
- Onshore Share Pledge POA

- Assignment of Onshore Accounts Agreement
- Onshore Assignment Agreement
- Onshore Assignment of Insurance Agreement
- Assignment of Equity Subordinated Lender Loan Agreement (TAQA Arabia S.A.E)
- Assignment of Equity Subordinated Lender Loan Agreement (Hassan Allam Holding S.A.E)

**Debt covenants**

- The Borrower must not make, pay or permit a Distribution unless the Historic Debt Service Cover Ratio is not less than 1.2:1
- Sponsors should retain at least 51% ownership at all the loan duration

The Borrower must ensure that, at any time following the Commercial Operation Date, the average Performance Factor over any twelve (12) Billing Periods (as defined in the PPA) is not less than zero point eight (0.8)

### Compliance with loan covenants

The group has complied with the financial covenants of its borrowing facilities as of the year ended 31 December 2020 and year ended 31 December 2019.

### (E) Master gas Company

**National Bank of Egypt:**

- A loan of EGP 200 million was obtained from the Bank. The amount of the loan drawdown as of 31 December 2020 amounted to EGP 80,407,738 million in addition to accrued interest. The payment is made on 28 equals quarterly instalments. and the first instalment is due in October 2021. The last instalment is due in July 2028.

**Securities:**

- Not to make any dividend distributions during the life of the financing with the possibility of making distributions in the case of the Borrower's obligation to pay all the amounts due thereon to the Bank and obligation to financial undertakings after obtaining the Bank's prior written consent
- Not to sell, mortgage and/or issue a power of attorney to sell, mortgage, waive or lease any of its assets, before obtaining the Bank's prior written consent.
- Insure the stations, subject of financing, during the construction period against the risks of contractors and after operation against the risk of fire within the user's limits of financing, provided that the insurance policies for the stations financed by the Bank shall be waived in favor of the Bank.
- Not to increase the ratio of total liabilities to total equity for 1:3.5
- Not to increase the ratio of total Bank debts to total equity for 1:3
- The coverage rate of loan instalments and returns for the Borrower shall not be less than 1 time.



## 18. Trade payables and other credit balances

| | 2020 | 2019 |
|---|---|---|
| Accounts payable | 1,593,791,123 | 1,055,549,287 |
| Deposits from others | 22,905,452 | 42,137,104 |
| Accrued expenses | 490,192,597 | 468,356,984 |
| Deferred revenue* | 196,735,865 | 199,944,152 |
| Other payables | 54,988,552 | 76,385,678 |
| Retention | 42,937,475 | 23,664,249 |
| Advances from customers | 63,108,597 | 66,984,365 |
| Notes payables | 31,109,089 | 51,995,714 |
| Tax authority | 148,015,060 | 169,329,609 |
| | **2,643,783,810** | **2,154,347,142** |

* The below table shows the movement of deferred revenues.

| | 2020 | 2019 |
|---|---|---|
| Balance at the beginning of the year | 199,944,152 | 344,847,856 |
| Additions | 7,177,733,268 | 5,308,719,040 |
| Released to revenue | (7,180,941,555) | (5,453,622,744) |
| | **196,735,865** | **199,944,152** |

## 19. Provisions

| | 2020 | 2019 |
|---|---|---|
| Beginning balance | 244,326,247 | 315,809,752 |
| Provisions formed | 10,568,659 | 24,973,329 |
| Provisions used | (23,054,268) | (90,752,207) |
| Provision no longer required | (1,700,000) | (9,403,378) |
| Transfer to Labilities | - | 3,698,751 |
| **Ending balance** | **230,140,638** | **244,326,247** |

The provisions for claims have been formed against the probable claims from external parties in relation to group activities. Information usually published on the provisions made according to accounting standards was not disclosed, as the management believes that doing so may seriously affect the outcome of negotiations with that party. The management reviews these provisions on a yearly basis, and the allocated amount is adjusted according to the latest developments, discussions and agreements with such parties.

## 20. Paid up capital

The Group's authorized capital is EGP 1,200,000,000 represented in 120,000,000 ordinary shares of EGP 10, each.

The issued and fully paid up share capital of the Company is EGP 676,176,900 represented in 67,617,690 ordinary shares of EGP 10, each.

the Extraordinary General Assembly meeting held on December 22, 2019, approved to implement the stock split by adjusting the par value of the share from 10 Egyptian pound (Ten Egyptian pounds) to 0.5 Egyptian pounds (Half Egyptian pound) and it was authenticated on December 24, 2019.

Accordingly, the group's authorized capital will be EGP 1,200,000,000 represented in 2,400,000,000 ordinary shares of EGP 0.5, each.

The issued and fully paid up share capital of the Company is EGP 676,176,900 represented in 1,352,353,800 ordinary shares of EGP 0.5 (Half Egyptian pound), each.

The ultimate parent is Citadel Capital Company S.A.E

The following table presents the paid-up capital for the year ended 2020

| Shareholders | Number of shares | Capital EGP | Participation % |
|---|---|---|---|
| Financial Holdings International LTD | 45,746,680 | 22,873,340 | 3.38% |
| Silverstone Capital Investment LTD | 1,092,371,320 | 546,185,660 | 80,78% |
| Citadel Capital for International Investments LTD | 8,079,980 | 4,039,990 | 0.60% |
| Rolaco EGB for investment | 53,031,300 | 26,515,650 | 3.92% |
| Trimstone Assets Holdings LTD | 75,610,440 | 37,805,220 | 5.59% |
| Hana investment Co (W.L.L) | 67,617,700 | 33,808,850 | 5% |
| Other investors | 9,896,380 | 4,948,190 | 0.73% |
| | **1,352,353,800** | **676,176,900** | **%100** |

The following table presents the paid-up capital for the year ended 2019

| Shareholders | Number of shares | Capital EGP | Participation % |
|---|---|---|---|
| Financial Holdings International LTD | 45,746,680 | 22,873,340 | 3.38% |
| Silverstone Capital Investment LTD | 1,092,371,320 | 546,185,660 | 80,78% |
| Citadel Capital for International Investments LTD | 8,079,980 | 4,039,990 | 0.60% |
| Rolaco EGB for investment | 53,031,300 | 26,515,650 | 3.92% |
| Trimstone Assets Holdings LTD | 75,610,440 | 37,805,220 | 5.59% |
| Hana investment Co (W.L.L) | 67,617,700 | 33,808,850 | 5% |
| Other investors | 9,896,380 | 4,948,190 | 0.73% |
| | **1,352,353,800** | **676,176,900** | **100%** |



## 21. Reserves

| | 2020 | 2019 |
|---|---|---|
| Legal reserve * | 58,550,254 | 49,727,168 |
| Translation reserve | 14,590,728 | 17,945,264 |
| Other reserve ** | (2,670,051) | (2,670,051) |
| Hedging reserve - interest rate swap *** | (56,186,867) | (35,671,685) |
| Reclassification for a spilt of TAQA for Electricity, Water and Cooling - SAE (Subsidiary)**** | 53,136,000 | - |
| | **67,420,064** | **29,330,696** |

*According to the Egyptian Companies' Law 159 for the year 1981 and the Group companies' statue, the Group companies are required to set aside 5% of the annual net profit to form a legal reserve. The transfer to legal reserve ceases once the reserve reach 20% of the issued share capital. The reserve is not eligible for distribution to Shareholders.

If the reserve falls below the defined level (20% of the paid share capital, then the Group is required to resume setting aside 5% of the annual profit until it reaches 20% of the issued share capital.

**This amount is represented in the excess of paid amount over book value of acquired shares due to the change in the group ownership interest in subsidiaries that don't result in a loss of control.

***TAQA Solar company a subsidiary of TAQA Arabia has entered into a finance agreement with International finance Corporation to obtain a loan to finance the Solar energy project, by which the company was obliged to cover the risk of change in variable interest rates for 6 months US dollar Libor rate and this by entering into an interest rate swap contract and this by fixing 6 months US dollar Libor rate to be % 3.417.

**** This reclassification represents the retained earning of TAQA for electricity, water and cooling S.A.E. that was used to increase the capital of TAQA for electricity, water and cooling S.A.E and TAQA Electricity, Generation and Distribution in Industrial Zones as a result of the split of TAQA for electricity, water and cooling and based on the report issued by GAFI and at the consolidation level this retained earning can not be distributed, accordingly it has been reclassed to other reserve.

## 22. Long term liabilities

| | 2020 | 2019 |
|---|---|---|
| Gas consumption and meter deposits | 17,648,247 | 11,891,746 |
| Power consumption deposits | 221,305,562 | 157,552,785 |
| Derivative financial instrument – interest rate swap | 114,705,426 | 72,462,881 |
| Other long-term liabilities | 39,548,589 | 41,628,806 |
| | **393,207,824** | **283,536,218** |

## 23. Lease liabilities

| | 31 December 2020 |
|---|---|
| EAS 49 Lease liability recognized on the consolidated statement of financial position as at 1 January 2020 | 271,845,451 |
| (Less) lease payments during the year | (29,290,831) |
| Addition | 73,031,561 |
| Interest expense | 32,301,135 |
| Forex | (63,788) |
| | **347,823,528** |
| (Less) Current lease liability | (22,945,682) |
| **Non-current lease liability** | **324,877,846** |

| | 31 December 2020 |
|---|---|
| **Commitments in relation to leases are payable as follows:** | |
| Within one year | 38,611,016 |
| Later than one year | 116,561,164 |
| Later than five years | 891,944,900 |
| **Minimum lease payments** | **1,047,117,080** |
| The present value of lease liabilities is as follows: | |
| Within one year | 22,945,682 |
| Later than one year | 52,125,703 |
| Later than five years | 272,752,143 |
| **Present Value of Minimum Lease Payments** | **347,823,528** |

## 24. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using an effective tax rate of 22.5%:

### A. Deferred tax assets

| | Changes in accounting policy (EAS 47) | Accumulated losses | Un-realised foreign currency exchange losses | Derivative financial instruments cash flow hedge | Total |
|---|---|---|---|---|---|
| **Balance at 1 January 2019** | **-** | **576,077** | **-** | **8,652,878** | **9,228,955** |
| Deferred income tax charged to statement of profit or loss | - | 597,320 | 5,236,635 | - | 5,833,955 |
| Deferred income tax recognised in equity statement (Cash flow hedge) | - | - | - | 7,651,270 | 7,651,270 |
| **Balance at 31 December 2019** | **-** | **1,173,397** | **5,236,635** | **16,304,148** | **22,714,180** |
| Opening balance as at 1 January 2020 – calculated under EAS 47 | 4,734,006 | - | - | - | 4,734,006 |
| Deferred income tax charged to statement of profit or loss | 7,152,787 | 187,812 | (3,855,273) | - | 3,485,326 |
| Reversal of deferred tax assets related to opening balance as a result of EAS 47 | (3,127,813) | - | - | - | (3,127,813) |
| Deferred income tax recognised in equity statement (Cash flow hedge) | - | - | - | 9,827,432 | 9,827,432 |
| **Balance at 31 December 2020** | **8,758,980** | **1,361,209** | **1,381,362** | **26,131,580** | **37,633,131** |



### B. Deferred tax liabilities

| | Property & equipment | Un-realised foreign currency exchange gain | Total |
|---|---|---|---|
| **Balance at 1 January 2019** | **51,405,266** | **-** | **51,405,266** |
| Deferred income tax charged to statement of profit or loss | 120,123 | 3,838,284 | 3,958,407 |
| **Balance at 31 December 2019** | **51,525,389** | **3,838,284** | **55,363,673** |
| Deferred income tax charged to statement of profit or loss | 784,238 | (3,838,284) | (3,054,046) |
| **Balance at 31 December 2020** | **52,309,627** | **-** | **52,309,627** |

## 25. Current income tax liabilities

| | 2020 | 2019 |
|---|---|---|
| Opening balance | 140,014,662 | 125,839,184 |
| Current income tax expense | 153,955,551 | 134,346,145 |
| Current income tax payment | (116,858,855) | (113,422,405) |
| Withholding tax payment | (44,564,276) | (23,345,374) |
| Adjustment | - | 16,597,112 |
| | **132,547,082** | **140,014,662** |

## 26. Derivative financial instrument (liabilities)

| | 2020 | 2019 |
|---|---|---|
| Derivative financial instrument - interest rate swap | (114,705,426) | (72,462,881) |
| | **(114,705,426)** | **(72,462,881)** |

TAQA Solar company a subsidiary of TAQA Arabia has entered into a finance agreement with International finance Corporation to obtain a loan to finance the Solar energy project, by which the company was obliged to cover the risk of change in variable interest rates for 6 months US dollar Libor rate and this by entering into an interest rate swap contract and this by fixing 6 months US dollar Libor rate to be 3.417%

The main terms of the transactions are as follows:

- Effective date: 2 July 2018
- Termination date: 15 Jan 2032.
- Fixed rate paid by the company is 3.417%.

The following table summarizes the hedging (liabilities) movement:

| | 31 December 2020 |
|---|---|
| **Interest rate swaps – cash flow hedges** | |
| **Balance at 1 January 2019** | - |
| Recognition of fair value of interest rate swaps contract | (72,462,881) |
| **Balance at 31 December 2019 and 1 January 2020** | **(72,462,881)** |
| Recognition of fair value of interest rate swaps contract | (42,242,545) |
| **Balance at 31 December 2020** | **(114,705,426)** |

## 27. Revenues

| 31 December 2020 | Fuel & lubes revenue | Electricity supplies revenue | Gas networks construction revenue | Sales commission | Gas cars conversion and gas sales revenue | Others | Total |
|---|---|---|---|---|---|---|---|
| Revenues from external customers | 4,840,103,580 | 1,423,559,756 | 1,233,985,949 | 297,919,647 | 126,604,540 | 1,560,028 | 7,923,733,500 |
| Timing of revenue recognition | | | | | | | |
| At a point in time | 4,840,103,580 | 1,423,559,756 | 1,022,027,041 | 297,919,647 | 126,604,540 | 1,560,028 | 7,711,774,592 |
| Over time | - | - | 211,958,908 | - | - | - | 211,958,908 |
| | **4,840,103,580** | **1,423,559,756** | **1,233,985,949** | **297,919,647** | **126,604,540** | **1,560,028** | **7,923,733,500** |

| 31 December 2019 | Fuel & lubes revenue | Electricity supplies revenue | Gas networks construction revenue | Sales commission | Gas cars conversion and gas sales revenue | Others | Total |
|---|---|---|---|---|---|---|---|
| Revenues from external customers | 4,832,656,838 | 1,494,827,137 | 1,016,773,664 | 298,623,668 | 81,274,175 | - | 7,724,155,482 |
| | **4,832,656,838** | **1,494,827,137** | **1,016,773,664** | **298,623,668** | **81,274,175** | - | **7,724,155,482** |

## 28. Cost of revenues

| | 2020 | 2019 |
|---|---|---|
| Fuel and lubes cost | 4,675,555,641 | 4,688,174,154 |
| Electricity supplies cost | 1,048,560,785 | 1,148,142,188 |
| Gas networks construction cost | 852,871,188 | 747,754,152 |
| Salaries and wages | 162,432,510 | 176,978,129 |
| Depreciation and amortization | 132,736,110 | 99,073,526 |
| Purchase of gas | 78,581,670 | 54,099,416 |
| Other | 88,944,584 | 37,056,159 |
| | **7,039,682,488** | **6,951,277,724** |

## 29. Administrative expenses

| | 2020 | 2019 |
|---|---|---|
| Salaries and wages | 112,030,069 | 104,524,911 |
| Professional fees | 23,694,783 | 23,173,916 |
| Maintenance and repair | 1,787,630 | 2,507,196 |
| Depreciation and amortization | 13,217,664 | 9,948,986 |
| IT and telecommunication expense | 8,588,614 | 8,940,544 |
| Other | 35,923,814 | 27,510,124 |
| Rent expense | 6,614,618 | 12,151,022 |
| Travel expense | 5,980,948 | 5,421,880 |
| Insurance expense | 2,313,597 | 3,386,501 |
| Publication and events | 2,045,434 | 3,809,901 |
| Utility | 1,697,952 | 1,838,052 |
| | **213,895,123** | **203,213,033** |



## 30. Other expenses

| | 2020 | 2019 |
|---|---|---|
| Other expenses | 49,276,767 | 21,515,608 |
| Provision * | 10,568,659 | 25,355,982 |
| Tax on dividends | 14,537,176 | 12,467,616 |
| | **74,382,602** | **59,339,206** |

*Out of the total provision and other expenses EGP 26,121,027 as at 31 December 2020, and EGP 13,342,482 as at 31 December 2019, are related to items before EBITDA, which is one of the key parameters looked at by management (note 36).

## 31. Finance (cost) income - net

| | 2020 | 2019 |
|---|---|---|
| Interest expense | 363,179,980 | 267,356,620 |
| Foreign currency exchange losses | 9,403,833 | 12,601,090 |
| **Finance costs** | **372,583,813** | **279,957,710** |
| Loan – notes receivables revenue | - | 50,468,832 |
| Treasury bills and interest revenues | 357,206,154 | 240,580,392 |
| Finance income | 357,206,154 | 291,049,224 |
| **Finance (cost) income-net** | **(15,377,659)** | **11,091,514** |

## 32. Income tax

The tax expense for the year differs from the theoretical amount that would arise using the tax rate applicable to the group as follows:

| | 2020 | 2019 |
|---|---|---|
| **Current income tax** | | |
| Income tax for the year | 153,955,551 | 134,367,145 |
| | 153,955,551 | 134,367,145 |
| **Deferred tax** | | |
| Deferred tax for temporary differences | (6,539,372) | (1,793,246) |
| | (6,539,372) | (1,793,246) |
| **Total current and deferred income tax** | **147,416,179** | **132,573,899** |

The tax expense on the Group's profit before tax differs from the theoretical amount of income tax expense that would arise using the weighted average tax rate, as follows:

| | 2020 | 2019 |
|---|---|---|
| Profit for the year before income tax | 594,875,378 | 524,609,285 |
| Tax calculated using tax rate of 22.5% | 133,846,960 | 118,037,089 |
| Tax effect for expenses and income not deducted/added for tax purposes | 20,108,591 | 16,330,056 |
| **Income tax for the year** | 153,955,551 | 134,367,145 |
| **Effective tax rate** | **25.9%** | **25.6%** |

## 33. Earnings profit per share

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

| | 2020 | 2019 |
|---|---|---|
| Net profit attributable to the shareholders of the parent company | 334,115,289 | 212,614,527 |
| Weighted average number of ordinary issued and paid shares | 1,352,353,800 | 1,352,353,800 |
| **Basic earnings per share** | **0.247** | **0.157** |

## 34. Financial instruments by category

| | 31 December 2020 | | |
|---|---|---|---|
| Assets as per the consolidated statement of financial position | Financial assets at fair value through other comprehensive income | Financial assets at amortized cost | Total |
| Trade and other receivables (excluding non-financial assets)* (Note 12) | - | 1,307,562,412 | 1,307,562,412 |
| Due from related parties | - | 39,200,000 | 39,200,000 |
| Cash and cash equivalents | - | 2,079,387,806 | 2,079,387,806 |
| Treasury bills | - | 938,543,181 | 938,543,181 |
| Financial assets at fair value through other comprehensive income | 51,261,460 | - | 51,261,460 |
| Total | **51,261,460** | **4,364,693,399** | **4,415,954,859** |

| | 31 December 2020 | | |
|---|---|---|---|
| Liabilities as per the consolidated statement of financial position | Derivatives used for hedging | Financial liabilities at amortised cost | Total |
| Trade and other payables (excluding non-financial liabilities)* (Note 18) | - | 2,688,257,099 | 688,257,099 |
| Borrowings | - | 1,610,249,264 | 1,610,249,264 |
| Bank facilities | - | 1,153,812,764 | 1,153,812,764 |
| Due to related parties | - | 19,315,133 | 19,315,133 |
| Derivatives for hedging purposes | 114,705,426 | - | 114,705,426 |
| Lease liabilities | | 347,823,528 | 347,823,528 |
| Total | **114,705,426** | **5,819,457,788** | **3,934,163,214** |



| | 31 December 2019 | | |
|---|---|---|---|
| Assets as per the consolidated statement of financial position | Investment available-for-sale (fair movement in OCI, impairment in statement of profit or loss) | Loans and receivables | Total |
| Trade and other receivables (excluding non-financial assets)* (Note 12) | - | 1,373,576,179 | **1,373,576,179** |
| Due from related parties | - | 39,200,000 | **39,200,000** |
| Cash and cash equivalents | – | 1,417,197,887 | **1,417,197,887** |
| Treasury bills | – | 1,187,945,389 | **1,187,945,389** |
| Financial assets at fair value through other comprehensive income | 51,261,460 | - | **51,261,460** |
| Total | **51,261,460** | **4,017,919,455** | **4,069,180,915** |

| | 31 December 2019 | | |
|---|---|---|---|
| Liabilities as per the consolidated statement of financial position | Derivatives used for hedging | Financial liabilities at amortised cost | Total |
| Trade and other payables (excluding non-financial liabilities)* (Note 18) | - | 2,086,969,401 | **2,086,969,401** |
| Borrowings | - | 1,369,625,940 | **1,369,625,940** |
| Bank facilities | | 1,465,233,091 | **1,465,233,091** |
| Due to related parties | – | 35,974,613 | **35,974,613** |
| Derivatives for hedging purposes | 72,462,881 | - | **72,462,881** |
| Total | **72,462,881** | **4,957,803,045** | **5,030,265,926** |

* At the Balance sheet date, the carrying value of all short-term financial assets and liabilities approximates the fair value. Long-term borrowings also approximate the fair value as the loans bears a variable interest rate, so the fair value equals the principal amount.

Trade and other receivables presented above excludes prepaid expenses, advances to supplies and deposits with others.

Trade and other payables presented above excludes taxes payables, advances from customers and social insurances.

## 35. Tax position

The group's profits are subject to the corporate tax according to Tax Law No. (91) of 2005 and

the tax status is as follows:-

### Corporate income tax

The group companies submit its tax return on the due dates.

## 36. Operating segments

The management assesses the performance of the operating segments based on the total revenues / gross profit/ EBITDA/ operating profit/ total assets of segment and the total liabilities. This measurement basis excludes discontinued operations.

Interest income and expenditure are not allocated to segments, as this type of activity is driven by the Group's head office, which manages the cash flows and liquidity requirements. In terms of geography, the group operations are mainly in Egypt.

| 31 December 2020 | Gas | Power | Marketing | Other | Total | Elimination | Total Cons |
|---|---|---|---|---|---|---|---|
| **Operating results** | | | | | | | |
| Revenue | 1,658,510,136 | 1,423,559,756 | 4,840,103,580 | 84,510,116 | 8,006,683,588 | (82,950,088) | 7,923,733,500 |
| Cost of revenue | (1,175,735,709) | (1,094,769,663) | (4,634,466,166) | (6,808,322) | (6,911,779,861) | 4,833,485 | (6,906,946,376) |
| Depreciation & Amortization (Cost) | (24,191,096) | (76,799,432) | (31,745,582) | - | (132,736,111) | - | (132,736,111) |
| **Gross profit** | **458,583,331** | **251,990,661** | **173,891,832** | **77,701,794** | **962,167,617** | **(78,116,603)** | **884,051,012** |
| Investment revenue | - | - | - | 161,298,213 | 161,298,213 | (161,298,213) | - |
| Other income | 9,245,322 | 5,234,428 | - | - | 14,479,750 | - | 14,479,750 |
| Administrative expenses | (119,584,261) | (59,348,912) | (24,725,807) | (50,402,572) | (254,061,551) | 53,384,089 | (200,677,462) |
| Depreciation & Amortization (Admin) | (3,756,420) | (3,412,468) | (3,000,170) | (3,048,605) | (13,217,663) | - | (13,217,663) |
| Other expenses | (24,080,243) | (12,701,970) | (500,000) | (26,908,402) | (64,190,615) | 376,673 | (63,813,942) |
| Provision | (10,228,100) | - | (340,560) | - | (10,568,661) | - | (10,568,661) |
| **Results from operating activities** | **310,179,628** | **181,761,739** | **145,325,296** | **158,640,428** | **795,907,090** | **(185,654,054)** | **610,253,036** |
| **Financial position** | | | | | | | |
| **Total assets** | **2,832,024,774** | **3,680,450,033** | **891,965,669** | **1,570,268,731** | **8,974,709,206** | **(885,736,745)** | **8,088,972,461** |
| **Total liabilities** | **2,256,229,420** | **2,855,038,209** | **745,856,191** | **807,800,824** | **6,664,924,644** | **(214,282,056)** | **6,450,642,588** |

| 31 December 2019 | Gas | Power | Marketing | Other | Total | Elimination | Total Cons |
|---|---|---|---|---|---|---|---|
| **Operating results** | | | | | | | |
| Revenue | 1,396,671,507 | 1,494,827,137 | 4,832,656,838 | 36,702,534 | 7,760,858,016 | (36,702,534) | 7,724,155,482 |
| Cost of revenue | (1,017,514,800) | (1,187,288,513) | (4,643,833,450) | (3,567,435) | (6,852,204,198) | - | (6,852,204,198) |
| Depreciation & Amortization (Cost) | (16,585,767) | (68,208,474) | (14,279,284) | - | (99,073,525) | - | (99,073,525) |
| **Gross profit** | **362,570,940** | **239,330,150** | **174,544,104** | **33,135,099** | **809,580,293** | **(36,702,534)** | **772,877,759** |
| Investment revenue | - | - | - | 655,309,064 | 655,309,064 | (655,309,064) | - |
| Other income | 2,142,365 | 1,049,888 | - | - | 3,192,252 | - | 3,192,252 |
| Administrative expenses | (78,094,656) | (59,488,613) | (22,092,708) | (48,578,598) | (208,254,575) | 14,990,528 | (193,264,047) |
| Depreciation & Amortization (Admin) | (2,893,915) | (2,384,856) | (1,535,912) | (3,134,302) | (9,948,985) | - | (9,948,985) |
| Other expenses | (20,406,847) | (13,290,293) | (5,888,123) | 5,602,039 | (33,983,224) | - | (33,983,224) |
| Provision | (10,923,483) | 3,067,500 | 1,000,000 | (18,500,000) | (25,355,983) | - | (25,355,983) |
| **Results from operating activities** | **252,394,404** | **168,283,775** | **146,027,360** | **623,833,301** | **1,190,538,841** | **(677,021,070)** | **513,517,771** |
| **Financial position** | | | | | | | |
| **Total assets** | **2,761,457,675** | **3,123,853,314** | **463,217,668** | **1,576,077,801** | **7,924,606,458** | **(797,085,796)** | **7,127,520,662** |
| **Total liabilities** | **2,287,458,988** | **2,343,992,069** | **375,203,208** | **713,942,160** | **5,720,596,425** | **(112,189,501)** | **5,608,406,923** |



| | Gas | | Power | | Marketing | | Other | | TAQA Cons | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Sales | 1,658.5 | 1,396.7 | 1,423.6 | 1,494.8 | 4,840.1 | 4,832.7 | 84.5 | 36.7 | 7,923.7 | 7,724.2 |
| Cost of Sales | (1,175.7) | (1,017.5) | (1,094.8) | (1,187.3) | (4,634.5) | (4,643.8) | (6.8) | (3.6) | (6,906.9) | (6,852.2) |
| **Gross profit** | **482.8** | **379.2** | **328.8** | **307.5** | **205.6** | **188.9** | **77.7** | **33.1** | **1,016.8** | **872.0** |
| Admin expenses | (119.6) | (78.1) | (59.3) | (59.5) | (24.7) | (22.1) | (50.4) | (48.6) | (200.7) | (193.5) |
| Other Income/(expenses) | (7.3) | (7.9) | (0.8) | 3.1 | - | (.2) | (18.0) | (8.5) | (26.1) | (13.3) |
| Investment revenue | - | - | - | - | - | - | 161.3 | 655.3 | - | - |
| **EBITDA** | **355.9** | **293.2** | **268.6** | **251.1** | **180.9** | **166.6** | **170.6** | **631.3** | **790.0** | **665.2** |
| Other non-recuring Items | (23.3) | (21.1) | (8.2) | (.9) | (1.0) | (4.9) | (11.1) | (16.1) | (43.2) | (42.7) |
| Depreciation and amortization | (27.9) | (19.5) | (80.2) | (70.6) | (34.7) | (15.8) | (3.0) | (3.1) | (146.0) | (109.0) |
| **EBIT** | **304.6** | **252.6** | **180.3** | **179.6** | **145.2** | **145.9** | **156.4** | **612.2** | **600.8** | **513.5** |
| **Net income** | **297.8** | **225.6** | **95.5** | **96.9** | **93.5** | **113.0** | **141.1** | **633.4** | **447.5** | **392.0** |
| Minority share | (1.5) | (7.6) | (23.9) | (19.2) | - | - | - | - | (37.5) | (26.8) |
| **Profit for the period** | **296.3** | **2.18** | **71.7** | **77.9** | **93.5** | **113.0** | **141.1** | **633.4** | **410.0** | **365.2** |

The following summary describes each reportable segment:

### Gas sector

Specialize in delivering natural gas to both residential and industrial customers.

This arm provides its customers with:

Connections construction, gas distribution and operations & maintenance services targeting both residential and industrial customers.

CNG vehicle conversions, gas supply station, in addition to Mobile CNG.

Engineering consultancy, gas retail appliances and market research and surveying services.

### Power Sector

Specialize in power generation systems, through combustible and solar energy stations, to off grid industrial customers.

Power distribution through building / owning substations and networks.

Excess capacity management.

Operation & maintenance services, including all activities necessary for TAQA clients' plants to operate in a safe and economical manner.

### Fuel and Lubricants

TAQA Oil Marketing is the first privately owned Egyptian company with a license to market petroleum products including fuels and lubricants, through a retail network of service stations under TAQA's brand name.

The Company is also the sole distributor of Castrol lubricants in Egypt since 2008.

Castrol Egypt has been established in 2018 with TAQA share 49.

The following summary describes the entities of each reportable segment:

- City Gas
- NVGC
- Repco Gas
- Trans Gas
- Master Gas
- TAQA Gas
- House Gas
- Pharaonic Gas
- TAQA EC
- Qatar Gas Group

### Power Sector

- Global for Energy
- TAQA Industrial zone
- TAQA for Electricity, Water and cooling
- TAQA Arabia for Solar Energy

### Fuel and lubricants

- TAQA for Marketing
- Castrol Egypt lubricants

### Others

- TAQA Arabia Separate
- Fin Eng for Financial & Engineering Consultancy
- Gas and energy Group Limited.



## 37. COVID 19 Impact

In response to the spread of the Covid-19 in Egypt and other territories where Group operates and its resulting disruptions to the social and economic activities in those markets, TAQA's management has proactively assessed its impacts on its operations and has taken a series of preventive measures, to ensure the health and safety of its employees, customers, consumers and wider community as well as to ensure the continuity of supply of its products and services throughout its markets . Notwithstanding these challenges.

TAQA's business operations currently remain slightly impacted, and the management believes that the Covid-19 pandemic has had no material effects on the Group's reported financial results for the period year 31 December 2020 based on the following facts:

- Actual financial performance is aligned with the original budget.
- Cash flows is aligned with earlier forecasts.
- There are no material changes in mid-term and long-term growth rates as compared to the previous estimates.
- There are no discontinued operations.

However, as explained above, the Group has reviewed the key sources of estimation uncertainties disclosed in the last annual Consolidated Financial Statements against the backdrop of Covid-19 pandemic, all other sources of estimation uncertainty remain similar to those disclosed in the annual Consolidated Financial Statements. Management will continue to monitor the situation and any changes required will be reflected in future reporting periods.

## 38. Comparative figures

Certain comparative figures have been reclassified to conform with the current year presentation; the following table present items of the Other expenses and income tax expense which have been reclassified:

| | 2019 before reclassification | Re-classification | 2019 after reclassification |
|---|---|---|---|
| Other expenses | 46,871,590 | 12,467,616 | 59,339,206 |
| Income tax expense | 145,041,515 | (12,467,616) | 132,573,899 |
| | **191,913,105** | - | **191,913,105** |

## Statement of Financial Position

| Consolidated statement of financial position - At 31 December 2020 | | | |
|---|---|---|---|
| (All amounts in EGP) | | | |
| | Notes | 2020 | 2019 |
| Assets | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 5 | 1,680,623,050 | 1,599,501,140 |
| Assets under construction | 6 | 548,034,097 | 282,350,195 |
| Goodwill | 8 | 393,100,684 | 393,100,684 |
| Intangible assets | 7 | 20,178,807 | 24,083,546 |
| Right of use assets | 10 | 347,420,549 | - |
| Deferred tax assets | 24 | 37,633,131 | 22,714,180 |
| Financial assets at fair value through other comprehensive income | 13 | 51,261,460 | 51,261,460 |
| Other investments | | 803,000 | 803,000 |
| Due from related parties - non current | 14 | 39,200,000 | 39,200,000 |
| Trade receivables and other debit balances | 12 | 222,579,128 | 247,771,950 |
| **Total non-current assets** | | **3,340,833,906** | **2,660,786,155** |
| Current assets | | | |
| Inventories | 11 | 337,982,635 | 382,250,599 |
| Trade receivables and other debit balances | 12 | 1,392,224,933 | 1,479,340,632 |
| Investments in treasury bills | | 938,543,181 | 1,187,945,389 |
| Cash on hand and at bank and highly liquid investment | 15 | 2,079,387,806 | 1,417,197,887 |
| **Total current assets** | | **4,748,138,555** | **4,466,734,507** |
| **Total assets** | | **8,088,972,461** | **7,127,520,662** |
| Equity | | | |
| Paid up capital | 20 | 676,176,900 | 676,176,900 |
| Share premium | | 6,501,700 | 6,501,700 |
| Reserves | 21 | 67,420,064 | 29,330,696 |
| Retained earnings | | 707,544,547 | 633,400,833 |
| **Total equity attributable to owners of Taqa Arabia company** | | **1,457,643,211** | **1,345,410,129** |
| Non-controlling interests | | 180,686,662 | 173,703,609 |
| **Total equity** | | **1,638,329,873** | **1,519,113,738** |
| Non-current liabilities | | | |
| Borrowings | 17 | 1,467,839,749 | 1,244,339,161 |
| Long term liabilities | 22 | 393,207,824 | 283,536,218 |
| Lease liabilities | 23 | 324,877,846 | - |
| Deferred tax liabilities | 24 | 52,309,627 | 55,363,673 |
| Total non-current liabilities | | 2,238,235,046 | 1,583,239,052 |
| Current liabilities | | | |
| Trade payables and other credit balances | 18 | 2,643,783,810 | 2,154,347,142 |
| Due to related parties | 14 | 19,315,133 | 35,974,613 |
| Bank facilities | 16 | 1,153,812,764 | 1,465,233,091 |
| Borrowings | 17 | 142,409,515 | 125,286,779 |
| Lease liabilities | 23 | 22,945,682 | - |
| Provisions | 19 | 230,140,638 | 244,326,247 |
| **Total current liabilities** | | **4,212,407,542** | **4,025,167,872** |
| **Total equity and liabilities** | | **8,088,972,461** | **7,127,520,662** |

Deputy Chief Financial Officer
Mr. Ahmed El-Rouby

Chief Financial Officer
Mr. Peter Mofeed

Managing Director
Mrs. Pakinam Kafafi

## Statement of Profit and Loss

| Consolidated statement of profit and loss - At 31 December 2020 | | | |
|---|---|---|---|
| (All amounts in EGP) | | | |
| | Notes | 2020 | 2019 |
| Revenues | 27 | 7,923,733,500 | 7,724,155,482 |
| Cost of revenues | 28 | (7,039,682,488) | (6,951,277,724) |
| **Gross profit** | | **884,051,012** | **772,877,758** |
| | | | |
| Administrative expenses | 29 | (213,895,123) | (203,213,033) |
| Other expenses | 30 | (74,382,602) | (59,339,206) |
| Other income | | 14,479,750 | 3,192,252 |
| **Operating profit** | | **610,253,037** | **513,517,771** |
| | | | |
| Finance income | | 357,206,154 | 291,049,224 |
| Finance costs | | (372,583,813) | (279,957,710) |
| **Finance (cost) income - net** | 31 | **(15,377,659)** | **11,091,514** |
| **Profit for the year before income tax** | | **594,875,378** | **524,609,285** |
| | | | |
| Income tax | 32 | (147,416,179) | (132,573,899) |
| **Net profit for the year** | | **447,459,199** | **392,035,386** |
| **Profit attributable to:** | | | |
| Owners of the parent Company | | 409,992,204 | 365,190,423 |
| Non-controlling interest | | 37,466,995 | 26,844,963 |
| **Net profit for the year** | | **447,459,199** | **392,035,386** |
| **Basic earnings per share** | 33 | **0.247** | **0.157** |

## St. of Comprehensive Income

| Consolidated statement of financial position - At 31 December 2020 | | | |
|---|---|---|---|
| (All amounts in EGP) | | | |
| | Notes | 2020 | 2019 |
| **Net profit for the year** | | **447,459,199** | **392,035,386** |
| Other comprehensive loss | | - | - |
| Items that are or may be reclassified subsequently to profit or loss: | | | |
| Foreign currency translation differences | | (16,246,005) | (35,550,065) |
| Derivative financial instruments - cash flow hedge | | (34,191,969) | (29,820,831) |
| **Other comprehensive loss for the year** | | **(50 437 974)** | **(65,370,896)** |
| **Total comprehensive income for the year** | | **397,021,225** | **326,664,490** |
| **Attributed to:** | | | |
| Owners of the parent Company | | 386,122,487 | 328,828,277 |
| Non-controlling interests | | 10,898,738 | (2,163,787) |
| **Total comprehensive income for the year** | | **397,021,225** | **326,664,490** |

| Consolidated statement of change in equity - For the year ended 31 December 2020 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Reserves | | | | | | | |
| | Paid up capital | Share premium | Legal reserve | Translation reserve | Hedging reserve | Other reserve | Retained earnings | Total equity attributable to owners of the parent company | Non-controlling interest | Total equity |
| **Balance at 1 January 2019** | **676,176,900** | **6,501,700** | **27,388,290** | **36,414,912** | **(17,779,187)** | **(2,670,051)** | **755,668,746** | **1,481,701,310** | **175,867,396** | **1,657,568,706** |
| Total comprehensive income for the year | - | - | - | (18,469,648) | (17,892,498) | - | 365,190,423 | **328,828,277** | (2,163,787) | **326,664,490** |
| Transfer to legal reserve | - | - | 22,338,878 | - | - | - | (22,338,878) | **-** | - | **-** |
| Adjustment | - | - | - | - | - | - | 866,349 | **866,349** | - | **866,349** |
| Dividends for shareholders | - | - | - | - | - | - | (328,848,043) | **(328,848,043)** | - | **(328,848,043)** |
| Board of directors and employees profit share | - | - | - | - | - | - | (137,137,764) | **(137,137,764)** | - | **(137,137,764)** |
| **Balance at 31 December 2019** | **676,176,900** | **6,501,700** | **49,727,168** | **17,945,264** | **(35,671,685)** | **(2,670,051)** | **633,400,833** | **1,345,410,129** | **173,703,609** | **1,519,113,738** |
| **Balance at 31 December 2019** | **676,176,900** | **6,501,700** | **49,727,168** | **17,945,264** | **(35,671,685)** | **(2,670,051)** | **633,400,833** | **1,345,410,129** | **173,703,609** | **1,519,113,738** |
| Changes in accounting policies | - | - | - | - | - | - | (23,738,650) | (23,738,650) | (3,915,685) | **(27,654,335)** |
| **Restated balance at 1 January 2020** | **676,176,900** | **6,501,700** | **49,727,168** | **17,945,264** | **(35,671,685)** | **(2,670,051)** | **609,662,183** | **1,321,671,479** | **169,787,924** | **1,491,459,403** |
| Total comprehensive income for the year | - | - | - | (3,354,535) | (20,515,182) | - | **409,992,204** | 386,122,487 | 10,898,738 | **397,021,225** |
| Transfer to legal reserve | - | - | 8,823,085 | - | - | - | (8,823,085) | - | - | - |
| Reclassification for a spilt of TaQa for Electracity ,water and cooling - SAE (Subsidiary) | - | - | - | - | - | 53,136,000 | (53,136,000) | - | - | - |
| Dividends for shareholders | - | - | - | - | - | - | **(210,000,000)** | (210,000,000) | - | **(210,000,000)** |
| **Board of directors and employees profit share** | **-** | **-** | **-** | **-** | **-** | **-** | **(40,150,755)** | **(40,150,755)** | **-** | **(40,150,755)** |
| **Balance at 31 December 2020** | **676,176,900** | **6,501,700** | **58,550,253** | **14,590,729** | **(56,186,867)** | **50,465,949** | **707,544,547** | **1,457,643,211** | **180,686,662** | **1,638,329,873** |

The accompanying notes on pages 8 - 75 form an integral part of these consolidated financial statements.



# Statement of Cash Flows

| Consolidated statement of cash flows - For the year ended 31 December 2020 | | | |
|---|---|---|---|
| (All amounts in EGP) | | | |
| | Notes | 2020 | 2019 |
| **Cash flows from operating activities** | | | |
| Net profit for the year before income tax | | 594,875,378 | 524,609,285 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 5 | 117,822,443 | 103,698,123 |
| Amortization of intangible assets | 7 | 5,108,067 | 5,324,389 |
| Amortization of right of use | 10 | 23,023,264 | - |
| Impairment of trade receivables | (3.C) | 5,919,770 | - |
| Provision formed | 19 | 10,568,659 | 28,672,080 |
| Provision no longer required - inventory | 11 | (300,560) | - |
| Provision formed - treasury bills | (3.C) | 8,432,850 | - |
| Provision no longer required - treasury bills | (3.C) | (12,407,196) | - |
| Provision no longer required | 19 | (1,700,000) | (9,403,378) |
| Loss on sale of property, plant and equipment | | 2,051,454 | - |
| Share of losses of investment in associates | | - | 200,000 |
| Interest expense for lease liabilities | 23 | 32,301,135 | - |
| Interest income - notes receivable | | - | (50,468,832) |
| **Operating profit before changes in working capital** | | **785,695,264** | **602,631,667** |
| **Changes in working capital** | | | |
| Trade receivables and other debit balances | | 69,422,952 | (68,140,590) |
| Inventories | | 44,568,524 | (97,073,081) |
| Related parties | | (16,659,480) | 34,343,113 |
| Trade payables and other credit balances | | 521,119,990 | (213,873,131) |
| Board of directors and employees profit share | | (40,150,755) | (137,137,764) |
| Provision used | | (23,054,268) | (21,327,176) |
| **Cash flows generated from operating activities** | | **1,340,942,227** | **99,423,038** |
| Income tax paid | | (116,858,855) | (113,422,405) |
| **Net cash flows generated (used in) from operating activities** | | **1,224,083,372** | **(13,999,367)** |
| Cash flows from investing activities | | | |
| Payments for purchase of property, plant and equipment and projects under construction | | (492,729,584) | (343,320,247) |
| Loan notes receivables collections | | - | 383,025,415 |
| Investments in treasury bills | | 234,645,120 | (613,110,295) |
| Financial assets at fair value through other comprehensive income | | - | (51,261,460) |
| Payments for intangible assets | | - | (13,741,104) |
| Proceeds from sale of property, plant and equipments | | 5,176,391 | 5,737 |
| **Net cash flows used in investing activities** | | **(252,908,073)** | **(638,401,954)** |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 343,963,139 | 46,009,039 |
| Repayment of borrowings | | (86,835,353) | (138,400,362) |
| Bank facilities | | (311,420,327) | 882,745,897 |
| Principal element of lease payment | 23 | (29,290,831) | - |
| Dividends paid to shareholders | | (210,000,000) | (223,722,635) |
| **Net cash flows (used in) generated from financing activities** | | **(293,583,372)** | **566,631,939** |
| Net changes in cash and cash equivalents | | 677,591,927 | (85,769,382) |
| Cash and cash equivalents at the beginning of the year | | 1,034,172,473 | 1,010,398,340 |
| Effects of exchange rate changes on cash and cash equivalents | | (13,093,415) | 109,543,515 |
| **Cash and cash equivalents at the end of the year** | **15** | **1,698,670,985** | **1,034,172,473** |
| Non-cash transactions | | | |
| Settlement of notes receivable against dividends | | - | 105,125,408 |
| This amount has been excluded from the Payments for purchase of property, plant and equipment and projects under construction items against the same amount of intangible assets. | | 1,203,328 | - |
| This amount has been excluded from ROU against the same amount from Lease liability as a result of the adoption of EAS 49 | | 344,877,012 | - |
| This amount has been excluded from trade and other receivable against the same amount from ROU as a result of the adoption of EAS 49 | | 25,617,485 | - |
| This amount has been excluded from retained earning and non-controlling interest against the same amount from Loss allowance for trade receivables, treasury bills and time deposits as a result of changes in accounting policies | | 27,654,335 | - |
| - This amount has been excluded from long term liabilities against the same amount from other comprehensive income and DTA | | 34,191,969 | - |

## IS TAQA Consolidated

| | Act.2020 | Act.2019 | vs 2019 | % of Growth |
|---|---|---|---|---|
| Natural Gas Distribution "(Mm3) " | 6,688.0 | 6,254.0 | 434.0 | 7% |
| Gas Connected Customers | 155,475 | 154,588 | 887 | 1% |
| Compressed Natural Gas (CNG) "(Mm3) " | 33.5 | 24.3 | 9.2 | 38% |
| No. of CNG Stations | 16 | 7 | 9.0 | 129% |
| Power Volumes (KWh) | 1,177.8 | 1,292.5 | (114.7) | -9% |
| No. of Petroleum Stations | 59 | 55 | 4.0 | 7% |
| Gasoline (all grades) "thousands of litres" | 239,128 | 253,220 | (14,091.8) | -6% |
| Diesel (retail) "thousands of litres" | 455,682 | 497,182 | (41,500.2) | -8% |
| Sales | 7,923.7 | 7,724.2 | 199.6 | 3% |
| Cost of sales | (6,906.9) | (6,852.2) | (54.7) | 1% |
| Gross profit | 1,016.8 | 872.0 | 144.8 | 17% |
| Gross Profit/Sales | 13% | 11% | 2% | 14% |
| Administrative Expenses | (226.8) | (206.8) | (20.0) | 10% |
| Non recurring items | (9.8) | (4.2) | (5.6) | 133% |
| EBITDA | 780.2 | 661.0 | 119.3 | 18% |
| Non Operating items | (33.4) | (28.3) | (5.2) | 18% |
| Depreciation and Amortization | (146.0) | (109.0) | (36.9) | 34% |
| EBIT | 600.8 | 523.7 | 77.2 | 15% |
| Interest Income / (Expense) | (6.0) | 23.7 | (29.7) | -125% |
| Profit Before Tax | 594.9 | 547.3 | 47.5 | 9% |
| Deferred and income tax expense | (147.4) | (155.3) | 7.9 | -5% |
| Profit From Continuing Operation | 447.5 | 392.0 | 55.4 | 14% |
| Minority Interest | (37.5) | (26.8) | (10.6) | 40% |
| Profit for the period | 410.0 | 365.2 | 44.8 | 12% |
| Net Profit / Sales | 5% | 5% | 0% | 9% |



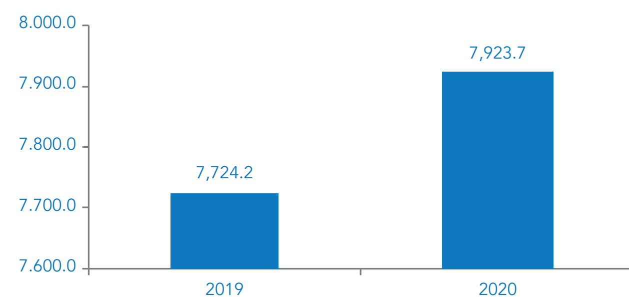
## IS 2020

| In Million EGP | Gas | Total Power | Marketing | Taqa Others | Taqa Cons. |
|---|---|---|---|---|---|
| Sales | 1,658.5 | 1,423.6 | 4,840.1 | 1.6 | 7,923.7 |
| Cost of sales | (1,175.7) | (1,094.8) | (4,634.5) | (2.0) | (6,906.9) |
| Gross profit | 482.8 | 328.8 | 205.6 | (0.4) | 1,016.8 |
| Administrative Expenses | (126.9) | (60.2) | (24.7) | (15.0) | (226.8) |
| Provisions | | | | | |
| Non recurring items | 8.9 | (0.0) | 0.0 | (18.7) | (9.8) |
| Other income | | | | | |
| Impairment gain / (Loss) | | | | | |
| EBITDA | 364.8 | 268.6 | 180.9 | (34.1) | 780.2 |
| End of service | | | | | |
| Non Operating items | (32.3) | (8.1) | (1.0) | 7.9 | (33.4) |
| Depreciation and Amortization | (27.9) | (80.2) | (34.7) | (3.0) | (146.0) |
| EBIT | 304.6 | 180.3 | 145.2 | (29.2) | 600.8 |
| Interest Income / (Expense) | 85.7 | (52.0) | (25.0) | (14.7) | (6.0) |
| Profit Before Tax | 390.3 | 128.3 | 120.2 | (44.0) | 594.9 |
| Deferred and income tax expense | (92.5) | (32.8) | (26.7) | 4.6 | (147.4) |
| Profit From Continuing Operation | 297.8 | 95.5 | 93.5 | (39.4) | 447.5 |
| Minority Interest | (1.5) | (23.9) | 0.0 | (12.1) | (37.5) |
| Profit for the period | 296.3 | 71.7 | 93.5 | (51.5) | 410.0 |

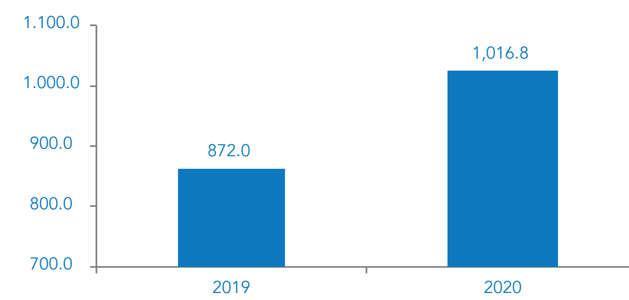
## Finanancial Results

| | 2018 | 2019 | 2020 |
|---|---|---|---|
| Revenue | 5,904.8 | 7,724.2 | 7,923.7 |
| % Growth | 43% | 31% | 3% |
| Gross Profit | 555.0 | 872.0 | 1,016.8 |
| % Growth | 35% | 57% | 17% |
| EBITDA | 398.0 | 661.0 | 780.2 |
| % Growth | 46% | 66% | 18% |
| NIAT | 250.5 | 365.2 | 410.0 |
| % Growth | 35% | 46% | 12% |

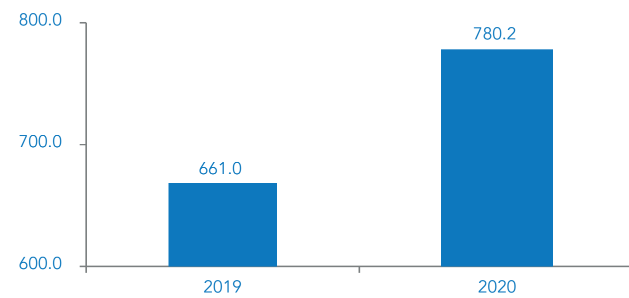
### Revenue



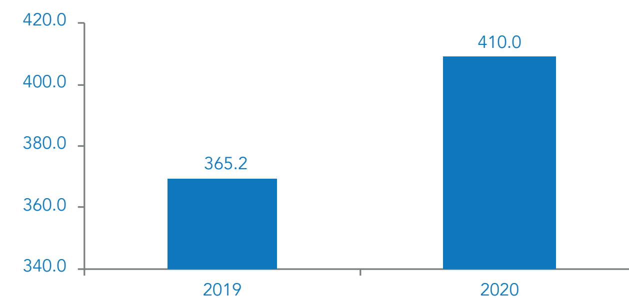

### Gross Profit




### EBITDA




### NIAT

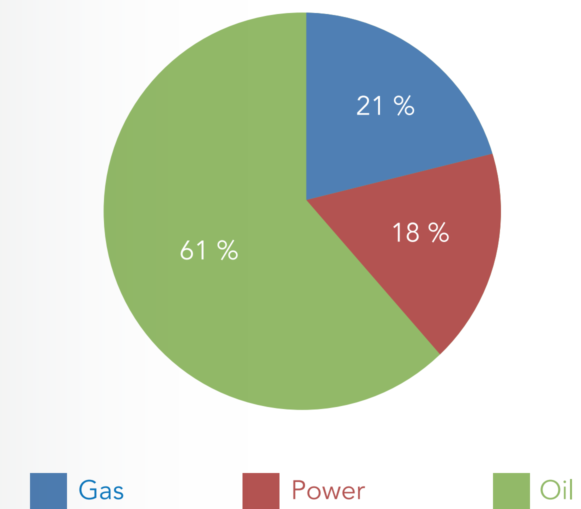




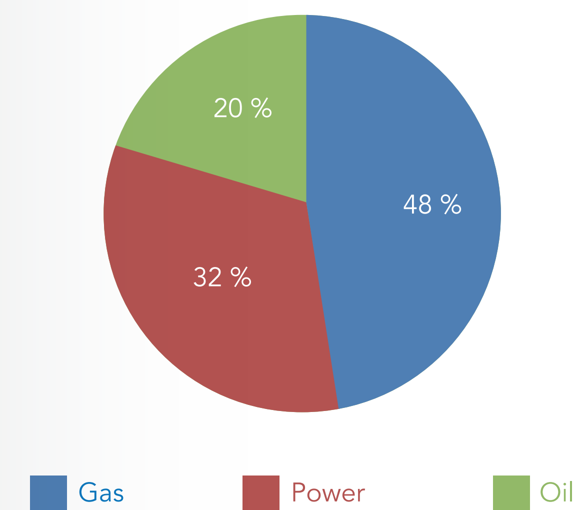

## Revenue & GP Split

| | Revenue | % | Gross profit | % |
|---|---|---|---|---|
| Gas | 1,658.5 | 21% | 482.8 | 47% |
| Power | 1,423.6 | 18% | 328.8 | 32% |
| Oil | 4,840.1 | 61% | 205.6 | 20% |
| Other | 1.6 | 0% | -0.4 | 0% |
| Total | 7,923.7 | | 1,016.8 | |

### Revenue EGP 7,923.7 M




### GP EGP 1,016.8 M



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