

KPMG-Hazem Hassan
Public Accountants & Consultants
Pyramids Heights Office Park Km 22
Cairo/Alexandria Desert Road,
Aharah-Giza, Greater Cairo, EGYPT
Postal Code 12556 Al-Ahram
PO Box 48 Al-Ahram
Tel: +2(0) 2 3536229 - 35362211
Fax: +2(0) 2 35362301 - 35362305
egypt@kpmg.com.eg

**Independent Auditor Report on Testing the Future Financial Data included in
the Fair Value Report of the Shares of Al Ezz Flat Steel Company,
an Egyptian Joint Stock Company,
Prepared by the Independent Financial Advisor for Ezz Steel Company,
an Egyptian Joint Stock Company**

Upon the request of the Board of Directors of Ezz Steel, we have implemented the assignment of testing the Future Financial Data included in the Fair Value of the Company Shares of Al Ezz Flat Steel, which was prepared by the Independent Financial Advisor and represented in the Estimated Income and Estimated Financial Statement, as well as the Estimated Cash Flow Statement of Al Ezz Flat Steel Company for the periods from 1 January 2019 to 31 December 2023, included in pages from 28 to 30 of the study of the Fair Value of the Company Shares of Al Ezz Flat Steel, prepared by Grant Thornton Financial Consulting for Marketable Securities Company (the Independent Financial Advisor), dated 27 June 2019, attached to this Report, which concluded that the average Fair Value of the share as at 31 December 2018 is USD10.09, as estimated by using the discounted cash flow method only.

The purpose of this task is to assist the Board of Directors of Ezz Steel Company in complying with the requirements of the Financial Supervisory Authority and Egyptian Stock Exchange regarding the exchange of shares of some shareholders of Al Ezz Flat Steel Company (an affiliate company) with shares in Al Ezz El Dekheila for Steel – Alexandria (an affiliate company).

Responsibilities of the Company Management

The Management is responsible for the Future Financial Data that include the assumptions concerning the future assessments and predictions contained in the Fair Value Report prepared by the Independent Financial Advisor, as well as the explanations and assessment methodology applied, set forth in the Fair Value Study of the shares of Al Ezz Flat Steel, on the basis of which the Future Financial Data of Al Ezz Flat Steel Company were prepared and represented in the Estimated Income Statement, Estimated Financial Statement and Estimated Cash Flow Statement for the financial period from 1 January 2019 to 31 December 2023. Moreover, the Board of Directors of the Company is responsible for the assessment approach and methodology applied in assessing the Company and determining the effects of the sensitivity

tests of the assumptions pertaining to the discount rate and permanent growth ratio.

Responsibility of the Auditor

Our responsibility is limited to reach an independent conclusion based on the assignment of the Negative Assurance Procedures that we have implemented, as to whether it came to our knowledge what makes us believe that the Future Financial Data of Al Ezz Flat Steel Company included from pages 28 to 30 in the Independent Financial Advisor Report, did not apply in its preparation – in all its important aspects – those assumptions, predictions and Future Financial Assessments included in the same Report;

As to whether it came to our knowledge what makes us believe that the assumptions used in preparing the Future Financial Statements upon which the Independent Financial Advisor Report was issued, do not constitute a reasonable basis for the Future Financial Data and the results derived therefrom, according to the discounted cash flow method only; and also whether it came to our knowledge, based on the procedures applied to the Independent Financial Advisor Report, what may indicate that the Future Financial Data are not consistent with the historical financial statements that were prepared in accordance with the appropriate accounting principles for the purpose for which they were prepared;

We have therefore carried out the assignment of the Negative Assurance Procedures according to the Egyptian Accounting Assurance Standard No. 3400 "Future Financial Information Test" issued by the Minister of Investment and the Rules for the Registration and Deregistration of Securities in the Egyptian Stock Exchange, both of which require the adherence to professional ethics, including independence, planning and implementing Negative Assurance Procedures to reach a conclusion on whether it came to our knowledge that the Future Financial Data are known not to be free from errors or material distortions.

Implemented Procedures

The Negative Assurance Procedures include making inquiries mainly from the Management of the Company for the preparation of the Future Financial Data, analytical and other evidence-gathering procedures that are limited to those applied in the procedures for obtaining appropriate assurance; therefore, we have received less assurance than would have been obtained from the appropriate assurance procedures, and these include:

- discussing with Company Management on the preparation of the Future Financial Data and the Independent Financial Advisor in the methodology for the preparation of the Future Financial Data of Al Ezz Flat Steel Company;
- matching the historical financial data used in the Fair Value Study prepared by the Independent Financial Advisor and submitted to us by the Company Management, together with the audited financial statements of Al Ezz Flat Steel Company for the financial years

ended 31 December 2015, 2016, 2017 and 2018; and

- discussing the amendments with the Company Management deemed necessary by the Independent Financial Advisor in relation to the information and data submitted by the Company Management of Al Ezz Flat Steel Company to the Independent Financial Advisor.

Whereas, the procedures set hereinabove do not represent an audit process, as it is authenticated by the Egyptian Accounting Standards; therefore, we shall not issue an audit report in relation to the Fair Value Study of Al Ezz Flat Steel Company.

Limitations of reliance on the Future Financial Data

The Future Financial Data were prepared using a set of assumptions that include theoretical forecasts for future events. Therefore, the Management responses of Al Ezz Flat Steel Company cannot be confirmed or investigated to the same extent as historical results. Moreover, future events do not necessarily happen as expected. We, therefore, do not give an opinion in the extent of achievement of assumptions on which the Future Financial Data are based, nor how close the final results, achieved in the future, are to the Future Financial Data.

We also draw attention to the fact that Future Financial Data upon which the Independent Financial Advisor Report was issued, are neither intended nor expected to provide all the necessary information and clarifications for adequate disclosure in accordance with the Egyptian Accounting Standards.

Conclusion

In light of the procedures applied above, it did not come to our knowledge what makes us believe that the Future Financial Data included in pages 28 to 30 of the Report of the Independent Financial Advisor are no longer – in all significant aspects – in accordance with the assumptions and forecasts contained in the same Report. It also did not come to our knowledge what makes us believe that these assumptions used in preparing the Future Financial Statements that the independent financial advisor issued, do not constitute a reasonable basis for the Future Financial Data and the results derived therefrom, according to the discounted cash flows method only. It further did not come to our knowledge what makes us believe, based on the procedures applied to the Independent Financial Advisor Report, what may indicate that the Future Financial Data are not consistent with the historical financial statements that were prepared in accordance with the appropriate accounting principles for the purpose for which they were prepared.

Taking into consideration that the actual results are expected to be different from those of the assumptions and forecasts on which basis the Future Financial Data were prepared in the Independent Fair Value Determination Report by the Independent Financial Advisor, as future events do not mostly happen as expected and the difference may be material, and consequently

the information, data and assumptions should not be used for any purpose other than for which they were prepared. Even if the expected events occur according to the assumptions used, the actual results may differ from the estimates, as expected events do not mostly happen as assumed and the difference may be material. Taking into account that the assumptions used in preparation of the Future Financial Statements and the results of the assessment included in the Future Financial Statements are related to future events and decisions that are difficult to predict, the most important of which is the Egyptian Pound exchange rate against other currencies, and the Company's ability to produce the quantities included in the study, the future interest rates, as well as the steel rebar prices, energy prices and dumping fees, which may materially affect the future financial information used in the assessment.

Usage & Distribution of this Report

This Report has been prepared for submission to the Board of Directors of Ezz Steel, upon its request and for the purpose of assisting the Board of Directors in complying with the requirements of the Financial Supervisory Authority and Egyptian Stock Exchange regarding the acquisition by Al Ezz El Dekheila for Steel – Alexandria (an affiliate company) of up to 56% and supplementing up to 100% of the shares of Al Ezz Flat Steel Company (an affiliate company), on the basis of the Fair Value of the Share. Therefore, it may not be distributed or used for any other purpose other than the abovementioned purpose. We do not accept or take any responsibility for the consequences of using this Report for any other purpose or by anyone or any other body. The reliance on this Report by any third party shall be under its own responsibility.

Cairo on 3 October 2019

Hatem Abdelmoneim Montaser

Financial Supervisory Authority Register No. (225)

KPMG-Hazem Hassan

Public Accountants & Consultants

{Translator's Comment: *This Document bears the seal of KPMG-Hazem Hassan, Public Accountants & Consultants, together with the legible signature of Hatem Abdelmoneim Montaser. Our reference is: 20191003-Job 00200(6)-Report to the Board of Directors of Ezz*

مَرْكَزُ التَّرْجَمَةِ الْمُعْتَمَدَةِ ©
يوسف ومشاركوه
مُتَرْجِمُونَ مُعْتَمَدُونَ وَمُحَلِّفُونَ

Steel-Al Ezz Flat Steel-KPMG-FCC.}

Certified Translation Center©	مركز الترجمة المعتمدة©
All rights reserved	جميع الحقوق محفوظة
Notwithstanding the fact that the translator Yahia Yusuf, Certified Translation Centre, Yusuf & Associates, Certified Translators & Sworn Interpreters has intellectual property copyrights on this translation and as such no part of this Translation may be transmitted, copied, reproduced, photocopied, printed, published, imitated, simulated, reformulated, repackaged, reconfigured, redistributed, resold in whole or in part, translated into another language or used in any form or by any graphic, electronic, mechanical or manual means, including but not limited to photocopying, taping, videotaping, information storage, retrieval or display, handwriting or hand-copying, or else, without the express written consent of the translator; the translator has inalienable natural moral rights on this translation which are not contingent upon the laws, customs or beliefs of a particular society or polity.	على الرغم من أن المترجم: يحيى يوسف/مركز الترجمة المعتمدة، يوسف ومشاركوه، مترجمون معتمدون ومحلفون له حقوق ملكية فكرية على هذه الترجمة وبناءً على ذلك فإنه لا يجوز نقل، أو نسخ، أو استنساخ، أو تصوير، أو طباعة، أو نشر، أو تقليد، أو محاكاة، أو إعادة صياغة، أو تغليف، أو إعادة تهيئة، أو إعادة توزيع، أو إعادة بيع كل هذه الترجمة أو أي جزء منها، أو الترجمة عنها للغة أخرى أو استخدامها بأي شكل، أو بأية وسيلة تصويرية أو إلكترونية أو ميكانيكية، أو يدوية بما في ذلك - على سبيل المثال لا الحصر - التصوير الضوئي، أو التسجيل على شرائط الكاسيت أو الفيديو، أو بوسائل تخزين أو استرجاع أو عرض المعلومات، أو الكتابة أو النسخ بخط اليد، أو بأية وسيلة أخرى دون إذن كتابي من المترجم؛ إلا أن المترجم له حقوق معنوية طبيعية لا تنتزع عنه في هذه الترجمة والتي لا تعتمد على قوانين أو أعراف أو معتقدات لدى أي مجتمع أو كيان حكم.