

**Valuation report
of Orascom Trading, Orascom Free Zone and National Equipment
as of 31 December 2020**

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Disclaimer

This report has been prepared using a group of assumptions that comprise assumptions about future incidents and about management actions, taking into consideration the economic and commercial circumstances of each Company, its subsidiaries and its investments as of the valuation date. It is not necessary that these assumptions would be realized. Actual results may differ from the assumptions stated in the report as usually the results are not realized as forecasted and the discrepancies may be material. It is understood and agreed upon that the services of HLB for Financial Consultancies on Securities (S.A.E.) may comprise presenting an advice or recommendation, and all the decisions taken by the Client / Company / User of the report based on the advice or recommendation are at his responsibility. It is to be noted that this report has been prepared to be a guiding tool for the Client, and the responsibility of any decision taken concerning dealing in buying or selling or any other transactions of any share in each Company's capital lies solely on the decision maker. HLB for Financial Consultancies on Securities (S.A.E.) confirms that it does not bear any responsibility arising from the differences in the forecasted values as stated in the report, whether by increase or decrease, compared to the actual values that will be used in the future by any party or the values that will be stated in any other valuation report of each Company's shares, assets or liabilities, from whatever source. HLB for Financial Consultancies on Securities (S.A.E.) confirms that, within the framework of the valuation of each Company, HLB for Financial Consultancies on Securities (S.A.E.) has accepted the data and information that have been presented by the Client and each Company assuming its veracity, completeness and appropriateness to the valuation purpose. It is to be noted that HLB for Financial Consultancies on Securities (S.A.E.) did not perform any Due Diligence on these data and information.

Independent Financial Advisor Report

To the Board of Directors of Orascom Construction PLC

Reference to HLB for Financial Consultancies on Securities (S.A.E.) acting as the independent financial advisor for the Board of Directors of Orascom Construction PLC (Client) for the valuation of Orascom Trading, Orascom Free Zone and National Equipment (The Companies and their Subsidiaries and Investments or Companies), the following is the valuation report dated 8 November 2021, which was based on valuation date of December 31, 2020 for each Company and its Subsidiaries and Investments. The Valuation Report and the determination of the fair value for the Company's shares of the previously mentioned companies have been prepared based on generally acceptable valuation methodologies. The sole purpose of this Report is to assess the fair value of each Company's shares in relation to acquiring the Companies by the Client. The report was based on information provided by the Client's management, each company's subsidiaries and associates business plans, audited financial statements, additional breakdowns and analysis provided by each company's Subsidiaries and associates for the historical financial information, and publicly available information. HLB for Financial Consultancies on Securities (S.A.E.) has prepared this valuation to the best of its knowledge based on discussions with the companies' management on the provided business plans and their underlying assumptions and the basis used to develop these assumptions. The valuation of the Companies was prepared as follows:

- A) The valuation of **Orascom Trading and Orascom Free Zone** was prepared using the income approach applying the Discounted Cash Flows methodology through:
- Estimation of the projected free cash flows of each company which represent the Net Operating Profit After Tax adjusted by the non-cash items less the investment in capital expenditure and working capital;
 - Estimation of the terminal value post the projection horizon;
 - Estimation of the target long-term leverage and beta of each company based on the average leverage ratios and beta estimates of a peer group;
 - Discounting the free cash flows and terminal value by an adequate discount rate; and
 - Estimation of the enterprise value of each company from the summation of the present values of free cash flows and terminal value.

The equity value of each Company is to be arrived at by adjusting the total enterprise value by the value of the outstanding net debt and non-operating assets, if any, at the valuation date, along with other necessary reconciliations.

- B) The net asset approach, defined as fair market value of total assets less fair market value of total liabilities, was used for **National Equipment**, where the value of the Company is derived from the current fair value of its assets and liabilities. The Company doesn't generate material cash flows, thus the income approach (DCF) was not suitable. An independent expert valuer was subcontracted to estimate the fair value of the Company's main fixed assets.

This Report takes into consideration the economic and business circumstances of the Companies, its Subsidiaries and investments as of December 31, 2020. It is likely that our opinion and fair value could change in case of occurrence of structural changes to the business environment of the Companies and its Subsidiaries and investments. The Client's management confirmed that all companies subject to DCF valuation and its subsidiaries, investments in associates presented in this report don't have any non-operating assets. Our scope of work did not include any due diligence or review or validation of the financial statements neither did it include preparation of any market or business studies for the companies, its subsidiaries and investments. We have solely depended on the audited financial statements of the Companies and its Subsidiaries and investments, publicly available information, subcontracted expert value report and the business plans for the Companies, its subsidiaries and associates in preparation of the report all of which were provided to us by the Client. It has not come to our attention that such information does not provide an appropriate basis for the preparation of this Report as detailed in the assumptions section of this report. However, such estimates and assumptions have not been independently verified by HLB for Financial Consultancies on Securities (S.A.E.) and they involve significant elements of subjective judgment and analysis, which may or may not occur in the future. Accordingly, this Report is only valid for the purpose indicated above as of the Date of the Report.

The Companies Valuation

In view of the above, applying the valuation methodologies mentioned above yields the following fair values:

- for Orascom Trading of EGP 417.76 Millions as equity value as of the valuation date (31/12/2020).
However, after the valuation date, the dividends payable balance as of 31/12/2020 amounting to EGP 138.4 Millions representing declared dividends for the FY2016 till FY 2019 was paid to shareholders on 5/9/2021 resulting in a material effect on the company's cash and debt balances as of 8/11/2021 (report date) as follows: Cash EGP 19.02 Millions and Debt EGP 69.35 Millions leading to an equity value of EGP 314.13 Millions as of 8/11/2021. Therefore, actual cash, equity investments and debt at the time of the transaction should to be reconciled to reach the fair equity value at the transaction date.

-for Orascom Free Zone of USD 16.92 Millions as equity value as of the valuation date (31/12/2020).
However, after the valuation date, the partners' current account balance as of 13/10/2021 amounting to USD 6.39 Millions was repaid resulting in a material effect on the company's cash balance as of 8/11/2021 (report date) as follows: Cash USD 0.92 Million, leading to an equity value of USD 10.74 Millions as of 8/11/2021. Actual cash, equity investments and debt at the time of the transaction are to be considered.

-for National Equipment of EGP 87.276 Millions.

Neither HLB for Financial Consultancies on Securities (S.A.E.) nor its respective directors, officers, agents, advisers or employees make any representation as to the accuracy or completeness of information contained in the Report. HLB for Financial Consultancies on Securities (S.A.E.) is not responsible for the update of any information contained in this Report due to change in the business environment post December 2020.

The abovementioned section forms an integral part of this report.

Sincerely,

Cairo, November 8, 2021

Mossad Safwat Ebeid, CPA



Executive summary

Scope of work

- Our work, summarized in this report, consists of performing business valuations of Orascom Trading, Orascom Free Zone and National Equipment as of 31 December 2020.
- We use Discounted Cash Flow (“DCF”) methodology, in which future cash flows are discounted to the present value using the appropriate discount and terminal growth rates (under the assumption of a going concern), to value **Orascom Trading** and **Orascom Free Zone**.
- For Orascom Trading and Orascom Free Zone, our work included operational and financial analysis of the companies and the preparation of five-year financial projections. Our financial projections are predominantly based on five-year business plans prepared by Management, which include revenue and cost assumptions. As such, the results of our findings, and the estimated value of total equity of Orascom Trading and Orascom Free Zone is primarily dependent on the business plans prepared by Management.
- We use net asset valuation methodology, where the value of a company is derived from the current fair value of its assets and liabilities, to value **National Equipment**. An independent expert valuer was subcontracted to estimate the fair value of the company’s main fixed assets. The choice of this methodology was due to the fact that National Equipment does not generate material cash flows; thus the income approach (DCF) was not suitable.

Information sources

We relied on information including, but not limited to:

- Audited financial statements for FY18, FY19, FY20
- Management accounts of operational and financial data
- Five-year business plans for Orascom Trading and Orascom Free Zone prepared by Management
- Expert value report for National Equipment prepared by an independent expert value
- Management discussions and views
- Macroeconomic and financial data from external sources

Executive summary - Orascom Trading

Discounted cash flow - Orascom Trading

Discounted cash flow

in millions EGP

	FY21F	FY22F	FY23F	FY24F	FY25F
Net income (before Interest and Tax)	85.44	99.31	95.15	97.37	99.63
<i>Add / (deduct):</i>					
Depreciation	7.34	8.76	10.05	11.43	12.78
Impairment Receivables	5.0	0.0	0.0	0.0	0.0
EBITDA	97.78	108.7	105.2	108.8	112.41
Tax	(20.54)	(18.49)	(19.68)	(19.30)	(20.50)
Working capital	(21.66)	(32.87)	(20.73)	(18.48)	(19.40)
Total operational cash-flow	55.58	56.71	64.79	71.02	72.50
Capex (net)	(6.3)	(10.0)	(9.50)	(6.50)	(7.0)
Free Cash Flow to Firm (FCFF)	49.28	46.71	55.30	64.52	65.50
Discount rate	18.12%	18.12%	18.12%	18.12%	18.12%
terminal growth rate					3.0%
Terminal value					446.21
Discount factor	0.85	0.72	0.61	0.51	0.43
Present value of FCFF	41.72	33.48	33.55	33.14	28.49
Present value of terminal value					194.05
Enterprise value	364.43				
Cash	58.2				
Equity investments (at book value)	0.0278				
Debt	(4.9)				
Equity value at December 31, 2020*	417.76				

**After the valuation date, the dividends payable balance as of 31/12/2020 amounting to EGP 138.4 Millions representing declared dividends for the FY2016 till FY 2019 was paid to shareholders on 5/9/2021 resulting in a material effect on the company's cash and debt balances as of 8/11/2021 (report date) as follows: Cash EGP 19.02 Millions and Debt EGP 69.35 Millions leading to an equity value of EGP 314.13 Millions as of 8/11/2021. Therefore, actual cash, equity investments and debt at the time of the transaction should be reconciled to reach the fair equity value at the transaction date.*

Executive summary - Orascom Trading

- Orascom Trading is a trading company based in Egypt importing heavy machinery on behalf of local private sector clients. Its product portfolio includes equipment relating to civil aviation, railway and construction equipment, generators, water pumps, security systems, marine equipment and spare parts. The company also provides maintenance services for its products. Sales are largely order-based. The company currently constructs mobile networks for Alexandria & North Coast of Egypt, in addition to bidding in new maintenance contracts, in new zones such as Cairo, Upper Egypt & Nile Delta.
- Based on Management's business plan, operating revenue is projected to increase at a Compound Annual Growth Rate ("CAGR") of 5% between FY23 and FY25, 6.7% in FY21 and 10.4% in FY22, compared to actual historical growth at a CAGR of 5.9% in FY19 and 8.2% in FY20. This growth is predominantly driven by growth in product sales as a result of strategic governmental infrastructure projects such as Monorail, speed rail and New Admin Capital.
- Gross Profit Margin ("GPM") is expected to slightly vary over the projection period ranging from 18.7% to 20.1% in the line with the company's GPM of 20.2% in FY20.
- We use DCF methodology to value Orascom Trading using the income approach. We assume the company is a going concern and estimate a terminal value to capture cash flows after FY25. The terminal value is based on a terminal growth rate of 3.0% and a discount rate of 18.12%.
- ***The equity value as of the valuation date (31/12/2020) is estimated to be EGP 417.76 Millions.*** However, after the valuation date, the dividends payable balance as of 31/12/2020 amounting to EGP 138.4 Millions representing declared dividends for the FY2016 till FY 2019 was paid to shareholders on 5/9/2021 resulting in a material effect on the company's cash and debt balances as of 8/11/2021 (report date) as follows: Cash EGP 19.02 Millions and Debt EGP 69.35 Millions leading to an equity value of EGP 314.13 Millions as of 8/11/2021. Therefore, actual cash, equity investments and debt at the time of the transaction should be reconciled to reach the fair equity value at the transaction date.

Executive summary - Orascom Free Zone

Discounted cash flow - Orascom Free Zone

Discounted cash flow

in millions USD

	FY21F	FY22F	FY23F	FY24F	FY25F
Net income (before Tax)	1.3	1.5	1.7	1.9	2.1
<i>Add / (deduct):</i>					
Depreciation	0.0	0.0	0.0	0.0	0.0
Tax	0.0	0.0	0.0	0.0	0.0
Working capital	0.3	0.1	(0.2)	(0.2)	(0.2)
Capex (net)	0.0	0.0	0.0	0.0	0.0
Free Cash Flow to Firm (FCFF)	1.6	1.6	1.5	1.7	1.9
Discount rate	19.61%	19.61%	19.61%	19.61%	19.61%
terminal growth rate					3.0%
Terminal value					11.91
Discount factor	0.84	0.7	0.58	0.49	0.41
Present value of FCFF	1.32	1.11	0.9	0.84	0.78
Present value of terminal value					4.87
Enterprise value	9.82				
Cash	7.1				
Equity value at December 31, 2020*	<u>16.92</u>				

**After the valuation date, the partners' current account balance as of 13/10/2021 amounting to USD 6.39 Millions was repaid resulting in a material effect on the company's cash balance as of 8/11/2021 (report date) as follows: Cash USD 0.92 Million, leading to an equity value of USD 10.74 Millions as of 8/11/2021. Actual cash, equity investments and debt at the time of the transaction are to be considered.*

Executive summary - Orascom Free Zone

- Orascom Free Zone is a Free Zone trading company based in Egypt importing heavy machinery on behalf of local and predominantly public sector clients, such as the Suez Canal Authority and Balaeim Petroleum (Petrobel). Its product portfolio includes heavy machinery, marine equipment, water pumps, generators and equipment relating to civil aviation and railways. Sales are largely order-based.
- Orascom Free Zone does not own any licenses of commercial agencies, which are the property of Orascom Trading. Accordingly, Orascom Free Zone cannot operate independently of Orascom Trading.
- Based on Management's business plan, operating revenue is projected to increase at a CAGR of 11% to 12% between FY23 and FY25, 22% in FY21 and 14% in FY22. Due to the order-based nature of sales, historical operating revenue exhibited no clear growth, increasing by 16% in FY18, decreasing by 29% in FY19 and by 21% in FY20.
- GPM is expected to remain stable over the projection period at 15.9%, in line with the historical GPM of FY20.
- We use DCF methodology to value Orascom Free Zone using the income approach. We assume the company is a going concern and estimate a terminal value to capture cash flows after FY25. The terminal value is based on a terminal growth rate of 3.0% and a discount rate of 19.61% (FY25 cost of equity).
- ***The equity value for Orascom Free Zone is estimated to be USD 16.92 millions as of 31 December 2020.*** However, after the valuation date, the partners' current account balance as of 13/10/2021 amounting to USD 6.39 Millions was repaid resulting in a material effect on the company's cash balance as of 8/11/2021 (report date) as follows: Cash USD 0.92 Million, leading to an equity value of USD 10.74 Millions as of 8/11/2021. Actual cash, equity investments and debt at the time of the transaction are to be considered.

Executive summary - National Equipment

We estimate the fair value of total equity of National Equipment to be EGP 87.276 million as of December 31, 2020.

Net asset valuation- National Equipment

<i>EGP' 000</i>	NBV 31/12/2020	FMV Market Value
<u>Non-current assets</u>		
Fixed assets, net	3,412	73,241
Deferred tax assets	161	161
Total non-current assets	3,573	73,402
<u>Current assets</u>		
Inventory (net)	4,043	4,043
Trade and notes receivables (net)	15,426	15,426
Debit balances due from related parties (Orascom Trading)	248	248
Other debit balances	1,926	1,926
Cash on hand and at banks	924	924
Total current assets	22,567	22,567
Total assets	26,140	95,969
<u>Current liabilities</u>		
Trade and notes payables	93	93
Dividends payable	4,408	4,408
Creditors and other credit balances	4,192	4,192
Total current liabilities	8,693	8,693
Total shareholders' equity	17,447	87,276
Total liabilities and shareholders' equity	26,140	95,969

Executive summary - National Equipment

- National Equipment operates as an assembler of generator components, specifically radiators and dynamos. Its main client is Orascom Trading, accounting for more than 80% of total revenue.
- We use the net asset valuation methodology to value National Equipment. Accordingly an independent certified expert valuer, namely Mr. Samir Sadek, was subcontracted to value the company's land and buildings assets located in the third industrial zone of 6th of October city.
- The land with a total area of 24,192 square meters (sqm) located in Sixth of October city is valued using sales comparison approach by analyzing a sample of recently sold properties similar to the subject land. The expert valuer concludes a fair price of EGP 2,400 per sqm for a total value of EGP 58.06 million.
- The buildings are valued using cost approach by estimating construction cost of each building category based on the expert valuer's technical expertise. Buildings are valued at a net fair market value of EGP 15.14 million.
- Besides the company's fixed assets, its main asset categories lie in its trade and notes receivables and inventory representing 59%, and 15%, respectively of total book value of assets as of FY20.
- Trade receivables balance predominantly relates to Orascom Trading, and thus the amount is considered recoverable since it is a related party transaction.
- Besides its reported liabilities, subsequent to the Valuation Date, the company has a potential tax exposure of EGP 37.4 million. The amount relates to profit for the year of 2005 till 2015. The company objected these amounts that are not yet final. It is not clear the final outcome of this tax dispute which will affect the value of the company.
- Accordingly, the fair value of total equity of National Equipment is estimated at EGP 87.276 million as of 31 December FY20.

1- Orascom Trading Valuation

Orascom Trading - Business overview

Orascom Trading is a trading company based in Egypt importing heavy machinery on behalf of local private sector clients

Financial performance overview - Orascom Trading

EGP mn	FY18A	FY19A	FY20A
Operating revenue	492	522	564
Operating cost	(371)	(401)	(446)
Depreciation	(1)	(2)	(2)
Gross profit	120	119	116
G&A Expenses	(12)	(16)	(25)
Trade receivables impairment	(3)	(7)	(3)
	105	96	88
Impairment of projects and Inventory	(0)	(4)	1
Other income	3	1	3
Foreign exchange gain/(loss)	(2)	(2)	(1)
EBIT	106	91	91
Interest income	2	3	2
Financing expense	(0)	-	(0)
Net profit/(loss) Before Tax	108	94	93
Income Tax	(26)	(24)	(21)
Net Income after Tax	82	70	72
EBITDA	107	93	93
Revenue Growth Y-O-Y		6.1%	8.2%
Gross Profit %	24.5%	22.8%	20.6%
SG&A %	2.4%	3.1%	4.4%
EBIT %	21.5%	17.4%	16.1%
Tax Rate %	24.1%	25.5%	22.6%
Net Income %	16.6%	13.4%	12.7%
EBITDA %	21.8%	17.7%	16.5%

Source: Audited financial statements

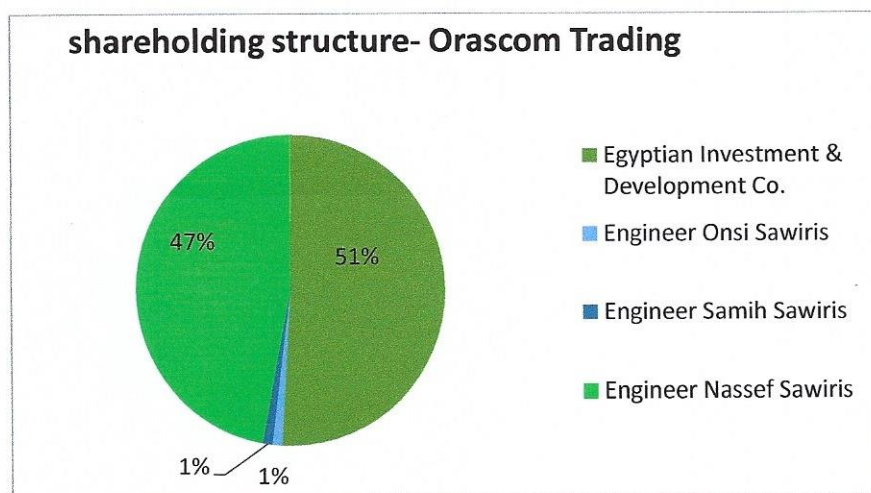
Orascom Trading - Business overview

- Orascom Trading is based in Egypt and imports heavy equipment for sale to the local market. Its product portfolio includes civil aviation, railway and construction equipment, generators, water pumps, security systems, marine equipment and spare parts. The company also provides maintenance services for its products. Sales are largely order-based.
- The company’s primary agency contracts include Volvo, Hitachi, Grove, Kalmar, Rainbird, Bentair and Sandvik. Its main clients include Orascom Construction, Egyptian Contractors, petroleum companies.
- The company also maintains and constructs Orange mobile networks across Egypt.
- In FY20 Orascom Trading recorded operating revenue of EGP 564 million, up from EGP 521 million in FY19 (+8%) and Earnings Before Interest, Tax, Depreciation and Amortizations (“EBITDA”) of EGP 93 million, down from EGP 98 million in FY19 (-5%).
- The company’s GPM has ranged from 20.2% to 24.5% between FY18 to FY20, while its EBITDA margin ranged from 16.6% to 22.1% between FY18 to FY20.

Shareholding structure – Orascom Trading

Shareholders	No. of shares	Face Value of shares (EGP)	Contribution %
Egyptian Investment & Development Co.	102,000	10,200,000	51%
Engineer Onsi Sawiris	2,000	200,000	1%
Engineer Samih Sawiris	2,000	200,000	1%
Engineer Nassef Sawiris	94,000	9,400,000	47%
Total	200,000	20,000,000	100%

Source: Audited financial statements



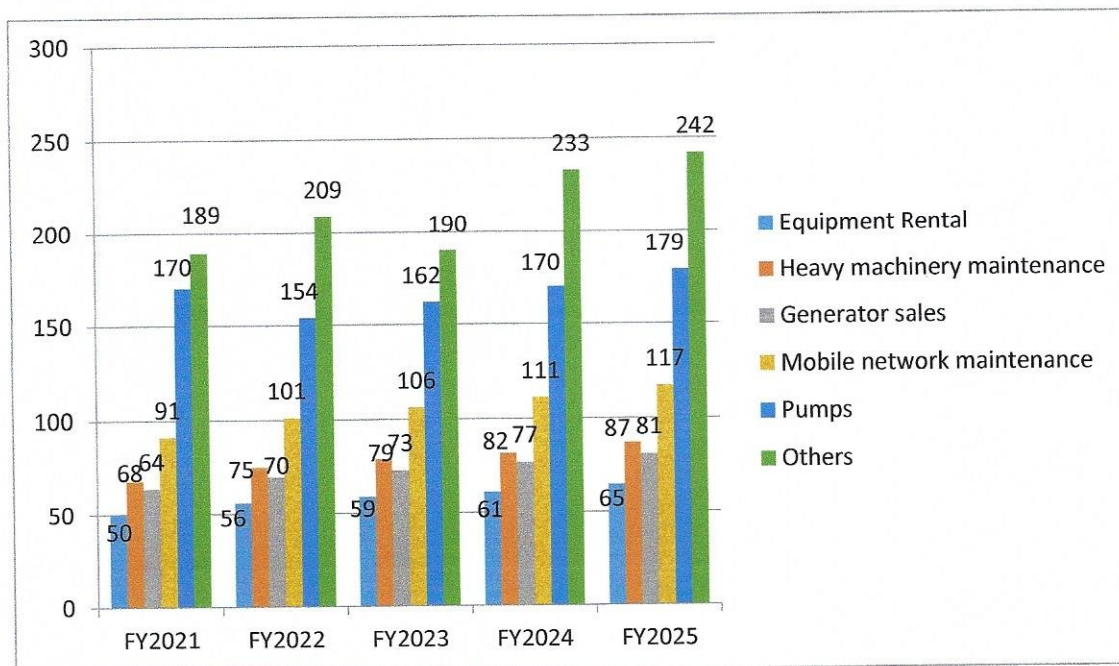
Orascom Trading – Business plan

Operating revenue

Operating revenue

EGP ^{mn}	FY2021	FY2022	FY2023	FY2024	FY2025
Alex Branch	24	27	28	29	31
Haram Branch	2	2	2	2	2
Equipment Rental	50	56	59	61	65
El Gouna	2	3	3	3	3
Heavy machinery maintenance	68	75	79	82	87
Irrigation	10	12	13	14	15
Generator sales	64	70	73	77	81
Marine	7	7	8	8	8
Pumps	140	154	162	170	179
Civil aviation and railways	9	10	11	11	12
Security Systems	22	24	25	26	28
Equipment Spare Parts	38	42	44	46	48
Equipment Maintenance	12	13	14	15	15
Marine Maintenance	1	1	1	1	1
Volvo Spare Parts	25	28	29	30	32
Volvo maintenance	10	11	12	12	13
Gesr el Suez Volvo Maintenance	4	4	5	5	5
SKF	24	26	27	29	30
Mobile network maintenance	91	101	106	111	117
Total	602	665	699	734	771

Source: Management information



Orascom Trading – Business plan

Operating revenue assumptions

Operating revenue is projected to increase at a Compound Annual Growth Rate (“CAGR”) of 5% between FY23 and FY25, 7% in FY21 and 10% in FY22, compared to actual historical growth at a CAGR of 5.9% in FY19 and 8.2% in FY20. This growth is predominantly driven by growth in product sales as a result of strategic governmental infrastructure projects such as Monorail, speed rail and New Admin Capital.

- We understand that the projected growth in product sales is driven by the procurement of three new contracts, namely:
 - o Sandvik Group – a Swedish group in tooling, materials technology, mining and construction
 - o Kalmar – a Swedish group in material handling for Ports.
 - o Rainbird – a leading US company in producing smart irrigation system technology for landscape
- The company is also in the process to establish new sectors for road construction - railway equipment and electrical cars.
- Product maintenance revenues are also expected to increase as a result of the increase in product sales.
- The company currently constructs mobile networks for Alexandria & North Coast of Egypt, in addition to bidding in new maintenance contracts, in new zones such as Cairo, Upper Egypt & Nile Delta.
- The company’s sales mix is expected to remain stable over the projection period at an average of 75% product sales, 10% maintenance revenue, 15% revenue from construction & maintenance of mobile networks.

Orascom Trading – Business plan

Operating assumptions

Gross Profit Margin (“GPM”) is expected to slightly vary over the projection period ranging from 18.7% to 20.1% in the line with the company’s GPM of 20.2% in FY20.

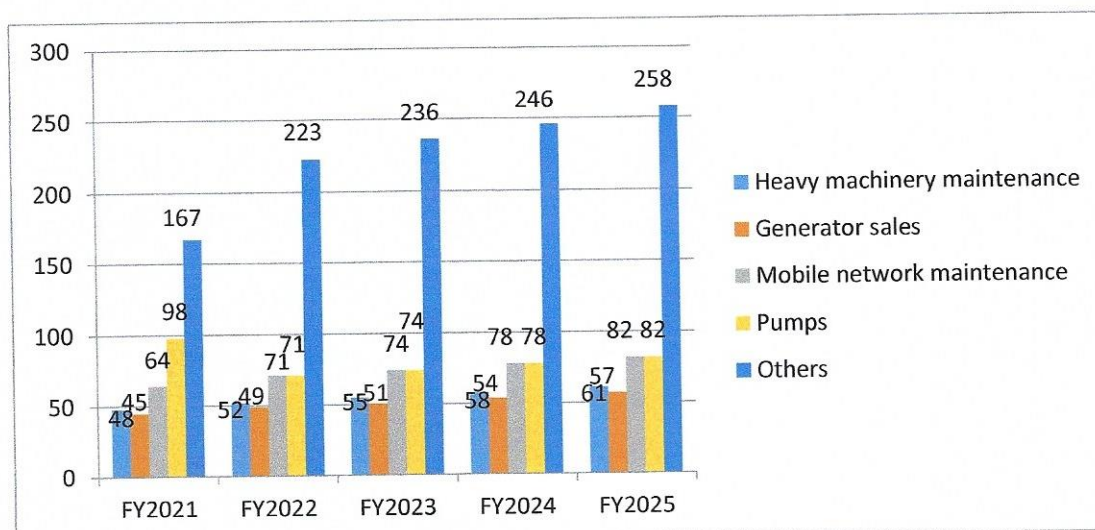
Operating costs

EGP'mn	FY2021	FY2022	FY2023	FY2024	FY2025
Equip, spares, materials & Construction	422	466	490	514	540
Direct Salaries Cost	54	60	70	73	77
Depreciation direct cost	5	7	8	9	10
Total Operating Cost	481	532	568	596	627

Product sales Maintenance costs Mobile networks construction costs

EGP'mn	FY2021	FY2022	FY2023	FY2024	FY2025
Alex Branch	17	19	20	21	22
Haram Branch	1	1	2	2	2
Equipment Rental	35	39	41	43	45
El Gouna	2	2	2	2	2
Heavy machinery maintenance	48	52	55	58	61
Irrigation	7	8	9	10	10
Generator sales	45	49	51	54	57
Marine	5	5	5	6	6
Pumps	98	108	113	119	125
Civil aviation and railways	6	7	8	8	8
Security Systems	15	17	18	19	19
Equipment Spare Parts	27	29	31	32	34
Equipment Maintenance	8	9	10	10	11
Marine Maintenance	1	1	1	1	1
Volvo Spare Parts	18	19	20	21	22
Volvo maintenance	7	8	8	8	9
Gesr el Suez Volvo Maintenance	3	3	3	3	4
SKF	17	18	19	20	21
Mobile network maintenance	64	71	74	78	82
Total	422	466	490	514	540

Source: Management information



Orascom Trading – Business plan

Operating cost assumptions

- Operating costs consist of cost of products sold, maintenance costs (this includes maintenance related to product sales as well as maintenance of mobile networks), and construction costs relating to the construction of mobile networks.
- Based on Management's business plan, direct costs are estimated to be 70% from operating revenues. Direct salaries cost is estimated to be 9% from operating revenues.
- Costs of products sold are predominantly purchases.

Orascom Trading – Business plan

Working capital assumptions

Net operating working capital is estimated at EGP 267.006 million as of FY20, increasing in line with the growth in the company's operations to reach EGP 380.149 million as of FY25.

Net operating working capital - Orascom Trading

EGP' 000	FY20A	FY21F	FY22F	FY23F	FY24F	FY25F
Trade receivables	195,053	172,818	193,421	204,732	216,230	228,303
Inventory	171,155	182,535	201,525	214,633	225,364	236,632
Other receivables	72,852	60,197	66,636	70,171	73,764	77,537
Total current assets	439,060	415,550	461,582	489,535	515,358	542,472
Trade and notes payable	80,215	57,187	63,136	66,402	69,722	73,208
Other payables	91,461	69,317	76,528	80,487	84,512	88,737
Lease liabilities	378	378	378	378	378	378
Total current liabilities	172,054	126,882	140,042	147,267	154,612	162,323
Total net operating working capital	267,006	288,668	321,540	342,268	360,746	380,149
Change in net working capital		21,662	32,871	20,728	18,479	19,402
Net operating working capital/sales	47.34%	47.96%	48.35%	48.97%	49.14%	49.31%

DOH

	FY21F	FY22F	FY23F	FY24F	FY25F
AR Days - Related Party	120	120	120	120	120
AR days - Third Party	120	120	120	120	120
AP Days Local	90	90	90	90	90
AP Days Foreign	45	45	45	45	45
other debit	75	75	75	75	75
other credit	60	60	60	60	60

Orascom Trading – Business plan

Accounts and Notes Rec	FY20	FY21F	FY22F	FY23F	FY24F	FY25F
AR	141,668	99,025	109,326	114,982	120,731	126,767
AR RP	73,247	99,025	109,326	114,982	120,731	126,767
Others	4,367	4,000	4,000	4,000	4,000	4,000
	219,282	202,049	222,653	233,964	245,462	257,535
Doubtful Debt Provision Balance		(24,231)	(24,230)	(24,229)	(24,228)	(24,227)
Provision Expenses		(5,000)				
Provision Ending balance	(24,232)	(29,232)	(29,232)	(29,232)	(29,232)	(29,232)
	195,050	172,818	193,421	204,732	216,230	228,303

Other Rec	FY20	FY21F	FY22F	FY23F	FY24F	FY25F
Due from RP and Ref Deposits Other Rec	74,545	61,890	68,329	71,864	75,457	79,230
Provision Opening Balance	74,545	61,890	68,329	71,864	75,457	79,230
Provision Expenses		(24,231)	(24,230)	(24,229)	(24,228)	(24,227)
Provision Ending Balance	(1,693)	(1,693)	(1,693)	(1,693)	(1,693)	(1,693)
	72,852	60,197	66,636	70,171	73,764	77,537

Orascom Trading – Business plan

Other Payable	FY20	FY21F	FY22F	FY23F	FY24F	FY25F
Other Payable	(91,500)	(69,317)	(76,528)	(80,487)	(84,512)	(88,737)

Source: Audited financial statements and SBA projections

Working capital assumptions

- Net operating working capital is calculated as trade and notes receivable, inventory, operating amounts due from related parties, advances to suppliers, letters of guarantee, accrued revenue, operating cash less trade and notes payable, advances from clients, operating amounts due to related parties and deferred revenue.
- Average DOH as illustrated in the above table for the Trade and notes receivable (RP/third party), inventory, trade and notes payable (local/foreign), other debtors and other creditors was based on the historical days observed in FY19 and FY20.
- Impairment ranging from 11% to 14% of gross trade receivables is maintained throughout the projection period based on the historical average size of impairment.

Orascom Trading – Business plan**Investing assumptions****Fixed assets (net) - Orascom Trading**

<i>EGP' mn</i>	<i>FY20A</i>	<i>FY21F</i>	<i>FY22F</i>	<i>FY23F</i>	<i>FY24F</i>	<i>FY25F</i>
Gross book value						
Opening balance	26.913	34.047	40.347	50.347	59.847	66.347
(+) Additions	7.134	6.300	10.000	9.500	6.500	7.000
Closing balance	34.047	40.347	50.347	59.847	66.347	73.347
Accumulated depreciation						
Opening balance	18.499	21.038	27.861	36.235	46.288	57.721
(+) Depreciation for the year	2.539	6.823	8.373	10.053	11.433	12.783
Closing balance	21.038	27.861	36.235	46.288	57.721	70.504
Net book value	13.009	12.486	14.113	13.560	8.626	2.843

Average annual depreciation rate (%)	9%	20%	20.8%	19.97%	19.1%	19.3%
Annual additions	26.5%	18.5%	24.8%	18.9%	10.86%	10.6%

Source: Audited financial statements and SBA projections

Capex- Orascom Trading

<i>EGP' mn</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>	<i>2025</i>
Buildings	0.0	0.0	0.0	2.0	0.0	0.0
Vehicles	0.5	0.0	1.0	1.0	0.0	1.0
Furniture, fixtures and fittings	0.4	1.0	2.0	1.0	0.0	0.0
Computers	0.2	1.0	1.0	0.5	0.5	0.5
Machines	0.3	0.3	2.0	1.0	1.0	0.5
Rented equipment	5.6	3.0	3.0	4.0	5.0	5.0
Tools	0.1	1.0	1.0	0.0	0.0	0.0
Total	7.1	6.3	10.0	9.5	6.5	7.0

Source: Audited financial statements and SBA projections

Investing assumptions – Orascom Trading

- We understand from Management that no major investments are expected to occur during the projection period.
- Capex for various types of assets is based on average additions in previous years

Orascom Trading – Business plan

Projected Income statement

Income Statement - Orascom Trading

EGP mn	FY18A	FY19A	FY20A	FY21F	FY22F	FY23F	FY24F	FY25F
Operating revenue	492	522	564	602	665	699	734	771
Operating cost	(371)	(401)	(446)	(476)	(525)	(560)	(588)	(617)
Depreciation	(1)	(2)	(2)	(7)	(9)	(10)	(11)	(13)
Gross profit	120	119	116	119	131	130	135	141
G&A Expenses	(12)	(16)	(25)	(28)	(30)	(33)	(37)	(40)
Trade receivables impairment	(3)	(7)	(3)	(5)	-	-	-	-
	105	96	88	87	101	97	99	101
Impairment of projects and Inventory	(0)	(4)	1	-	-	-	-	-
Other income	3	1	3	-	-	-	-	-
Foreign exchange gain/(loss)	(2)	(2)	(1)	(1)	(1)	(1)	(1)	(2)
EBIT	106	91	91	85	99	95	97	100
Interest income	2	3	2	-	-	-	-	-
Financing expense	(0)	-	(0)	(3)	(12)	(9)	(6)	(2)
Net profit/(loss) Before Tax	108	94	93	82	87	86	91	97
Income Tax	(26)	(24)	(21)	(18)	(20)	(19)	(21)	(22)
Net Income after Tax	82	70	72	64	68	66	71	75
EBITDA	107	93	93	94	109	107	110	114
Revenue Growth Y-O-Y		6.1%	8.2%	6.7%	10.4%	5.2%	5.0%	5.0%
Gross Profit %	24.5%	22.8%	20.6%	19.8%	19.7%	18.6%	18.4%	18.3%
SG&A%	2.4%	3.1%	4.4%	4.6%	4.5%	4.8%	5.0%	5.2%
EBIT %	21.5%	17.4%	16.1%	14.4%	15.1%	13.8%	13.5%	13.1%
Tax Rate %	24.1%	25.5%	22.6%	22.5%	22.5%	22.5%	22.5%	22.5%
Net Income %	16.6%	13.4%	12.7%	10.6%	10.2%	9.5%	9.6%	9.8%
EBITDA %	21.8%	17.7%	16.5%	15.6%	16.5%	15.2%	15.0%	14.8%

Orascom Trading – Business plan**Projected Balance sheet**

EGP '000	2020A	2021F	2022F	2023F	2024F	2025F
Assets						
Non-current assets						
Property, plant and equipment	13,009	12,486	14,113	13,560	8,626	2,843
Projects Under Construction	721	-	-	-	-	-
Investment in Subsidiaries	28	28	28	28	28	28
Right of Use	905	388	-	-	-	-
Total non-current assets	14,663	12,902	14,141	13,587	8,654	2,871
Current assets						
Inventories	171,155	182,535	201,525	214,633	225,364	236,632
Trade and notes receivables	195,053	172,818	193,421	204,732	216,230	228,303
Other receivables	72,852	60,197	66,636	70,171	73,764	77,537
Cash on hand & at Bank	58,215	51,802	65,462	91,774	118,855	150,520
Total current assets	497,275	467,352	527,044	581,309	634,213	692,992
Total assets	511,937	480,254	541,185	594,897	642,867	695,863
Equity						
Share capital	20,000	20,000	20,000	20,000	20,000	20,000
Reserves	15,800	15,800	15,800	15,800	15,800	15,800
Retained earnings	147,390	211,068	278,839	345,326	415,752	491,237
Total equity	183,190	246,868	314,639	381,126	451,752	527,036
Liabilities						
Non-current liabilities						
Deferred tax liabilities	397	397	397	397	397	397
Lease Liabilities	134	134	134	134	134	134
Total non-current liabilities	531	531	531	531	531	531
Current liabilities						
Provisions	1,093	1,093	1,093	1,093	1,093	1,093
Banks STL	4,879	104,879	84,879	64,879	34,879	4,879
Trade and notes payables	80,215	57,187	63,136	66,402	69,722	73,208
Other payables	91,461	69,317	76,528	80,487	84,512	88,737
Lease Liabilities	378	378	378	378	378	378
Shareholding Loan	11,772	-	-	-	-	-
Dividends payable	138,418	-	-	-	-	-
Total current liabilities	328,216	232,854	226,015	213,239	190,584	168,296
Total liabilities	328,748	233,385	226,546	213,771	191,115	168,827
Total equity and liabilities	511,937	480,254	541,185	594,897	642,867	695,863

Source: Audited financial statements, management information and SBA projections

Orascom Trading – Business plan**Cash flow statement****Free Cash-flow forecast**

in millions EGP	FY20A	FY21F	FY22F	FY23F	FY24F	FY25F
Net Income before Tax	92	82	87	86	91	97
Non-Cash items						
Depreciation	3	7	9	10	11	13
Impairment Inv and Projects	1	0	0	0	0	0
Impairment Rec	1	5	0	0	0	0
Interest Expenses		3	12	9	6	2
Add:						
Paid Tax	(15)	(21)	(18)	(20)	(19)	(21)
Interest Paid	0	(3)	(12)	(9)	(6)	(2)
Working capital	(73)	(22)	(33)	(21)	(18)	(19)
Total Operational cash-flow	9	52	45	55	65	70
Capex (net)	(7)	(6)	(10)	(10)	(7)	(7)
Total Cash Flow from investment	(7)	(6)	(10)	(10)	(7)	(7)
Dividend Paid*	(13)	(138)				
Due to Holding Company		(12)	0	0	0	0
Lease Liability	1					
Loan		100	(20)	(20)	(30)	(30)
Cash Flow from Finance	(13)	(50)	(20)	(20)	(30)	(30)
Cash Movement	(11)	(4)	15	26	28	33
Cash - Beg Balance	65	53	49	64	90	118
Cash - End Balance	53	49	64	90	118	151

*Dividends payable balance as of 31/12/2020 amounting to EGP 138.4 Millions representing declared dividends for the FY2016 till FY 2019 was paid to shareholders on 5/9/2021.

Source: Audited financial statements, management information and SBA projections

Orascom Trading - Valuation using income approach

Discount rate	Percentage
Weighted Average Cost of Capital	18.12%

The Weighted Average Cost of Capital (WACC) estimation was based on a pre-tax risk free rate of 14.8%, which was derived from the yield on 10-year T-bond. This will lead to a risk free rate of 11.84% after accounting for a 20% tax rate.

An Equity risk premium of 7% was estimated as of the valuation date based on market consensus as well as Beta of 1.11 as estimated by Damodaran for machinery companies in emerging markets.

Based on the above, the resulting cost of equity is estimated to be around 19.61%.

The cost of debt was derived from the interest rate paid by the company, which stood at 12.5% pre-tax. Applying a tax rate of 22.5% as per the applicable tax laws results in a post-tax cost of debt of 9.69%.

Finally, applying the weights of Debt and Equity of the comparable companies in the sector in the emerging markets of 15% and 85% respectively results in an average WACC of 18.12%, which was applied to the company's free cash flows.

Source: CBE, Damodaran, EIU and SBA analysis

Orascom Trading - Valuation using income approach

Discounted cash flow - Orascom Trading

Discounted cash flow

<i>in millions EGP</i>	FY21F	FY22F	FY23F	FY24F	FY25F
Net income (before Interest and Tax)	85.44	99.31	95.15	97.37	99.63
<i>Add / (deduct):</i>					
Depreciation	7.34	8.76	10.05	11.43	12.78
Impairment Receivables	5.0	0.0	0.0	0.0	0.0
EBITDA	97.78	108.7	105.2	108.8	112.41
Tax	(20.54)	(18.49)	(19.68)	(19.30)	(20.50)
Working capital	(21.66)	(32.87)	(20.73)	(18.48)	(19.40)
Total operational cash-flow	55.58	56.71	64.79	71.02	72.50
Capex (net)	(6.3)	(10.0)	(9.50)	(6.50)	(7.0)
Free Cash Flow to Firm (FCFF)	49.28	46.71	55.30	64.52	65.50
Discount rate	18.12%	18.12%	18.12%	18.12%	18.12%
terminal growth rate					3.0%
Terminal value					446.21
Discount factor	0.85	0.72	0.61	0.51	0.43
Present value of FCFF	41.72	33.48	33.55	33.14	28.49
Present value of terminal value					194.05
Enterprise value	364.43				
Cash	58.2				
Equity investments (at book value)	0.0278				
Debt	(4.9)				
Equity value at December 31, 2020*	417.76				

*After the valuation date, the dividends payable balance as of 31/12/2020 amounting to EGP 138.4 Millions representing declared dividends for the FY2016 till FY 2019 was paid to shareholders on 5/9/2021 resulting in a material effect on the company's cash and debt balances as of 8/11/2021 (report date) as follows: Cash EGP 19.02 Millions and Debt EGP 69.35 Millions leading to an equity value of EGP 314.13 Millions as of 8/11/2021. Therefore, actual cash, equity investments and debt at the time of the transaction should to be reconciled to reach the fair equity value at the transaction date.

Source: Audited financial statements, management information, CBE, Damodaran, EIU and SBA projections

Orascom Trading - Valuation using income approach

Fair value of total equity – Orascom Trading

- We use DCF methodology to value Orascom Trading using the income approach.
- We assume the company is a going concern. The terminal value is based on a terminal growth rate of 3.0% and a discount rate of 18.12%.
- *The equity value as of the valuation date (31/12/2020) is estimated to be EGP 417.76 Millions.* However, after the valuation date, the dividends payable balance as of 31/12/2020 amounting to EGP 138.4 Millions representing declared dividends for the FY2016 till FY 2019 was paid to shareholders on 5/9/2021 resulting in a material effect on the company's cash and debt balances as of 8/11/2021 (report date) as follows: Cash EGP 19.02 Millions and Debt EGP 69.35 Millions leading to an equity value of EGP 314.13 Millions as of 8/11/2021. Therefore, actual cash, equity investments and debt at the time of the transaction should to be reconciled to reach the fair equity value at the transaction date.

2- Orascom Free Zone Valuation

Orascom Free Zone - Business overview

Orascom Free Zone is a tax-exempted trading company based in Egypt importing heavy machinery on behalf of predominantly public sector clients

Financial performance overview - Orascom Free Zone

USD'000	FY16A	FY17A	FY18A	FY19A	FY20A
Operating revenue	29,477	13,886	16,125	11,426	8,992
Operating cost	(24,223)	(12,147)	(14,184)	(9,797)	(7,560)
Gross profit	5,254	1,739	1,941	1,629	1,432
G&A Expenses	(917)	(403)	(439)	(342)	(347)
Trade receivables impairment	0	(101)	0	0	0
EBITDA	4,337	1,234	1,502	1,287	1,085

Operating revenue growth	54%	(53%)	16%	(29%)	(21%)
GPM	18%	13%	12%	14%	16%
EBITDA Margin	15%	9%	9%	11%	12%

Source: Audited financial statements, management information, and SBA projections

- Orascom Free Zone is based in Egypt and imports heavy equipment for sale to the local market. Its product portfolio includes heavy machinery, marine equipment, water pumps, generators and equipment relating to civil aviation and railways. Sales are largely order-based.
- Orascom Free Zone does not own any licenses of commercial agencies, which are the property of Orascom Trading. Accordingly, Orascom Free Zone cannot operate independently of Orascom Trading.
- In FY20, Orascom Free Zone recorded operating revenue of USD 8.992 million, down from USD 11.426 million in FY19 (-21%) and EBITDA of USD1.085 million, down from USD1.287 million in FY19 (-16%).
- The company's GPM fell from 18% in FY16 to 16% in FY20, while its EBITDA margin fell from 15% in FY16 to 12% in FY20.

Shareholding structure – Orascom Free Zone

Shareholders	Face Value of share (USD)	Contribution %
Engineer Onsi Sawiris	833,333.33	33.3%
Engineer Samih Sawiris	833,333.33	33.3%
Engineer Naguib Sawiris	<u>833,333.33</u>	<u>33.3%</u>
Total	2,500,000	100%

Source: Audited financial statements

shareholding structure- Orascom Free Zone



Orascom Free Zone - Business plan

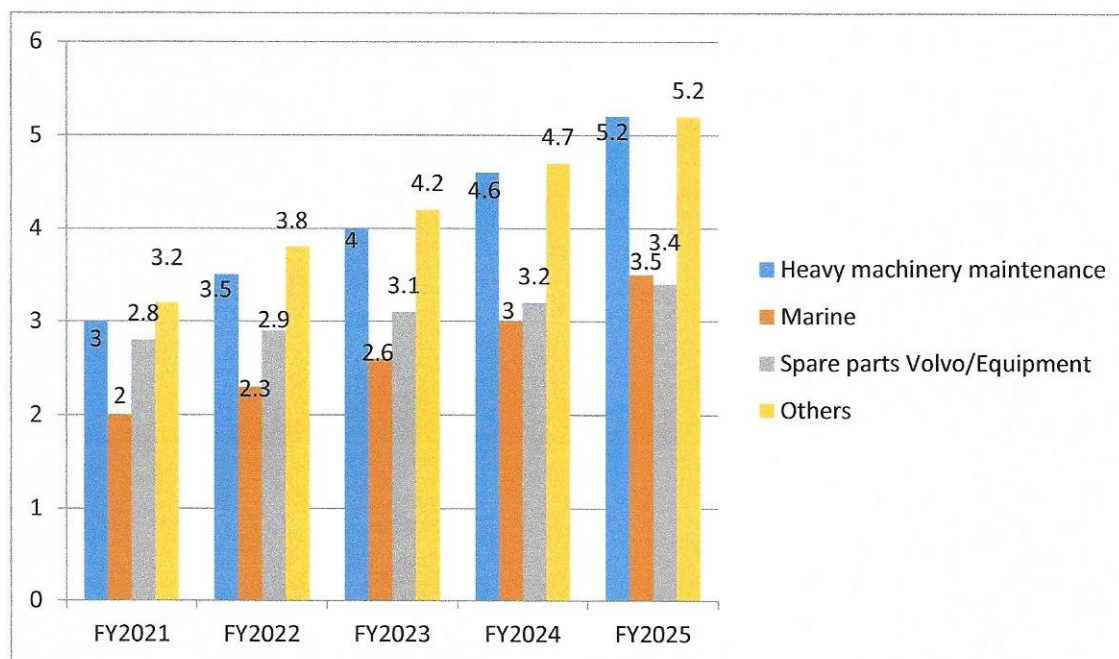
Operating revenue is projected to increase at a CAGR of 22% in FY21, 13% in FY22 and 6% thereafter.

Operating revenue - Orascom Free Zone

Operating revenue

USD' mn	FY2021	FY2022	FY2023	FY2024	FY2025
Heavy Machinery	3.0	3.5	4.0	4.6	5.2
Railway Equipment	1.0	1.2	1.3	1.5	1.7
CIVIL AVIATION	0.5	0.6	0.7	0.7	0.8
Workshops Equipment	1.2	1.6	1.7	1.8	2.0
Marine	2.0	2.3	2.6	3.0	3.5
Genset	0.2	0.2	0.3	0.3	0.3
PUMPS	0.3	0.3	0.3	0.3	0.3
Spare parts Volvo/Equipment	2.8	2.9	3.1	3.2	3.4
Total	11.0	12.5	13.9	15.5	17.3
CAGR	22%	14%	11%	11%	12%

Source: Management information



Operating revenue assumptions – Orascom Free Zone

- Based on Management's business plan, Operating revenue is projected to increase at a CAGR of 22% in FY21, by 14% in FY22 and 11% to 12% thereafter. Due to the order- based nature of sales, historical operating revenue exhibited no clear growth, increasing by 54% in FY16, falling by 53% in FY17, increasing by 16% in FY18 then falling again by 29% and 21% for the FY19 and FY20 consecutively.
- The company's sales mix is expected to remain stable over the projection period compared to FY20 as illustrated in the above table.

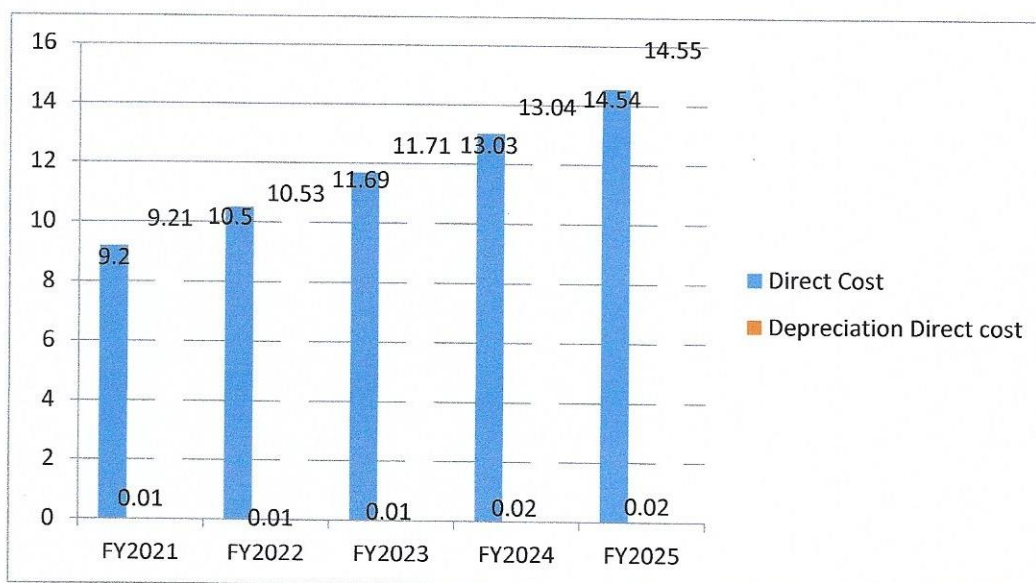
Orascom Free Zone - Business plan

GPM for Orascom Free Zone is expected to remain stable over the projection period at 13.9%.

Operating costs - Orascom Free Zone

USD' mn	FY2021	FY2022	FY2023	FY2024	FY2025
Direct Cost	9.20	10.51	11.69	13.03	14.54
Depreciation direct cost	0.01	0.01	0.01	0.02	0.02
Total Operating Cost	9.21	10.53	11.71	13.04	14.55
Gross Margin	1.74	1.99	2.21	2.47	2.75
Gross Margin %	15.9%	15.9%	15.9%	15.9%	15.9%
G & A	0.44	0.48	0.53	0.58	0.64
Net profit before taxes	1.3	1.5	1.7	1.9	2.1
Net profit before taxes %	11.9%	12.0%	12.1%	12.1%	12.2%
direct cost assumption	84.0%	84.0%	84.0%	84.0%	84.0%
G&A	4.0%				
forex as percentage of COGS	1.25%	1.25%	1.25%	1.25%	1.25%

Source: Management information and SBA analysis



Operating cost assumptions – Orascom Free Zone

- Operating costs consist of purchases, freight and handling costs, and salaries and wages.
- Based on Management's business plan, GPM for all product categories is expected to be stable at 15.9% over the projection period.
- Direct cost assumption of 84% of projected revenue throughout the project period.
- G&A assumption of 4% of the projected revenue in FY21 with an increase of 10% thereafter.
- Forex assumption of 1.25% of GOGS throughout the project period.

Orascom Free Zone - Business plan

Working capital assumptions

in USD thousands	A2020	F2021	F2022	F2023	F2024	F2025
Letters of Credit	541.4	659.6	402.0	447.1	498.0	555.7
Letters of Guarantee	869.4	1,632.4	1,866.1	2,075.5	2,312.0	2,579.6
Supplier Advances	189.5	498.2	569.6	633.5	705.7	787.3
Others	-	(540.3)	(265.5)	(295.3)	(329.0)	(367.1)
Others	-	(540.3)	(265.5)	(295.3)	(329.0)	(367.1)
Total Other Debit Balances	1,600.3	2,250.0	2,572.1	2,860.7	3,186.7	3,555.5
Letters of Credit	7%	4%	4%	4%	4%	4%
Letters of Guarantee	10%	15%	15%	15%	15%	15%
Supplier Advances	3%	5%	5%	5%	5%	5%
Accrued Expenses	63.1	76.8	87.8	97.7	108.8	121.4
Customer Advances	925.7	1,127.2	1,288.6	1,433.1	1,596.5	1,781.3
Others	2.0	1,064.0	1,216.3	1,352.7	1,506.9	1,681.3
Others	2.0	1,064.0	1,216.3	1,352.7	1,506.9	1,681.3
Total Other credit Balances	990.7	2,268.0	2,592.7	2,883.6	3,212.2	3,584.0
Accrued Expenses	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
Customer Advances	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%
Petty cash	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
<u>Accounts receivable</u>						
due from clients	254.4	916.5	1,045.3	1,160.7	1,291.1	1,438.7
Related Parties	89.3	-	-	-	-	-
Allowance for doubtful accounts	(16.5)	(16.5)	(16.5)	(16.5)	(16.5)	(16.5)
Net Realizable value	327.3	900.0	1,028.8	1,144.3	1,274.7	1,422.2
<u>Accounts payable</u>						
due to third parties	624.9	444.0	804.2	901.2	1,010.7	1,134.7
due to related parties	60.0	60.0	60.0	60.0	60.0	60.0
Total A/P	684.9	504.0	864.2	961.2	1,070.7	1,194.7

Orascom Free Zone - Business plan

DOH

	FY21F	FY22F	FY23F	FY24F	FY25F
AR days - Third Party	30.0	30.0	30.0	30.0	30.0
AP Days Local	30.0	30.0	30.0	30.0	30.0
inventory days	45.0	45.0	45.0	45.0	45.0
LGs and other receivables	75.0	75.0	75.0	75.0	75.0
other payables	90.0	90.0	90.0	90.0	90.0

Source: Audited financial statements and SBA projections

Working capital assumptions – Orascom Free Zone

- Net operating working capital is calculated as letters of guarantee, inventory, trade and notes receivable, advances to suppliers, operating amounts due from related parties, letters of credit, operating cash less advances from clients, trade and notes payable, operating amounts due to related parties and deferred revenue.
- Letters of guarantee are projected at 15% of projected revenue. The projected rate is based on the average historical ratio observed.
- Advances to suppliers are projected at 5% of GOGS based on the average ratio observed in FY19 and FY20.
- Letters of credit are projected at 4% of GOGS based on the average ratio observed in FY19 and FY20.
- Advances from clients are projected at 10.3% of revenue based on the average ratio observed in FY19 and FY20.
- Trade and notes receivable are projected using 30 DOH based on average historical DOH.
- Inventory is projected using 45 DOH based on average historical DOH.
- Amounts due to related parties, included as trade payables on the company's financial statements consist of a balance of USD60.0 thousand due to Orascom Construction. This balance is maintained throughout the projection period.
- Accrues expenses are projected at 0.8% of GOGS based on the average historical ratio observed.
- Trade and notes payable are projected using 30 DOH based on average historical DOH.
- Other receivables are projected using 75 DOH based on average historical DOH.
- Other payables are projected using 90 DOH based on average historical DOH.

Orascom Free Zone - Business plan

Investing assumptions

Fixed assets (net) - Orascom Free Zone

<i>USD'000</i>	<i>FY20A</i>	<i>FY21F</i>	<i>FY22F</i>	<i>FY23F</i>	<i>FY24F</i>	<i>FY25F</i>
Gross book value						
Opening balance	302.0	302.0	302.0	302.0	302.0	302.0
(+) Additions	0	0	0	0	0	0
Closing balance	302.0	302.0	302.0	302.0	302.0	302.0
Accumulated depreciation						
Opening balance	211.6	221.7	233.5	246.6	261.0	276.8
(+) Depreciation for the year	10.1	11.8	13.1	14.4	15.8	17.4
Closing balance	221.7	233.5	246.6	261	276.8	294.2
Net book value	80.3	68.5	55.4	41.0	25.2	7.8
Average annual depreciation rate (%)	3%	4%	4%	5%	5%	6%

Source: Audited financial statements and SBA projections

Investing assumptions – Orascom Free Zone

- Fixed assets that serve Orascom Free Zone's current operations are furnished buildings and fence buildings. Furnished buildings contribute 85% of the net book value of total assets as of FY20.
- We understand from Management that no major investments are expected to occur during the projection period.
- Furnished buildings are depreciated at 5% annually based on their average historical depreciation rates.

Orascom Free Zone - Business plan

Projected income statement

Income statement - Orascom Free Zone

Income Statement - Orascom FZ								
USD mn		FY19A	FY20A	FY21F	FY22F	FY23F	FY24F	FY25F
Operating revenue		11.4	9.0	11.0	12.5	13.9	15.5	17.3
Operating cost		(9.8)	(7.5)	(9.2)	(10.5)	(11.7)	(13.0)	(14.5)
Depreciation		(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Gross profit		1.6	1.4	1.7	2.0	2.2	2.5	2.8
G&A Expenses		(0.3)	(0.3)	(0.4)	(0.5)	(0.5)	(0.6)	(0.6)
EBIT		1.3	1.1	1.3	1.5	1.7	1.9	2.1
Foreign exchange gain/(loss)		(0.1)	0.5	-	-	-	-	-
Net profit/(loss) Before Tax		1.1	1.5	1.3	1.5	1.7	1.9	2.1
Income Tax								
Net Income after Tax		1.1	1.5	1.3	1.5	1.7	1.9	2.1
EBITDA		1.3	1.1	1.3	1.5	1.7	1.9	2.1
Gross Profit %		14.3%	15.9%	15.9%	15.9%	15.9%	15.9%	15.9%
SG&A%		3.0%	3.9%	4.0%	3.8%	3.8%	3.8%	3.7%
EBIT %		11.3%	12.1%	11.9%	12.0%	12.1%	12.1%	12.2%
Tax Rate %		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Income %		10.0%	17.2%	11.9%	12.0%	12.1%	12.1%	12.2%
EBITDA %		11.3%	12.2%	12.0%	12.2%	12.2%	12.2%	12.3%

Source: Audited financial statements, management information and SBA projections

Orascom Free Zone - Business plan**Projected Balance sheet**

in USD thousands	A2019	A2020	F2021	F2022	F2023	F2024	F2025
Assets							
Non-Current Assets							
PPE	58.4	80.3	68.5	55.4	41.0	25.2	7.8
Total Non-Current Assets	58.4	80.3	68.5	55.4	41.0	25.2	7.8
Current Assets							
Inventory	1,527.9	1,623.1	1,134.0	1,296.3	1,441.8	1,606.1	1,792.0
Accounts and other receivable	109.4	327.3	900.0	1,028.8	1,144.3	1,274.7	1,422.2
Other Debit Balances	3,163.1	1,600.3	2,250.0	2,572.1	2,860.7	3,186.7	3,555.5
Petty cash	20.2	17.9	21.8	24.9	27.7	30.8	34.4
Cash	5,512.0	7,091.0	2,199.8	3,789.4	5,322.5	7,035.2	8,952.4
Total Current Assets	10,332.6	10,659.6	6,505.6	8,711.5	10,796.9	13,133.6	15,756.6
Total Assets	10,391.1	10,739.9	6,574.1	8,766.9	10,837.9	13,158.8	15,764.4
Liabilities and Owners' Equity							
Owners' Equity							
Paid in capital	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0
Partners' current accounts	4,844.1	5,014.5	-	1,302.1	2,810.1	4,493.2	6,375.8
Net Profit	1,150.0	1,549.7	1,302.1	1,507.9	1,683.2	1,882.6	2,109.9
Total Equity	8,494.1	9,064.3	3,802.1	5,310.1	6,993.2	8,875.8	10,985.7
Current Liabilities							
Accounts and other payables	128.5	684.9	504.0	864.2	961.2	1,070.7	1,194.7
Other credit balances	1,768.5	990.7	2,268.0	2,592.7	2,883.6	3,212.2	3,584.0
Total Liabilities	1,897.0	1,675.7	2,772.0	3,456.9	3,844.7	4,283.0	4,778.6
Total Equity and Liab	10,391.1	10,739.9	6,574.1	8,766.9	10,837.9	13,158.8	15,764.4

Source: Audited financial statements, management information and SBA projections

Orascom Free Zone - Business plan

Projected Cash flow statement

Cash-flow forecast

<i>in USD million</i>	FY20A	FY21F	FY22F	FY23F	FY24F	FY25F
Net income (before Tax)	1.5	1.3	1.5	1.7	1.9	2.1
Add:						
Depreciation	0.01	0.0	0.0	0.0	0.0	0.0
EBITDA	1.6	1.3	1.5	1.7	1.9	2.1
Tax		0.0	-	-	-	-
Others						
Working capital	1.0	0.3	0.1	(0.2)	(0.2)	(0.2)
Total Operational cash-flow	2.6	1.6	1.6	1.5	1.7	1.9
Capex (net)	(0.0)					
Free operational cash-flow	2.6	1.6	1.6	1.5	1.7	1.9
Free CF	2.6	1.6	1.6	1.5	1.7	1.9
shareholders' current Account	(0.98)	(6.6)	(0.0)	(0.0)	(0.0)	(0.0)
Net Change in Cash Flow	1.6	(5.0)	1.6	1.5	1.7	1.9
Cash - Beg Balance	5.5	7.1	2.1	3.7	5.2	6.9
Cash - End Balance	7.1	2.1	3.7	5.2	6.9	8.9

Source: Audited financial statements, management information and SBA projections

Orascom Free Zone - Valuation using income approach

Discount rate - Orascom Free Zone

	<i>FY21F</i>	<i>FY22F</i>	<i>FY23F</i>	<i>FY24F</i>	<i>FY25F</i>
Risk-free rate (yield on 10-year T-bond)	14.8%	14.8%	14.8%	14.8%	14.8%
Tax rate	20.0%	20.0%	20.0%	20.0%	20.0%
After-tax risk-free rate	11.84%	11.84%	11.84%	11.84%	11.84%
Equity risk premium	7%	7%	7%	7%	7%
Beta	1.11	1.11	1.11	1.11	1.11
Cost of equity	19.61%	19.61%	19.61%	19.61%	19.61%

Source: CBE, Damodaran, EIU and SBA analysis

Discount rate

- We use the same methodology for estimating the cost of equity for Orascom Free Zone as was used for Orascom Trading.
- Although Orascom Free Zone reports its financial statements in USD, we use an EGP denominated discount rate to account for both the company's exposure to the Egyptian market and its high annual projected growth of USD-denominated revenue.
- The company has no interest-bearing debt.
- The above results in **Weighted Average Cost of Capital of 19.61%**.

Orascom Free Zone - Valuation using income approach

Discounted cash flow - Orascom Free Zone

Discounted cash flow

in millions USD

	FY21F	FY22F	FY23F	FY24F	FY25F
Net income (before Tax)	1.3	1.5	1.7	1.9	2.1
<i>Add / (deduct):</i>					
Depreciation	0.0	0.0	0.0	0.0	0.0
Tax	0.0	0.0	0.0	0.0	0.0
Working capital	0.3	0.1	(0.2)	(0.2)	(0.2)
Capex (net)	0.0	0.0	0.0	0.0	0.0
Free Cash Flow to Firm (FCFF)	1.6	1.6	1.5	1.7	1.9
Discount rate	19.61%	19.61%	19.61%	19.61%	19.61%
terminal growth rate					3.0%
Terminal value					11.91
Discount factor	0.84	0.7	0.58	0.49	0.41
Present value of FCFF	1.32	1.11	0.9	0.84	0.78
Present value of terminal value					4.87
Enterprise value	9.82				
Cash	7.1				
Equity value at December 31, 2020*	<u>16.92</u>				

**After the valuation date, the partners' current account balance as of 13/10/2021 amounting to USD 6.39 Millions was repaid resulting in a material effect on the company's cash balance as of 8/11/2021 (report date) as follows: Cash USD 0.92 Million, leading to an equity value of USD 10.74 Millions as of 8/11/2021. Actual cash, equity investments and debt at the time of the transaction are to be considered.*

Orascom Free Zone - Valuation using income approach

Fair value of total equity

- We use DCF methodology to value Orascom Free Zone using the income approach.
- The valuation assumes that Orascom Free Zone does not own the license of commercial agencies as per its current status.
- We assume the company is a going concern. The terminal value is based on a terminal growth rate of 3.0% and a discount rate of 19.61%.
- ***The equity value for Orascom Free Zone is estimated to be USD 16.92 millions as of 31 December 2020.*** However, after the valuation date, the partners' current account balance as of 13/10/2021 amounting to USD 6.39 Millions was repaid resulting in a material effect on the company's cash balance as of 8/11/2021 (report date) as follows: Cash USD 0.92 Million, leading to an equity value of USD 10.74 Millions as of 8/11/2021. Actual cash, equity investments and debt at the time of the transaction are to be considered.

3- National Equipment Valuation

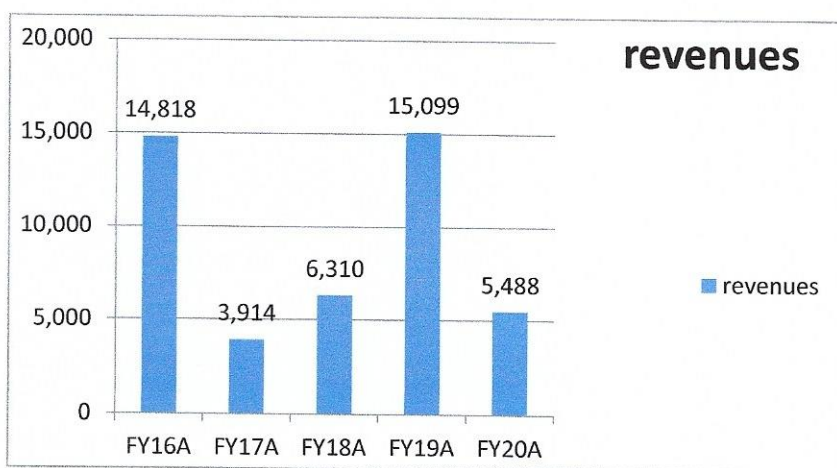
National Equipment - Business overview

Company's primary client is Orascom Trading accounting for more than 80% of total revenue in FY20

Operational performance - National Equipment

<i>EGP' 000</i>	<i>FY16A</i>	<i>FY17A</i>	<i>FY18A</i>	<i>FY19A</i>	<i>FY20A</i>
Operating revenue	14,818	3,914	6,310	15,099	5,488
Operating cost	(10,282)	(4,483)	(5,347)	(10,702)	(5,016)
Gross profit	4,536	(569)	963	4,397	472
G&A Expenses	(418)	(260)	(248)	(1,005)	(372)
Trade receivables impairment	0	(958)	0	(1,667)	0
EBITDA	4,118	(1,787)	715	1,725	100

Source: Audited financial statements and SBA analysis



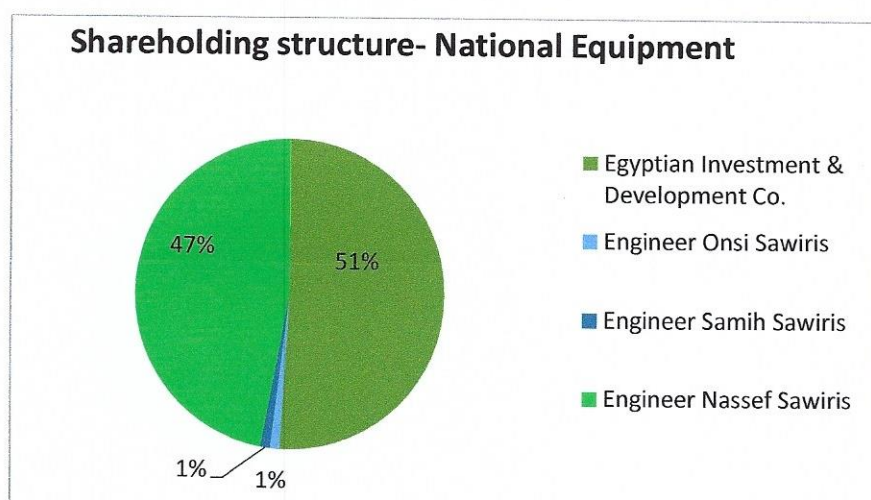
National Equipment - Business overview

- National Equipment Company operates as an assembler of generator components, specifically radiators and dynamos.
- The company's primary client is Orascom Trading, which accounts for more than 80% of total revenue.
- The company expand its business by adding isolation system for new buildings in addition to securing a new contract with Orascom Construction for assembling 100 soundproof cabins for generators.
- The company owns a large land plot with a total area of 24,192 square meters (sqm) located in the industrial zone in 6th of October city.
- The company's issued and paid in capital amounts to EGP 7.5 million in FY20.

Shareholding structure – National Equipment

Shareholders	No. of shares	Face Value of shares (EGP)	Contribution %
Egyptian Investment & Development Co.	38,250	3,825,000	51%
Engineer Onsi Sawiris	750	75,000	1%
Engineer Samih Sawiris	750	75,000	1%
Engineer Nassef Sawiris	35,250	3,525,000	47%
Total	75,000	7,500,000	100%

Source: Audited financial statements



National Equipment - Business overview

The net book value of the fixed assets as of 31/12/2020 was as follows:

in EGP

Description	Lands	Buildings & construction	Machinery & Equipment	Transporting & transmission	Tools	furniture	Computers	Total
Cost as of 31/12/2020	2,197,423	8,096,606	1,899,736	334,500	74,936	393,027	83,248	13,079,476
Accumulated depreciation as of 31/12/2020	0	6,927,044	1,899,736	334,500	66,029	393,027	47,731	9,668,067
Net book value as of 31/12/2020	2,197,423	1,169,562	0	0	8,907	0	35,517	3,411,409

Source: Audited financial statements

National Equipment - Valuation using asset approach

We estimate the fair value of total equity of National Equipment to be EGP 87.276 million as of December 31, 2020.

Net asset valuation- National Equipment

<i>EGP' 000</i>	NBV 31/12/2020	FMV Market Value
<u>Non-current assets</u>		
Fixed assets, net	3,412	73,241
Deferred tax assets	161	161
Total non-current assets	3,573	73,402
<u>Current assets</u>		
Inventory (net)	4,043	4,043
Trade and notes receivables (net)	15,426	15,426
Debit balances due from related parties (Orascom Trading)	248	248
Other debit balances	1,926	1,926
Cash on hand and at banks	924	924
Total current assets	22,567	22,567
Total assets	26,140	95,969
<u>Current liabilities</u>		
Trade and notes payables	93	93
Dividends payable	4,408	4,408
Creditors and other credit balances	4,192	4,192
Total current liabilities	8,693	8,693
Total shareholders' equity	17,447	87,276
Total liabilities and shareholders' equity	26,140	95,969

Source: Audited financial statements (FY20) and the Expert Value Report

** Net book value (NBV) of the balance sheet is recorded end of FY20*

*** Fair market value (FMV) of land and buildings is performed by an expert value as of October 2021*

National Equipment - Valuation using asset approach

Valuation methodology and net fair market value

<i>Fixed asset</i>	<i>Valuation methodology</i>	<i>FMV** Market Value in EGP 000'</i>
Land	Sales comparison approach	58,060.0
Buildings	Cost approach	15,137.0
Machines	Book value	0
Tools	Book value	8.9
IT Equipment	Book value	35.5
Vehicles	Book value	0
Furniture	Book value	0
Total		

Source: Audited financial statements (FY20) and expert value report

Net asset valuation – National Equipment

- National Equipment operates as an assembler of generator components, specifically radiators and dynamos. Its main client is Orascom Trading, accounting for more than 80% of total revenue.
- National Equipment Company is valued using the net asset approach as of 31st December FY20.
- The net asset approach is a general way of estimating the value of a business, business ownership interest, or a tangible or intangible asset by quantifying the amount of money required to replace the investment or asset with another having equivalent utility, sometimes described as future service capability.
- It focuses on the company's net asset value or the fair market value of the assets minus its total liabilities to estimate the current market value of the company's total equity.

Fixed assets – National Equipment

- An independent certified expert value namely Mr.Samir Sadek is subcontracted to value the company's land and buildings located in the third industrial zone of 6th of October city.
- The expert value conducted a field visit on 24/10/2021 to value the company's land and buildings.
- The land is valued using sales comparison approach, while buildings are valued using cost approach.
- The remaining fixed assets are valued at net book value.

Tax provision- National Equipment

- Besides its reported liabilities, subsequent to the Valuation Date, the company has a potential tax exposure of EGP 37.4 million. The amount relates to profit for the year of 2005 till 2015. The company objected these amounts that are not yet final. It is not clear the final outcome of this tax dispute which will affect the value of the company.
- No other adjustment or re-valuation is performed on any account other than the aforementioned ones (land and buildings) and tax provision.

National Equipment - Valuation using asset approach

Land

The land is valued at EGP 2,400/sqm for a total value of EGP 58.06 million using sales comparison approach.

- The fair market value of the land is performed using sales comparison approach.
- The FMV of a property is what a willing buyer will pay and a willing seller accept, both being fully informed in an arm's length transaction and with the sale property exposed for a reasonable period. The market price is determined based on below facts:
 - o Both the seller and buyer are willing to perform the transaction and are well knowledgeable about the market.
 - o The property was exposed to the market for a reasonable period of time.
 - o The price represents the normal consideration for the property sold unaffected by special or creative financing (borrowing) or sales concessions granted by anyone associated with the sale.
- The valuation of land is performed under the assumption that the ownership of land and buildings subject to valuation is complete and stable and there are no disputes over it and there is no mortgage or loans, third-party rights, or other specific conditions of ownership in accordance to information provided by the owner of the factory.
- The land is located in the third industrial zone in 6th of October City and is surrounded by a number of steel and textile factories.
- According to formal documents from the New Urban Communities Authority (NUCA), the company owns a land plot with a total size of 24,192 sqm, at a cost of EGP 91 per sqm.
- In order to determine the FMV of the land, the expert value applied sales comparison approach, which compares recently sold local properties similar to the subject property. Price adjustments are made for differences in the comparable subject and property.

National Equipment - Valuation using asset approach

Buildings are valued at a total of EGP 15.14 million using cost approach

FMV of building components - National Equipment

	Price/meter	Sqm	Total in EGP
Admin building ground floor	2,000	1,179.8	2,359,600
Admin building first floor	2,000	1,166.5	2,333,000
Truss A	2,500	3,744	9,360,000
Truss B	2,500	1,200	3,000,000
Truss C	2,500	390	975,000
Two security rooms	1,200	32	38,400
Electricity room	1,200	16	19,200
Awning	500	400	200,000
Factory fence	1,000	636	<u>636,000</u>
Total gross value (1)			18,921,200
Depreciation			
Building operational useful life			50
Utilized life			<u>10</u>
Accumulated 10 year depreciation (2)*			<u>(3,784,240)</u>
Net FMV of building (1+2)			<u>15,136,960</u>

Source: Expert value report and SBA analysis

*Straight line depreciation method was used, where accumulated depreciation includes 10 equal yearly depreciation expense amounts of EGP 378,424

Buildings

- The fair market value of the buildings is performed using cost approach.
- The cost approach derives the value of an asset by calculating the amount of money required to replace the asset with another of equivalent utility.
- The expert value estimates the construction cost of each building component based on his technical expertise.
- The building is assumed by the appraiser to have a useful operating life of 50 years, while its effective age is assumed to be 10 years given the appraiser's assessment of its current condition and functionality.
- The appraiser concludes that the FMV of the buildings is estimated at EGP 15.14 million, while its book value amounted EGP 1.17 million. It is worth noting that the book value of buildings includes infrastructure.

Other fixed assets

- Other fixed assets including machines, tools, IT equipment, furniture and vehicle are valued at book value.

National Equipment - Valuation using asset approach

Trade and notes receivable

- The company reported a total trade and notes receivables balance of EGP15.4 million as of FY20, representing 59% of total assets.
- The trade receivables balance predominantly relates to the company's main client and related party, Orascom Trading.
- There are no credit terms specified with Orascom Trading, and cash is received for services rendered based on the availability of cash flow within Orascom Trading and its liquidity position.
- Management indicated that the balance is recoverable and collection is guaranteed as it is considered a related party transaction, and thus no provision for bad debt will be formed.

Inventory

- The company reported a total inventory balance of EGP 4 million as of FY20, representing 15% of total assets.
- Management indicated that there is no risk for the inventory being obsolete given its non-perishable nature.

Tax provision

- Besides its reported liabilities, subsequent to the Valuation Date, the company has a potential tax exposure of EGP 37.4 million. The amount relates to profit for the year of 2005 till 2015. The company objected these amounts that are not yet final. It is not clear the final outcome of this tax dispute which will affect the value of the company.