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## SODIC Investor Relations

**Earnings Release 9M 2011**

**29/11/2011**



# SODIC Investor Relations

9M 2011 Earnings Release

Consolidated Financial Statements for the Nine months ended 30 September 2011

## SODIC Announces 9M Earnings Results

Cairo, Egypt

November 29<sup>th</sup> 2011, SODIC ("Sixth of October Development & Investment Company") has released its consolidated financial results for the 9M 2011 period. SODIC reported a net consolidated loss of EGP 158 million on consolidated revenues of EGP 356 million for 9M 2011. Losses of EGP 38 million incurred during the 3rd quarter are due to the partial impairment applied to the Allegria Golf Course with a value of EGP 31 million (details in Management Assessment section below). An operationally solid 3rd quarter witnessed significant improvement vs. the previous period with Sales increased by some 70% vs. the 2<sup>nd</sup> quarter. Cash collection delinquency reached an all year low of 11% and some EGP 210 million of unit deliveries were accomplished. SODIC also realized positive steps regarding Westown's 3 year development timeline and is getting ready to launch 2 new projects in the coming six months.

SODIC delivered 85 units in Q3 worth EGP 210 million. The number of units delivered declined by some 10% vs. last period, yet value of units delivered declined by only 1.4%, indicating that higher margin units are being delivered. Faced with defaulting finishing's contractors, SODIC is lowering its delivery estimates to 250 units for full year 2011.

9M '11 new contracted sales reached EGP 654 million with Q3 contributing some 45% achieving EGP 305 million. Sales were equally diversified between projects. Residential sales of EGP 112 million came in greater than the combined commercial and retail sales from The Polygon, Autoville and Beverly Hills Sub development sales totaling EGP 70.4 million. The balance is provided by the Upgrades and modifications. Concerning contract cancellation and modifications, the figure for 9M reached EGP 674 million resulting in a net sales position of EGP -20.

SODIC's cash collection process led to collecting more than 89% of 9M receivables. The tightly managed cash collection process witnessed delinquency rates peak at 25% in April 2011 and steadily declined to 11% at the close of the quarter signaling an increase in client confidence in SODIC. SODIC is diligently cleaning up its portfolio from any delinquent contracts, and management believes that the bulk of cancellations have been finalized

In the near term, SODIC is planning the launch 2 new projects:

- **Westown Residences:** A residential development situated in Westown adjacent to Forty West, comprised of twin and town house units over looking lush green parks. The project has a total investment cost of EGP170 million and has a projected delivery date in 2014.
- **Westown Entertainment Hub:** A retail destination providing retail outlets, restaurants and sidewalk cafés. The Westown Entertainment Hub is designed to anchor the commercial and Retail spine of Westown. The project is to be 100% leased, with phase 1 investment cost at EGP 60 million and an expected operation date in 2013.

SODIC has defined 5 platforms that will be the main focus for the Company over the medium term:

1. Maintain and accelerate construction on contracted units to ensure collecting EGP 2.0 bln of Receivables and cement SODIC's reputation as a delivery oriented developer
2. Maintain SODIC's strong balance sheet with clear guidelines on unit delivery, construction, cash collection, new sales and debt management

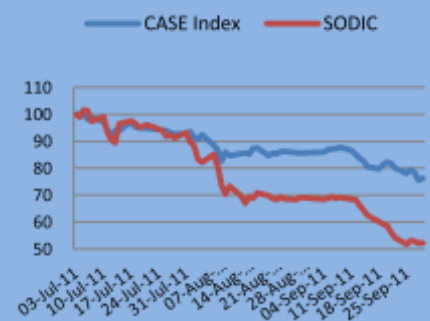
### Market Data

<b>Index Inclusion:</b>	EGX 30, EGX 100
<b>EGX:</b>	OCDI
<b>Bloomberg:</b>	OCDI EY
<b>Reuters:</b>	OCDI.CA

No. Shares Outstanding (mln):	90.7
Share Price at 30 Sep (EGP):	12.99
Market Cap (EGP mln):	1,178
Market Cap (USD mln):	197

\*Market Cap figures as of June 30<sup>th</sup> 2011  
 \*FX Rate: 1.00 USD = 5.96 EGP  
 \*Figures adjusted for July '11 Stock Split

### Q3 Share Performance



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3. Continue to develop existing projects, while tailoring product launches to current market conditions.
4. After having achieved a balanced Mid-Income formula, one of SODIC's priority is to find suitable land to start such project
5. Pursue new development opportunities inside and outside of Egypt

## Results Executive Summary

Consolidated Financials for Nine months ended Sep 30, 2011		Q3 2011	Q2 2011	9M 2011	9M 2010
<b>Sales (Unrecognized on IS)</b>					
Total Sales	EGP mln	305.0	177.7	653.6	-
Total Cancellations	EGP mln	(290.3)	(293.3)	(674.1)	-
Net Sales	EGP mln	14.7	(115.6)	(20.4)	1,422.0
<b>INCOME STATEMENT</b>					
Total revenues	EGP mln	243.7	72.5	357.7	197.6
Net income	EGP mln	(38.0)	(103.9)	(158.0)	107.4
<b>BALANCE SHEET</b>					
		<b>@30 Sep '11</b>	<b>@30 June '11</b>	<b>@31 Mar '11</b>	<b>@31 Dec '10</b>
Total Receivables	EGP mln	1,648	1,703	1,948	2,119
Works in Process	EGP mln	2,900	2,817	2,895	2,675
Cash	EGP mln	525	574	816	853
Total assets	EGP mln	6,331	6,475	6,844	6,901
Shareholders' equity	EGP mln	2,025	2,129	2,393	2,407
<b>SHARE INFORMATION*</b>					
Basic earnings per share	EGP	(0.40)	(1.15)	(1.73)	3.08
Share price at close of Quarter	EGP	13.0	24.8	12.99	36.84
Market capitalization	EGP mln	1,178	2,251	1,178	3,341

\* Adjusted for July 24th share split

## Management Assessment on Q3 Results

**Revenues** are booked upon final delivery to clients. SODIC revenues increased by some 340% vs. last period to EGP 237 million mainly due delivering 85 units, Beverly Hills Sub development sales and not undergoing any revenue reversals from cancellations. Other revenue lines include construction contracts from subsidiaries and Beverly Hills Property Management Services.

**Gross Profit** of EGP 36.4 million were achieved during the quarter. On a Standalone Basis, Allegria units have achieved a Gross profit Margin of 19%.

**Golf Course Partial Impairment** of EGP 31 million was implemented on the Allegria golf course. Our Auditors believe that in the current market environment relating to the stringent times and the increased cost of

equity SODIC will not be able to retrieve the golf course value. The partial impairment representing 23% of the golf course value was deducted from the Fixed Assets and reflected on the income statement.

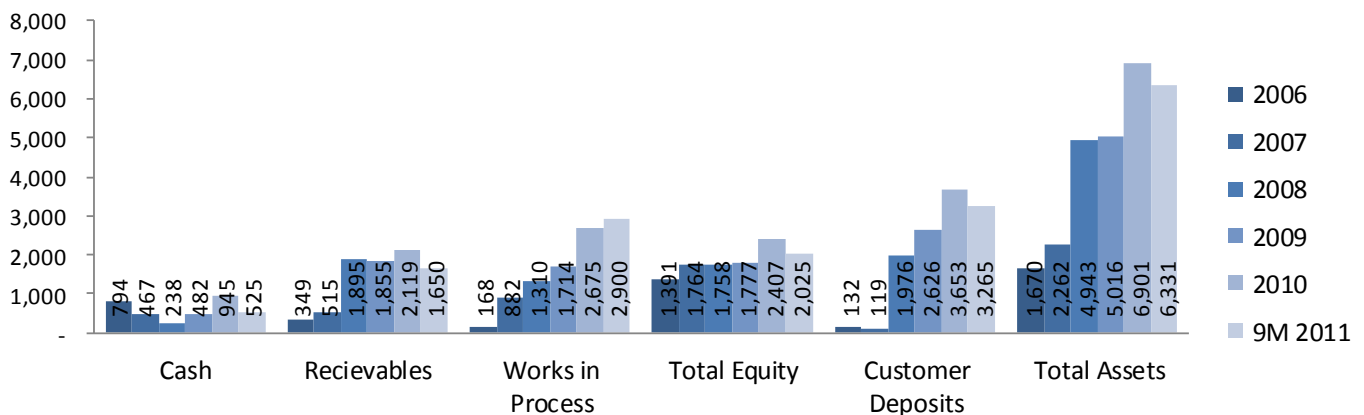
**Net Loss** of EGP 38 million mainly due to the Allegria golf course partial impairment.

**Receivables** for 9M are at EGP 1.65 billion with an additional EGP 330 million off balance sheet related mostly to delivery checks that have not been received from clients.

**Works in Process** are at EGP 2.9 billion, increased by 20% vs. 9M 2010 showcasing the continued execution works on the ground undertaken by the Company to deliver its various projects. Please note that WIP is reduced by the cost of delivered units totaling EGP 192 million for Q3.

**Cash** levels are maintained and have decreased by only 10% q-o-q to EGP 525 million. No major cash out flows are expected during Q4 except for the pre-planned construction budget.

### Balance Sheet Evolution (EGP mln)



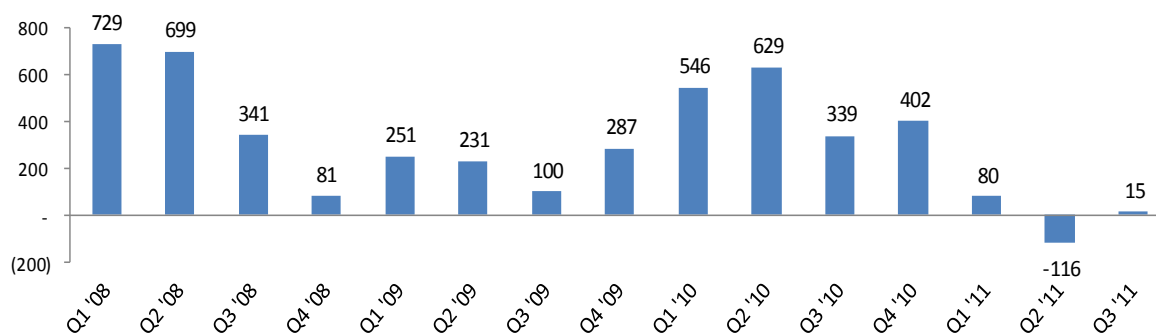
## Operational Performance Highlights for the Third Quarter:

- I. **New Contracted Sales** of EGP 305 million and **Cancellations** of EGP 290 million
- II. **Project Cash Collection** of EGP 390 million with a delinquency of 11% for 9M
- III. **Works in Process** of EGP 2.9 billion 9M 2011
- IV. **Unit Delivery** of 85 units with a value of EGP 210 million
- V. **Debt Draw Down** as of 30<sup>th</sup> Sep EGP 301 million
- VI. **Share Buy Back** of 1 million shares at EGP 18 per share have been acquired

I. **New Contracted Sales** of EGP 305 million for the quarter

		9M 2011	9M 2010	Q3 2011	Q2 2011
<b>New Contracted Sales</b>	EGP mln	<b>653.6</b>	-	<b>305.0</b>	<b>177.7</b>
Allegria	EGP mln	155.1	-	35.6	68
Kattameya Plaza	EGP mln	122.4	-	52.6	26
Forty West	EGP mln	58.7	-	4.4	10
The Polygon	EGP mln	27.5	-	21.3	6
Autoville	EGP mln	42.8	-	16.5	24
WT Sub Development	EGP mln	-	-	-	-
ET Sub Development	EGP mln	-	-	-	-
Casa	EGP mln	20.2	-	19.6	1
Other	EGP mln	32.6	-	32.6	-
Upgrades/downgrades/modifications	EGP mln	194.3	-	122.4	43
<b>Cancellations and Modifications</b>	<b>EGP mln</b>	<b>(674.1)</b>	-	<b>(290.3)</b>	<b>(293.3)</b>
Allegria	EGP mln	(276.3)	-	(33.8)	(103.2)
Kattameya Plaza	EGP mln	(30.5)	-	(9.0)	(18.0)
Forty West	EGP mln	(46.9)	-	(16.2)	(22.6)
The Polygon	EGP mln	-	-	-	-
Autoville	EGP mln	(33.1)	-	(33.1)	-
ET Sub Development	EGP mln	-	-	-	-
WT Sub Development	EGP mln	-	-	-	(90.0)
Casa	EGP mln	-	-	-	-
Other	EGP mln	-	-	-	-
Upgrades/downgrades/modifications	EGP mln	(287.3)	-	(198.1)	(59.5)
<b>Net Sales</b>	<b>EGP mln</b>	<b>(20.4)</b>	-	<b>14.7</b>	<b>(115.6)</b>
Allegria	EGP mln	(121.3)	-	1.8	(35.2)
Kattameya Plaza	EGP mln	92	-	43.6	8.2
Forty West	EGP mln	12	-	(11.9)	(12.4)
The Polygon	EGP mln	28	-	21.3	6.2
Autoville	EGP mln	10	-	(16.6)	24.4
ET Sub Development	EGP mln	-	-	-	-
WT Sub Development	EGP mln	-	-	-	(90.0)
Casa	EGP mln	20	-	19.6	-
Other	EGP mln	33	-	32.6	-
Upgrades/downgrades/modifications	EGP mln	(92.9)	-	(75.7)	(16.7)

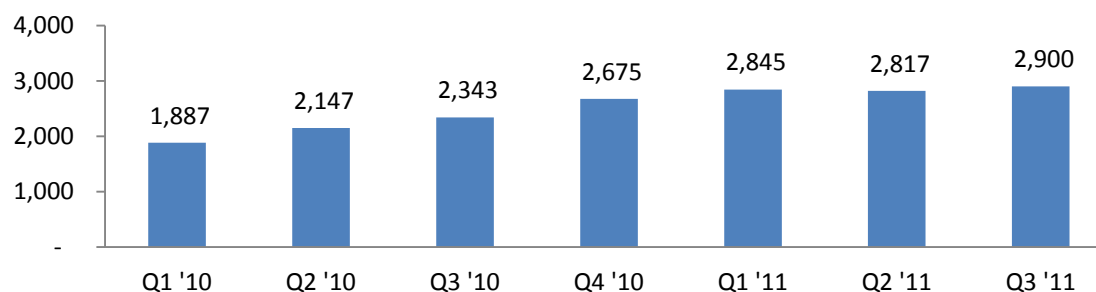
**Net Sales seasonality by Quarter Q1 '08 – Q3 '11 EGP (mln):**



II. **Project Cash Collection** of EGP 390 million for 9M, 89% of project receivables

Nine months ended June 30, 2011		Actual
<b>Receivables</b>	EGP mln	<b>390.20</b>
Allegria	EGP mln	311.00
Forty West	EGP mln	22.60
Kattameya Plaza	EGP mln	32.40
The Polygon	EGP mln	12.60
Strip (AutoVille)	EGP mln	11.60

III. **Works in Process (EGP mln)** of EGP 2.9 billion at end of 9M 2011



IV. **Unit Delivery** of 85 units with a value of EGP 210 million for the quarter

	Units Delivered	Value of Units
	Units	EGP mln
Q4 2010	107	188
Q1 2011	22	52
Q2 2011	94	213
Q3 2011	85	210
<b>Total Delivered</b>	<b>308</b>	<b>663</b>

V. **Debt Draw Down** of EGP 71 million in the third quarter from Bank of Alexandria

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<b>Bank of Alexandria (Egypt)</b>		
Amount	EGP mln	301.0
<b>Syrian Real Estate Bank (Syria)</b>		
Amount	EGP mln	41.0

<b>Development Name:</b>	Allegria			<b>Master development:</b>	Allegria
<b>Development Description:</b>	A multiple award winning residential development, situated around a Greg Norman Signature golf course. Designed by numerous local and international architects from Master Plan to Prototypes.				
<b>Development Phase:</b>	Under Construction and Delivery				
<b>Land Size:</b>	2.4 million Sqm				
<b>BUA Breakdown:</b>	<b>Sqm</b>	<b>No. of Units</b>	<b>% Lease</b>		
Residential	550,000	1,224	N/A	<b>Construction Start Date:</b>	Q3 2007
Commercial	0	0	N/A		
Retail	0	0	N/A	<b>Expected Const.</b>	Phase 1 & 2 Q4 2012
Hospitality	0	0	N/A	<b>Completion Date:</b>	Phase 3 & 4 Q4 2013
<b>SODIC Ownership:</b>		<b>Investment Cost (EGP mln)</b>		<b>Total Sales to date(EGP mln)</b>	
100%		2,215		3,357	
		<b>Expenditure to date (EGP mln)</b>			
		1,514			





<b>Development Name:</b>	Forty West			<b>Master development:</b>	Westtown
<b>Development Description:</b>	A mixed-use downtown development situated around a large piazza combining upscale residential apartments, hotel and retail units. Forty West has a diversified product mix of 1 to 4 bedroom apartments, designed by Machado and Sillvetti.				
<b>Development Phase:</b>	Under Construction				
<b>Size:</b>	Land: 28,907 Sqm			BUA: 49,362 Sqm	
<b>BUA Breakdown:</b>	<b>Sqm</b>	<b>No. of Units</b>	<b>% Lease</b>		
Residential	38,819	185	0%	<b>Construction Start Date:</b>	Q1 2010
Commercial	7,521	N/A	100%		
Retail	3,022	N/A	100%	<b>Expected Const. Completion Date:</b>	Q1 2013
Hospitality	50 Keys	N/A	N/A		
<b>SODIC Ownership:</b>		<b>Investment Cost (EGP mln)</b>		<b>Total Sales to date(EGP mln)</b>	
100%		485		276	
		<b>Expenditure to date (EGP mln)</b>			
		105			





<b>Development Name:</b>	The Polygon			<b>Master development:</b>	Westtown
<b>Development Description:</b>	The Polygon is the first purpose-built business complex in Westtown. 11 buildings situated around a green center, It can accommodate businesses from small to large, for lease or sale.				
<b>Development Phase:</b>	Under Construction				
<b>Size:</b>	Land: 41,000 Sqm			BUA: 79,000 Sqm	
<b>BUA Breakdown:</b>	<b>Sqm</b>	<b>No. of Units</b>	<b>% Lease</b>		
Residential	N/A	0	N/A	<b>Construction Start Date:</b>	Q2 2010
Commercial	66,000	0	N/A		
Retail	3,000	0	N/A	<b>Expected Const. Completion Date:</b>	Q2 2013
Hospitality	10,000	0	N/A		
<b>SODIC Ownership:</b>		<b>Investment Cost (EGP mln)</b>		<b>Total Sales to date(EGP mln)</b>	
80%		627		311	
		<b>Expenditure to date (EGP mln)</b>			
		140			





<b>Development Name:</b>	Kattameya Plaza		<b>Master development:</b>	Kattameya Plaza	
<b>Development Description:</b>	A Gated residential apartment development in East Cairo. Kattameya Plaza offers 1, 2, and 3 bedroom apartments with a variety of finishing specs as well as core and shell. Located in the vicinity of the American University in Cairo.				
<b>Development Phase:</b>	Under Construction				
<b>Size:</b>	Land: 126,000 Sqm		BUA: 111,601 Sqm		
<b>BUA Breakdown:</b>	<b>Sqm</b>	<b>No. of Units</b>	<b>% Lease</b>		
Residential	104,901	474	N/A	<b>Construction Start Date:</b>	Q1 2010
Commercial	6,700	N/A	N/A		
Retail	N/A	N/A	N/A	<b>Expected Const. Completion Date:</b>	Q4 2012
Hospitality	N/A	N/A	N/A		
<b>SODIC Ownership:</b>		<b>Investment Cost (EGP mln)</b>		<b>Total Sales to date(EGP mln)</b>	
100%		309		353	
		<b>Expenditure to date (EGP mln)</b>			
		96			

