

SODIC (“Sixth of October Development & Investment Company”) (EGX OCDI.CA) has released its consolidated financial results for the six months ended 30th of June 2017

Triple digit growth in profits driven by surge in timely deliveries and robust operating profitability

First Half 2017 Highlights

- Revenues of EGP 1,173 million, up 88% YoY
- Gross profit margin of 37%, remaining flat YoY
- Operating profit of EGP 325 million, up 100%
- Net profit of EGP 340 million up 130% YoY, net profit margin of 29%
- Cash and cash equivalents balance of EGP 3 billion covering more than 2x outstanding bank debt
- Receivables of EGP 9.9 billion with delinquencies at a low of 3.5%
- Strong backlog of unrecognized revenues with advances from customers reaching EGP 13.4 billion
- Net contracted sales of EGP 2 billion, up 7% YoY
- Cancellations remained low at 4%
- Timely delivery of 614 units more than double that of the same period last year

Second Quarter 2017 Highlights

- Revenues of EGP 470 million, up 8% YoY
- Gross profit margin 37% up 193 bps
- Operating profit of EGP 110 million remaining flat YoY
- Net profit of EGP 129 million up 33% YoY, net profit margin of 28%
- Net contracted sales of EGP 833 million
- Cancellations at 4%
- Timely delivery of 215 units up 7% YoY

Commenting on the results Managing Director Magued Sherif said “SODIC today is reaping the benefits of our land bank expansion strategy that began in 2014. Delivering solid year on year growth and record levels of revenues and earnings.

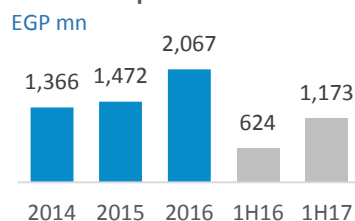
I am pleased to share yet another strong quarter of financial results driven by our unwavering commitment to delivery, backed by the strength of our balance sheet and the dedication of our teams.

Sales momentum continues with the second quarter of 2017 witnessing the launch of Sky Condos, our premium apartment offering in Villette. The launch was met with strong demand for this differentiated product.

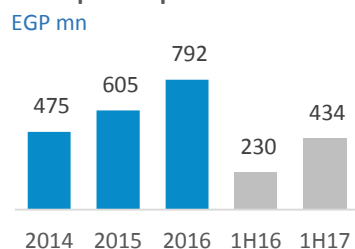
We look forward to the second half of the year that will mark the launch of SODIC East, kick starting our revenue share development in New Heliopolis. We reiterate our targets for the year with confidence in the depth of the real estate market and in the strength of our company to deliver exceptional value to all its stakeholders.”

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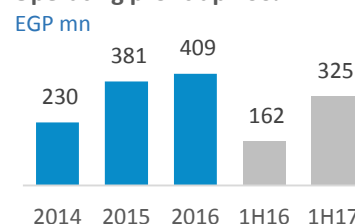
Revenues up 88%



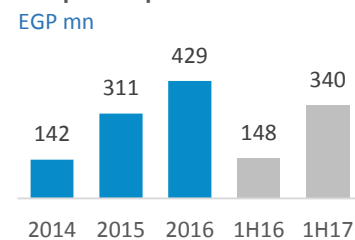
Gross profit up 88%



Operating profit up 100%



Net profit up 130%



Financial Review Income Statement

First Half 2017

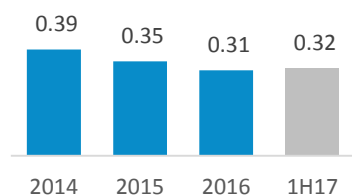
- Revenues of EGP 1,173 million were recorded, up 88% YoY. The strong performance was driven by timely deliveries in Eastown Residences and Westown Residences. The two projects represented respectively 54% and 29% of the delivered value.
- Gross profit margin remained strong coming in at a healthy 37%. The robust profitability came on the back of strong margin improvement in Eastown Residences as delivery progresses into more profitable phases.
- Operating profit doubled to reach EGP 325 million up from EGP 162 million for the same period last year. Operating profit margins were recorded at 28% an improvement of 173bps as revenue growth outstrips growth in SG&A.
- Net profit recorded triple digit growth of 130% reaching EGP 340 million. This compares to EGP 148 million for the same period last year.
- In addition to the strong operating profitability, net profit was positively impacted by higher net finance income. Interest income increased on the back of higher cash balances coupled by increased interest rates.
- Net profit margin reached 29%, this compares to 24% for the same period last year.

Second Quarter 2017

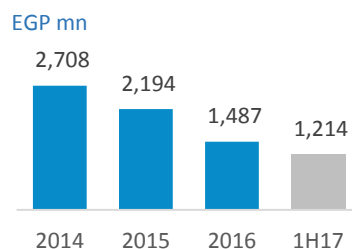
- Revenues of EGP 470 million, up 8% YoY.
- Gross profit margin came in at 37% up from 35% for the same period last year. The improvement was driven by margin recovery in Eastown Residences. The project recorded a gross margin of 30% during the quarter, this compares to 19% recorded for the first phases delivered in 2Q16. The improvement follows the anticipated trend for our projects whereby margin expansions are usually recorded over the delivery cycle.
- Operating profit remained almost flat at EGP 110 million with a healthy operating margin of 23%.
- Net profit came in at EGP 129 million, an increase of 33% while recording a net profit margin of 28%.

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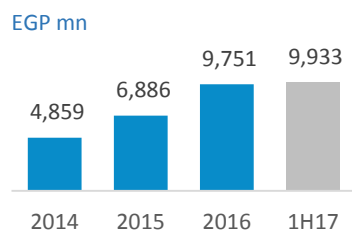
Bank debt to equity 0.3x



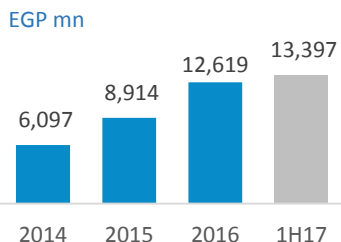
Land liabilities



Receivables



Advances from Customers



Financial Review Balance Sheet

Solid balance sheet prudently managed to support growth

- As of 30th of June 2017, our cash and cash equivalents balance stood at EGP 3 billion up 18% from year end 2016. The bulk of these balances have been invested into treasury bills optimizing income earned.
- Out of our EGP 2.6 billion bank facilities our outstanding bank debt stood at EGP 1.3 billion bringing our bank debt to equity ratio to 0.32x.
- Land liabilities continue to retract as we as we remain committed to the timely settlement of our land payments to NUCA. As of 30th of June 2017 land liabilities to NUCA stood at EGP 1.2 billion.
- Our liquid balance sheet continues to support our long term goals in executing our existing development projects as well as our land bank expansion plans. In addition our net cash position has mitigated any negative impact from the recent hikes in the Central Bank of Egypt’s base lending rates.

Consistently low delinquency rates reinforces the quality of receivables

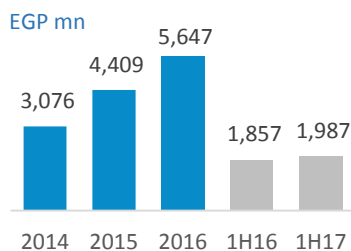
- As of 30th of June 2017 receivables stood at EGP 9.9 billion. The quality of our receivables provides strong visibility for our cash inflows as delinquency rates remain low at 3.5%

Backlog provides strong earnings growth visibility

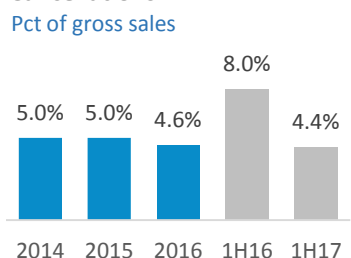
- Advances from customers stood at EGP 13.4 billion as at 30th of June 2017. The amount represents the value of units sold and are currently under development to be delivered in the coming years. The balance stems from the strong growth in contracted sales that SODIC has delivered over the past three years supported by our diligent land bank expansion and provides strong visibility for revenue growth.

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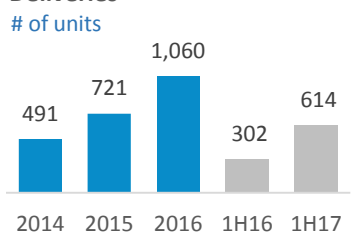
Net Contracted Sales



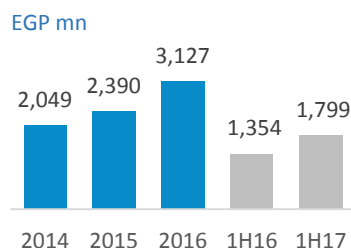
Cancellations



Deliveries



Cash Collected



Operational Review

First Half 2017

- Net contracted sales for the six month period came in at EGP 2 billion, up 7% and on track to achieving our target for the year of EGP 5.6 billion.
- 567 units were sold during the year versus 524 units during the same period last year an increase of 8%.
- Cancellations remained low at 4%, compared to 8% for the same period last year reflecting the continuation of healthy demand.
- Collections during the first half of 2017 grew by 33% to EGP 1.8 billion up from EGP 1.35 billion for the same period last year. Delinquencies came in at a low rate of 3.5%.
- 614 units were delivered across eight projects, more than double the 302 units delivered during the same period last year. The main contributor to deliveries remains Eastown Residences constituting 63% of the delivered units, followed by Westown Residences accounting for 30% of the delivered units.

Second Quarter 2017

- Net contracted sales for the 2Q17 were EGP 833 million mainly driven by the strong performance of the first launch of Sky Condos, our multiple family product in Villette. The performance comes against a strong comparator of EGP 1.2 billion for the same period last year and reflects the limited release of inventory during the quarter that coincided with the Holy month of Ramadan.
- Cancellations for the quarter recorded c.4%¹, down from 7.4% during the same period last year.
- Collections remained strong growing by 35% during the quarter recording EGP 903 million. This compares to EGP 692 million collected during the same period last year.
- Deliveries during the second quarter remained on schedule with 215 units delivered. The delivery mix continues to be dominated by Eastown Residences as we deliver into Phase 6 of the project.

¹adjusted to reflect the reversal of the cancellation of 3 large units

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Summary Consolidated Income Statement

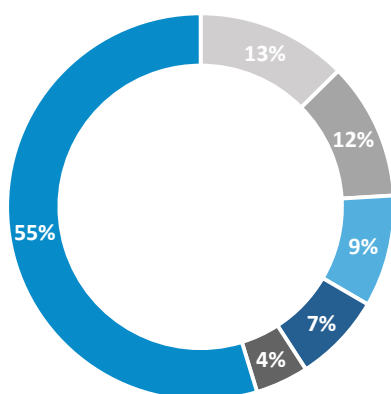
| EGP in mn | 1H17 | 1H16 |
|---|------------|------------|
| Total Revenue | 1,173 | 624 |
| Cost of Goods Sold | (739) | (394) |
| Gross Profit | 434 | 230 |
| Gross Profit Margin | 37% | 37% |
| Operating Profit | 325 | 162 |
| Operating Profit Margin | 28% | 26% |
| Net Profit Before Tax | 458 | 204 |
| Taxes | (116) | (47) |
| Minority Interest | (1) | (10) |
| Net Profit After Tax and Minority Interest | 340 | 148 |
| Net Profit Margin | 29% | 24% |

Selected Consolidated Balance Sheet Items

| EGP in mn | Jun-17 | Dec-16 |
|---|--------|--------|
| Assets | | |
| Total Assets | 21,972 | 20,776 |
| Work In Process | 7,511 | 7,194 |
| Long Term & Short Term Net Trade and Notes Receivable | 9,933 | 9,751 |
| Cash and cash equivalent | 3,046 | 2,571 |
| Liabilities & Shareholder Equity | | |
| Bank Credit Facilities & Long Term Loans | 1,336 | 1,196 |
| Advances from Customers | 13,397 | 12,619 |
| Total Equity | 4,168 | 3,821 |

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Shareholding Structure as at 30/06/2017



- Olayan Saudi Investment Company
- Abanumay Family
- Ripplewood Advisors L.L.C
- RIMCO
- EFG Hermes Holding
- Others

About SODIC

Building on a history of almost two decades of successful operations in Egypt, SODIC is one of the country’s leading real estate development companies, bringing to the market award-winning large scale developments to meet Egypt’s ever-growing need for high quality housing, commercial and retail spaces.

Headquartered in Cairo and listed on the Egyptian stock exchange (EGX) under OCDI.CA, SODIC is one of the few non-family owned companies traded on the EGX, with a strong corporate governance framework.

Forward Looking Statements

Statements contained in this document that are not historical facts are based on current expectations, estimates, projections, opinions and beliefs of SODIC. Such statements involve known and unknown risks, uncertainties and other factors; undue reliance should not be placed thereon. Certain information contained herein constitutes “targets” or “forward-looking statements,” which can be identified by the use of forward-looking terminology such as “may,” “will,” “seek,” “should,” “expect,” “anticipate,” “project,” “estimate,” “intend,” “continue” or “believe” or the negatives thereof or other variations thereon or comparable terminology. Actual events or results or the actual performance of SODIC may differ materially from those reflected or contemplated in such targets or forward-looking statements. The performance of SODIC is subject to risks and uncertainties. Various factors could cause actual results to differ materially from those expressed or implied by the forward-looking statements in this document including worldwide economic trends, the economic and political climate of Egypt, the Middle East and changes in business strategy and various other factors.

SODIC Investor Relations Contact Information

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