

## SODIC signs settlement in relation to 1,400 acres of Sheikh Zayed Land

By way of background,

A judgement was passed by the criminal court against the former Chairman of Sixth of October Development & Investment Company ("SODIC"), Mr. Magdy Rasekh and other defendants, being non related parties to SODIC, in their personal capacity on 21<sup>st</sup> of September 2015, on account of misappropriation of public funds and profiteering with respect to the Sheikh Zayed land of approximately 1,400 acres acquired by SODIC by virtue of sale contract dated 19 November 1995.

On 21<sup>st</sup> of December 2016 a judgment was issued by the Court of Cassation confirming the former judgment issued against SODIC's former chairman in absentia and in the presence of other defendants, noting that the judgment and the penalties mentioned therein only concerns the accused persons in their personal capacity and does not involve SODIC, in accordance with the provisions of law.

Nonetheless, based on the above judgments, and during the course of the recent investigations carried out by the Illicit Gains Authority ("IGA"), SODIC was requested to respond to certain queries with respect to the land owned in Sheikh Zayed. The Company attended such discussions to ascertain its solid legal position and that the issue of the case concerns the defendants in their personal capacities and that SODIC had not committed any violations and was not part of any of the criminal proceedings mentioned above noting that these issues relate to the contracts signed over 20 years ago.

Nonetheless the IGA insisted on the application of Article 18 of the Illicit Gaining Law No. 62 of 1975 (as amended) on the Company in relation to the aforementioned transactions and facts, claiming that the Company had gained illicitly, and that such gains must be returned with the possibility of settlement in accordance with Articles 14 bis and 14 bis (c) of the above mentioned law.

It is worth noting that entering into lengthy legal disputes with the IGA would have significant negative implications on the Company and its stakeholders, and that SODIC maintains a keen interest in keeping a stable operation. The Company is also keen to promptly settle any disputes with all judicial, administrative and governmental bodies and with the objective of avoiding legal procedures against the Company that may result in negative implications on the operation. Accordingly and acting in good faith, SODIC has signed a final settlement agreement on the 6<sup>th</sup> of December 2018 with the IGA ("Settlement Agreement").

Pursuant to the Settlement Agreement, SODIC accepted to pay a total settlement amount of EGP 800 million as a final and comprehensive settlement of all allegations raised against the Company with respect to this issue. The payment will be as follows:

- A payment of EGP 250 million upon signature of the Settlement Agreement
- Followed by four payments;
  - o EGP 169.5 million to be paid on 1st of March 2019
  - o EGP 169.5 million to be paid on 1st of September 2019
  - o EGP 105.5 million to be paid on 1st of December 2019
  - o EGP 105.5 million to be paid on 1st of December 2020

As per the Settlement Agreement the Company shall not be requested to pay any additional amounts with regards to the Sheikh Zayed plot of land and has been discharged from any claims with respect to the said matter.

**The anticipated impact on the financial statements of SODIC are as follows:**

The amount to be paid relates to the Sheikh Zayed land, commercially known as SODIC West ("the Project"). The below highlights key information regarding the Project and the Settlement:

- The total revenues of the project, including those historically recognized as well as the future anticipated revenues, amounts to EGP 19 billion.
- The settlement amount of EGP 800 million represents 4.1% of the total revenues of the project. This additional cost will result in an erosion of 4.1% of the total gross profit margin for the project.
- The entire settlement amount will be allocated to the cost of the project as follows.
  - o Approximately 48% of the projects estimated total revenue has been recognized in the period 2002 to 2017, in addition it is estimated that a total of 4% of the projects revenue will be recognized in 2018.
  - o Accordingly it is estimated that a total of 52% of the settlement amount is to be recognized on the income statement of the financial year ended December 2018 attributed to the portion of the project revenues that have already been recognized since 2002 up to the end of the financial year 2018.
  - o The remaining 48% of the settlement amount will be capitalized under the Work In Progress account as a cost element allocated to the future revenues to be recognized upon delivery of the projects remaining units.

Despite the settlement having a one off impact on the income statement of 2018, the effect of this additional cost on the total Project is less pronounced, and can be summarized as follows:

- 4.1% erosion of the total gross profit margin of the Project
- 3.2% erosion of the total net profits margin after tax of the Project

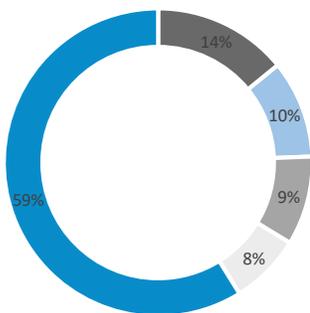
With respect to the funding, the payments will be fully funded from the following sources:

- Cash and cash equivalents balances on hand
- Projects cash inflows estimated at EGP 9.3 billion as follows:
  - o Receivables on hand from the Project amount to EGP 2.3 billion
  - o Future contracted sales estimated at EGP 7 billion
- Bank credit facilities

The Company maintains its strong financial position and exceptionally liquid balance sheet, and continues to leverage this strength to deliver to all its stakeholders while pursuing growth opportunities.

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### Shareholding Structure as at 30/09/2018



- Olayan Saudi Investment Company
- Abanumay Family
- Ripplewood Advisors L.L.C
- RIMCO
- 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

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