ORASCOM DEVELOPMENT EGYPT

Earnings Release FY 2020

Orascom Development Egypt (ODE) (EGX: ORHD.CA) has released its consolidated financial results for FY 2020.

ODE delivers a strong set of results in a very challeging year supported by a 32.3% sales boost in Q4 2020. FY 2020 revenues reached EGP 5.0 billion, net profits of EGP 571.3 million and a cash balance of EGP 2.1 billion.

Key Highlights Q4 2020

- **Revenues increased by 30.7% to EGP 1.72 billion vs. EGP 1.32 billion in Q4 2019.**
- **Operating EBITDA jumped by 45.1% to EGP 470.2 million, with a 27.3% margin vs. EGP 324.1 million in Q4 2019 and a margin of 24.6%.**
- **Net profit increased by 4.6% to EGP 213.9 million vs. EGP 204.4 million in Q4 2019.**
- **Net real estate sales increased by 32.3% to EGP 1.8 billion recording the highest Q4 sales to date.**

Key Highlights FY 2020

- **Revenues increased by 7.0% to EGP 5.0 billion vs. EGP 4.7 billion in FY 2019, despite the halt in the tourism industry from Covid-19.**
- **Operating EBITDA reached EGP 1.4 billion, with a 27.4% margin.**
- **Net profit of EGP 571.3 million.**
- **Net real estate sales reached EGP 6.2 billion.**
- **Total deferred revenue from real estate increased by 24.3% to EGP 8.7 billion.**
- **Total real estate portfolio receivables increased by 32.1% to EGP 11.7 billion.**
- **Real estate cash collections increased by 25.0% to EGP 3.1 billion vs. EGP 2.4 billion in FY 2019.**
- **Cash balance increased by 79.2% to EGP 2.1 billion from EGP 1.1 billion in FY 2019, signaling strong liquidity position.**

Cairo, 16 March 2021 – We finished a challenging 2020 with another quarter of sequential improvements financially and operationally. Our results demonstrate the continued strength and relevance of Orascom brand, the success of our business model and the effectiveness of the actions we have taken to quickly adapt to the changes caused by the Covid-19 pandemic. Our focus on delivering differentiated solutions drove us to navigate through 2020. ODE's strong balance sheet put us in a good position to weather the challenges of 2020 while investing for future growth.

CEO Omar El Hamamsy, added "I am very proud of the way ODE responded to the Covid-19 crisis in 2020. We quickly focused on liquidity, cost management, and execution, while rapidly innovating and ramping all our products. We entered 2021 with a positive momentum following two quarters of sequential improvement. I am confident we are well-positioned for the economic recovery and will continue to deliver solid performance for our shareholders, our customers, and our employees in the short and long term."

Financial Review:

Fourth Quarter 2020:

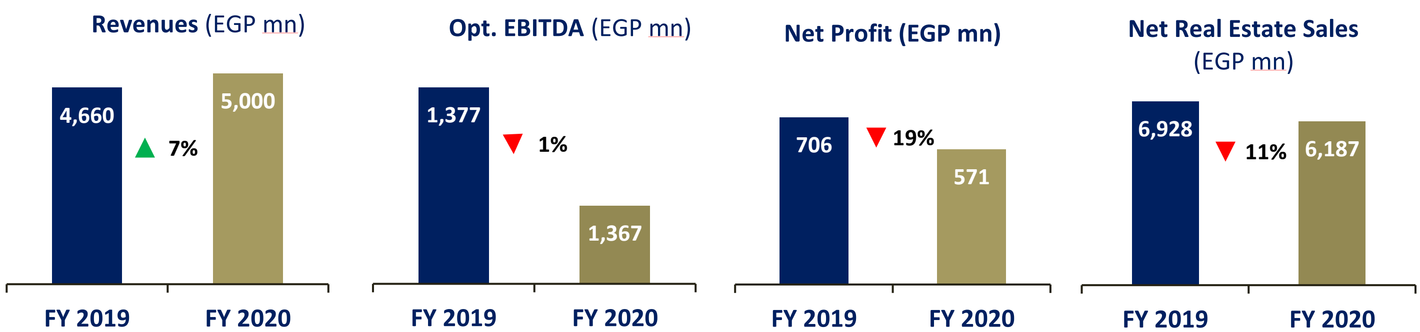
Revenues for Q4 2020 reached EGP 1.72 billion, up by a remarkable 30.7% vs. Q4 2019 and 28.3% vs. Q3 2020. The increase was driven by the accelerated construction pace across all destinations, in addition to the enhanced operational performance in the town management segment of El Gouna. Gross profit expanded 34.0% y-o-y in Q4 2020 to EGP 459.8 million (Q4 2019: EGP 343.2 million), with a margin of 26.7% vs. 26.0% in Q4 2019 and 27.7% in Q3 2020. Operating EBITDA increased by 45.1% to EGP 470.2 million (Q4 2019: EGP 324.1 million). EBITDA reached EGP 399.6 million in FY 2020. Net profits were up 4.6%, despite the headwinds from Covid-19 to EGP 213.9 million (Q4 2019: EGP 204.4 million).

FY 2020:

ODE closed FY 2020 with total consolidated revenues of EGP 5.0 billion, up 7.0% y-o-y despite headwinds from the prevailing Covid-19 pandemic affecting our hospitality business segment. Real estate revenues reached EGP 3.3 billion, growing by a sizeable 37.3% y-o-y, supported by the speeding of the construction activities across all our destinations. Gross profit increased by 5.6% to EGP 1.41 billion in FY 2020 (FY 2019: EGP 1.34 billion). Gross margins came in at 28.4%, broadly in line with last year's result of 28.8%, confirming the company's ability to successfully mitigate cost pressures through these challenging circumstances. Operating EBITDA remained stable and stood at EGP 1.37 billion, compared to same period last year and EBITDA reached EGP 1.3 billion (FY 2019: EGP 1.6 billion).

The enhanced performance of Red Sea for Construction continued to contribute positively to our share of associates recording a solid 43.3% increase to EGP 136.3 million (FY 2019: EGP 95.1 million). ODE continued to generate finance cost savings, due to the decrease in Libor and Corridor rates. Interest expense decreased by 23.2% to EGP 324.5 million in FY 2020 (FY 2019: EGP 422.4 million).

Net profit reached EGP 571.3 million in FY 2020 (FY 2019: EGP 705.6 million). Bottom line figures includes FX losses of EGP 43.9 million compared to FX gains of EGP 228.4 million in FY 2019. ODE continued its prudent cash management ending the year with a cash balance of EGP 2.1 billion, an increase of 79.6%, compared to the EGP 1.1 billion in FY 2019. Total debts reached EGP 3.5 billion, while net debt reached EGP 1.5 billion (FY 2019: EGP 2.1 billion). Our net debt to operating EBITDA went down from 1.6x in FY 2019 to 1.1x in FY 2020. ODE's management continue to carefully monitor the situation and believes that the Company's proven track record, strong financials and disciplined approach will continue to allow ODE to flourish during those challenging circumstance.



Group Real Estate: Continues to record stellar financial and operational results, with its highest Q4 real estate sales to date reaching EGP 1.8 billion, coupled with accelerated construction across all destinations

The Company continued its positive sales pacing in Q4 2020. New sales reached EGP 1.8 billion, a growth of 32.3% compared to EGP 1.4 billion in Q4 2019 and 17.3% increase over the EGP 1.5 billion reported in Q3 2020. Growth in sales during the quarter was supported by recovery in home buying transactions following the easing of restrictions and precautionary measures imposed in relation to Covid-19, an increase in the secondary homes demand on Red Sea area, and an uptick in our O West sales. Net real estate sales for FY 2020 were down 10.7% to EGP 6.2 billion (FY 2019: EGP 6.9 billion). It is worth mentioning that last year's sales figures included the initial successful launch of O West. O West continued to be the group's largest contributor to new sales (54%), followed by El Gouna (39%) and Makadi Heights (7%).

We were also able to continue increasing our average selling prices since the beginning of the year across all destinations. Remaining committed to timely deliveries, we picked up the pace of construction in 1H 2020 after taking necessary precautions to ensure health and safety standards on construction sites were met. ODE delivered 254 units in 2020 across its projects, meeting all our planned contractual delivery dates allowing us to leverage the strength of our balance sheet and cash flows to deliver strong performance in turbulent times. Revenues increased by 37.3% to EGP 3.32 billion (FY 2019: EGP 2.42 billion). Operating EBITDA also increased by 34.4% to EGP 1.17 billion in FY 2020. Total deferred revenue from real estate that is yet to be recognized until 2024 increased by 24.3% to EGP 8.7 billion (FY 2019: EGP 7.0 billion). Real estate cash collections increased by 25.0% to EGP 3.1 billion vs. EGP 2.4 billion in FY 2019, which resulted in an increase of our total real estate portfolio receivables by 32.1% to EGP 11.7 billion (FY 2019: EGP 8.8 billion). It is important to highlight that cancellations remained low, reaching only 3% of gross sales and delinquencies stood at 4%.

Group Hotels' results dramatically impacted by the global pandemic

Operational and financial results of the company's hotel segment during FY 2020 have been significantly impacted by the outbreak of Covid-19 pandemic. The pressure on the segment continued throughout Q4 2020 on the back of weak international travel. While Egypt has restored international air flights on 1 July 2020, only 1.4 million tourists visited Egypt since July and until the end of December, bringing the total number of tourists who visited Egypt in 2020 to 3.7 million tourists compared to 13.6 million tourists in 2019.

Currently, our hotel business is highly dependent on local tourism while still operating at the 50% capacity limit instated by the Government. The company has responded to these conditions with a resolute plan to temporarily lower hotel operating costs, which mitigates the impact of disruptions on the liquidity position of these assets. Management remains confident that the long-term potential and outlook for the segment remains positive, especially with the current vaccine rollout plans.

Revenues of the segment came in at EGP 499.0 million in FY 2020, detracting by 67.0% y-o-y. The revenue squeeze started in Q2 2020 due to the partial closures and insignificant occupancies. With the re-opening of the hotels and the 50% occupancy regulation, we started focusing our efforts to tailor products that cater for the local demand. Improvement was witnessed during the second half of the year with revenues reaching EGP 121.0 million in Q4 2020, yet still remained 68.2% below Q4 2019 figures. GOP for the segment remained positive reaching EGP 2.3 million compared to EGP 600.5 million in FY 2019. Operating EBITDA of the segment came in at EGP 3.7 million in FY 2020 compared to EGP 516.3 million in FY 2019.

Group Destination Management continues its resilient performance, in spite of the challenges raised by Covid-19

Destination management segment has maintained its solid ground and continued to secure its recurring revenue stream to the group. Revenues in Q4 2020 increased by 17.9% to EGP 206.2 million (Q4 2019: EGP 174.9 million) while operating EBITDA reached EGP 19.3 million in Q4 2020. The increase in revenues was a result of the increase in revenues generated from the utility functions which includes water and electricity, whereby more Gouna homeowners preferred to work from Gouna rather than in Cairo and thus increasing their utility usage. We were able to resume some of our events as of the 21st of September 2020 and were able to successfully host the 4th edition of El Gouna Film Festival from the 23rd till the 31st of October 2020. Total revenues for FY 2020 remained stable at EGP 684.9 million.

Substantial refinancing agreements on corporate level

On November 23rd, 2020, ODE signed a medium-term loan agreement to refinance and upsize its outstanding debt with the equivalent of USD 265 million, 7 years term loan with a 2.5-year grace period. ODE intends to use the proceeds as follows: 1) Up to USD 215 million, to refinance outstanding balances of its debt to relieve the company from upcoming debt commitments. 2) An additional tranche of up to USD 50 million (in Egyptian Pounds), will be available for drawdown over 2 years for future growth opportunities at the discretion of the group including any planned capex for roll out of new rooms and renovation of hotels in the group's destinations. The loan agreement has enabled the Company to optimize its financing terms, extending its tenors and improving its overall financial stance.

In December 2020, ODE sold its 35.25% stake in "New City Housing & Development" previously known as Orascom Housing Communities (OHC), for an amount of EGP 128.6 million.

Outlook 2021: Path towards a sustained recovery

Covid-19 continues to weigh upon the travel and tourism sector, with governments and industry bodies looking for a path towards a sustained recovery. While restrictions on movement and international travel have begun to ease, controlled and consistent growth will be the key to achieving previous levels of demand. There is a lot of uncertainty in the market regarding the expected performance of hotels. Even with international flights and tourist spots open since the second half of the year, pick up in key tourism sectors has been slow and hotels have been operating below 50% capacity due to the ongoing pandemic.

The necessary drastic measures undertaken by governments and countries worldwide, and the consistently changing situation amid Covid-19, makes it impossible to provide an accurate outlook on its ramifications for 2021 operational and financial results. Accordingly, the group decided to abstain at the time being from providing guidance for 2021; however, we intend to provide an update of the evolving situation during all our quarterly results calls and market communications as needed.

We entered 2021 with a positive momentum following two quarters of sequential improvement and remain confident in the operational and financial stance of the group which will allow it to deliver on its targets and plans for the year. The group implemented several initiatives to keep the performance in 2021 at its maximum level.

- **For our hotels:** We focused on cash burn rate management, by formulating cost management strategies for destinations heavily reliant on international tour operators' business such as Taba Heights. We have 'hibernated' similar properties and will implement the fast follower strategy by rapidly restoring business when international travel reopens. We also began heavily exploring domestic business, with new product development and distribution targeting Egyptian nationals.

We started with El Gouna where we were able to increase the destination's hotel's occupancies due to improving local demand. A close eye was kept on the segment's cash as well, particularly account receivables for the hotels business, and we began identifying new opportunities to reduce the group's reliance on tour operators and increase independent revenue streams at hotels.

- **For our real estate segment:** We will continue fast-tracking our real estate construction pace to meet contractual dates and sometimes deliver before time, ultimately increasing the segment's revenues. We will also continue to 1) increase average selling prices across all destinations, with focus on O West and Makadi Heights, 2) closely monitor cash and account receivables for the segment, 3) closely examine construction and infrastructure costs to guarantee high value engineering and procurement savings, and 4) maximize cross-selling synergies between our destinations and properties.

- **Our town management segment** is a reliable source of cashflow, we consider town management essential to finance ODE's growth and shield our operations from cyclical slowdowns in the sellable development business. As such, we plan to execute a multi-pronged development strategy which includes mining for more cost-saving opportunities — a relatively rapid process — and uncover new ancillary revenues, which may require more time but will be systematically integrated into our strategies going forward as a recurring revenue stream. We will also leverage our steady growth and expanding number of residents to demonstrate our successes in disciplined deliveries and correct targeting across all destinations. Relevantly, we will also provide attractive offerings for start-ups and entrepreneurs.

Details on the Destinations

El Gouna, Red Sea

El Gouna real estate sales continued to benefit from the concentration of extended-stay from people during the lock-down. Real estate sales increased by 10.6% to EGP 2.4 billion in FY 2020 (FY 2019: EGP 2.2 billion). Q4 2020 real estate sales increased by 7.2% to EGP 535.1 million. We were also able to continue increasing our average selling prices since the beginning of the year, increasing them by 11.1% during FY 2020 to EGP 56,581 per sqm. We launched "Fanadir Sea Front" in November 2020 with a total inventory of USD 88 million and "Shedwan" with a total inventory of USD 110 million. We are continuing the acceleration of our construction activity across our projects meeting all our delivery schedule dates. Real estate revenues increased by 19.8% to EGP 2.16 billion (FY 2019: EGP 1.81 billion).

In Egypt, as per governmental decree, hotels are still restricted to 50% of their total capacity since June 2020. More than 95% of the hotels' guests are locals. Nevertheless, the hotels segment started to witness a slow uptick in revenues and occupancy starting Q3 2020 which continued in Q4 2020, with the relaxed measures implemented by the Government. In November 2020, new hotel packages were introduced to attract the affluent Egyptian clientele travellers who are not much familiar with the destination capitalizing on the suppressed need for travel. Q4 2020 revenues reached EGP 112.9 million up from EGP 89.3 million in Q3 2020 and occupancy rates also improved from 19% in Q3 2020 to 25% in Q4 2020 (Q4 2019: 79%). During FY 2020, revenues decreased by 64.4%, to EGP 447.7 million. Nevertheless, immediate implementation of cost saving, and cash preservation measures resulted in an overall positive GOP of EGP 48.4 million in FY 2020 (FY 2019: EGP 603.1 million). Occupancy rates for total rooms reached 27% in FY 2020 (FY 2019: 82%). ARR increased by 7.7% to EGP 1,275 (FY 2019: EGP 1,184).

Destination management continued to be relatively resilient despite Covid-19 impact with revenues up by 1.3% in FY 2020 to EGP 659.7 million (FY 2019: EGP 651.5 million). The increase was backed by the increase in revenue generated from utility functions, community services as well as maintenance activities. Whereby more Gouna homeowners preferred to stay in El Gouna instead of staying in Cairo and thus increasing their utility usage. Occupancy rate for "El Gouna Homes" in Q4 2020 reached 59% and for FY 2020 reached 65%.

O West, Egypt – Tremendous growth in first home market during Q4 2020

New sales during Q4 2020 reached EGP 1.2 billion, a tremendous growth of 46.9% y-o-y. Growth in sales during the quarter was supported by the strong recovery in home buying transactions following the easing of restrictions and precautionary measures previously imposed due to Covid-19. Net contracted sales decreased by 23.3% to EGP 3.3 billion in FY 2020 (FY 2019: EGP 4.3 billion). It is worth mentioning that last year's sales figures was heavily skewed due to the first and successful launch of O West. During FY 2020, we increased the average selling prices by 19.3% to EGP 25,573 per sqm and launched a total inventory of c. EGP 3.9 billion in Whyt and Tulwa. Our newest launch was in February 2021, "Qemet", a real estate project with a total inventory of EGP 7.5 billion.

The launched phase included only EGP 1.7 billion. We are speeding up our construction pace in the destination with 406 villa skeleton keys already being visible with plans to start construction of our apartments in Q2 2021. Construction of the three schools is expected to start in the first half of 2021, subject to the approval of the respective authorities. Total real estate revenues from O West increased by 64.7% to EGP 916.8 million in FY 2020 (FY 2019: EGP 556.6 million). We are finalizing the development of O West Club masterplan, which will be a main add-on to the destination. In 2020, a total of 547 new memberships were added to O West Club (membership fee is EGP 150,000), bringing the total number of memberships in the club to 1,482 memberships, securing a steady recurring income flow. The destination booked EGP 400.1 million of land revenue coming from the school agreements that were signed in 2020. Total revenues of O West increased by 136.6% to EGP 1.3 billion (FY 2019: EGP 556.6 million).

Makadi Heights, Egypt – Excellent sales figures

The destination continued to deliver excellent sales figures. In Q4 2020, Makadi Heights recorded a 45.9% increase in real estate sales to EGP 113.4 million compared to EGP 77.7 million in Q4 2019. While in FY 2020 net real estate sales were up 12.6% to EGP 450.4 million (FY 2019: EGP 400.1 million). We launched a total inventory of EGP 450 million among four projects “Bayou”, “Jade”, “Topio”, and “Sole”, all sold out during the year. In Q1 2021, we launched “Cape” a new real estate project with a total inventory of EGP 500 million of which EGP 200 million were launched in Q1 2021. We are continuing to speed up the construction of Phase 2 of the project with plans to deliver 244 units in 2022. More revenues are expected to be generated in over the coming quarters. Real estate revenues increased by 607.1% to EGP 220.6 million (FY 2019: EGP 31.2 million).

We signed a cooperation agreement with “Telecom Egypt WE” for the implementation of the communications and information technology infrastructure for the destination and finalized the construction of the football court and two tennis courts in the Club House. 2020 witnessed the launch of several new tenant stores at Makadi Heights Mall, Bouza Roll, Circle K and Bus Stop in addition to other essential amenities serving the daily needs of the current residents. Total revenues from Makadi destination increased by 235.7% to EGP 234.3 million (FY 2019: EGP 69.8 million).

Taba Heights, Egypt - Developing and promoting business opportunities with local operators

Taba Heights continues to struggle. Borders with Jordan remain closed since March 2020. Accessibility from within Egypt has always been, and continues to be, a major challenge. During FY 2020, only Strand Beach & Golf Resort has been opened with 163 rooms out of the existing 503 rooms, mainly filled by local business. Our short-medium term strategy for Taba Heights remains focused on developing and promoting existing and potential business opportunities with local operators. We will continue to reduce our cash burn rate and implement several cost savings initiatives while simultaneously making sure to have Taba Heights up and running at full capacity when circumstances improve, and tourists return. In FY 2020, total revenues reached EGP 47.7 million (FY 2019: EGP 219.0 million). Occupancy rate reached 11% compared to 48% in FY 2019. Taba Heights reported a GOP loss of EGP 46.6 million compared to a loss of EGP 4.6 million in FY 2019.

Key Figures for the FY 2020/19:

Revenue by Segment (EGPmn)	Q4 2020	Q4 2019	FY 2020	FY 2019
Hotels	121.0	380.3	499.0	1,512.2
Real Estate	1,395.3	736.6	3,320.6	2,418.4
Land	–	25.7	482.2	25.7
Town Management	206.2	174.9	684.9	703.6
ODE Group	**1,722.5**	**1,317.5**	**4,986.7**	**4,659.9**

(EGPmn)	Q4 2020	Q4 2019	FY 2020	FY 2019
Revenue	**1,722.5**	**1,317.5**	**4,986.7**	**4,659.9**
Cost of sales	(1,262.7)	(974.3)	(3,572.2)	(3,319.9)
Gross profit	**459.8**	**343.2**	**1,414.5**	**1,340.0**
Gross profit margin	*26.7%*	*26.0%*	*28.4%*	*28.8%*
Investment income	31.8	40.4	86.7	167.6
Administrative expenses	(21.4)	(59.5)	(134.3)	(130.2)
Opt. EBITDA	**470.2**	**324.1**	**1,366.9**	**1,377.4**
Adj. EBITDA margin	*27.3%*	*24.6%*	*27.4%*	*29.6%*
Other gains/losses	(126.7)	59.6	(213.1)	178.1
Share of associates gains/losses	56.1	54.7	136.3	95.1
EBITDA	**399.6**	**438.4**	**1,290.1**	**1,650.6**
Depreciation	(43.8)	(74.0)	(184.5)	(230.1)
Finance costs	(88.2)	(96.9)	(324.5)	(422.4)
Income tax expense	(53.7)	(63.1)	(209.8)	(292.5)
Net Profit for the period	**213.9**	**204.4**	**571.3**	**705.6**
ODE shareholders	**188.4**	**205.2**	**532.2**	**678.6**
Non-controlling interest	25.5	(0.9)	39.1	26.9
Basic EPS (EGP)	**0.17**	**0.18**	**0.48**	**0.61**

(EGPmn)	31.12.20	31.12.19
Property, plant, and equipment	4,709.6	4,435.9
Inventory	7,721.9	7,241.8
Receivables	2,836.7	1,904.6
Cash and bank balances	2,046.6	1,139.3
Investments in associates	285.0	249.1
Other assets	1,295.1	1,629.0
Total assets	**18,894.9**	**16,599.7**
Borrowings	3,551.5	3,278.1
Payables	6,367.4	5,828.5
Provisions	383.5	303.7
Other Liabilities	4,922.3	4,108.8
Total liabilities	**15,224.7**	**13,519.1**
Non-controlling interests	719.4	682.7
Equity attributable to ODE shareholders	2,950.8	2,397.9
Total liabilities and equity	**18,894.9**	**16,599.7**

Presentation:

The associated presentation and financial statements can be found on Orascom Development Egypt's website **https://www.orascomde.com/investor-relations** under the Investor Relations section.

Telephone conference hosted by CI Capital on March 16, 2021 at 3:00 pm Cairo Local Time (CLT).

A telephone conference for analysts and investors hosted by CI Capital will be held in English on Tuesday, 16th of March 2021: at 3:00 PM Cairo Local Time. Chief Executive Officer, Omar El Hamamsy, Chief Financial Officer, Ashraf Nessim, Head of Investor Relations and Strategic Projects Management, Sara El Gawahergy will present the FY 2020 results and will be available to answer questions. A registration is not required.

Dial-in details are as follows:

Click here for webinar link

A call recording will be available after the call

About Orascom Development Egypt (ODE):

Orascom Development Egypt (ODE) is the largest subsidiary of Orascom Development Holding (ODH). ODE is an integrated developer of resort towns in Egypt, with a vertically integrated business model involving the development of residential units, hotels, and recreational facilities such as golf courses, town centers, and marinas, in addition to supporting infrastructure, such as hospitals, schools, and utilities. ODE currently owns a land bank of 49.9 million square meter and 24 hotels with a total of 4,950 rooms within four operating destinations. El Gouna, on the Egyptian Red Sea Coast in Hurghada, Taba Heights, on the Sinai Peninsula, Makadi in Hurghada and Byoum in Fayoum. ODE also launched O West, the latest addition to its portfolio and its first project in Cairo, Egypt, located in 6th of October City.

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