

TMG Holding achieves record sales of EGP15bn in newly launched Noor project, the biggest sales launch in recent history bringing total sales to a record EGP21bn in 1H2021; total sales guidance revised upwards to around EGP30bn for FY2021

Noor sales reach a record EGP15bn in just three weeks, achieving the highest launch sales for a real estate developer in Egypt

Talaat Moustafa Group Holding (“**TMG Holding**” or the “**Group**”) is pleased to announce that, in less than six months after signing a contract to acquire 5,000 feddans or 21.0mn square meters (sqm) of prime land in East Cairo from New Urban Communities Authority, it has launched sales in “**Noor**”, a new integrated mega-city. Since the launch at the beginning of last month and, until 30 June 2021, Noor has recorded unprecedented sales in excess of **EGP15bn, achieving the highest launch sales for a real estate developer in Egypt and meeting unmatched demand from new and existing clientele.** Following detailed market study and good understanding of the needs of our target segment of end-users and long-term investors in the current macroeconomic environment, multi-tenant and stand-alone units have been launched on very attractive and competitive payment plans of 5, 10 and 15 years in length.

Unique financial engineering applied in Noor significantly reduces long-term development risks while guaranteeing fixed profits

As evidenced by the remarkably strong sales result in Noor, TMG Holding’s management has accurately recognized the market’s need for long-term yet affordable payment plans. These payments plans swiftly improve product affordability and unlock yet untapped additional demand and are provided without affecting the company’s liquidity and working capital position going forward. Longer payment plans applied in Noor were achieved through a unique hedging mechanism agreed upon between TMG Holding, National Bank of Egypt, Banque Misr and Banque du Caire, eliminating any future interest rate risks on the Group while offering these long-term and affordable payment plans. Thanks to this arrangement, TMG Holding will be able to discount up to EGP15bn worth of uncollected receivables from Noor project post unit delivery at a net discounted value of EGP9bn (covering EGP33bn worth of sales) at a fixed and known cost, which the Group was able to already price into its payment plans upon launch. Given that TMG has already sold EGP15bn worth of units in Noor, it still has significant room of EGP18bn of new sales to be covered by this facility.

This unique mechanism thus i) allows the Group to address untapped demand through longer payment plans improving product affordability, resulting in significant additional sales, ii) eliminates downside risks related to changing interest rate environment in the long-term and iii) allows the Group to recognize additional profits upon discounting of cheques post-delivery.

Simultaneously, given the massive scale of the upcoming development effort in Noor, management has devised similarly unique arrangements with the Group's key contractors, effectively fixing annual escalation of construction costs and eliminating its liability for any sharp changes in building material costs going forward. Construction of Noor is planned to commence in September 2021.

Online sales platform delivers remarkable performance during its first weeks of operation

Upon the launch of Noor and in swift recognition of new emerging trends in commerce brought on us globally by the COVID-19 pandemic, TMG Holding has simultaneously inaugurated its innovative state-of-the-art online sales platform, allowing its clients to view and purchase all available residential products in its portfolio online, without the need of visiting TMG's physical sales centres.

This new sales channel has delivered a remarkable performance in the short timespan since its inauguration of just three weeks, contributing **over EGP1.3bn** of new sales in Noor and boding remarkably well for the future, as more and more trade moves online. Importantly, the new sales channel allowed the Group to tap into global international markets, with some online sales originating outside of Egypt.

The success of our online sales platform is also a good testimony to the strong purchasing power present in our target segments, boding well for the limitless opportunities for online-based services that our vibrant communities are and will be offering in the future, especially as we enter the Smart City era, marked by multi-platform mobility, new sales channels, and cash-less payments.

Noor is a unique and unprecedented concept of a modern state-of-the-art city, a result of an intensive market study and decades-long market expertise as evidenced in its remarkable sales result

Noor is a fruit of two intensive years of hard work of exploring and identifying new growth opportunities for the Group and fulfilling the management's long-term vision of creating vibrant residential communities equipped with quality infrastructure and services, while generating long-term value and returns for its shareholders. **The city is our strong response to what we identified as the market's current unfulfilled need for a modern, integrated city underpinned by smart technologies and state-of-the-art infrastructure.**

Noor will comprise an estimated 120 thousand residential units, in addition to various non-residential services, such as retail space, a 5-star hotel, schools, international university and others. Its design focuses on environmental sustainability, exploiting the features of its terrain to create an authentic and natural experience for its residents, maximizing walkable areas and cycling lanes and focusing on health and wellness. It will follow the trusted, albeit upgraded and refined master planning, design and development standards of TMG Holding's existing cities characterised by innovation, application of smart technologies

significantly lowering long-term operational costs, increased privacy and increased connectivity and access to quality services and infrastructure for its residents, driving further economic and societal growth in the area.

The city's fresh and modern design leverages not only on over 50 years of unmatched local market expertise but also strong cooperation between TMG Holding and well-established international brands in the field of architectural design, master planning and consulting, such as SWA, SASAKI, BCG and Perkins Eastman. The new city is located in front of the New Administrative Capital, in Capital Gardens neighbourhood on the Cairo-Suez road, in very close proximity to the Group's mega-cities of Madinaty and Al Rehab, as well as Celia project in the New Administrative Capital.

Noor opens new ample space for the Group to grow its annual sales as well as its recurring income portfolio for the coming decades and the project is expected to house a population of around 700 thousand individuals upon its completion.

Noor follows the trusted development philosophy of Madinaty and Al Rehab, which have been well-tested and indisputably successful. Having delivered outstanding operational and financial performance over the past decades, at its core underpinned by the low-risk and self-financing off-plan model targeting real housing demand, strongly benefiting the company's recurring income lines as the project reaches maturity.

Continuing to exploit ample opportunities in East Cairo as its best established and most dominant player

Through the launch of **Noor**, TMG Holding is further exploiting the remarkable growth potential of East Cairo, now accelerated by the establishment of the New Administrative Capital which will soon host the lion's share of the Egyptian state apparatus after relocation of ministries, government offices and various embassies from Central Cairo. TMG Holding has an extensive experience in the area where, starting from the 1990's, management has accurately identified its extraordinary growth prospects, undertaking large-scale greenfield projects that since then have become notable landmarks and sources of remarkable economic and social activity. **Noor** is expected to significantly increase the company's hegemony in East Cairo, capitalizing on the strong brand-equity of the Group's existing developments in the area, as well as their portfolio of services, without diluting their remaining residential and non-residential sales. It is noteworthy that the positioning of the product currently launched in Noor is different than the positioning of other products of the Group. The launch marks another important milestone in TMG Holding's growth story and is an important step in securing continuity of its strong development operations. As of today, TMG Holding's land footprint stands at a massive 74mn square meters, the largest among listed private real estate developers in Egypt and amongst the largest in the Middle East, providing a cornerstone for decades of new operational and financial

growth and strongly growing new real estate sales. The well-tested development strategy of TMG has already helped in providing the market with over 120 thousand real estate units and quality housing to over 700 thousand residents in the Group's current projects.

New sales surpass EGP21bn by end of June, sales guidance increased to EGP30bn for FY2021

Following the launch of Noor and on the back of strong demand for TMG-branded properties elsewhere, both retail and institutional, the company has booked total 1H2021 new sales in excess of **EGP21bn**, having already posted EGP3.5bn in sales for 1Q2021, representing some 5 thousand units. This is the strongest sale period in the Group's history and the Egyptian real estate market. Given the stronger-than-expected market response to the launch of Noor, as well as still strong institutional demand for the Group's non-residential inventory in Madinaty and Al Rehab City, and the fact that sales to-date have already exceeded the previously announced guidance of EGP17-18bn for FY2021, management is now expecting the Group to close FY2021 with total sales nearing **EGP30bn. Backlog as at 30 June 2021 exceeded EGP63bn. This is the highest sales achieved and largest backlog** among Egyptian real estate development and investment companies, giving a clear visibility on the Group's revenues and earnings over the medium term and is **to be recognized as revenues and profits in the following 5 years.**

Massive liquidity unlocked since mid-2020 through innovative transactions with prominent financial institutions

Starting 2020, TMG Holding's management was also focused on unlocking new liquidity required to proceed with new investments and accordingly it has devised [4] unique and strategically important transactions with high-profile partners focusing on accelerating sales, profit recognition, uptake of existing unsold inventory and further de-risking of our robust business model.

These four large scale transactions could be summarized as follows:

- Starting August 2020, TMG Holding has successfully entered into the first transaction which entailed a strategic alliance with First Design Company which is owned by National Bank of Egypt and Banque Misr, the two largest and oldest operating Egyptian banks, to develop around 335 thousand square meters of land located in Al Rehab and Madinaty cities, against cash proceeds of **EGP4.0bn** collected between September 2020 and March 2021. The land plots will be developed by TMG Holding into quality mixed-use projects (residential neighbourhoods, retail outlets, and offices) starting from 2023, leveraging on TMG's unmatched market expertise, high-quality infrastructure and its vibrant and ever-growing communities of Al Rehab and Madinaty. Capital expenditure required for the development of these lands will be financed through the off-plan sales business model. The new projects will

contribute a new type of high-quality product in the two cities and further improve the quality of services available to their estimated 700,000 residents, promoting new demand, and ongoing population build-up and inbound footfall and thus giving rise to significant monetary and strategic value to all parties. Management believes that this was one of the key reasons encouraging the two banks to enter into such an alliance. **Excess liquidity from the transaction was used for early repayment of various liabilities, significantly strengthening the balance sheet as a precaution against any potential macroeconomic volatility during 2021, 2022 and 2023 and risks related to the ongoing COVID-19 pandemic.**

- The second large-scale transaction was entered into in December 2020 and involved bulk sale of a pool of non-residential assets worth **EGP1.5bn** to an entity owned by institutional investors.
- Furthermore, in May 2021 the Group concluded another bulk sale, composed primarily of the yet unsold stock of non-residential units nearing completion in Madinaty and Al Rehab, valued at some **EGP1.7bn**, to Rawasy – a real estate investment arm of National Bank of Egypt and Banque Misr.
- Majority of the cash proceeds from these two transactions have already been collected by the Group.
- Last but not least, in June 2021, TMG concluded its fourth transaction and the second with Rawasy, **valued at a massive EGP9bn**, pertaining to some non-residential assets in Madinaty currently under development. **This last transaction will result in gradual sales for the Group over the coming three quarters. It will also generate additional revenues for the Group to be recognized until 2023.** TMG Holding has already collected EGP3.5bn of cash proceeds from this transaction, with the reminder to be collected in three instalments during 2022-2024. The upcoming remaining instalments will be used for investment in Noor, based on our detailed studies. That said, management believes that all required funding for Noor project is already in place.

As the Group retains the role of property managers for these respective units, these bulk sales will facilitate a smooth lease out process, and this will positively contribute to footfall and rental yields achieved elsewhere. More importantly, these transactions have a positive impact on sales, liquidity and profitability and help to mitigate the risks inherent to COVID-19 pandemic, providing liquidity available for early prepayment of various commitments and also providing liquidity for the investment in Noor.

... establishing a solid reference to land bank valuation

The above-mentioned institutional transactions are also a solid testimony to TMG Holding management's ability to swiftly and proactively tap into unconventional and sizable sources of funding to the benefit of the Group and its shareholders while maintaining its very prudent approach to capital structure and further mitigating any unforeseen liquidity risks while maximizing the value of its assets.

The transactions provide important support to financial statements and KPIs and support the Group's liquidity, counteracting the negative impact excerpted on the Group's recurring income lines (primarily hotels) during 2020 due to COVID-19 pandemic. More importantly, the transactions set a clear and indisputable reference point for the inherent value of TMG Holding's remaining land assets which, in the view of management, is not accurately captured by the Group's current market capitalisation, having in mind that the value of its fully-paid land bank is now estimated at over **EGP45bn**, embodied in some 4.5mn sqm of prime residential and commercial land in Madinaty and Al Rehab Cities. Value on these lands have been created through years of strategic development and successful creation of vibrant communities in their vicinity.

Seeing noticeable improvement in hospitality operations during 1H2021; EBITDA of the segment at EGP32mn during Jan-May, almost double y-o-y; expecting further improvement on the back of global vaccination efforts

Operational and financial results of the Group's hotel segment during 1Q2021 have shown significant improvement compared to the last three quarters of 2020 which were marked by global challenges related to the COVID-19 pandemic and the resulting pressure on global travel patterns. Total revenues from hotel operations in 1Q2021 came in at EGP174mn, driven by an average occupancy of 30.5% and average room rate of EGP3,289. While lower y-o-y due to still unfavourable base effect and lower q-o-q due to seasonality, total revenues came in 22% ahead of the initial budget.

Notably, FS Sharm El Sheikh delivered strong improvement in its performance, with occupancy of 44.6% in 1Q2021, significantly above the budget of 25% and 1Q2020 result of 26.8%, when COVID-19 impact was not yet as prominent as for the remainder of FY2020. Revenues of FS Sharm El Sheikh came in at EGP68mn in 1Q2021, significantly higher than EGP42mn reported in 1Q2020. The property delivered positive EBITDA of EGP10.6mn, counteracting seasonal pressures seen in FS San Stefano in Alexandria and Kempinski Nile Hotel. Importantly, FS Nile Plaza in Cairo delivered positive EBITDA in 1Q2021 as well. Positive trends in hospitality performance were maintained during April and May.

Total hospitality revenue until the end of May reached EGP338mn and came in 17% ahead of budget and 10% higher y-o-y, supported by much stronger F&B revenue and other revenues. Blended occupancy of the

portfolio was at 33%, in line with occupancy booked last year and taking into account the relatively strong results of January and February 2020, before the full onset of COVID-19 pandemic. Blended room rate was at EGP3,631m, also in line with last year's result. EBITDA of the segment came in at EGP32mn during Jan-May 2021, almost doubling y-o-y. Positive outlook remains for June results.

Management remains confident that the long-term potential and outlook for the segment remains positive, with current global headwinds for the travel industry being temporary and expected to resolve gradually, especially on the back of global COVID-19 vaccine rollout which should encourage more travel in 2021 and onwards.

Restoring dividend pay-outs in 2021 with room for further improvement

TMG Holding is the only known real estate development and investment Group listed on the EGX with a stable history of dividend distributions over the past 8 years. Dividend declared for FY2020 was at EGP0.145/share which represents a massive 65% y-o-y increase compared to dividend declared for FY2019. The sharp y-o-y increase in dividend for FY2020, as well as the constantly improving outlook on future payouts driven by the remarkable growth in sales and recurring income streams, bode well for the Group's ability to finance greater distributions in the medium-term.

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Note on forward-looking statements

In this communication, TMG Holding may make forward-looking statements reflecting management's expectations on business prospects and growth objectives as of the date on which they are made. These statements are not factual and represent beliefs regarding future events, many of which are uncertain and subject to changing conditions of the competitive landscape, macroeconomic and regulatory environment, and other factors beyond management's control. Therefore, recipients of this communication are cautioned not to place undue reliance on these forward-looking statements.