



EARNINGS RELEASE – First Quarter 2016

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ERC Announces Consolidated Results for the first quarter of 2016

Slight losses booked during the quarter on the back of slowdown in revenues. Key developments included hosting of major sports and musical events on site.

First Quarter Financial and Operational Highlights

- Net revenues in 1Q 2016 reached EGP 10.3 million compared to EGP 29.4 million in 1Q 2015.
- Gross loss for the quarter reached EGP 10.2 million, almost flat compared to 1Q 2015.
- Operating loss reached EGP 18.8 million vs. EGP 5.2 million in 1Q 2015.
- Net loss for the period came in at EGP 1.4 million, compared to a loss of EGP 4.8 million in 1Q 2015.

Egyptian Resorts Company (EGX: EGTS.CA), Egypt's leading master developer of mega communities, announced today its consolidated results for the first quarter of the year 2016, reporting net loss after tax of EGP 1.4 million on revenues of EGP 10.3 million.

These figures can be attributed mainly to a slowdown in revenues during 1Q 2016, despite the 17% surge in the USD:EGP exchange rate, which generated accounting income of EGP 23 million for ERC.

In 1Q 2016, general and administrative expenses rose by 19% y-o-y to reach EGP 7.7 million, while selling and marketing expenses came in at EGP 3.8 million – an increase of 20% on the back of an uptick in promotional activities during the quarter. The company's balance sheet remained liquid at the end of 1Q, with a cash balance of EGP 113.6 million.

The quarter also saw cash collections from sub-developers and retail buyers rise to EGP 8.1 million, growing by 27% over 1Q 2015's EGP 6.4 million, mainly due to cash collections from down payments. Meanwhile, cash receipts from community management and services declined by 53% over the same period to EGP 4.8 million from EGP 10.3 million in 1Q 2015, due to a slowdown in the tourism industry.

Commenting on the Company's first quarter results and the outlook for the remaining months of the year, Chief Executive Officer Mohamed Kamel said:

During the first quarter of 2016, we continued to suffer the consequences of the Sharm El Sheikh Russian airliner incident in November 2015. However, occupancy rates at Sahl Hasheesh remained ahead of Hurghada and other cities on the Red Sea coast.

1. Events & Activities

ERC organized a number of new events during the first quarter of 2016, ranging from CSR activities to sporting events and beach parties, including Sahl Hasheesh's first ever fishing tournament, which took place over the course of two days and saw 15 teams compete for cash prizes by showcasing their best catches. Building on the success of the first event, ERC also helped organize its second showjumping event and the Red Sea's first ever international equestrian competition in April. The five-day showjumping competition hosted more than 2,000 guests in attendance and featured around 265 horses and 230 riders, of which 27 came from 20 different countries. Event coverage also extended to local and international press including, among others, Sky News, CBC, Nile Sport, Mehwar TV, and Al-Ahram and Al-Akhbar newspapers, placing Sahl Hasheesh in the spotlight and further aiding the company's outreach efforts.

Also in April, and as part of ERC's efforts to give back to the Egyptian community, the company organized and hosted its annual Orphans Day event in Sahl Hasheesh. 38 children spent a day on Sahl Hasheesh's pristine beaches, where they participated in various activities that included a site tour on an electric shuttle bus and a submarine ride.

In the way of exposure, ERC launched its new 360° marketing campaign in April 2016, which made its way to billboards, talk shows, satellite channels, and social media platforms such as Facebook, YouTube, and Instagram. The new campaign, "Change," aims to identify with each and every individual's desire to change their lives to the better. The campaign highlights how a life in Sahl Hasheesh can fulfill different individual desires to change certain aspects of one's life. (<https://youtu.be/ovWY7EOUduc>)

On the international front, ERC returned to the Internationale Tourismus-Börse (ITB) in Berlin, the world's largest tourism trade fair, to present new material about the Sahl Hasheesh community to travel industry leaders from around the world. The company was also a sponsor of the International Hotel Investment Forum (IHIF) in Berlin during the first quarter of the year, where it promoted Sahl Hasheesh to potential investors and operators. Moreover, in January 2016, ERC participated in one of the largest boat trade shows in the world – the annual Düsseldorf Boat Show – in an effort to promote tourism and eco-tourism in the Red Sea, with an emphasis on watersports and boating activities.

2. Land Plot Sales

On the community development front, although ERC has not realized revenue from contracted land plot sales in 1Q 2016, the company is expected to do so in the coming quarters.

3. Proprietary Projects

ERC's Tawaya apartments in Old Town — which are being finished and marketed in partnership with Palm Hills Development — have so-far seen more than 24% of available units sold.

ERC also continued its efforts to obtain all the necessary licenses from governmental entities to launch its mega-project, Sawari, in 2016. Last year, ERC had cleared the final hurdle on the course to launching the Sawari marina project, when the Tourism Development Authority approved the company's request to redefine the boundaries of Sahl Hasheesh's Phase 2 to include the entirety of Sawari's 1.1 million square meter initial phase.

Looking Ahead

The Egyptian economy, particularly the tourism and hospitality sectors, still face many challenges. We are fully aware of the difficulties and are prepared to face them, and we continue to hold an optimistic outlook on the industry's future prospects and the eventual return of international tourists to Egypt and the Red Sea coast.

On the financial level, we will continue to cautiously manage our cash flows, cutting costs wherever we can and concentrating our spending on fundamental needs and obligations. On the operational level, we will continue to focus our efforts on ensuring that Sahl Hasheesh retains its position as the Red Sea's leading destination, for holiday makers, developers, partners, residents, and investors – all the while, never compromising the quality of our product and service offerings and active season events and activities.

Mohamed Kamel

Chief Executive Officer

Legal Update

- **Concerning Pyramisa, ERC and Pyramisa entered into final and comprehensive agreement to settle all legal lawsuits between them.**

The terms of the settlement include the termination of the lawsuit brought by Pyramisa before the State Council regarding Sahl Hasheesh land. The settlement additionally stipulates that Pyramisa resign its role in the proactive lawsuit filed by ERC against the TDA's decision to cancel the preliminary approval granted to ERC concerning the allocation of Phase 3 land.

- **As for the lawsuit filed by Shehata Mohamed Shehata before the State Council, regarding the annulment of the allocation of Sahl Hasheesh land:**

The court issued its judgment on March 22, 2016 in favor of ERC by declaring the inadmissibility of the lawsuit on grounds of Shehata Mohamed Shehata's lacking the requisite legal standing, in accordance with Law 32/2014 on the Regulation of Certain Procedures for Challenging State Contracts.

—Ends—

About ERC

Egyptian Resorts Company S.A.E. (EGX: EGTS.CA) is a master developer of international standard resort communities on a fully-integrated management basis. The company is incorporated in Egypt and headquartered in Cairo. Egyptian Resorts Company acquires broad acre land holdings suitable for premium mega resort development at nominal value. The company then creates a master plan in partnership with global architectural and urban planning firms, builds state-of-the-art infrastructure, implements design guidelines and community management rules and regulations, then on-sells individual pre-designated plots to sub-developers and investors whose primary businesses are hotel ownership, operation and management, as well as luxury resort and residential real and estate development. ERC is developing multiple recurring revenue streams that include the supply of utilities (water, electricity, communications) through its project partners, as well as community management and maintenance fees and revenues generated by its subsidiary, Sahl Hasheesh Company.

Capital Structure

Authorized Capital EGP 2,000,000,000
Issued and Paid-In Capital EGP 1,050,000,000 (1,050,000,000 shares @ EGP 1.00 / share)

Shareholder Structure

KATO Investment	11.96%
First Arabian Company	10.00%
Rowad Tourism Company	9.05%
Al Ahly Capital Holding	9.00%
Misr Insurance	8.05%
Misr for Life Insurance	6.96%
Orascom Development Holding	4.50%
Others	40.48%

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