Egyptian Resorts Company

EARNINGS RELEASE – Full Year 2012

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ERC Announces Consolidated Results for Full Year 2012

ERC reports net loss, despite year-on-year rise in utilities revenues, as a result of a conservative one-time provision for accounts receivable and an operating loss from subsidiary SHC.

Full Year 2012 Financial and Operational Highlights

- Revenues of EGP 40.5 million, a 30% rise year-on-year
- Operating loss of EGP 135.9 million vs. EGP 30.4 million in FY 2011 due to an EGP 95 million in provisions for accounts receivable and an EGP 34.4 million loss from subsidiary Sahl Hasheesh Co.
- Loss before tax of EGP 106.9 million vs. EGP 3.2 million for the previous year
- Net loss of EGP 110 million vs. EGP 7.4 million in FY 2011
- Earnings per share of negative EGP 0.0947 against negative EGP 0.0004 in FY 2011
- Utilities revenues of EGP 30.4 million, an 80% increase year-on-year
- Interest income of EGP 26.1 million, a 14.5% increase year-on-year

Egyptian Resorts Company (EGX: EGTS.CA), Egypt's leading master developer of mega communities, announced today its consolidated results for the full year 2012, reporting a net loss of EGP 110 million on revenues of EGP 40.5 million.

The FY 2012 net loss comes despite growth in recurring revenues (including community services and utilities) as well as newly recognized sales of ERC's own proprietary developments. The net loss owes to the impact of EGP 95 million in provisions against ERC's accounts receivable, a more conservative move made in view of current macroeconomic and industry conditions. The net results also reflect losses of EGP 34.4 million consolidated from subsidiary Sahl Hasheesh Co.

Notably, revenues included an 80% increase in income from utilities to EGP 30.4 million, while recognized net sales of residential units at the Sawari marina and Jamaran villa zone projects were EGP 5.4 million.

ERC's balance sheet closed FY 2012 in a liquid cash position of EGP 162 million, while total receivables eased to EGP 336.2 million from EGP 384.2 million as growth in accounts receivable partially offset the provisions against the same line item.

General and administrative expenses were largely constrained in FY 2012, closing the year at EGP 25.5 million (down 9.9%), while selling and marketing expenses decreased 58% to EGP 3.4 million.

Interest income reached EGP 26.2 million (up 14.5%) offsetting a dip in foreign exchange gains (EGP 2.7 million against EGP 4.7 million the previous year), with the result being a net loss before taxes of EGP 106.9 million in the year just ended.

Commenting on the Company's 2012 results and the outlook for 2013, Chief Executive Officer Mohamed Kamel said:

The year just ended was challenging to our sector, and we expect the same headwinds to persist through 2013 in the absence of both (a) a resolution to the nation's ongoing political deadlock and the resultant outlook for tourism on the back of false negative market perceptions of security/stability, and (b) the lack of consensus in the government and in the opposition on an economic recovery program.

That said, we have seen some positive developments on the TDA land dispute front as a recent court verdict upheld the Tourism Development Authority's USD 1 per square meter pricing. We believe this will bode well for the case filed against Sahl Hasheesh to annul the contract on this basis.

We strongly believe that the Ministry of Tourism's current team has the know-how and calibers to reverse the industry's current negative trend and that, sooner or later, the Egyptian cabinet - any Egyptian cabinet - will have no choice but to put the tourism industry center stage in its economic recovery plan.

Thankfully, current economic conditions will by default help the tourism industry over the next couple of years. The devaluation of the national currency is making Egypt a fundamentally more affordable destination resulting in an even more superior price-performance tradeoff for both holidaymakers and foreign buyers of investment and vacation properties. And, in a local market characterized by rapidly rising inflation, real estate is becoming a more attractive asset class for Egyptians with excess local currency liquidity. We therefore remain guardedly optimistic that the ongoing devaluation and rising inflation may present upside for Sahl Hasheesh.

Granted, the defensive first homes sector always comes first, but we expect modest improvement in consumer appetite for second home purchases in 2013. The question remains as to whether external factors will allow consumer sentiment to recover sufficiently to translate appetite into sales. Although sentiment was depressed in 2012 due to political and economic uncertainty, interest in units at our proprietary developments was noticeable.

For ERC, we recorded safe progress that leaves us well-positioned in 2013 to maneuver ERC to capture the upside presented by an eventual return of market stability. Against this backdrop, management continues to adhere to a proactive cash-conservation program first implemented in FY 2011 so as to give the company the necessary liquidity to ride out the current challenges with resources to react at the first signs of a market upswing.

1. Sahl Hasheesh: The New Prime Destination on the Red Sea

We remain very bulish on the Red Sea area as a tourist destination, especially the areas surrounding Hurghada. Given the progress made by our sub-developers on site with 2,500+ operational hotel rooms and 1,000+ residetnail units, it was due time to start globally marketing Sahl Hasheesh as an independent destination as underscored by our decision to participate for the first time in ITB Berlin 2013, our industry's leading global trade show, from 6-10 March, to market Sahl Hasheesh as the new prime destination on the Red Sea. We will also be participating in this year's Arabian Travel Market (ATM) in Dubai and the World Travel Market (WTM) in London. These developments are now natural components of our marketing plan for the community with a view to raising our global profile in advance of a market recovery.

2. Utilities

Electricity | During 2012, ERC received final approval from the Egyptian Electric Utility and Consumer Protection Regulatory Agency for an electricity distribution license allowing ERC to manage and sell electricity within Sahl Hasheesh replacing El Canal Company.

Communications | Furthermore, we completed the installation and testing of our 14-kilometer, 144-core multi-function optic fiber network. This network is the backbone through which we are now, through an Agreement with TevoTech, providing triple-play services to our sub-developers. The project was executed on time and on budget; all hotels at Sahl Hasheesh are now running on the backbone, as is our administration headquarters on site. Speed and reliability of the service have thus far proven outstanding.

3. Proprietary Development

Jamaran | ERC re-launched the remaining unsold plots in the villa zone under a proprietary development of ERC called Jamaran. The sea-front development is the first B2C project exclusively by ERC to deliver a new revenue stream while ensuring an optimal mix of home owners within our community. The Jamaran master plan envisages a total of 47 villas with full and partial sea views in a private villas-only community, with market prospects enhanced by both unique designs and competitive value. Sales activity began in September 2012, while the entire project is expected generate over EGP 100 million in contracts.

Sawari | We are currently awaiting our final approval from the TDA to begin construction work at the Sawari marina. All other permits have already been obtained, most notably the Armed Forces approval, and the process is expected to be completed in the coming months. Construction will begin immediately upon conclusion of this step.

4. Continued Growth of Old Town

As it has been since late 2011, management has maintained a sustained focus on the attraction of new tenants for Old Town, Sahl Hasheesh's commercial and entertainment core, with 55 tenants signed by the end of 2012. Although momentum may be curbed somewhat in 2013 given prevailing macro conditions, we will maintain lines of communication with potential tenants to ensure the continued development of Old Town when market conditions improve.

Meanwhile, we have appointed Aquarius to operate the Old Town Pier offering docking facilities for visiting vessels and have signed them up to exclusively offer water sports activities to the Old Town beach.

5. First Step into Medical Tourism

We are very pleased to note that management signed in 2Q2012 an agreement with Dr. Abdel Kader Dewedar, owner of the Egyptian Hospital in Hurghada, to develop a five-star hospital and health facility at Sahl Hasheesh. This facility will target both residents and the burgeoning global medical tourism market, adding depth to the total offering at Sahl Hasheesh from a tourism point of view and enhancing the destination's attractiveness for both domestic and international owners of first and second homes.

6. Legal Update

The next court session in the case filed to annul the Sahl Hasheesh contract is presently scheduled for 16 May 2013. At time of writing, we have no further information as to the status of our proactive suit regarding the withdrawal of Phase 3 land.

Mohamed Kamel
Chief Executive Officer

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 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, and 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 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 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%
	Rowad Tourism Company	10.00%
	First Arabian Company	10.00%
	Al Ahly Capital Holding	8.99%
	Misr Insurance	8.05%
	Misr for Life Insurance	6.95%
	Orascom Development Holding	4.50%
	Other long-term investors	7.64%
	Free Float	31.91%

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