



EARNINGS RELEASE – Nine Months 2018

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ERC Announces Consolidated Results for Nine Months 2018

ERC records net revenues of EGP 106.5 million for 9M18, with impressive growth from recurring service streams; inaugurates first phase of new Bay Village development in October while preparing extensive project pipeline

Nine Months Financial and Operational Highlights

- Net revenues in 9M 2018 recorded EGP 106.5 million against EGP 165.5 million during 9M17
- Gross loss for the period stood at EGP 17.7 million against a gross profit of EGP 57.1 million during the same period last year
- Operating loss in 9M18 came in at EGP 84.6 million against an operating profit of EGP 10.7 million during the same period last year
- Net loss for the period reached EGP 25.6 million against a net profit of EGP 42.2 million during 9M17

Egyptian Resorts Company (EGX: EGTS.CA), one of Egypt's leading master and real estate developers, announced today its consolidated results for the nine-month period ending 30 September 2018, reporting net revenues of EGP 106.5 million for the period. Despite y-o-y growth in most of the company's revenue streams, the lack of land sales pulled revenues down by a third from their level of EGP 165.5 million in 9M17. Recurring sources of revenue from the provision of utilities and services rendered, contributed a growing share of ERC's top-line during the nine-month period, growing 30% y-o-y to EGP 73.7 million during 9M18 from EGP 56.6 million during the same period last year. This came on the back of a new pricing policy and higher occupancy rates at Sahl Hasheeh's hotels, which drove income from utility fees. Water and electricity distributions were the standout performers, with revenues from these sources growing at 30% and 39% y-o-y, respectively. The overall decline in revenues led to a net loss of EGP 25.6 million during 9M18, against a net profit of 42.2 million during 9M17. Management continues to implement a wide-ranging cost-saving strategy and foster other efficiencies, and is on track to achieve its target of reducing annual operating expenses by EGP 30 million.

Land Plot Sales

In order to control its land bank supply and enable the most prudent selection of new SH developers, ERC did not generate revenue from contracted land plot sales during the first nine months of 2018. The company is currently mounting extensive efforts to develop and raise the value of its c3.4 million square-meter land bank, with work underway to gain the approvals necessary to amend the master plan. In parallel, management is engaged in negotiations with a number of investors and developers who have expressed a concrete interest in investing in ERC's Sahl Hasheesh development. Discussions over a number of sizeable plots are expected to conclude positively by year-end 2018.

Real Estate Projects

ERC booked real estate revenues of EGP 32.8 million during the first nine months of 2018. As no contracted land plot sales were made during the period, unit sales at ERC's proprietary contributed the bulk of real estate revenues in 9M18. Unit sales at ERC's Tawaya development, an exclusive waterfront apartment complex at Old Town promoted jointly with Palm Hills, grew 53% y-o-y to record EGP 13.2 million during 9M18 from EGP 8.6 million in 9M17. The

increase comes on the back of management's efforts to market and sell apartments at the complex, which have seen 72% of the Tawaya project sold or contracted. ERC's continued marketing and promotion efforts have also brought the company close to its objective of selling-out the villas at its Jamaran development by year-end 2018. Revenues from villa sales at the Jamaran project reached EGP 17.6 million in 9M18, up 91% y-o-y compared to EGP 9.2 million booked in the same period last year.

In October of 2018, ERC launched Bay Village, a 11,000 square-meter project with a total built-up area of approximately 21,400 square meters, located in Old Town near ERC's existing Tawaya project. The new project will include 9 residential complexes with approximately 185 residential units overlooking two swimming pools for residents, a restaurant and a shopping center. ERC welcomed reservations to the first phase of Bay Village in October 2018, and has seen a highly encouraging level of bookings since marketing efforts began. It is expected that all phases of project construction will be completed by 2023. Management believes that Bay Village is an important component of its strategy to diversify ERC's project offerings, and will target local and international buyers and investors looking to purchase a second home in the Egyptian market.

ERC is also in the final stages of designing a number of new real estate projects that will further diversify and integrate its projects, and is close to obtaining the requisite licenses and approvals. Management expects that the new offerings will allow the company to target a wider range of segments, enhancing ERC's footprint in the market.

Infrastructure Revenues

Total revenues from services rendered came to EGP 73.7 million during the first nine months of 2018, an increase of 30% y-o-y from EGP 56.6 million in 9M17. ERC saw an expansion in revenues from all services offered by the company, with the majority of its contribution from utilities, such as power distribution (EGP 36.8 million) and water distribution (EGP 16.4 million). Community services revenues also contributed significantly (EGP 18.2 million).

Events & Activities

ERC mounted a number of promotional efforts to attract visitors to Sahl Hasheesh and Old Town during 9M18. To this end, ERC hosted or organized a number of recreational and sporting activities, including noted equestrian and triathlon contests among much else. The company has also focused on promoting the commercial zone of Old Town, and has signed a number of new leases to several shops offering various goods and services to residents and visitors. A number of events were organized during the period to support shops and restaurants at Sahl Hasheesh, with the aim of making Old Town a commercial hub for residents and visitors. These efforts are part and parcel of ERC's push to market Sahl Hasheesh as one of the top coastal destinations in the country, providing residents with a sustainable, world class community and a host of exciting activities throughout the year.

On the CSR front, the first nine months of 2018 saw ERC team up with INJAZ Egypt to help improve education in Egypt and prepare students for life after graduation and in the job market. ERC employees volunteered with the program, which helped teach more than 30 students in Cairo. In another initiative, ERC donated EGP 50,000 for the organization of a Citizens' Awareness Conference attended by the locals of Egypt's Red Sea Governorate. The team at ERC fervently believe that doing the utmost to give back to our communities can help build a brighter future for all stakeholders.

Looking Ahead

Moving forward, ERC will seek to consolidate its long-term position as one of Egypt's leading master developers. As such, the company's long-term strategy will retain the use of contracted land plot sales to a varied range of developers offering a diversified mix of residential, touristic, and commercial products to a buyers and final investors.

Over the coming quarters, ERC will also seek to invest in an array of productive real estate assets that will generate recurring returns, with a focus on hotels, hotel apartments, and the wider hospitality sector. ERC has also developed an integrated strategy to re-plan and further develop Old Town, the cornerstone of its diversification strategy. We recognize that Old Town's success will be crucial to the company's goal of developing a sustainable community of Egyptian residents. To this end, the company is working to identify what goods and services are yet to be made available to residents and visitors, and will select the most optimal locations to place the new shops and commercial areas. Additionally, ERC has adopted more stringent measures in its selection of commercial tenants with an eye to ensuring the quality of the goods and services provided and maintaining Old Town's standards.

ERC has allocated significant resources to the development of the company's utilities and services segment, and expects to make further progress in enhancing the collection efficiency of these activities. During the quarter, we conducted a comprehensive review of the prices charged for services rendered, with the goal to re-price some of these services in order to maximize profitability while safeguarding the interests of developers and investors.

Management has mounted a number of efforts to shore up ERC's finances. These include the adoption of a wide-ranging cost control program that is on track to achieve its objective of reducing the company's operating costs by EGP 30 million per annum. Operating expenditures have been significantly curtailed in select areas, such as consultation, domestic and international travel, and the use of irrigation water. ERC also established a Credit and Collection Committee, and has developed and adopted a unified credit policy. This has resulted in greater collection of outstanding receivables from investors and developers in 9M18. Management remains in negotiations with investors and developers with the aim of rescheduling and restructuring their outstanding debts, and is in the advanced stages of an agreement to settle approximately EGP 130 million in receivables. Negotiations are expected to continue fruitfully and to encompass a greater number of developers, with about EGP 600 million in outstanding debt up for settlement over the coming quarters.

—Ends—

About ERC

Egyptian Resorts Company S.A.E. (EGX: EGTS.CA) is a real estate and master developer of international standard communities on a fully-integrated management basis. The company is incorporated in Egypt and headquartered in Cairo. 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 (as of September 30 th , 2018)	
Red Sea Hotels Holding	20.96%
First Arabian Company	10.00%
Misr Insurance	8.05%
Misr for Life Insurance	6.96%
Rowad Tourism Company	5.72%
Ashraf Soliman & Related Parties	7.81%
Gehan Soliman & Related Parties	5.84%
Others	34.66%

Investor Contact

Ayman Taha	Telephone	+202 2735 8427
Senior Manager - Investor Relations	Fax	+202 2735 2743
Egyptian Resorts Company	email	Ayman.Taha@erc-egypt.com

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