



## EARNINGS RELEASE – Third Quarter 2012

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### ERC Announces Consolidated Results for 3Q 2012

ERC reports year-on-year rise in revenues, anticipates rise in recognized sales in 4Q 2012 on the back of some unit sales in the quarter just ended.

#### 3Q 2012 Financial and Operational Highlights

- Revenues of EGP 7.1 million in 3Q 2012, a 39.2% rise year-on-year
- Operating loss of EGP 15.7 million vs. EGP 5 million in 3Q 2011
- Loss before tax of EGP 8.4 million in 3Q 2012 against a gain of EGP 1 million in 3Q 2011
- Net loss of EGP 7.7 million against a net profit of EGP 0.8 million in 3Q 2011
- Earnings per share of EGP -0.0054 against EGP 0.001 in 3Q 2011
- Utilities revenues of EGP 6.7 million in 3Q 2012, a 31.3% increase year-on-year
- Interest income of EGP 6.6 million in 3Q 2012, an 8.2% improvement year-on-year

Egyptian Resorts Company (EGX: EGTS.CA), Egypt's leading master developer of mega communities, announced today its consolidated results for the third quarter of 2012, reporting a net loss of EGP 7.7 million on revenues of EGP 7.1 million. Total revenues rose 39.2% year-on-year, largely as a result of an increase in utilities revenues as developers continue to deliver on their projects.

Notably, third quarter revenues included a 31.3% increase in income from utilities at EGP 6.7 million. No revenues from Sawari were recognized in the quarter, although sales continue and management expects to recognize a number of sales contracts in 4Q 2012. Similarly, we expect to start realizing sales from our Jamaran Villas project in the fourth quarter of this year.

General and administrative expenses fell 18% year-on-year in 3Q 2012 to EGP 5 million as management continued to adhere to a program of cash conservation implemented in 2011. This program will continue through the restoration of long-term market and economic visibility.

ERC's net loss from operations stood at EGP 15.7 million in 3Q 2012 due to subsidiary Sahl Hasheesh Company's weaker than expected operating performance and was partially offset by an 8.2% rise in interest income to EGP 6.6 million. Net loss before tax accordingly stood at EGP 8.4 million.

ERC's balance sheet closed in a largely stable position with cash of EGP 106.5 million in addition to EGP 62.4 million in Treasury Bills, down a combined EGP 10 million quarter-on-quarter.

**Commenting on the Company's 3Q 2012 results, Chief Executive Officer Mohamed Kamel said:**

I am pleased to report that in the nine months ending September 2012, the number of foreign tourists visiting Egypt rose by 19.5% compared with same period last year. This may put the country on track to meet the government's forecast of a 23% rise in tourist arrivals to 12.5 million this year. As was the case last quarter, occupancy rates at our sub-developers' properties in 3Q 2012 are up both quarter-on-quarter and year-on-year.

As we have noted in the past, the conversion into significant sales from our target audiences in Egypt and abroad at our proprietary developments — Sawari and Jamaran — will be largely dependent on the impact of economic and political policymaking reflected on the public sentiment of stability and growth.

In the near-term, we see downside risk from a potential deterioration in economic conditions amid the budget deficit, falling reserves, the increasing likelihood that the national currency may be further floated, and the fiscal threat of ongoing spending on energy and food subsidies. Against this backdrop, we continue to manage the business with an eye on both short-term challenges and long-term opportunities:

**1. Cash Conservation**

As we have since 2011, we continue our tight management of expenditures in all categories to minimize cash outlays in this uncertain climate, prioritizing investment in a mix of high-impact projects that will either turn cashflow positive in the short term or add markedly to the development of robust long-term revenue streams.

**2. Jamaran Villas**

Sales activities at Jamaran project started in September of 2012 and is expected to last through 2013 until all units are sold, generating over EGP 100 million in contracts. Investor appetite for the project properties is relatively strong driven by good product positioning and a targeted niche marketing campaign.

**3. Sawari Marina**

We are now in the process of obtaining regulatory permission to begin construction work at Sawari marina. A number of 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 administrative step. Meanwhile, pre-launch sales at Sawari are ongoing, and will continue throughout the project's development. We expect in this respect to recognize a number of contracts in 4Q12.

**4. Old Town Update**

Last quarter, we obtained approvals to operate the pier of the Old Town's public beach for docking visiting boats, and we have now selected a management company, Aquarius, to operate this facility and an associated aqua center. Old Town, which keeps attracting renowned international and local stores, is now home to 52 rented shops out of which 35 are operational, compared with 36 rented outlets and 9 operational at the end of 3Q 2011.

**5. Triple-Play**

As noted in last quarter's Earnings Release, we completed installation of a 14-kilometer, 144-core, multi-function fiberoptic network at Sahl Hasheesh to enable triple-play services for our sub-developers through a revenue-sharing agreement with TEVOTECH, a Vodafone affiliate. The resultant offering of high-speed internet, television and telephone functionality on a single fixed-line connection has been well-received and revenues from this service will be recorded in the coming quarter.

## **6. Legal Updates**

At time of writing, we have no further information as to the status of our proactive suit regarding the withdrawal of Phase 3. This issue started in March 2011 when the TDA withdrew its allocation of phase 3 of Sahl Hasheesh to ERC. The company since then submitted all the legal appeals and filed a lawsuit to reverse the TDA's withdrawal based on ERC's solid legal position. The Court established a Panel of Experts to investigate and report on the case. We hope and expect the decision to support ERC's right to the land.

The next court session in the case filed to annul the Sahl Hasheesh contract is presently scheduled for 14 February 2013.

### **Mohamed Kamel**

Chief Executive Officer

### **An Important Note:**

Management encourages investors not to analyze Egyptian Resorts Company by scrutinizing quarterly sales figures as they would manufacturing or other real estate firms. ERC is a master developer of mega resort communities and unlike other developers, focuses on the macro development infrastructure and land plot sales. The timing of land sales (which tend to be large, strategic plots) to value-adding developers is a function of market conditions and management / board strategy at any given moment. ERC targets a healthy pace of land release from its bank so as to preserve both ERC valuations and the returns on investments of our sub-developers. A more traditional quarter-by-quarter analysis will be appropriate only for the analysis of recurring revenue streams as these mature in the years ahead.

### **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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