



Press Release

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ERC Signs MoU with Orascom as an Initial Step to Inorganically Develop New Revenue Streams Through Acquisition of Select Assets from Orascom Hotels and Development (OHD) and Other Sister Companies Preliminarily Estimated to Be Worth EGP 900 mn to EGP 1 bn.

Company expects to launch an at-market capital increase at EGP 1.90 – EGP 2.10 per share to finance the acquisition.

Egyptian Resorts Company (EGX: EGTS.CA), Egypt's leading master developer of mega communities, has signed a preliminary memorandum of understanding (MoU) with Orascom Hotels and Development (OHD) to acquire from Orascom majority stakes in 3-4 hotels and a significant bank of undeveloped land strategically located adjacent to Sahl Hasheesh.

Pending board approval, shareholder ratification and regulatory approvals, the transaction would, if executed, see ERC rapidly develop new revenue streams by forward-integrating into the hospitality and consumer-facing market segments. OHD and its sister companies may become anchor shareholders in ERC via subscription to an at-market capital increase.

ERC intends to call for a capital increase of up to EGP 1 billion at market — estimated around EGP 1.90 to EGP 2.10 per share — to finance the acquisition, while capitalizing the uncovered portion of the liabilities arising from the acquisitions by issuing shares to Orascom. As noted above, the capital increase may result in OHD and its sister companies becoming ERC's lead shareholders. Group holding company Orascom Development Holding presently holds an indirect 4.5% stake in ERC.

"This very exciting transaction is an exercise in value creation for our shareholders that will fundamentally diversify our revenue base by allowing us to rapidly forward-integrate into sectors we already know well. Moreover, we will do so with a well-established key shareholder that brings strong operational and marketing expertise and a deep network of national and global relationships to the table," said ERC Chief Executive Officer Mohamed Kamel. "The successful conclusion of these acquisitions will immediately give the company mature recurring revenue streams — helping ERC maintain a more stable P&L during cyclical downturns — and further strengthening our balance sheet with attractive, leverageable assets."

The intended acquisitions would moreover allow ERC to develop a wider range of products and services targeting multiple new segments within the hospitality and real estate sectors.

Like most properties in the Hurghada area, the hotels boast historical occupancy rates significantly above the post-revolutionary national average.

ERC will appoint an Independent Financial Advisor (IFA) to determine the fair values of both the shares of the target companies and of ERC's shares for the capital increase. The resultant report would then be presented to the Board of Directors and shareholders at a general assembly for approval prior to ERC's intended acquisitions. The uncovered portion of the certified liabilities arising from the acquisitions would then be capitalized during the capital increase process.

ERC is being advised by Matouk Bassiouny as lead counsel and Baker & McKenzie as co-counsel. Orascom is being advised by Zaki Hashim & Partners. Both companies are exploring prospective investment bankers to take the lead on their behalves.

Management estimates the transaction will take approximately five to seven months to complete, Kamel said. "This would position ERC to begin benefitting from improved revenue streams exactly as the Egyptian travel market is expected to begin recovering from the challenges of the past three years."

Already, ERC operates Sahl Hasheesh, a unique seaside community on the Red Sea that is fast becoming the area's leading travel destination. Boasting 12.5 kilometers of all-sand beaches, Sahl Hasheesh is a luxury residential and vacation community that includes seven hotels and resort properties presently offering more than 2,900 rooms and 1,400 residential properties. Old Town, the beating heart of Sahl Hasheesh as the community's commercial and entertainment core, is already home to more than four dozen premium retail outlets, restaurants and night spots. Sahl Hasheesh is on track to construct an international-standard marina with berths for up to 300 yachts.

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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 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%
First Arabian Company	10.00%
Rowad Tourism Company	9.00%
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	32.91%

Investor Contact

Mohamed Shawky	Telephone	+202 2735 8427
Senior Manager – Investor Relations	Fax	+202 2735 2743
Egyptian Resorts Company	email	mohamed.shawky@erc-egypt.com

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Forward-Looking Statements

Statements contained in this document that are not historical facts are based on current expectations, estimates, projections, opinions and beliefs of Egyptian Resorts Company (ERC). Such statements involve known and unknown risks, uncertainties and other factors, and undue reliance should not be placed thereon. Certain information contained herein constitutes “targets” or “forward-looking statements,” which can be identified by the use of forward-looking terminology such as “may,” “will,” “seek,” “should,” “expect,” “anticipate,” “project,” “estimate,” “intend,” “continue” or “believe” or the negatives thereof or other variations thereon or comparable terminology. Actual events or results or the actual performance of Egyptian Resorts Company may differ materially from those reflected or contemplated in such targets or forward-looking statements. The performance of Egyptian Resorts Company is subject to risks and uncertainties.