



## EARNINGS RELEASE – First Quarter 2011

Cairo, June 13, 12:00 hrs Cairo time (10:00 hrs GMT)

### ERC Announces Consolidated Results for First Quarter 2011

Egypt's leading master developer reports net profit on quarter. Off-plan Sawari Marina sales strategy and recurring revenue streams take important steps forward.

#### First Quarter 2011 Financial and Operational Highlights

- Revenues of EGP 12.34 million, a 182% increase from the same quarter last year.
- Net profit of EGP 3.75 million, a 302% rise year-on-year on the consolidated level.
- Revenues recognized of EGP 3.2 million from Sawari Marina property sales; Contracted sales of EGP 16 million signed over the quarter in addition to EGP 6.1 million in new reservations.
- Sahl Hasheesh sub-developers billed for community services; EGP 4.74 million in the quarter.
- ERC partners with HEPCA to build state-of-the art Marine Research Station at Sahl Hasheesh.
- ERC continues to actively defend rightful purchase of Phase III land at Sahl Hasheesh.

Egyptian Resorts Company (EGX: EGTS.CA), Egypt's leading master developer of mega communities, announced today its consolidated results for the first quarter of 2011, reporting a net profit of EGP 3.75 million on revenues of EGP 12.34 million. Profits were supported by EGP 9.15 million in foreign exchange gains and interest income.

#### Commenting on the Company's 1Q11 results, Chief Executive Officer Mohamed Kamel said:

Despite the current economic challenges facing Egypt and particularly facing the real estate development and tourism sectors, results of ERC management's dedicated turnaround efforts in 2010 begin to show in our first quarter in 2011.

Both operationally and in terms of our bottom line, the first quarter of 2011 yielded a number of milestone achievements. The highlight was certainly recording some pre-launch sales at our Sawari Marina, our 2.5-million-square meter joint project with Orascom Development. ERC recognized EGP 3.2 million in revenue from Sawari sales, while contracting EGP 16 million as of the end of March. The numbers are a fraction of the pre-revolution budgeted figures for the quarter, yet the mere existence of demand was a positive sign cementing our belief in people's trust in the Orascom and ERC/Sahl Hasheesh brands. Our continued belief in the long-term strength of demand for luxury properties on the Red Sea supports our decision to play a more direct role going forward in the development of strategic assets at Sahl Hasheesh, selling off-plan to a discerning clientele.

The quarter also witnessed the initial stages of implementation of our community management model. Prior to the start of 2011, ERC had provided community management services to Sahl Hasheesh sub-developers, at an average quarterly expense of approximately EGP 7 million. The start of the year marked the first time we applied the model and invoiced for these services; sub-developers were billed EGP 4.74 million in the first quarter. This development will remove a significant portion of the community costs previously solely incurred by ERC.

I am also very pleased to report an exciting new partnership between ERC and the Hurghada Environmental Protection and Conservation Association (HEPCA) for the construction of a cutting-edge marine research station at Sahl Hasheesh. HEPCA is an internationally recognized NGO specializing in the field of marine and land conservation and closely monitoring the Red Sea's delicate and pristine eco-system. HEPCA chose Sahl Hasheesh as the location for its research center for several reasons, including the immaculate natural surroundings, future access to a premier marina, and ERC's long-standing record of support for and cooperation with the organization's conservation initiatives. We, at ERC, consider ourselves diligent custodians of the ecosystem along *our* stretch of Red Sea coast. This partnership represents yet another opportunity through which we can fulfill our duty in helping to ensure the Red Sea ecosystem for locals and prime attraction for property owners and guests remains untarnished for generations to come. Of equal importance to the ERC board of directors is the ability to give back through a unique educational contribution whereby young Egyptians scientists working for the Marine Research Station will benefit from unparalleled training and doctoral scholarships every year to one of Europe's best universities.

Sahl Hasheesh Company – ERC's subsidiary – has also signed a contract with an Italian investor for the opening of a famous, branded five-star restaurant in the Old Town. ERC is expecting to finalize, with the same investor, a beach management agreement for a part of the Old Town beach.

Lastly, I would like to take this opportunity to summarize our ongoing proactive legal and media defense of our Phase III land bank. In early April, ERC received a letter from the Tourism Development Authority (TDA), withdrawing its approval for the allocation of Phase III land – contractually 20 million m<sup>2</sup> and measuring 28 million m<sup>2</sup> – at Sahl Hasheesh due to “ERC's non-compliance with TDA rules and regulations.” However, the initial land allocation agreement with TDA clearly states that in the event the developer is in default, the TDA is required to notify the developer and grant the developer a six-month grace period to rectify the default. ERC is neither in default nor did it receive such notice from the TDA.

As a result, we filed a formal petition with the TDA, requesting reconsideration of its decision. We are currently awaiting a response from the TDA. In the event the TDA rejects the complaint, ERC is fully prepared to resort to the Dispute Settlement Committee and the Administrative Judiciary Court to defend its legal rights and that of its shareholders and nullify the administrative decree of the TDA which withdrew TDA approval for the allocation of Phase III to ERC.

We have also noted to the TDA and to the public through national newspapers that we have already settled 27% of the value of Phase III as per TDA requirements — USD 7.57 million — as of 31 December 2010. In addition, ERC has incurred rent expenses for Phase III amounting to USD 1.33 million and has contracted 12 different consultants at a total approximate cost of USD 6.8 million for the Phase III master plan, most of which has already been settled.

Other recent and upcoming corporate developments include:

- Continued progress towards finalization of Phase III master plan and all consultant reports by 15 July 2011.
- Continued progress at the Sawari Marina finalizing all security and planning approvals.
- Across the board non-essential cost cutting measures without sacrificing long-term growth prospects.

The remainder of 2011 will certainly be challenging for companies operating in tourism and related sectors. However, we remain optimistic that Egypt will make a robust comeback in 2012, as the fundamental attraction of Egypt for visitors remains unchanged. We are well positioned to leverage our strong, debt-free, liquid balance

sheet to advance our strategic assets at Sahl Hasheesh towards completion. The medium- to long-term strength of our business model is supported by a growing world-class management team, and from our association with the best brands in our business — be they sub-developers, planners or other consultants.

### **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

Misr Insurance	15.00%
KATO Investment	11.96%
Rowad Tourism Company	10.00%
First Arabian Company	10.00%
Al Ahly Capital Holding	8.99%
Orascom Development Holding	4.50%
Other long-term investors	7.64%
Free Float	31.91%

### **Investor Contact**

Abu-Bakr Makhoulouf	Telephone	+202 2735 8427
Head of Investor Relations	Fax	+202 2735 2743
Egyptian Resorts Company	email	<a href="mailto:abmakhoulouf@erc-egypt.com">abmakhoulouf@erc-egypt.com</a>

# # #

## **Disclaimer and Forward-Looking Statements**

*This document is intended for information purposes only and does not constitute or form part of an offer for sale or subscription or an invitation or solicitation of an offer to subscribe to or purchase securities of any kind and neither this document nor anything contained herein shall form the basis of any contract of commitment from any party whatsoever. Information, including but not limited to financial information, in this document should not be considered as a recommendation in relation to holding, purchasing or selling shares, securities or any other instruments in or in entities related to ERC or any other company. This document contains forward-looking statements. By their nature, forward-looking statements involve inherent risk and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. ERC does not make any representation, warranty or prediction that the results anticipated by such forward-looking statement will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standards scenario. Such forward-looking statements speak only as of the date on which they are made. For the avoidance of doubt, the words “believe”, “anticipate”, “expect”, “intend”, “aim”, “plan”, “predict”, “continue”, “assume”, “positioned”, “may”, “will”, “should”, “shall”, “risk” and other similar expressions that are predictions of or indicate future events and future trends identify forward-looking statements.*