



EARNINGS RELEASE – Second Quarter 2015

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ERC Announces Consolidated Results for Second Quarter 2015

Key developments in 2Q 2015 include unprecedented land sales contracts and receipt of TDA regulatory greenlight setting ERC on course to begin its mega project “Sawari”

Second Quarter Financial and Operational Highlights

- Net revenues of EGP 270 million compared to EGP 44.4 million in 2Q 2014
- Gross profit of EGP 222 million in 2Q 2015 against EGP 4.6 million in the same period of 2014
- Operating profit of EGP 206 million compared to an operating loss of EGP 7.2 million in 2Q 2014
- Net profit Before Tax of EGP 207 million against net loss of EGP 5.8 million in 2Q 2014

Egyptian Resorts Company (EGX: EGTS.CA), Egypt’s leading master developer of mega communities, announced today its consolidated results for the second quarter of 2015, with net revenues up by more than six-fold year-on-year to EGP 270 million, largely on the back of 8x-higher activities revenues, which stood at EGP 275 million in the quarter, and EGP 12.2 million in services revenues (up 31.2% y-o-y). The company also reported a significant increase in net profit before tax to EGP 207 million against a net loss of EGP 5.8 million in the comparable period last year.

Selling, general and administrative expenses rose by 73.8% year-on-year to reach EGP 15.5 million, but fell as a percentage of total sales from 20.1% in 2Q 2014 to 5.7% in 2Q 2015. The company’s balance sheet remained liquid, with cash of EGP 173 million at the end of 2Q 2015.

The ongoing recovery of the hospitality sector drove a significant increase in cash collections from both sub-developers and retail buyers of EGP 107 million in 1H 2015, up from EGP 15.7 million in 1H 2014. In addition to that, cash receipts from community management and services witnessed significant growth year-on-year, reaching EGP 20.4 million in 1H 2015 up from EGP 11.5 million in 1H 2014, on improved collections and as new hotels and projects came online.

Commenting on the Company’s 2Q 2015 results and the outlook for the remainder of the year, Chief Executive Officer Mohamed Kamel said:

All the signs seem to indicate that 2015 will be a vital and highly fruitful year for ERC’s operations and the industry as a whole. So far into the year, we have much to celebrate, as we begin to realize the gains of the successful strategies and trajectory we chose to follow during years of sustained economic weakness in Egypt since January 2011. During that period, we had taken several initiatives to position Sahl Hasheesh as the newest and hottest destination on the Red Sea coast. In 2015, our efforts included a series of parties and events during weekends and holidays, meant to attract domestic vacationers. A number of group activities were also organized, including Red Sea Bikers SH, Boulevardian Bikers SH, and Stroke for Egypt. These efforts have seen the community gain in popularity

not just among domestic tourists, but international holidaymakers as well, with average occupancy rates at Sahl Hasheesh and the Red Sea region outpacing the whole of Egypt. The tourism industry is gradually recovering as well, and tourist arrivals have increased by 9% from the same period last year to 4 million in 1H 2015. Revenues generated from the sector reached EGP 3.3 billion for 1H 2015 reflecting an improvement of 3.1% over the same period last year.

Another undeniable sign of this revival is the return in the market's appetite for second homes, as evidenced by the positive response we received for the launch of Tawaya, the joint project between our subsidiary SHC with Palm Hills Developments, in April 2015. Tawaya is meant to become a lively and sustainable residential community in Sahl Hasheesh. Our dedication to this vision has us focused on establishing proper infrastructure and maintaining the high quality and standards of the community.

As part of our commitment to the sustainability and development of Sahl Hasheesh as a full-fledged community, ERC signed a 27-year contract with KarmSolar that will see the company provide c. 50,000 sqm of land for the installation of a cutting-edge solar power facility, far removed from residential and touristic areas, at an investment cost of USD 2.5 million. ERC will be entitled to a 2% share of revenues earned through the government's Feed-In Tariff program, as mandated by its regulations.

One of the most significant developments this quarter was ERC receiving the much-anticipated approval from Egypt's Tourism Development Authority (TDA) to redefine the boundaries of Phase II of Sahl Hasheesh, removing the last obstacle facing the launch of our mega-project Sawari, which is set to become the Red Sea's premier marina and the crown jewel of Sahl Hasheesh.

These accomplishments are reflected in our results for the first half of 2015, which saw us grow our top and bottom lines significantly from the comparable period last year. This substantial improvement came mainly on the back of exponentially improved land plot sales, bringing total contracted sales up to USD 74.5 million. Our management team's excellent guidance through cost-cutting and efficiency-improvement initiatives, in addition to effective marketing campaigns meant to set eyes on our budding resort and community, have also been undeniable drivers of growth this quarter.

ERC's marketing department has been working hard to improve the resort's exposure; during 1H 2015, Sahl Hasheesh was the location of choice for a movie shoot and the filming of a popular television program. In addition to that, the company hosted the Egyptian Tourism Investment Briefing (ETIB) in Cairo's Four Seasons Nile Plaza Hotel, the first tourism-centric conference of its kind in Egypt. ERC also participated in the Berlin's International Tourism Conference for the third consecutive year, as well as the 18th International Hotel Investment Conference in Berlin and the Arabian Hotel Investment Conference in Dubai. Moreover, we are planning to continue participating in London's World Travel Market later this year.

The second half of 2015 is expected to see even more investments drive large-scale infrastructure projects and other development across Egypt as a whole. We are optimistic about what the future has in store for ERC, especially knowing that the experience we have gained during the last several years has helped us build a strong and buoyant foundation. It is on that foundation that we now stand strong, well-positioned to capitalize on the growth from Egypt's recovering economy and shifting market dynamics, supported by successful strategies and a diversified revenue stream, that will see us continue on a streak of successes as the year unravels.

1. Land plot sales

The first half of 2015 saw ERC close new land sale contracts bringing the total value of contracted land sales up to USD 74.5 million with a weighted average contracted price per square meter of USD 116. The pick-up in land contracts is a reflection not only of sub-developers' appetite for high-quality land, but also of ERC's strategic steps to build key, capital-intensive pieces of community infrastructure in Sahl Hasheesh, that are meant to make it an even more attractive destination for tourists and residents throughout the year. It is worth noting that the actual weighted average selling price in 1H 2015 reached USD 125.

The land plots aim to become home to two schools, a theme park that may have an aqua park component, a hostel, and other residential developments – all meant to turn Sahl Hasheesh into a booming residential community with full-fledged services.

2. Sawari Marina

Another delightful development in the second quarter of 2015 was receiving the TDA's approval to redefine the boundaries of Sahl Hasheeh's Phase II, which had been the single remaining obstacle in the launch of Sawari. The approval left ERC's total Phase II allocation area of 6 million sqm as is, but authorized the swap of 391,000-square meters of land to allow ERC to begin work on Sawari's 1.1 million square meter Phase 1, designed to become the Red Sea's premier marina and the crown jewel of the Sahl Hasheesh community.

Phase 1 will center around a world-class yacht club and marina with room for more than 330 boats and yachts up to 60 meters in length. It will also include two 5-star hotels and one 4-star property around the marina basin, in addition to more than 1,000 villas and apartments along the marina basin and lagoon, as well as a two-kilometers long pedestrian promenade featuring numerous boutiques, fine dining and cafés as well as nightlife and entertainment venues. Sawari's designs and overall masterplan were crafted by hospitality and entertainment industry leader WATG. ERC anticipates making an announcement in the near term as to the pre-launch sales and the full opening of Sawari's sales window.

3. Tawaya

The start of 2015 also saw ERC subsidiary, Sahl Hasheesh Company, enter into a partnership with Palm Hills Developments (PHD) to co-launch the residential project Tawaya, which will include over 140 prime beachfront properties in the Old Town in Sahl Hasheesh, with unit sizes ranging between 60 and 294 square meters. The project is expected to come fully on stream in the next 12-18 months, although sales commenced in April and were extremely well-received by the market. Tawaya is expected to build the nucleus of an affluent Egyptian community in Sahl Hasheesh, which should in turn boost the attractiveness of the destination to domestic and foreign tourists alike.

4. KarmSolar

In other developments, ERC signed a long-term land lease that will see the company provide KarmSolar with c. 50,000 sqm of land to design and implement a cutting-edge solar power installation under the Government of Egypt's feed-in tariff program (FIT), the program that governs conditions under which the private sector can sell independently generated power. Under the terms of the agreement, KarmSolar has rights to use the land for a period of 27 years, during which time ERC will be entitled to a 2% share of revenues, as FIT regulations mandate. The facility will cost c. USD 2.5 million to bring online and could be operational as early as the second half of 2016.

The privately-owned KarmSolar is an Egyptian company aiming to replace diesel-powered processes with innovative, affordable and reliable off-grid solar energy solutions. That said, the project underscores ERC's commitment to building a model for sustainable communities in Egypt, one that follows international design guidelines and features

world-class infrastructure. What's more is, by introducing renewable energy sources into the mix, ERC effectively lowers its environmental footprint and likewise becomes a part of the solution for Egypt's ongoing energy crisis, given the country's prime location and exposure to sunlight all year round.

5. Legal Update

The Commissioners' Committee at the State Council has issued its report on the matter of the case brought before it pertaining to the annulment of the Sahl Hasheesh contract, and the court postponed the case to a hearing on 24 November this year. Our legal counsel had filed a defense brief drawing the committee's attention to Law 32 of 2014, which regulates third-party complaints regarding contracts entered into by the Government of Egypt.

Meanwhile, regarding our proactive lawsuit filed against the Tourism Development Authority for cancelling its withdrawal of Phase 3 land, the court-requested report from the Commissioners' Committee at the State Council is yet to be issued. Our legal counsel has objected to the involvement of Pyramisa Company in the dispute, which we believe has no standing under Law 32 of 2014.

6. Strategic Priorities for the remainder of 2015

In what remains of 2015, ERC intends to ramp-up its marketing strategies and efforts even further in order to enhance the company's already lofty position and market share, increase sales, and boost occupancy rates at Sahl Hasheesh, both in the residential and hospitality divisions. Our grander vision for Sahl Hasheesh sees the resort becoming both a full residential community with complete services and facilities, as well as a flourishing tourist destination. As such, a key component of our forthcoming strategy will be targeting locals, both as tourists, residents, and regular visitors of our community, which would in turn also shield the company from fluctuations in the number of foreign tourists arriving in the country while the sector makes a full recovery.

Learning from the lessons of previous years, we will also continue to strive for a healthy and comfortable balance sheet, to hedge the company from any unanticipated turbulence in our market or country. To achieve this, we intend to continue pushing through with plans to cut our costs and maximize the efficiency of our operations across our divisions. The success we have seen with our Jamaran project last year – which sold out at an impressive pace – makes us certain that both Tawaya and Sawari will perform equally well, if not even better. The alliances between our company and top-end developers should serve as a forceful driver for the successes to come, fortifying our vision for Sahl Hasheesh as the leading destination on the Red Sea coast.

7. Corporate Social Responsibility

During 1H 2015, ERC invited a number of children to Orphan's Day at Sahl Hasheesh, where they took part in several activities around the resort and its beaches. Additionally, ERC opened its doors to a number of students, offering them internships as part of the company's CSR initiatives and commitment to the development of Egyptian youth by helping them acquire the basic skills necessary to set them out into the labor market. The company participated in other initiatives as well, as a way of giving back to our surrounding community.

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 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	9.05%
Al Ahly Capital Holding	9.00%
Misr Insurance	8.05%
Misr for Life Insurance	6.96%
Orascom Development Holding	4.50%
Others	40.48%

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