



EARNINGS RELEASE – First Quarter 2017

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ERC Announces Consolidated Results for the first quarter of 2017

ERC demonstrated strong revenue growth and profitability in the first quarter of 2017, reaping the benefits of its enhanced marketing efforts on flagship destination

First Quarter Financial and Operational Highlights

- Net revenues in 1Q 2017 reached EGP 121.3 million compared to EGP 10.3 million during the same period last year
- Gross profit reached EGP 86.8 million against a gross loss of EGP 10.2 million during the same period last year
- Operating profit recorded EGP 79.2 million compared to an operating loss of EGP 18.8 million 1Q 2016
- Net profit for the quarter stood at EGP 66.1 million, compared to a net loss of EGP 1.4 million in the same period last year

Egyptian Resorts Company (EGX: EGTS.CA), one of Egypt's leading master and real estate developers, announced today its consolidated results for the first quarter of 2017, reporting revenues of EGP 121.3 million in 1Q 2017, up from EGP 10.3 million from the same period last year as the company realized EGP 102.2 million in revenue from the sale of land plots. The company reported a net profit of EGP 66.1 million in 1Q 2017, yielding a net profit margin of 54%.

As Sahl Hasheesh becomes one of the fastest growing Red Sea coastal destinations in Egypt, the company's growth in sales follows management's successful strategy of controlling the supply of the company's land bank starting late 2015 — during which major land sales were halted — with the aim of maximize its future value. ERC's total contracted sales during 1Q 2017 recorded EGP 168 million for land sales as well as EGP 58 million from its real estate projects. Meanwhile, increased marketing efforts toward Old Town Retail saw the company ink rental agreements with a variety of vendors that add to the developments all-encompassing amenities and services.

The quarter also saw cash receipts rise to EGP 47.6 million, up 269% y-o-y from EGP 12.9 million during the same period in 2016. This is mainly due to the growth in inflows from sub-developers and retail buyers which increased to EGP 41.4 million compared to EGP 8.1 million during the same period in the previous year on the back of cash collections from down payments on land sales made during the period. Cash receipts from community management and services experienced a 27% y-o-y increase to EGP 6.1 million, up from EGP 4.8 million during the same period last year.

The company's balance sheet remained liquid as at 31 March 2017, with a cash balance of EGP 134.1 million.

Events & Activities

Sahl Hasheesh continues to host major weekend events and push an aggressive marketing campaigns in order to position itself as an upscale local and international beach town and burgeoning second home destination. Activities include weekend coastal events and the participation in prominent world travel exhibitions.

Land Plot Sales

Land Plot Sales accounted for the majority of the company's 1Q 2017 revenue, with EGP 102.2 million attributed to the sale of a phase two land plot and EGP 3.9 million related to land sales at phase one of the Jamaran development. The company intends to take advantage of the recovery of sub-developers' appetite for land over the coming years while maintaining the standard and identity of Sahl Hasheesh as an upscale integrated town. During Q1 2017, ERC managed to realize land reservations and contracts of a size of EGP 168 million.

Proprietary Projects

At Sahl Hasheesh's Old Town development, the company continues to market its exclusive Tawaya apartments developed in cooperation with Palm Hills. Currently, more than 50% of the project has been sold, contracted, or reserved with expectations for phase one of the project to be sold-out by year-end and the launch of phase two to follow in early 2018. Meanwhile, Old Town's retail units are in high demand owing to their attractive payment terms, with more brands and activities setting up shop at the destination and helping generate increased traffic and adding to the vibrancy of Sahl Hasheesh Town. During Q1 2017, ERC managed to realize real estate reservations and contracts of a value of EGP 68 million.

ERC also continues to push forward with efforts to obtain all necessary licenses from governmental entities to launch its mega-project, Sawari, this year. Last year, the company had cleared the final obstacle on the course to launching the Sawari marina project, after receiving approval from the Tourism Development Authority (TDA) to redefine the boundaries of Sahl Hasheesh's Phase 2 to include the entirety of Sawari's 1.1 million square meter initial phase.

Marketing Strategy

In this digital age, the management of ERC recognizes the importance of adopting a comprehensive digital media marketing campaign to the company's overall marketing strategy. To this end, we have been focused on integrating an online platform and presence across all of ERC's business activities and projects. Weekly and monthly social media plans are developed to promote destinations, events and activities held in Sahl Hasheeh.

A recent example is during the events held in Easter, which were mainly promoted via our social media platforms (in addition to flyers which were distributed across Sahl Hasheesh's resorts). Social media engagement was demonstrated through our live coverage of the festivities. Another recent example includes promotional efforts for Tawaya which, in addition to billboards on the Ain Sukhna road, was promoted through an aggressive digital marketing campaign, helping to boost awareness and traffic to its website.

Looking Ahead

As part of ERC's firm commitment to the creation of long-term value for its shareholders, management has taken a decision to realign the company's strategic focus. The coming period will see ERC pivot from its current positioning as a master developer with its primary focus being the provision of master-planned land, to a more encompassing strategy focusing on the entire real estate value chain (B2C), including touristic, commercial, and first and second homes residential offerings. The strategy will see ERC increasingly develop its own strategic and flagship assets utilizing its financial resources, as well as directly invest in recurring income developments such as hotels, commercial and retail spaces.

Additionally, ERC will work to better utilize its infrastructure assets including its production/treatment capacities as well as its distribution networks. Management views these assets as offering a tangible opportunity to create value through the extension of services to third-party customers. Lastly, ERC will also push for developing its facilities management activities, including maintenance, security, landscaping among others, and transform the service into another revenue generating unit that can also extend services to third-party customers.

Legal Update

A settlement has been reached between ERC and Pyramisa Hotels and Resorts (“Pyramisa”) which covers the termination of all mutual lawsuits. The settlement encompasses all lawsuits filed between ERC and Pyramisa, including the lawsuit filed by Pyramisa for the annulment of Sahl Hasheesh contract, which was dismissed by the court during a hearing on 23 May 2017 on the grounds that the plaintiff had no standing. The settlement also mandates that Pyramisa withdraw from the lawsuit filed by ERC against the Tourism Development Authority (“TDA”) in relation to the latter’s cancelation decree for the land allocation of Sahl Hasheesh Touristic Center’s Third Phase.

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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

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%
Others	44.98%

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