



## EARNINGS RELEASE – First Quarter 2010

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### ERC Announces Consolidated Results for First Quarter 2010

Depreciation charges and the non-completion of a land sale result in a quarterly loss as Egypt's leading master developer focuses on building long-term value for shareholders

#### First Quarter 2010 Financial and Operational Highlights

- Revenues of EGP 4.4 million, a 34.3% decrease Y-O-Y
- Net loss of EGP 2.9 million against a net profit of EGP 9.3 million in 1Q09
- Strategic partnership concluded with Orascom Development Holding (ODH) to develop Sahl Hasheesh Marina, while ODH takes 4.5% equity stake in ERC
- New ERC management team delivers progress in six key areas including anchor attractions at Sahl Hasheesh, the development of recurring revenue streams, Phase III planning and pre-existing investor breaches, while simultaneously beginning to add significant new management depth

Egyptian Resorts Company (EGX: EGTS.CA), Egypt's leading master developer of mega communities, announced today its consolidated results for the first quarter of 2010, reporting a net loss of EGP 2.9 million on revenues of EGP 4.4 million. By comparison, ERC reported profit of EGP 9.5 million in the first quarter of 2009 on revenues of EGP 6.7 million, bolstered by lower depreciation charges and substantial foreign exchange gains. Profits in the quarter just ended were impacted by both a 34.3% drop in revenue and a sharp 675% rise in depreciation costs to EGP 3.2 million on the back of infrastructure and network assets capitalized last year.

#### Commenting on the company's 1Q10 results, Chief Executive Officer Mohamed Kamel said:

We are just months into a turnaround story so tangible that it has not only seen one of the world's leading developers partner with us on the Sahl Hasheesh Marina project, but which has also prompted it take a 4.5% stake in our company. Against that background, some in our position may have been tempted to exceed market expectations in the quarter just past by completing a modest land sale.

That type of short-term thinking is anathema to ERC's new management team and to the Board of Directors that has empowered us to build long-term value for shareholders of this exciting company. As I have explained in the past, ERC is in a building phase that is based on attracting only the best — the best management talent, the best sub-developers, and the best tenants and operators. In that respect, our emphasis has and will continue to be on releasing land only to qualified partners. This approach has a short-term effect on revenues as we continue to lay the groundwork from which our recurring revenue base will grow. Until this stream matures — allowing us to deliver regular income from the sale of utilities and from community management fees, among others — it is short-sighted to judge ERC on the basis of land sales. We are not a real estate company, we are a master

developer, and in this respect, our policy remains clear: We will sell land only to fully qualified sub-developers with strong visions and bankable business plans — and only when the price, plan and use for the land are a strong fit with our master plans for Sahl Hasheesh. Going forward, ERC will release holdings from its land bank in a manner that both preserves ERC’s valuations and the returns of its existing sub-developers.

Only 16 weeks into this new phase of ERC’s development, we have made substantial progress on three fronts: At ERC as a corporate entity, at Sahl Hasheesh Company, and on the ground at Sahl Hasheesh. These achievements are part of our 2010-11 plans to address legacy issues at the corporate and Sahl Hasheesh levels while launching Phase III of the development, which will transform Sahl Hasheesh from a resort destination into a full-fledged municipality with a year-round population. Among the progress to date:

1. **Partnership with ODH:** While we are obviously delighted to have earned the confidence of Orascom Development Holding (ODH) as a substantial new shareholder, we are even more excited to have them on board as the development managers of the Sahl Hasheesh Marina. Under the terms of the deal, ERC will retain ownership of the 2.5 million-square-meter property, while ODH subsidiary Orascom Development and Management (ODM) will market, sell and manage the development of the Marina and surrounding real estate under a revenue and profit-sharing arrangement over the coming nine years. Sahl Hasheesh is already home to 1,577 hotel rooms and 679 residential units, and we expect that base to grow to more than 4,000 hotel rooms and 2,500 residential units by the end of 2012. The Marina is at the heart of the Sahl Hasheesh strategy, and we can think of no better partner with whom to develop it.
2. **Development of Recurring Revenue Streams:** We are now in the design implementation phase for the budget and systems that will back our *community management program*, which will facilitate billing domestically and internationally. We have re-engaged the original developer of the budget to oversee the design implementation phase and are aiming to take the program live in 2011. Meanwhile, we are now at the signing stage with larger developers (3 or more plots at Sahl Hasheesh) on *community services agreements*. On the *utilities* side of the equation, we continue to make progress on our electricity license and our communications infrastructure plans now include the delivery of quad-play capability.
3. **Phase III:** This critical phase will transform Sahl Hasheesh from a resort destination into a full-fledged municipality two-thirds the size of the island of Manhattan with a year-round population. We have engaged world-class planners WATG, who have a proven track record in 160 countries and territories, and the first payment for their services has been delivered. WATG will help finalize the detailed land use plan and design guidelines for part of Phase II and all of Phase III while providing planning and technical support for Sahl Hasheesh over the coming decade.
4. **Team Building:** ERC’s premier development may be built on land, but this corporation’s future will be structured around people. To that end, we have appointed a new head of marketing, a new human resources director, and a new chief financial controller to help us take the company forward. We have, moreover, started working with a leading global consultant on organizational restructuring and human resources planning, with the aim of becoming one of the region’s most attractive employers for the market’s top talent. Our goal is to create a long-term foundation for growth as we deliver Sahl Hasheesh and begin exploring our next developments. Finally, I note that we have seen some growth in consolidated SG&A spending this past quarter as Sahl Hasheesh Company (SHC, which we see as a key generator of recurring revenues in the future) expanded its distinct management team. SHC previously depended on ERC staff, a fact that slowed the company’s growth.

5. **Anchor Attractions:** The Old Town will stand alongside the Marina as among the key attractions of Sahl Hasheesh not just for the vacationers who come for the outstanding seaside experience, but for year-round residents. Management is now in negotiations with prospective restaurant, retail and service-provider tenants who will bring this district of Phase I to life. Similarly, we expect to soon make an announcement regarding our development model for the Old Town 'public' Beach at Sahl Hasheesh, the planning of which has been a significant component of our work in the first quarter.
6. **Pre-Existing villa zone investor issues:** Management continues to address the resolution of outstanding breaches of design guidelines in the villa zone. Working with the investors in breach, we have resolved three conflicts through demolition. A further six parties have received demolition agreements for signature, and two other disputes are still in the negotiations phase of resolution. This process will see ERC incur costs of some EGP 7 million (EGP 3 million of which is in cash) but it is an important investment in community standards that also sends a strong message that will help pre-empt future breaches.

### **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	13.10%
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%
Insurance Holding Company	1.90%
Other long-term investors	9.47%
Free Float	30.08%

#### Investor Contact

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

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