



## EARNINGS RELEASE – 2Q 2012

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### ERC Announces Consolidated Results for 2Q 2012

ERC reports rising utilities revenue, obtains electricity distribution license, launches triple-play services with completion of state-of-the-art fiberoptic network, and appoints operator to manage the pier docking facility.

#### 2Q 2012 Financial and Operational Highlights

- Revenues of EGP 6.72 million, a 19.5% decline year-on-year
- Operating loss of EGP 13.46 million vs. EGP 9.06 million in 2Q11
- Loss before tax of EGP 6.30 million vs. EGP 3.46 million in 2Q11
- Net loss of EGP 7.00 million vs. a net loss of EGP 4.72 million in 2Q11
- Earnings per share of EGP -0.0057 vs. EGP -0.003 in 2Q11
- Utilities revenue of EGP 6.06 million, a 56% increase year-on-year
- Interest income of EGP 6.75 million, a 25% increase year-on-year

Egyptian Resorts Company (EGX: EGTS.CA), Egypt's leading master developer of mega communities, announced today its consolidated results for the second quarter of 2012, reporting a net loss of EGP 7.0 million on revenues of EGP 6.7 million. Total revenues eased 19.5% year-on-year, largely as a result of lower sales of residential units at the Sawari marina project on the back of poor consumer sentiment.

Notably, second quarter revenues included a 56% increase in income from utilities at EGP 6.1 million. Revenues from Sawari stood at EGP 0.5 million in 2Q12 against EGP 4.1 million in the same period last year as consumers held back from large-ticket purchases pending the outcome of the government efforts to stabilize the economy.

General and administrative expenses fell 17.1% year-on-year in 2Q2012 to EGP 5.1 million as management continued to adhere to a proactive program of cash conservation implemented in 2011. This program will continue through the restoration of long-term market and economic visibility.

ERC's net loss from operations stood at EGP 13.5 million in 2Q2012 due to subsidiary Sahl Hasheesh Company's weaker than expected operating performance and was partially offset by a 25% rise in interest income to EGP 6.8 million. Net earnings before taxes accordingly stood at a negative EGP 6.3 million.

ERC's balance sheet closed in a largely stable position with cash of EGP 85.7 million in addition to EGP 92.9 million of investments in Treasury Bills. (note: ERC began separating its cash and Treasury Bills balances in 1Q2012 to provide better transparency).

**Commenting on the Company's 2Q2012 results, Chief Executive Officer Mohamed Kamel said:**

With a continued recovery in the tourism industry, the conclusion of presidential elections, and sustained operational progress in the quarter, ERC closed the second quarter confident in the long-term fundamentals of its industry and its flagship development, Sahl Hasheesh, yet mindful that the nation may continue to face economic challenges in the remainder of the year.

In the six months ending June, Egypt recorded 5.24 million tourist arrivals, a 26.8% increase from the first half of 2011 and in line with the Government's forecast of a 23% rise to 12.5 million tourist arrivals this year. Occupancy rates at our sub-developers' properties in 2Q12 are up both quarter-on-quarter and year-on-year.

Consumer appetite for second home purchases was particularly depressed in 2Q12 on the back of political uncertainty in the run-up to the elections. While we note significant interest from our target audiences in Egypt and abroad for units at our proprietary developments, Sawari and Jamaran, the rate at which this interest will be converted into sales will be largely dependent on the impact of economic and political policymaking and development on the broader real estate industry.

Looking to the fall, we see downside risk from political uncertainty (largely centered around a series of potential court decisions with political ramifications) and from a potential deterioration in economic conditions (amid the budget deficit, falling reserves, and the impact on the nation's subsidy bill of a recent spike in world food prices). Against this backdrop, we continue to manage the business with an eye on both short-term challenges and long-term opportunities:

**1. Cash Conservation**

We continue our tight management of expenditures in all categories to minimize cash outlays in an uncertain climate, prioritizing investment in a mix of high-impact projects that will either turn cashflow positive in the short term or add markedly to the development of robust long-term revenue streams.

**2. Electricity Distribution License**

The development of our recurring revenue stream from utilities sales took a step forward in the quarter just ended by obtaining a license to distribute electricity. Now signed off by the Egyptian Electric Utility and Consumer Protection Regulatory Authority, the license grants ERC the right to freely allocate and distribute loads among projects at Sahl Hashseesh and to distribute medium and low-voltage connections to sub-developers, residents and tenants.

**3. Launch of Triple-Play Services**

In 2Q12, ERC completed the installation and testing of a 14-kilometer, 144-core, multi-function fiberoptic network at Sahl Hasheesh to enable triple-play services for our sub-developers through an agreement with TEVOTECH, a Vodafone affiliate. I am pleased to report that the offering of high-speed internet, television and telephone functionality on a single fixed-line connection is now up and running at all hotels in Sahl Hasheesh, opening another important recurring revenue stream for ERC.

**4. Old Town Update**

Having obtained approvals to operate the pier of the Old Town's public beach for docking visiting boats, we are presently selecting a management company to operate this facility and an associated aqua center. Meanwhile, I

am pleased to note that Old Town is now home to 54 rented shops, 35 of them now open, compared with 42 rented outlets and 24 operational at the end of 1Q12.

## 5. Legal Updates

The next court session in the case filed to annul the Sahl Hasheesh contract is presently scheduled for 18 October 2012. At time of writing, we have no further information as to the status of our proactive suit regarding the withdrawal of Phase 3 land.

### 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 mainly 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

KATO Investment	11.96%
Rowad Tourism Company	10.00%
First Arabian Company	10.00%
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	31.91%

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