



**ERC**  
Egyptian Resorts Company

## COMPANY OVERVIEW

Q1 2010

A Phase III finalist's rendering of the Sahl Hasheesh International Resort Community



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## Investment highlights

- Master developer of mega resorts
- Premium mega resort on the Red Sea (41 million m<sup>2</sup>)
- Unique business model with multiple recurring revenue streams
- Unique value proposition for sub-developers & residents
- Strong western-local management team with proven industry track record

# Agenda

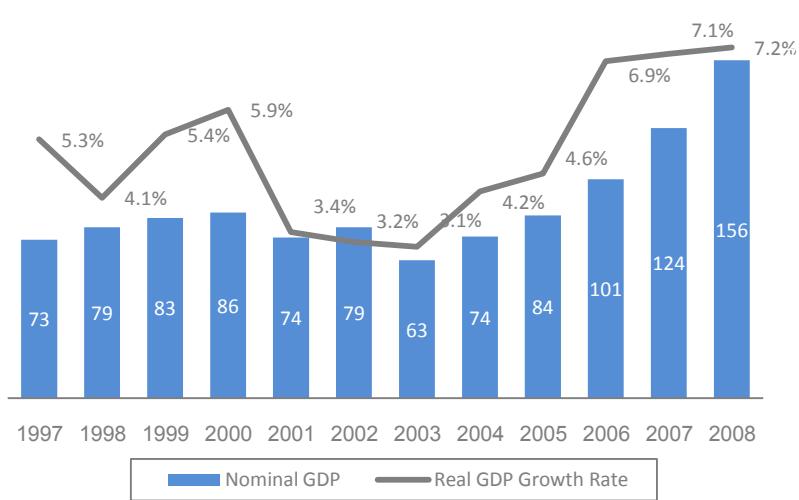


## Macro Overview and Egyptian Tourism Sector

- Company Facts and Performance to Date
- The Crisis – A Stunning Opportunity
- Business Model
- Development Highlights
- Annexes

# Egyptian economy in favorable position going into the crisis

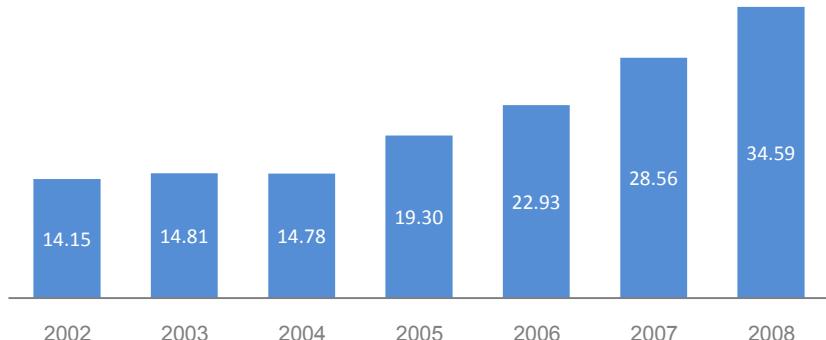
Nominal GDP, 1997 – 2008 | USD billions, Real GDP Growth %



## Egypt witnessed sharp economic growth from 2004

- GDP growth rates recovered from 3% in 2003 to 7.2% in 2008
- Primary growth drivers included:
  - Political and economic reforms
  - Progressive fiscal policy
  - Improved investment climate
- Significant construction across the country
- High domestic liquidity
- Promising fiscal stimulus program

Net International Reserves | USD billions



## Weaknesses

- Slowdown in tourist arrivals
- Current Account slipping into deficit
- Slower Suez canal revenues
- Slower remittances
- Slower exports

## Strengths

- Stable exchange rate
- High foreign exchange reserves
- Foreign Direct Investment slowing, but still strong
- Strong and sizable informal economy (25% - 30% of formal economy –est.)

# Through crisis:

## Egypt fundamentals promise stability and speedy recovery

1

### Strong macro indicators

- Sufficient savings from accumulated Current and Capital Account surpluses over the last few years
- Greater policy and foreign exchange flexibility
- Foreign Exchange Reserves of c.\$34 Billion
- Good levels of forecast FDI: USD 7 billion (2008/09); USD 6 billion (2009/10)

2

### Healthy Banking Sector

- Loan-to-Deposit ratio:
  - EGP 48%; Reserve Requirement = 14%
  - FX 71%; Reserve Requirement = 10%
- Total Household Credit = 9.6% of GDP
- Total Mortgage market = 0.6% of GDP (c.\$600m)
- Central Bank of Egypt to cut interest rates

3

### Favorable policies

- Policy preference of EGP depreciation in support of export growth and external demand
- Falling inflation and household credit growth to stimulate consumption
- EGP 15 – EGP 30 billion stimulus package targeting infrastructure projects, export subsidies, and reduction in investment tariffs



**Current Account deficit is manageable in the short-term**



**Large surplus credit capacity both to Corporates and Households**

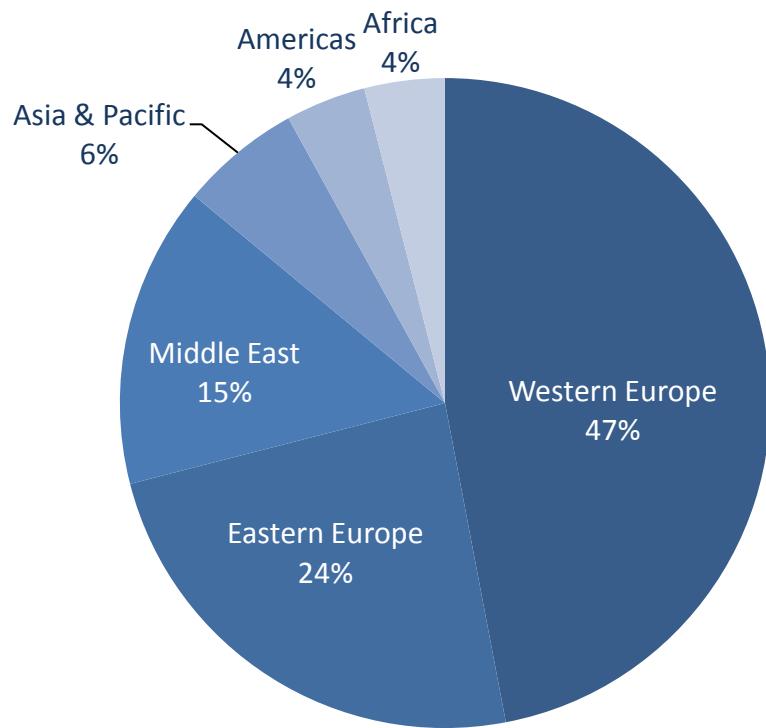


**Ability to generate real, positive economic growth**

# Tourism sector:

Highly strategic for sustainable economic growth

Breakdown of Arrivals by Region of Origin | 2008e

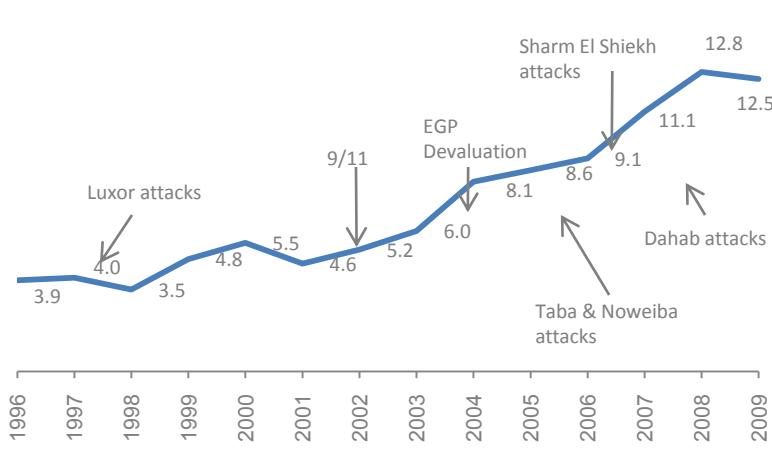


- **12.5 million arrivals in 2009**  
Red Sea accounts for c.50% of arrivals
- **Egypt accounts for**
  - 25% of MENA tourist arrivals
  - 33% of African tourist arrivals
- **Tourism Sector ...**
  - Is the 2<sup>nd</sup> largest hard currency earner – USD 10.8b in calendar year 2009
  - Represents c.40% of all service exports receipts
  - Employs c.14% of Egyptian workforce
  - Is the 3<sup>rd</sup> largest contributor to GDP growth

# Tourism sector:

## Resilience and continued investment highlight sector

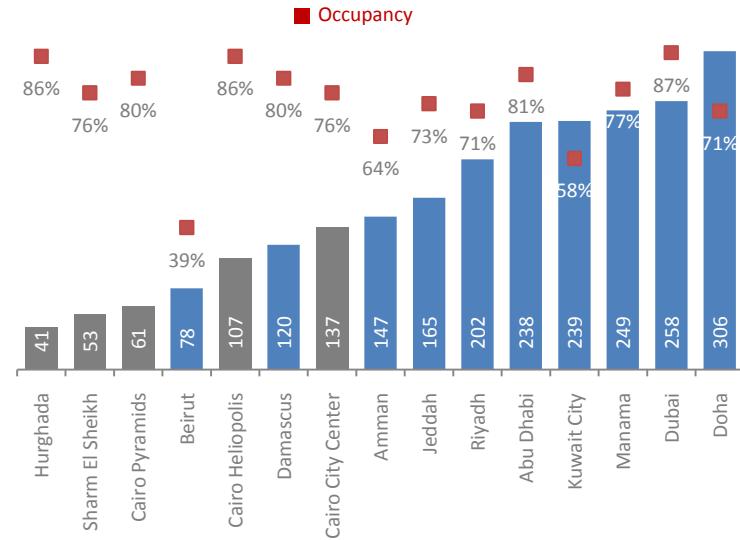
Tourist Arrivals to Egypt | millions



### Tourism in Egypt

- Only -2.3% growth in arrivals in 2009
- USD 80 average room rate - one of the region's lowest
- 74% average occupancy for the year in 2008
- 214,533 hotel rooms currently in Egypt
- 199,000 new hotel rooms under construction
- Cairo International Airport USD 350 million upgrade to serve a total of 23 million passengers per year
- Tapping into populated Chinese and Indian markets

Average Room Rates in 4 & 5-Star Hotels in Middle East (2007; USD)



### Tourism on the Egyptian Red Sea

- c. 50% of total tourist arrivals
- USD 41 average room rate in Hurghada - the region's lowest; USD 47 for the red sea
- 86% average occupancy in Hurghada – the highest in Egypt
- 71% of all hotel rooms; 28% of all 5-star hotels
- 50%+ of all hotel rooms under construction
- Upgrade underway for Hurghada International Airport

# Agenda

- Macro Overview and Egyptian Tourism Sector



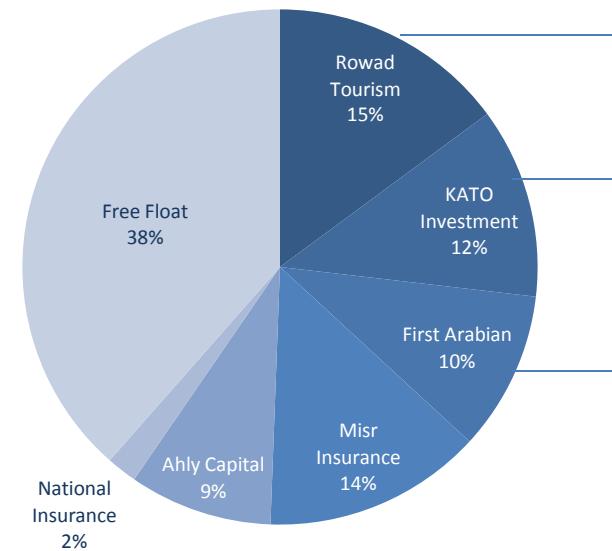
## Company Facts and Performance to Date

- The Crisis – A Stunning Opportunity
- Business Model
- Development Highlights
- Annexes



# A stable shareholder base

Legal Structure	Egyptian Public Joint Stock Company
Listing	Egyptian Exchange (EGX)
Authorized Capital (EGP)	2,000,000,000
Paid-in-Capital (EGP)	1,050,000,000
Nominal Share Value (EGP)	1.00
Fiscal Year	December 31 <sup>st</sup>
ERC Tax Structure	10-year tax exemption ended 2007
Subsidiaries	Sahl Hasheesh Co. (SHC) – 69.4%
SHC Tax Structure	10-year tax exemption ending 2017
Employees	126



Sharing Ownership

# Stock outperforms EGX 30 over last 5 years ...

Shares Outstanding	1,050,000,000
Share Price*	1.88
Market Cap. (EGP)	1,974,000,000
Average Daily Volume	6,116,600
<b>FY2009</b>	
Revenue	25,781,656
EBT	8,103,555
EBT Margin	31.4%



4<sup>th</sup>

largest company in terms of volume traded 2009 (780 million shares)!

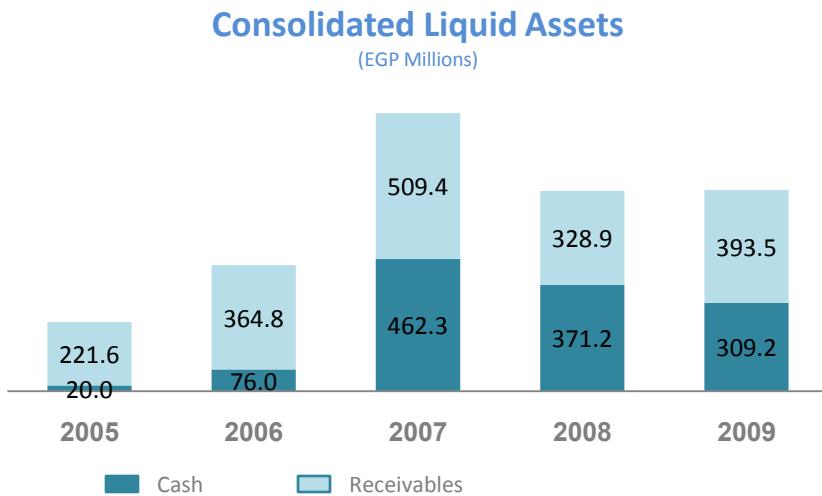
15<sup>th</sup>

largest company in terms of value traded 2009 (EGP 1.8 billion)!

48<sup>th</sup>

largest Market Cap on the EGX

... backed by a strong balance sheet



# Current share price:

BUYS LAND FOR \$10.15 / m<sup>2</sup>, COMMUNITY SERVICES FOR FREE

Ticker: EGTS  
EGP 1.88 / Share



Market Cap.

- Utilities & Community Services
- Land
- Net Receivables
- Cash

Cash\* EGP 309 million  
Net Receivables\*\* EGP 124 million

## Current Share Price Conclusions

- Land:**
  - EGP 1,543.5 million land value
  - 27.9 million\*\*\* m<sup>2</sup> Sellable Land Bank
  - USD 10.15 land value / m<sup>2</sup>
  - Land value / m<sup>2</sup> = 7.4% of the Weighted Average Price / m<sup>2</sup> achieved in 2008 of USD 142.50
- Utilities and Community Services:**
  - ZERO value assigned to all recurring revenue streams derived from the exclusive supply of utilities and community services

# Agenda

- Macro Overview and Egyptian Tourism Sector
- Company Facts and Performance to Date



## The Crisis – A Stunning Opportunity

- Business Model
- Development Highlights
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# TARGET:

Emerge as the undisputed destination of choice for developers and investors

## Opportunity

- **Comfortable Cash Reserves, EGP 309 million:** ERC can comfortably and aggressively spend on expansion plans for the coming 3-4 years even if receivables and sales performance significantly weaken.
- **Anxious Suppliers and Contractors:** As the current economic crisis moves into full swing creating a global recession, suppliers and contractors are willing to make attractive concessions with discounts and payment terms.
- **Deflating Commodity and Raw Material Prices:** Labor and materials prices have been falling rapidly creating a much more attractive infrastructure and construction investment climate.

## Strategy

- **Outpacing Developers Forced to Cut Costs and Investments:** Aggressive phase 3 marketing will help position Sahl Hasheesh as the No. 1 destination of choice as soon as developers resume their investment plans when tourism and second-home investments regain their strength
- **Completing Key Strategic Assets:** To increase the attractiveness of the destination by displaying a fully operational peek at its full potential
- **Protecting the Business Model:** Aggressive investment in infrastructure ahead of requirements

# 2010 Strategic Management Mandate

1

## Phase (III)

a new era in Egyptian  
Master Development

2

## Complete Strategic Assets

### Aggressive marketing:

International (EMEA / Asia Pacific) and local advertising and marketing campaign

### Provide developers with:

- **Pre-determined plots** with flexible conceptual designs to augment current design guidelines
- **Pre-negotiated brand agreements** for hotels, golf courses ...etc
- **Pre-packaged bankable feasibility studies** from world class hospitality experts and consultants

3

## Cement Master Development Business Model

### Supply of Utilities:

- **Administrative:** Finalize billing systems and third-party contracts
- **Fresh water and sewage treatment:** Grow capacity and design phase 3
- **Electricity:** Finalize a PPP agreement with the electricity authority for a dedicated Sahl Hasheesh sub-station
- **Communications:** Finalize agreements with Telecom Egypt and other third-party providers within the new NTRA regulations

### Supply of Community Services:

- **Administrative:** Finalize billing systems and third-party contracts

# Long-term Strategic Direction

PRELIMINARY  
ПРЕДВАРИТЕЛЬНЫЙ



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## Business Model

- Development Highlights
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# ERC's Vision & Mission ...

## VISION

Create in Egypt a truly world class **Master Designed, Developed and Controlled Community Standard**, with the aim of **redefining urban planning and development**, from every aspect of the world's best international resort communities and developments.

.....

## MISSION

Identify and maintain the **most suitable land banks** to our Vision to provide a **strong and sustainable return to our shareholders** while maximizing the benefits to the communities surrounding our developments.

This aim is firmly supported by **building brands, IP, and management structures that are transferable and wide-reaching in their effects** to enable ERC to become a prolific regional real estate and community master developer.

# ... delivers a unique value proposition

For  
Investors  
&  
Sub-Developers

For  
Tourists  
&  
Residents

## Controlled Supply

Large, yet strategically released land phases, based upon development timelines and ROI protection, while land supply around Hurghada is eroding fast. Future sites easily brought online within short timelines as infrastructure is already in place.

## Superior Infrastructure

**“Plug-and-Play”:** Infrastructure up to site limits with developers simply “plugging” in  
**Water:** Desalination plants delivering all water needs with plug-in expansion capability  
**Water Treatment:** Tertiary treatment generating drinkable water  
**Communications:** Black fiber network delivering VOIP, Internet, and IPTV  
**Electricity:** Substations ensure capacity secured well in advance of requirements

## One-Stop-Shop

Investors and Developers deal only with ERC, while ERC takes on all bureaucratic licenses, approvals, building permits, and finally land registration

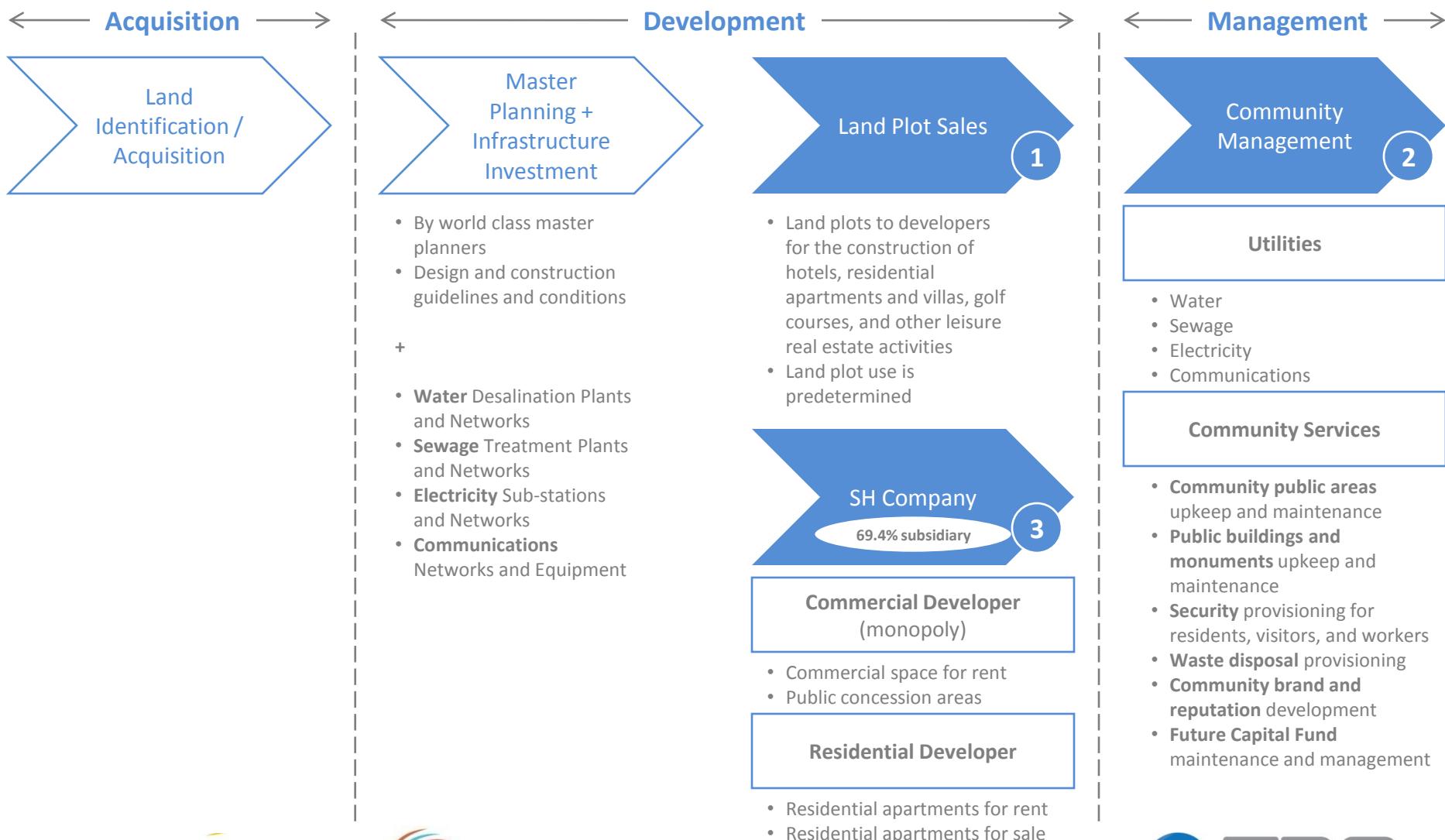
## Community Management in an Upscale Resort

**Design guidelines** ensure architectural integrity and cohesion  
**Community Management Control & Regulations** ensure an extremely high level of environmental amenity and management services  
**Maintenance and upkeep** ensure a continuously functional and clean operating and service-focused environment



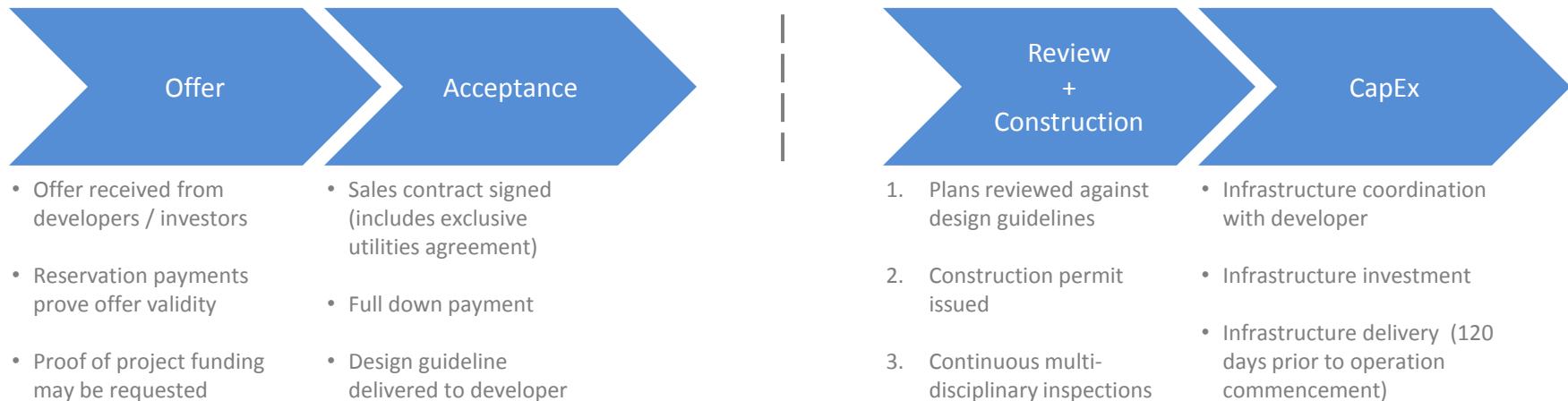
# ERC master development model:

3 revenue streams ➤



# Revenue Stream 1:

Plot Sales – 28 million m<sup>2</sup> remaining to be sold



**to prevent developer / investor speculation**

TRANSFER OF OWNERSHIP OCCURS UPON PROJECT COMPLETION & OPERATION

	Area (million m <sup>2</sup> )	Sellable (million m <sup>2</sup> )	Remains (million m <sup>2</sup> )	Years													
				09	10	11	12	13	14	15	16	17	18	19	20	→	23
<b>Phase I</b>	5.60	4.42	<b>0.05</b>														
<b>Phase II</b>	7.03	6.92	<b>2.58</b>														
<b>Phase III*</b>	28.3	25.37	<b>25.26</b>														

Legend: Projects Development (Grey), Plot Sales (Light Grey)

# Revenue Stream 1:

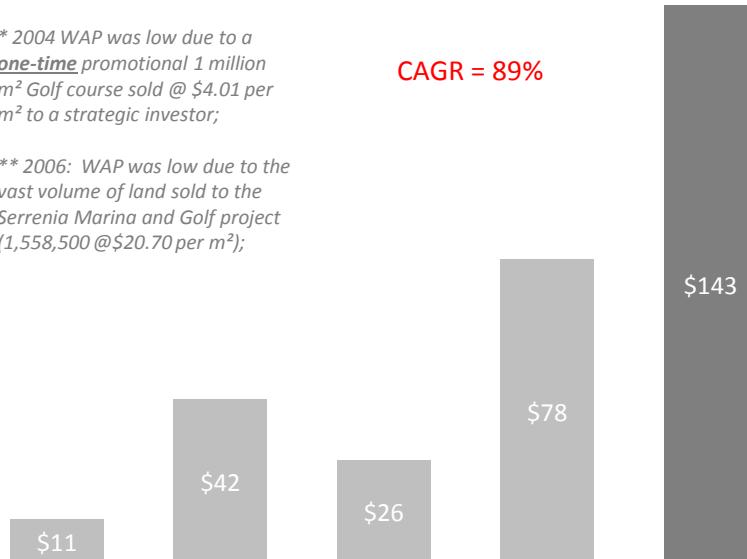
Plot sales – industry-beating economics with Gross Profit Margins of c.84%

## Weighted Average Sales Price / m<sup>2</sup> Achieved

\* 2004 WAP was low due to a one-time promotional 1 million m<sup>2</sup> Golf course sold @ \$4.01 per m<sup>2</sup> to a strategic investor;

\*\* 2006: WAP was low due to the vast volume of land sold to the Serrenia Marina and Golf project (1,558,500 @ \$20.70 per m<sup>2</sup>);

CAGR = 89%



## Weighted Average Cost / m<sup>2</sup>

\$18.00      \$1.32      \$1.75



Year	Land Area Sold (000 m <sup>2</sup> )
*2004	1.327
2005	261
**2006	2,039
2007	1,317
2008	476

- **Developer Payment Terms:**  
Down Payment  
Installments

20% - 30%  
5 – 8 equal semi-annual installments

Infrastructure	Cost of Land (TDA)	Fixed Fee on Sale of Land (TDA)	Gross Profit

- **Cost of Infrastructure:** blended weighted average cost for all 3 phases
- **TDA Land Payments:**
  - Phase 1 – Fully paid
  - Phase 2 – Fully paid
  - Phase 3 – EGP 190 m outstanding, 3 years grace + 7 years payment
- **Infrastructure Delivery Terms:** 120 days prior to development operations commencement

# Revenue progression:

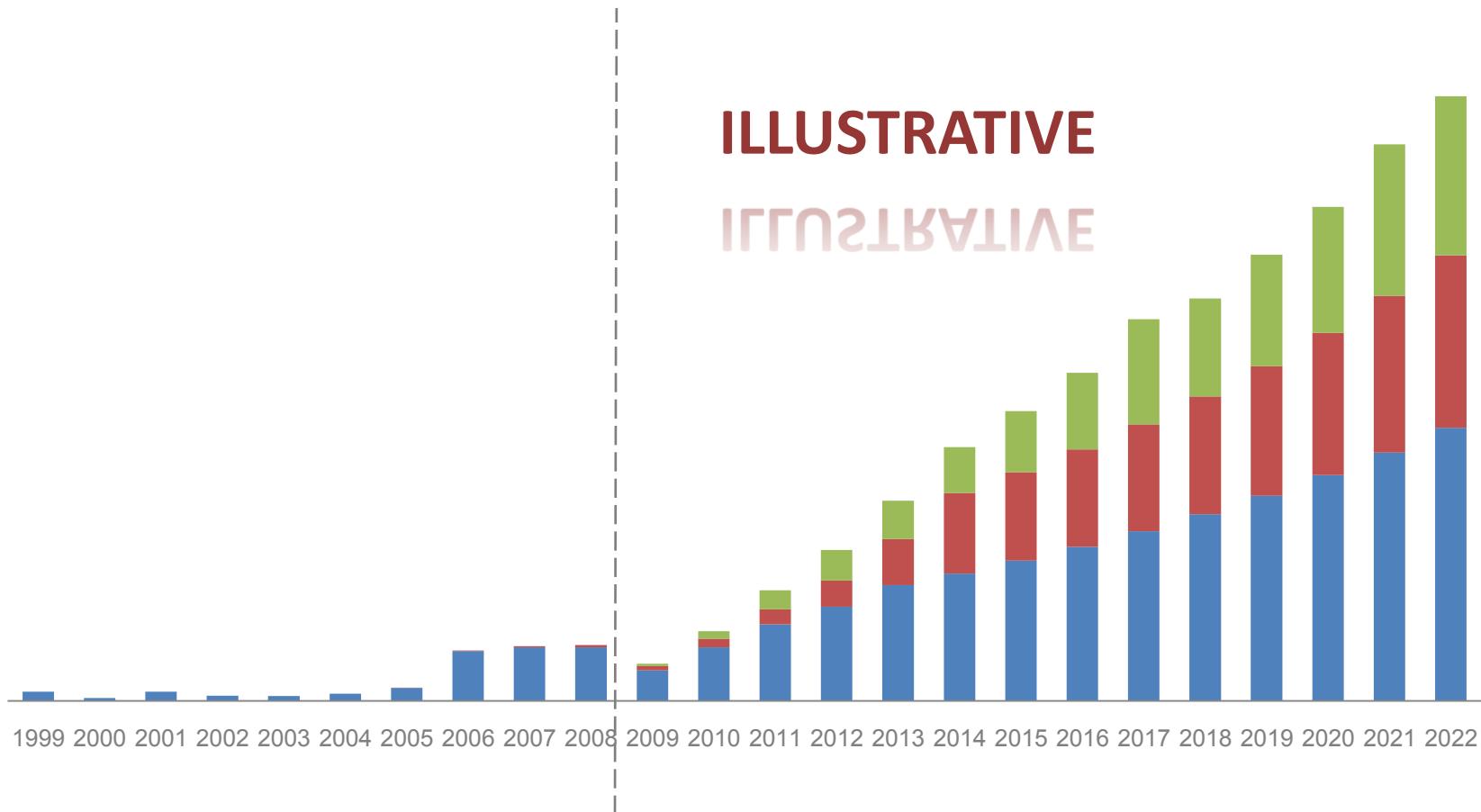
From plot sales to development and the supply of utilities and services

■ Plots

■ Utilities & Community Services

■ Sahl Hasheesh Co.

ILLUSTRATIVE  
AVITATSLUJI



# Revenue Stream 2:

## Utilities and Community Services

### 4 PROFIT CENTERS and Recurring Revenue Streams

#### Water

- ERC invests in desalination plant and equipment
- Management and maintenance subcontracted for a fixed fee
- Water sold to developers at negotiated rates

#### Electricity

- ERC invests in internal electricity grid
- ERC in PPP negotiations to build own sub-station resulting in higher spreads, while maintaining economics for developers

#### Communications

- ERC invests in equipment and **black fiber network** throughout entire site
- Services supplied through project partners
  - High-Speed Internet
  - VOIP
  - IPTV
  - Other Services

#### Supply of Community Services

- **Ernst Body Corporate** appointed as Sahl Hasheesh Community Administrators
- Ernst administers and charges a variable fee for all community services rendered

### Guiding Economics

- Current planned capacity of 200,000 m<sup>3</sup> per day
- Prices are EGP 8.80 per m<sup>3</sup>
- Gross Margins of 50% - 60%
- Capacity:
  - 4,000 m<sup>3</sup> - current
  - 10,000 m<sup>3</sup> - May 2009
  - 18,000 m<sup>3</sup> - December 2009

- Currently being studied with electricity authority

- Currently being studied with business partners

- Comparable markets (Turkey and India) charge c.\$ 60 / week / dwelling
- 150,000 dwellings planned
- GOP of 40% - 60%
- ERC will charge in 2009/10:  
EGP 1 / m<sup>2</sup> sold per month  
+  
EGP 1 / m<sup>2</sup> built per week

# Revenue Stream 3:

Sahl Hasheesh Company (SHC) – c.600,000 m<sup>2</sup> to under development

1

## Build-to-Lease

- Sole developer for Phases (I) and (II) downtown commercial retail and entertainment areas

Plot #	Size (m <sup>2</sup> )	Type of Development
9A	97,528	Phase 1 – Retail and entertainment
19	57,528	Phase 2 – Retail and entertainment
13/1	210,000	Mixed Use / Condos
<b>Total</b>	<b>365,188</b>	

2

## Build-to-Sell

- Acquires plots at market prices for mixed-use development

Plot #	Size (m <sup>2</sup> )	Type of Development
60	97,528	Mixed Use
13/2	210,000	Mixed Use / Condos
<b>Total</b>	<b>307,528</b>	



# Revenue Stream 3:

## SHC – highly attractive development economics

1

### Build-to-Lease

Footprint designated for commercial and entertainment space	115,188 m <sup>2</sup>
Net Area Available for Lease	217,275 m <sup>2</sup>
Floor/Area Ratio (FAR)	1.89
Net Area Developed and Available for Lease	31,309 m <sup>2</sup>

- **Leasing Terms:** Flexible performance-based leases
- **Lease Rates:** Subject to yearly review / escalation

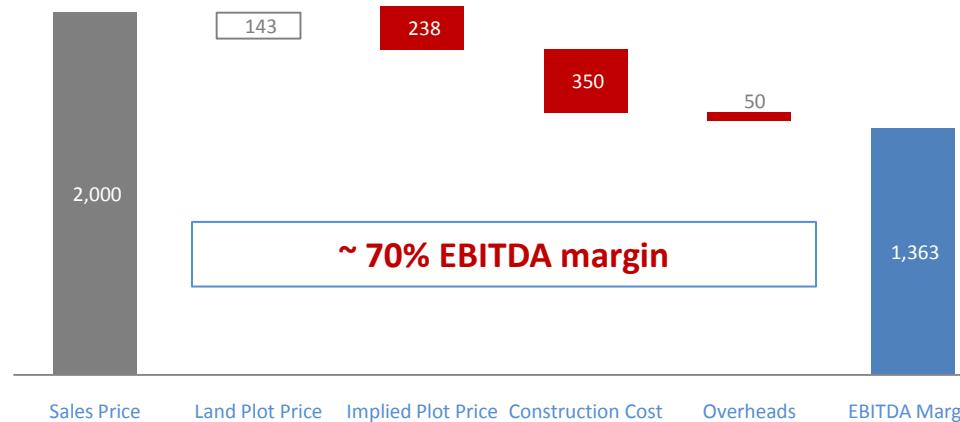
### Economics | USD / m<sup>2</sup>

Weighted Average Construction Cost (incl. land)	\$ 780
Weighted Average Lease Rate / Year	\$ 499
Pay Back Period (years)	1.56

2

### Build-to-Sell

### Economics | USD / m<sup>2</sup>



### ERC / TDA Building Restrictions:

- 20% footprint
- Ground + 3 floors (sellable)
- Land Cost = Price x 1.67

Build-to-Sell development economics apply to most sub-developers

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## Development Highlights

- Annexes

# A once in a lifetime location on a dream bay



Sahl Hasheesh on  
program to become the  
No. 1 tourist destination  
on the Red Sea



# Bay of “Sahl Hasheesh” highlights



## LOCATION

- 18 kilometers south of Hurghada International Airport
- 22 kilometers south of Hurghada city center
- 500 kilometers (approx.) from Cairo

## SIZE

- Unprecedented size for developers
- 41 million\* m<sup>2</sup> = 10,100 acres = 4,100 hectares
- Approximately two-thirds of Manhattan

## DIMENSIONS

- Length Range: From 7.0 to 8.0 kilometers
- Depth Range: From 4.5 to 6.8 kilometers

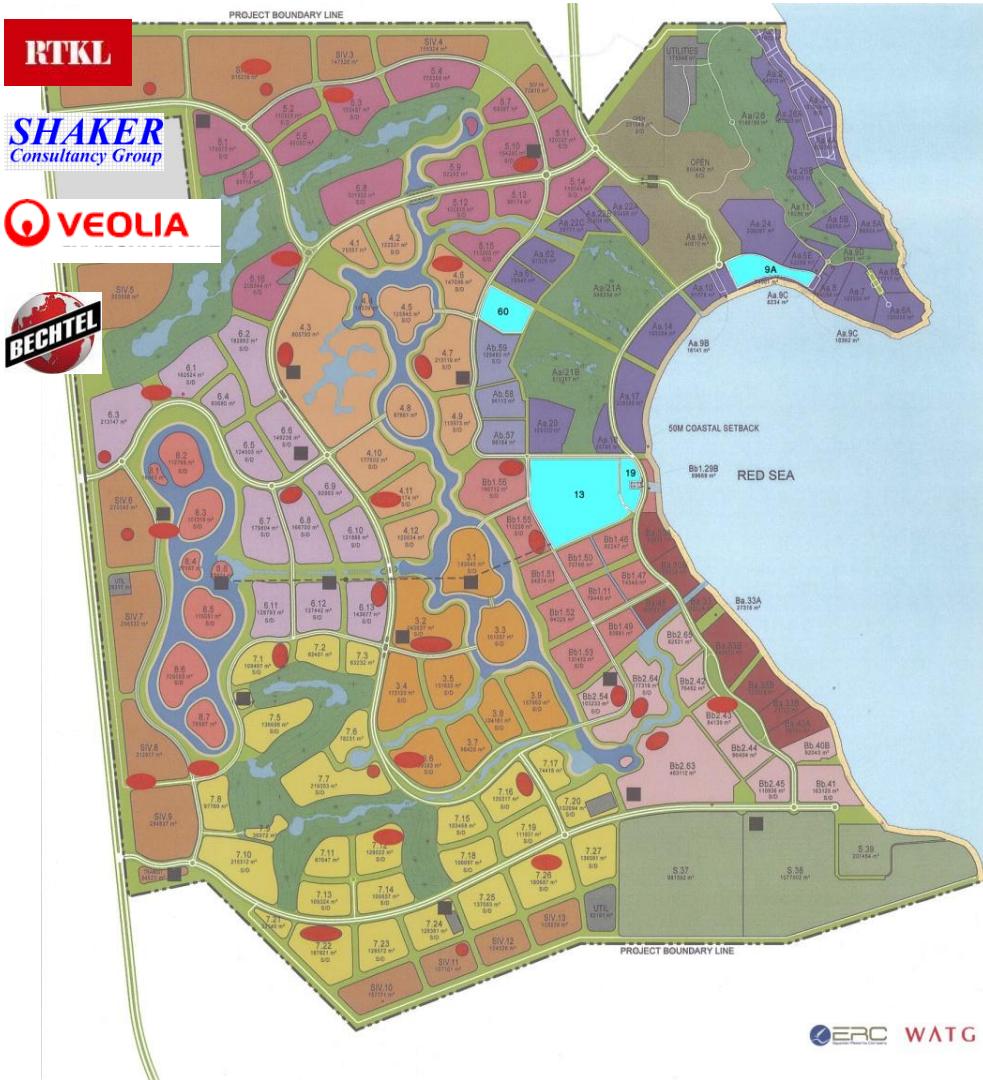
## SHORELINE

- 12.5 kilometer bay (7.8 miles)
- Gorgeous sandy beach with almost 9 km swimmable
- “Hasheesh” Island is a famous diving site

## UNIQUE CHARACTERISTICS

- An all sea-view resort
- Land elevations range from 0 meters above sea level (asl) at the front to 120 meters asl at the back of the resort (**almost 40 stories high**)
- Year-round resort with moderate to hot weather and calm waters

# Sahl Hasheesh Resort: The master plan



## Phase 1

5.6 million m<sup>2</sup>

## Hotel Rooms

## Residential

## Entertainment

## Phase 2

7.0 million m<sup>2</sup>

## Hotel Rooms

## Residential

## Entertainment

## Phase 3

28.3 million m<sup>2</sup>

## General Status

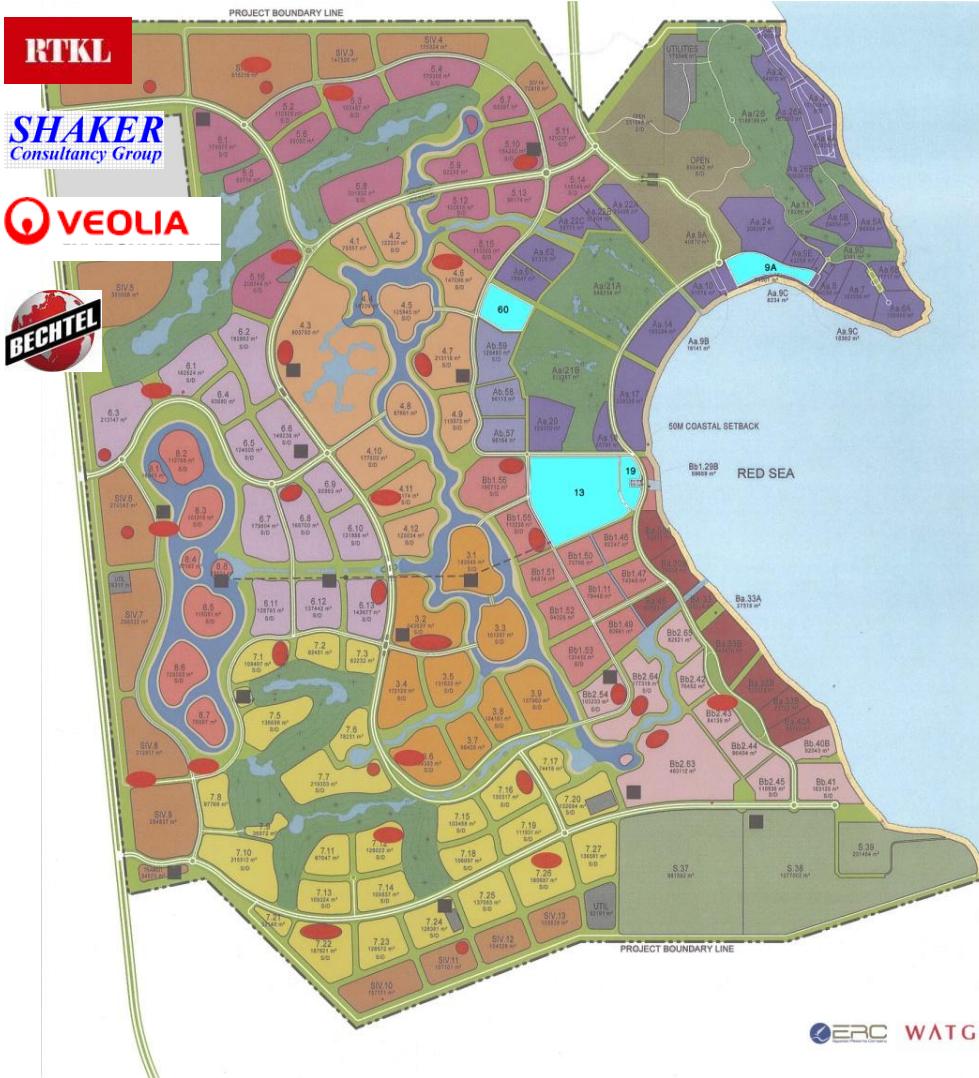
- Operational: 1,591 rooms
- Due 2010/11: 2,506 rooms
- Operational: 460 villas/apartments
- Due 2010/11: 1,185 villas/apartments
- 2 x Designer Golf Courses (2010/11)
- 31,000 m<sup>2</sup> retail and entertainment ready

- Operational: 380 rooms
- Due 2010/11: 2,210 rooms
- Operational: 0 villas/apartments
- Due 2010/11: 360 villas/apartments
- 500,000 m<sup>2</sup> of mixed residential and entertainment under planning

- Under master planning
  - 3 competing finalist firms
  - Significant additions of water front plots
  - First time in Egypt global brands
- Staff housing capacity (1,000 units online)



# Sahl Hasheesh Resort: Development summary



## Projects

8

- Operational

46

- Under construction

## Hotel Rooms

1,971

- Operational

70,000

- Upon resort completion - estimate

## Residential Units

460

- Operational

70,000

- Upon resort completion - estimate

## Annexes



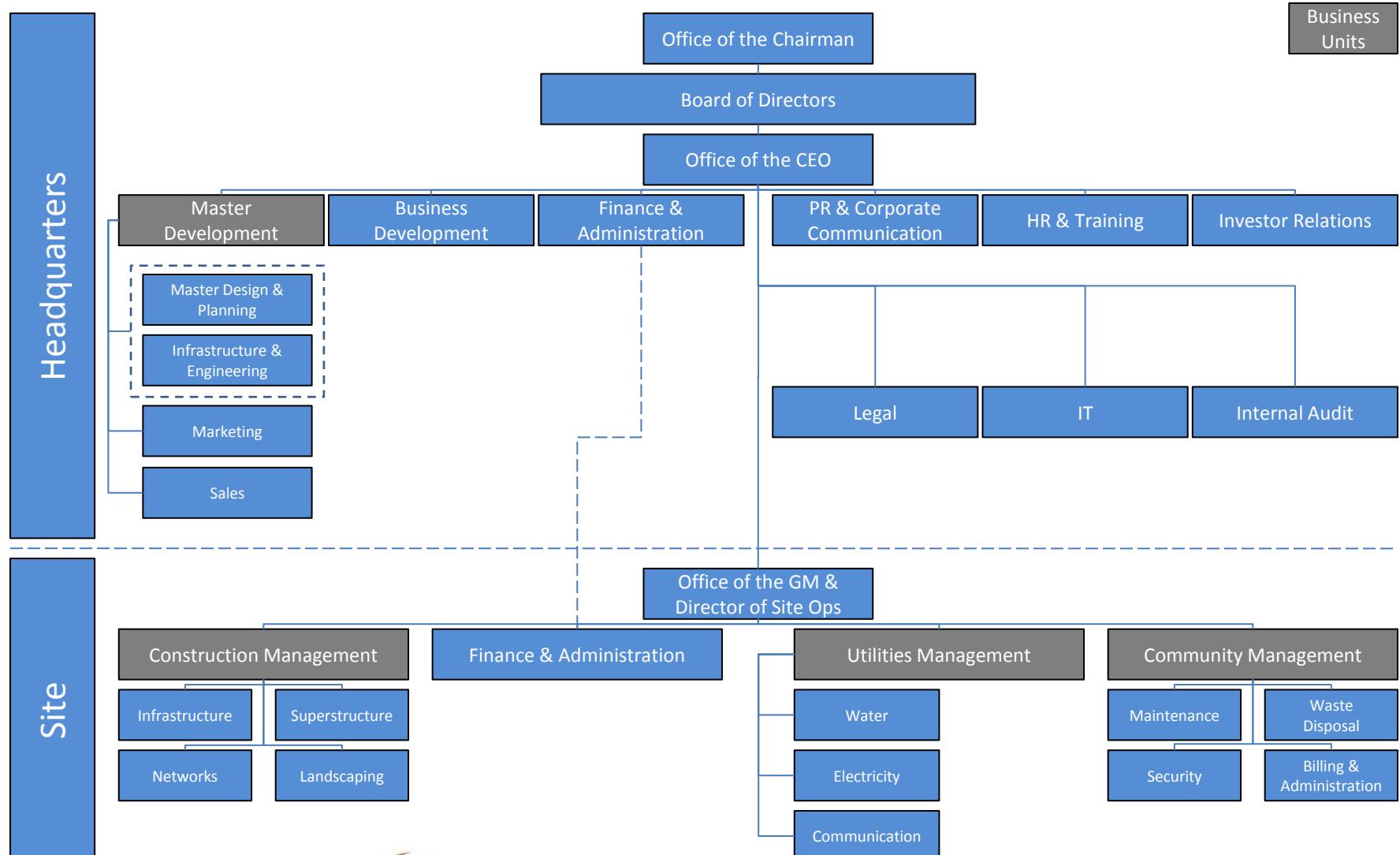
# Annex 1:

## Company history

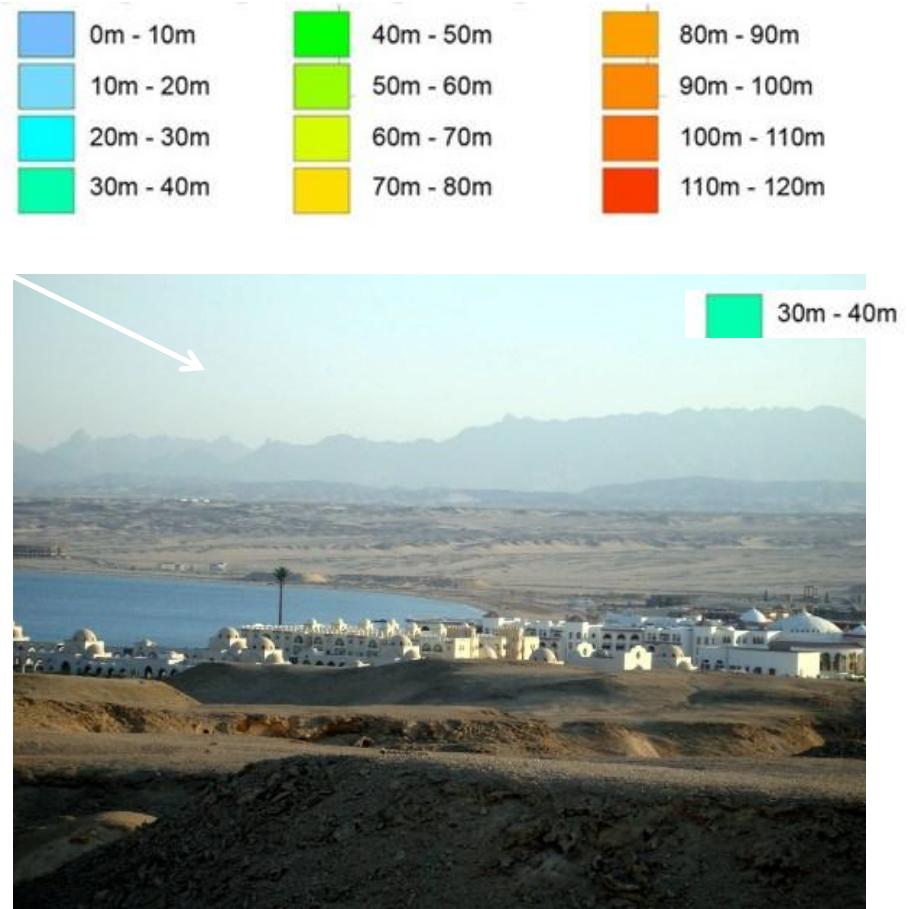
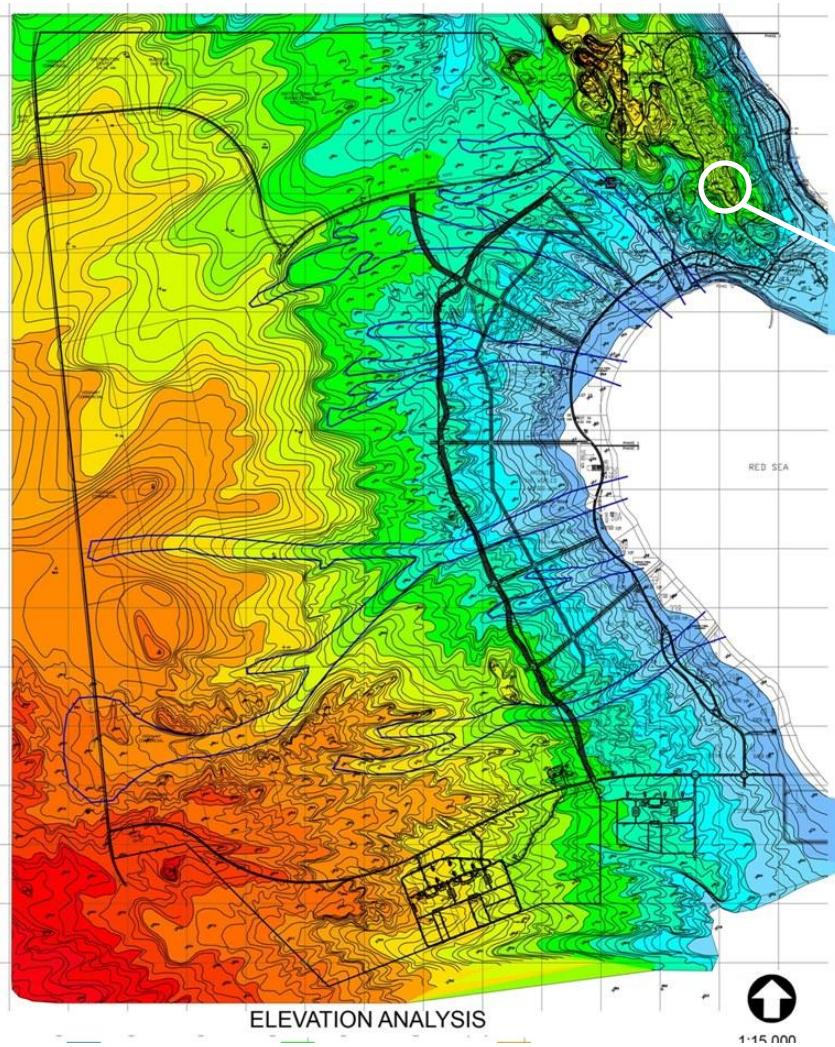
• Design	1995	<ul style="list-style-type: none"> <li>Land acquired for first project - "Sahl Hasheesh" @ USD 1 / m<sup>2</sup></li> </ul>
	1996 - 1997	<ul style="list-style-type: none"> <li>Incorporation</li> <li>Concept development and master planning for Phases (I) and (II) by RTKL</li> </ul>
	1998	<ul style="list-style-type: none"> <li>First plot sold for USD 37 / m<sup>2</sup></li> </ul>
• Construction • Marketing	1999	<ul style="list-style-type: none"> <li>Infrastructure work begins with Bechtel supervision</li> </ul>
	1999 - 2003	<ul style="list-style-type: none"> <li>Aggressive marketing to counter tourism industry crash</li> <li>Appreciation of overall financial climate led to practical and market leading sales terms and development schedules</li> </ul>
	2004 - 2007	<ul style="list-style-type: none"> <li>Unprecedented sales success based on relationship marketing and private roundtable negotiations</li> </ul>
• Design • Construction • Marketing • Community Management	2007	<ul style="list-style-type: none"> <li>First regional four-star hotel begins operations</li> <li>Phase (III) master planning begins</li> <li>ERC submits offer for additional 14 million m<sup>2</sup> on Red Sea in "Bernice"</li> </ul>
	2010 onwards	<ul style="list-style-type: none"> <li>New management augments existing internal structure taking company to next level in its lifecycle – key support functions included in HR plan</li> <li>Development of community services management and utilities reticulation</li> <li>Second regional four-star hotel begins operations</li> <li>Focus on completing key strategic assets</li> </ul>

# Annex 2:

## Organization structure



## Annex 3: AN ALL SEA-VIEW RESORT – meters above sea level (asl)



# SUMMARY

Crisis presents stunning opportunity

Premium mega resort on the Red Sea (41 million\* m<sup>2</sup>)

Multiple recurring revenue streams (ad-infinitum)

- Supply of utilities
- Supply of community services
- Leasing of commercial retail and residential apartments

Strong management team to execute strategy