



Cairo, July 16, 2012

Dear Sir / Madame

Reference to the Judicial panel report of July 7, 2012 recommending revoke of Madinaty new contract and reverse of the administrative court ruling of November 22, 2011 which stated that the contract is valid and correct, reference also to TMG'S Disclosure to Egyptian stock exchange dated July 8, 2012 regarding the same, Kindly find response to queries that you might have in connection to both.

Background:

- Firstly, in relation to old Madinaty contract which was revoked based on the court verdict of September 14, 2010: (i) a new contract was signed on November 8, 2010 according to The law of Tenders and Auctions in its amendments issued by the law No 148 of year 2006 – Article No. 31 (repeated). New contract signature was based on recommendation of an independent legal committee that reallocation of the land through sale by direct order to The Arab Company for Projects and Urban Development is legally supported as there is a case of necessity mandated by public interest. (ii) an appeal was made on the annulment of that old contract. The appeal is still ongoing and the next hearing is scheduled on November 20, 2012.
- Secondly, in relation to the new Madinaty contract, signed November 8, 2010: a court verdict was issued on November 22, 2011 that the contract is valid and correct and in accordance with the tenders and auctions law. The court verdict also requested a revaluation of the remaining unutilized land.

Two appeals were made on the court verdict. (i) an appeal by TMG on the request to revalue the unutilized land as the dispute relates to pre-contractual legal procedures and not the price of the land. (ii) an appeal by the claimant on the court verdict that the contract is valid. The next hearing for this lawsuit is scheduled on November 7, 2012.

TMG's management clarifications with regards to the Judicial panel report of July 7, 2012 and the way forward:

- From a legal standpoint, we would like to emphasize that the report represents the opinion of the Judicial panel representative, which is advisory by nature and not binding to the Judge.
- In his report, the judicial panel representative stated that the procedural error, from his point of view, is the responsibility of the government and not the result of any wrongdoing by TMG.
- The appeal is still in the process of preparation; The purpose of the November 7, 2012 hearing is to present our replies on the judicial report in form of written statements and supporting documents and evidence to defend our case. We shall also present our case that TMG's appeal on revaluation of

unutilized land is correct and we shall present documents to support that 97% of the land is transformed and utilized.

- The Judge will then either accept or reject the two appeals from a procedural standpoint. If the claimant's appeal is accepted, then the judge will transfer the case to another department within the higher administrative court concerned with judgment on the subject matter of the appeal.
- Our legal advisor believes that we have a solid case. In a worst case scenario, if the judge's final ruling is that the contract is void, such verdict cannot be executed because the subject matter of the contract – that is to say the land area of madinaty project – does no longer exist in the status which was there at the time of signing the contract. This land has been transformed from being a barren desert land to an infrastructured land with an urban livable community that has public utilities, roads, and installations and facilities. These works have consumed huge amounts of funds, and families have already moved in their units, which is impossible to be overlooked. Besides, it is impossible, too, to reinstate the status of this land to the way it had been before the contracting, as a result of enforcing court rules that invalidates and nullifies contracts in general. The Government will also be responsible for compensating all parties that will be harmed as a consequence of the negative court ruling.
- **The only way feasible will then be to enter into negotiations with the government to reach an agreement on how to fix the government's procedural error, if any.**

Thank you and Kind Regards,