



2Q2015 Earnings Release

PHD marks record results on all fronts; driven by robust real estate pre-sales, and accelerated construction, backed by a very strong balance sheet

Cairo/London (August 13, 2015) - Palm Hills Developments S.A.E. ("PHD" or "the Company") (EGX: PHDC.CA, PHDC.LI), a leading real estate developer in Egypt, announces its consolidated financial and operating results for the quarter ending 30 June 2015.

Key Highlights

2Q2015

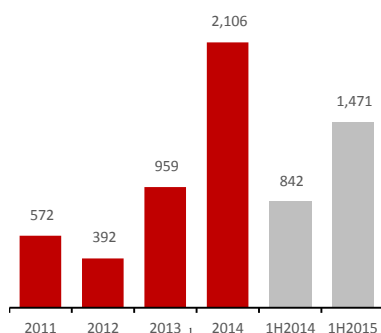
- Revenue for the quarter grew to EGP729 million, an increase of 65% YoY ("Year over year") (i.e. 2Q2015 vs. 2Q2014), mainly driven by the increase in recognized revenue relating to contracted standalone units alongside improvements in construction revenue, as the Company successfully delivered 351 units in 2Q2015.
- Gross Profit increased to EGP296 million, a growth of 90% YoY, supported by recognition of revenue from higher-margin units. Gross Profit Margin rose 5.3 p.p. to 40.6%.
- EBITDA grew 85% YoY to EGP208 million, an EBITDA margin of 28.5%.
- Net Profit after Minority Interest stood at EGP431 million, a growth of 409% YoY.
- Gross sales (reservations) increased 29% YoY to EGP1.2 billion, driven by strong pre-sales in Golf extension and Woodville (West Cairo) and Hacienda Bay (North Coast).
- Contracted sales increased 43% YoY to EGP0.9 billion, mainly due to the increase in sales YoY in Golf extension, Palm Hills Katameya (East Cairo), and Hacienda Bay.

1H2015

- Revenue rose to EGP1.47 billion, a growth of 75% YoY, resulting from stronger pace of construction year to date, and recognized revenue from standalone units. The Company delivered 607 units on the back of accelerated construction works worth EGP953 million.
- Gross Profit achieved a remarkable growth of 125% YoY to EGP626 million, supported by the faster increase in average selling prices per square meter in comparison to change in construction costs.
- EBITDA remarkably increased 132% YoY to record EGP459 million, with an EBITDA margin of 31%, which exceed the Company's previously announced threshold of 30%.
- Net Profit after Minority Interest recorded 381% YoY growth, reaching EGP646 million, an all time high bottom line, in comparison to the historical record achieved in FY2010 of EGP545 million.
- Gross sales grew to EGP2.6 billion, an increase of 49% YoY, supported by a doubling level of reservations in Golf extension and Woodville, as well as quadrupling reservations in Palm Hills Katameya and Hacienda Bay.
- Contracted sales grew 71% YoY to EGP2.1 billion.

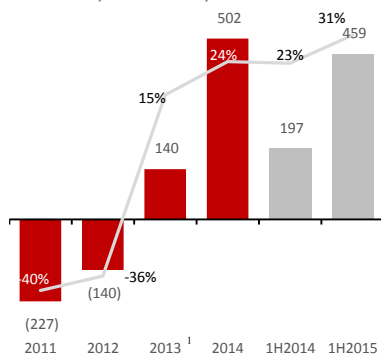
Revenue

(2011 - 2015, EGP million)



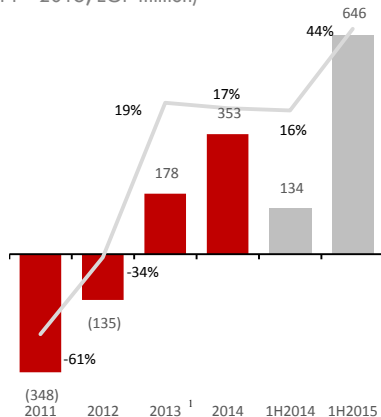
EBITDA & EBITDA Margin

(2011 - 2015, EGP million)



Net Profit after Minority Interest

(2011 - 2015, EGP million)



¹ 2013 revenue and profits exclude the sale of the Village Mall for consideration of EGP240 million and EGP52 million respectively.

Yasseen Mansour, Chairman Comments:

I am delighted to share with you our second quarter 2015 financial results. By far, this marks a record quarter for the Company driven by robust real estate pre-sales, accelerated construction, backed by a healthy financial structure. We continued our focus on enhancing the Company's financial performance and position through an ongoing implementation of our four strategic pillars namely growth, earnings stabilization and diversification, improving profitability and expediting project delivery.

Our balance sheet is in its strongest position ever whereby we successfully completed the EGP1.65 billion Rights Issue of 824 million new ordinary shares, a strong evidence of the sustained trust and commitment from our shareholders and the strong interest from new investors, with new shareholders coming onboard from the US, UK and UAE. Post closing, the Company's Share Capital increased from EGP2.7 billion to EGP4.3 billion, distributed over 2.2 billion shares. On July 27, 2015, trading of the new ordinary shares commenced on the EGX and LSE. Currently, we have EGP5.8 billion of Receivables covering our Net Debt position nearly three times. Despite our Net Debt increasing to EGP1.8 billion when compared to FY2014, Net Debt/EBITDA reflected a significant improvement falling from 2.9x in FY2014 to 1.97x currently. Our strong balance sheet will assist us in the expansion plans we are aiming to achieve over the next twelve month.

As part of the Company's strategy to reconfigure its land bank by exiting land plots that are not within its future development plans and acquiring land adjacent to existing projects or in strategic areas which PHD aims to develop imminently, in June the Company announced the signature of three agreements, a land sale agreement of 13,000 sqm plot in downtown Alexandria, previously acquired through an auction from an Egyptian bank, a land purchase agreement of 126,000 sqm plot adjacent to Hacienda Bay, North Coast, and a land sale agreement of 252,000 sqm plot located in North Coast, previously purchased from "WIPCO" COOP. Through these agreements, the Company became entitled to net proceeds of EGP481 million, representing a capital gain on sale of EGP426 million.

We signed a co-development agreement with Madinet Nasr Housing & Development ("MNHD") of an integrated residential community spreading over 433,643 sqm in MNHD's 5.5 million sqm project, KM45 in East Cairo. Through this agreement, PHD will be responsible for all construction, development, marketing and sales activities, while MNHD will be contributing the land alongside all associated external infrastructure. The project will be developed over four phases and is expected to offer 2,600 - 2,900 apartments with a built up area of up to 484,100 sqm, translating into an estimated revenue ranging between EGP4.6 billion to EGP5.5 billion. PHD will be entitled to a revenue share of 64%, with MNHD holding the balance.

To expedite projects' delivery, the Company's wholly owned subsidiary owning Hacienda Bay inked EGP750 million syndicated medium term loan agreement with the National Bank of Egypt, Banque Misr and Arab African International Bank. The loan will be partially directed towards refinancing an existing revolving credit facility previously granted by Banque Misr to the subsidiary by a maximum of EGP330 million and the balance will be utilized in accelerating the project's pace of development, and reducing its completion timeline by approximately two years.

2Q2015 Earnings Release

Key Financial Indicators

EGP Million	2Q2015	2Q2014	Change	1H2015	1H2014	Change
Revenue ²	729	441	65%	1,471	842	75%
Gross Profit	296	156	90%	626	278	125%
Gross Profit Margin	40.6%	35.3%	5.3pp	42.6%	33.1%	9.5pp
EBITDA	208	112	85%	459	197	132%
EBITDA Margin	28.5%	25.4%	3.1pp	31.2%	23.4%	7.8pp
Net Profit after Minority Interest	431	85	409%	646	134	381%
Gross Sales (Reservations)	1,238	962	29%	2,596	1,738	49%
Contracted Sales	897	629	43%	2,091	1,221	71%

Financial Review

Revenue (net recognized sales)² for the quarter grew 65% YoY, reaching EGP729 million, supported by an increase in recognized revenue relating to contracted standalone units, where the number of land plots sold increased 58% YoY, with average selling prices hiking 22% YoY, alongside an accelerated pace of construction and deliveries across the Company's 13 projects. Revenue for 1H2015 stood at EGP1.47 billion, a remarkable growth of 75% YoY.

On a project-by-project basis, Palm Hills Katameya, Golf Views, Golf Extension and Casa projects accounted for almost 59% of revenue, whereby approximately 75% of construction revenue was generated by Hacienda White-1, Hacienda Bay, and Casa projects.

Gross Profit for the quarter rose 90% YoY to EGP296 million, driven by the recognition of revenue from higher-margin units compared to the corresponding direct costs. Gross Profit Margin stood at 40.6%, an increase of 5.3pp YoY. Gross Profit for 1H2015 increased 125% YoY to EGP626 million.

In 2Q2015, EBITDA almost doubled YoY to reach EGP208 million (2Q2014: EGP112 million), an EBITDA margin of 28.5%, as a direct impact of lower Cost of Sales/Revenue. EBITDA for 1H2015 remarkably increased by 132% YoY to record EGP459 million.

Net Profit after Minority Interest for the quarter marked 409% YoY growth reaching EGP 431 million, supported by capital gains on sale of non-strategic land plots in North Coast and Alexandria alongside the double digit growth in the top line. Net Profit was negatively impacted by a provision of EGP99 million, which was set forth during the second quarter of 2015, for certain phases of projects in which sales are already closed, while construction activities are still ongoing, in anticipation of potential increase in construction cost. Net Profit after Minority Interest for 1H2015 amounted to EGP646 million, an increase of 381% YoY.

² PHD recognizes revenue from the sale of land for villas and townhouses upon signature of contracts. Revenue from construction is recognized on a "percentage completion" basis, with a minimum threshold of 100%. Revenue from apartments and multi-tenant buildings are recognized only upon delivery. As a result, the total revenue figure on the Income Statement during a period does not reflect reservations or construction revenue from villas and townhouses less than 100% completed or revenue from any apartment unit that has not been delivered to the client.

2Q2015 Earnings Release

Net Debt for the second quarter of 2015 amounted to EGP1.8 billion in comparison to EGP 1.5 billion as at end of 2014. Net Debt/EBITDA³ stood at 1.97x, down from 2.9x by year end 2014, supported by EBITDA growth in 2Q2015 alongside improvements in the Company's cash position.

By end of 2Q2015, Receivables amounted to EGP5.8 billion; compared to EGP4.2 billion by end of 2014, supported by strong sales achieved year to date.

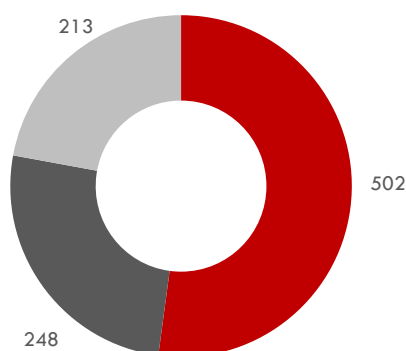
Operational Review

Continued Healthy Sales Momentum

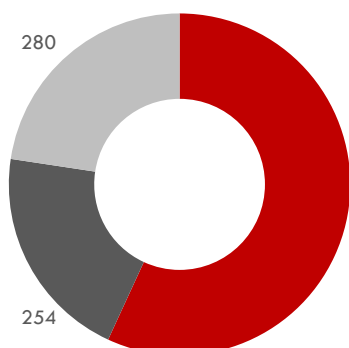
Gross sales (reservations), which are not yet recognized as revenue, increased 29% YoY to EGP1.2 billion in 2Q2015, driven by strong pre-sales in Golf extension and Woodville and Hacienda Bay, on the back of increasing demand for the latter as its beachfront almost doubled to 800 meters, from 450 meters previously – following the recent purchase of 126,000 sqm of land adjacent to the project. Gross sales for 1H2015 stood at EGP2.6 billion, an increase of 49% YoY, supported by a doubling level of reservations in Golf extension and Woodville, as well as quadrupling reservations in Palm Hills Katameya and Hacienda Bay.

In 2Q2015, Contracted sales increased 43% YoY to EGP0.9 billion, mainly due to increased sales YoY in Golf extension, Palm Hills Katameya and Hacienda Bay. Contracted sales grew 71% YoY to EGP2.1 billion by end of 1H2015. During the quarter, the Company sold 457 units, with a total of 885 units sold by end of 1H2015.

2Q2014 Gross Sales by Region
(Reservations, EGP million)

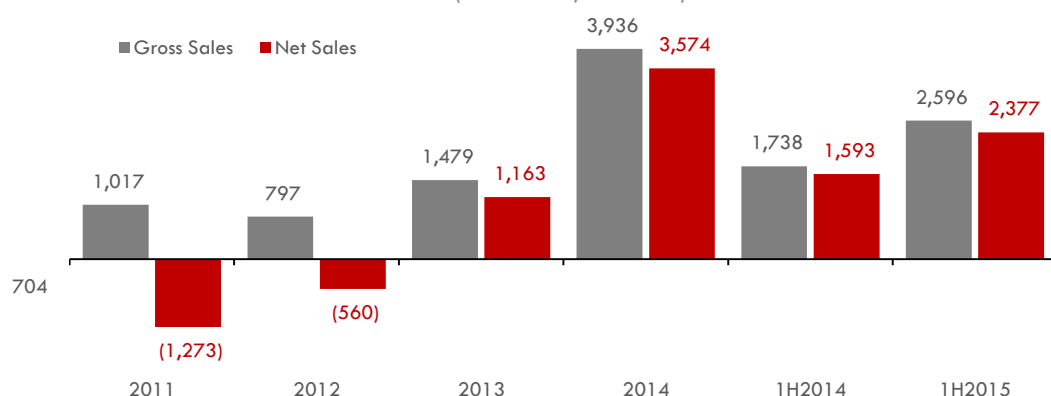


2Q2015 Gross Sales by Region
(Reservations, EGP million)



■ West Cairo
■ East Cairo
■ North Coast

Reported Gross & Net Sales⁴
(2011 - 2015, EGP million)



Such growth is attributed to ongoing sales & marketing efforts, an increase in sales and average selling prices per square meter of land and built up areas; along with an uptake in construction activities throughout our projects, with total construction works worth EGP953 million, complemented by strong customers' confidence.

³ Net Debt/EBITDA is calculated for the annualized figures for the six months ending June 30, 2015.

⁴ Net Sales represent Gross Sales (Reservations) after deducting the related period's cancellations.



2Q2015 Earnings Release

Outlook

The Company is currently witnessing a healthy real estate market with high demand for its North Coast projects, where summer sales are going strong, especially after the recent launch of “Water Villas” in Hacienda Bay, 68 awe-inspiring water villas, 8 stunning seafront villas and 135 upscale cabanas. PHD is currently working closely with MNHD’s management team on finalizing various aspects relating to the co-development of 433,643 sqm in MNHD’s 5.5 million sqm project, KM45 in East Cairo, in order to launch pre-sales before end of 2015.

The Company is in the process of enhancing its recurring income portfolio, following the successful closing of the EGP1.65 billion Rights Issue. The Company successfully finalized all construction activities related to Street 88 community mall, a 300-meter-long strip mall serving the Palm Hills October development, which will house basic community amenities including a polyclinic center. Construction activities of phase 8 office building, Village Gardens Katameya and Village Gate commercial malls are progressing as planned.

Consolidated Income Statement ⁵ (Egyptian Accounting Standards)

In EGP 000's	2Q2015	2Q2014	Change	1H2015	1H2014	Change
Revenue	729,374	441,292	65%	1,471,198	841,695	75%
Cost of revenue	(433,322)	(285,391)	52%	(845,021)	(563,638)	50%
Gross profit	296,052	155,901	90%	626,177	278,057	125%
Margin %	40.6%	35.33%	5.3 pp	42.56%	33.04%	9.5 pp
General administrative, selling and marketing expenses	(99,560)	(52,520)	90%	(190,569)	(94,726)	101%
Other revenue	11,181	8,771	27%	23,578	13,914	69%
EBITDA	207,673	112,152	85%	459,187	197,245	133%
EBITDA Margin %	28.47%	25.41%	3.1 pp	31.21%	23.43%	7.8 pp
Administrative depreciation	(2,154)	(2,377)	(9%)	(4,228)	(4,820)	(12%)
Operating Profit	205,519	109,776	87%	454,959	192,425	195%
Less:						
Interest expenses – amortization of discount on land liability	(3,130)	(6,946)	(55%)	(6,259)	(13,892)	(55%)
Finance costs & interests	(27,563)	(18,764)	47%	(30,431)	(32,576)	(7%)
Interest on land purchase liabilities	(59,886)	(34,448)	74%	(108,458)	(71,233)	52%
Provision	(99,662)	(182)	NA	(99,662)	(182)	NA
Total Expenses	(190,241)	(60,340)	215%	(244,810)	(117,884)	108%
Add:						
Gains on investments in fair value through profit or loss	1,134	1,132	0%	2,348	2,475	(5%)
Interest income – amortization of discount on notes receivables	23,050	34,063	(32%)	46,099	68,125	(32%)
Interest income	707	1,935	(63%)	782	2,117	(63%)
Capital gains on investment property	425,736	-	NA	425,736	-	NA
Total Revenue	450,625	37,130	1,114%	474,965	72,718	553%
Net Profit Before Income Tax	465,904	86,566	438%	685,114	147,259	365%
Income tax expense	(9,226)	(452)	-	(10,412)	(452)	-
Deferred tax	(140)	(60)	-	(200)	(120)	-
Net Profit after Tax	456,538	86,054	430%	674,503	146,687	360%
Non-controlling interest	(25,293)	(1,339)	1,789%	(28,557)	(12,249)	133%
Net Profit after Tax & Minority Interest	431,245	84,715	409%	645,945	134,438	381%
Margin %	59.13%	19.20%	39.9 pp	43.91%	15.97%	27.9 pp

⁵ The Company's consolidated financial statements for the period ending June 30, 2015, prepared in accordance with Egyptian Accounting Standards ("EAS"), are available for download. Please visit the company's website: www.palmhillsdevelopments.com



2Q2015 Earnings Release

Consolidated Balance Sheet

(Egyptian Accounting Standards)

EGP 000's	June 30, 2015	Dec 31, 2014
Long-Term Assets		
Investments in Associates	77,366	77,163
Investment Property	854,665	1,085,977
Held to Maturity Investments	31,952	19,657
Notes Receivable - Long Term	5,222,735	2,660,382
Projects Under Construction	842,860	857,379
Advance Payments for Investments Acquisitions	204,111	204,111
Fixed Assets (net)	326,079	312,469
Deferred Tax Asset	3,722	3,999
Other Long Term Assets	1,391	1,391
Total Long-Term Assets	7,564,880	5,222,528
Current Assets		
Works in Process	6,703,447	6,074,901
Cash & Cash Equivalents	430,354	194,949
Notes Receivable - Short Term	589,392	1,571,754
Investments at Fair Value	52,747	56,856
Accounts Receivable	826,101	1,121,983
Suppliers - Advance Payments	458,371	373,202
Debtors & Other Debit Balances	182,263	116,797
Due from Related Parties	148,942	105,749
Total Current Assets	9,391,618	9,616,190
Total Assets	16,956,498	14,838,719
Current Liabilities		
Banks - Credit Balances	36,517	39,198
Advances from Customers	5,802,626	5,001,684
Completion of Infrastructure Liabilities	76,584	133,838
Provisions	108,629	9,063
Current Portion of Land Purchase Liabilities	223,238	216,569
Due to Related Parties	607,183	646,313
Investment Purchase Liabilities	44,257	44,257
Notes Payable - Short Term	888,623	805,228
Current Portion of Term Loans	446,512	174,410
Suppliers & Contractors	554,403	405,055
Income Tax Payable	92,987	83,979
Creditors & Other Credit Balances	393,206	410,672
Total Current Liabilities	9,274,766	7,970,266
Working Capital	116,853	1,645,925
Total Investment	7,681,733	6,868,453
<i>Financed as Follows:</i>		
Shareholders' Equity		
Issued and Paid-In Capital	2,696,640	2,696,640
Legal Reserve	584,508	566,470
Special Reserve	524,213	524,213
Retained Earnings (Deficit)	(535)	(272,361)
Net Profit for the Period/Year	645,945	353,290
Equity Attributable to Equity Holders of Parent Co.	4,450,771	3,868,252
Non-controlling Interest	266,160	255,951
Total Shareholders' Equity	4,716,931	4,124,203
Long Term Liabilities		
Land Purchase Liabilities	365,818	350,434
Notes Payable - Long Term	401,356	536,511
Other Long Term Liabilities – Residents' Association	439,306	395,362
Loans	1,758,323	1,461,943
Total Long Term Liabilities	2,964,802	2,744,250
Total Equity & Long Term Liabilities	7,681,733	6,868,453



2Q2015 Earnings Release

About Palm Hills Developments

Palm Hills Developments, a leading real estate developer in Egypt, is a joint stock company established in 1997. Palm Hills develops new urban communities and enjoys a land bank of more than 23 million sqm as well as investments in Egypt and Saudi Arabia. Palm Hills' strategy has enabled it to successfully shift from a single project company to become one of the most important and largest real estate developers in the Egyptian market, with 18 projects extending across the country. PHD is traded on the Egyptian Stock Exchange under the symbol (PHDC.CA), and on the London Stock Exchange, its GDRs are traded under the symbol (PHDC.LI). For more information visit: www.palmhillsdevelopments.com/

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