



1H2020 Earnings Release

PHD achieve New Sales of EGP4.4 billion in 1H2020, including EGP2.7 billion during 2Q2020, the highest New Sales across Egypt

Cairo/London (September 1, 2020) - Palm Hills Developments S.A.E. ("PHD" or "the Company") (EGX: PHDC.CA, PHDC.LI), a leading real estate developer in Egypt, announce its consolidated financial and operating results for the financial period ended June 30, 2020.

Key Highlights

- In 2Q2020, New Sales recorded EGP2.7 billion, a growth of 55% QoQ, compared to EGP1.7 billion in 1Q2020. Growth in sales during 2Q2020 was supported by the gradual improvements in home buying transactions following the easing of restrictions and precautionary measures previously imposed in relation to COVID-19 although April was a very slow month. In July 2020, PHD achieved New Sales of EGP1.2 billion, a growth of 204% YoY, compared with EGP410 million in July 2019.
- New Sales (Residential and Commercial) stood at EGP4.4 billion, translating into 662 units sold during 1H2020, a growth of 10% YoY, should we remove Palm Hills Alexandria's Expression of Interest of EGP2.1 billion from 1H2019 New Sales.
- Commercial New Sales amounted to EGP489 million during 1H2020, a growth of 34% YoY mostly driven by the sale of office space in Golf Central for EGP329 million and The Lane for EGP71 million.
- Revenue reached EGP2.0 billion during 1H2020. Gross Profit amounted to EGP751 million in 1H2020, a gross margin of 37%, compared to 40% in 1H2019. The YoY decrease in Gross Profit margin resulted mainly from the handover of lower margin units during 1H2020. EBITDA stood at EGP377 million, a margin of 19% during 1H2020. Net Profit after Tax and Minority Interest amounted to EGP277 million, implying a Net Profit margin of 14%.
- The Company spent EGP635 million on construction activities during 1H2020. In Badya, the development of 200 units' concrete skeleton was completed alongside blockworks of 70 units. The Company concluded all construction works in Golf Views. In the Crown, PHD commenced construction of 120 units' concrete skeleton, 80 units' blockworks and 60 units' façade works. In Capital Gardens, the Company completed more than 90% of phase 1, which encompass more than c.700 units.
- Regarding handovers, the Company delivered 318 residential and commercial units during 1H2020 mainly in the following projects: Capital Gardens, Woodville, Golf Extension, Hacienda Bay and Palm Hills Katameya. Handovers recovered during 2Q2020 following the easing of precautionary measures. The Company had an additional 744 units released from construction during the period, of which 391 units are within livable zones. In July 2020, PHD handed over 119 units. The Company is ahead of delivery schedule in almost all projects.
- PHD has ready to move inventory worth c.EGP3.0 billion across several projects in West Cairo, East Cairo and North Coast. The ready to move products are currently offered year-round and not just as a promotion. Units are available for immediate delivery to homebuyers with payment plans of up to 8-10 years.
- Shareholders approved the delisting of the Company's Global Depository Receipts' program from the London Stock Exchange during the Extraordinary Shareholder Meeting held on August 18, 2020. The Company will disclose further details on said corporate action to GDRs' holders post securing the necessary regulatory approvals.



1H2020 Earnings Release

Yasseen Mansour, Chairman & Group CEO Comments:

I am pleased to share with you our operational and financial results for the period ended June 30, 2020, where our performance has been swiftly improving mostly since beginning of June and is showing further recovery year to date, following the easing of restrictions and precautionary measure previously imposed in relation to COVID-19 pandemic.

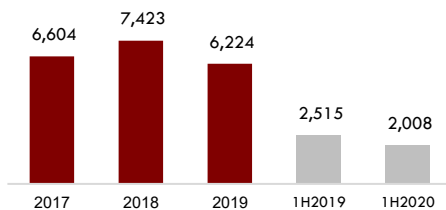
Although April 2020 was a slow month with only EGP194 million in New Sales because of COVID-19, we ended 2Q2020 with EGP2.7 billion in New Sales, the highest New Sales in Egypt during the period. During 1H2020, we sold 662 units for EGP4.4 billion, which represents a growth of 10% YoY, should we remove Palm Hills Alexandria's Expression of Interest of EGP2.1 billion from 1H2019 New Sales. We see liquidity gradually coming back to the market, evidenced by our record July 2020 New Sales of EGP1.2 billion, which translates to a growth of 204% YoY.

The Company handed over 437 units until end of July 2020. We have outperformed our handover schedule on almost all projects on contractual delivery dates.

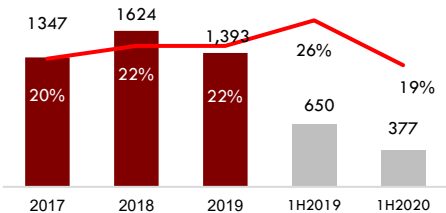
We reiterate our expectations with regards to the upcoming securitization transactions for a gross receivables portfolio of c. EGP1.5 billion during 4Q2020. Our Balance Sheet remains strong and flexible. As at end of 1H2020, the Company's Cash and Cash Equivalents amounted to EGP2.0 billion, while Net Debt amounted to EGP2.0 billion. Our Receivables recorded EGP21.4 billion, covering Net Debt 10.6 times in 1H2020.

Looking ahead, we expect the property market to remain uneven, with key and large developers to outperform and gain market share. We are working on reducing our Net Debt from the current EGP2.0 billion level to EGP1.5 billion by year end.

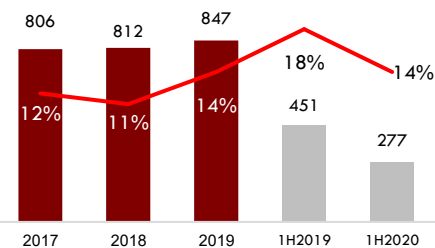
Revenue (2017-1H2020, EGP Million)



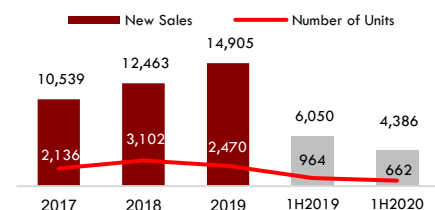
EBITDA & EBITDA Margin (2017-1H2020, EGP Million)



Net Profit after Tax & Minority Interest (2017-1H2020, EGP Million)



New Sales, All Regions¹ (2017-1H2020, EGP Million)



Financial Review

EGP Million	2Q2020	2Q2019	Change	1H2020	1H2019	Change
Revenue	873	1,557	(44%)	2,008	2,515	(20%)
Gross Profit	358	651	(45%)	751	1,007	(26%)
Gross Profit margin	41%	42%	(1pp)	37%	40%	(3pp)
EBITDA	173	431	(60%)	377	649	(42%)
EBITDA margin	20%	28%	(8pp)	19%	26%	(7pp)
Net Profit before Tax & Minority Interest	219	345	(36%)	328	538	(39%)
Net Profit after Tax & Minority Interest	195	310	(37%)	277	451	(39%)
Net Profit margin	22%	20%	2pp	14%	18%	(4pp)

Revenue reached EGP2.0 billion during 1H2020. Gross Profit amounted to EGP751 million in 1H2020, a gross margin of 37%, compared to 40% in 1H2019. The YoY decrease in Gross Profit margin resulted mainly from the handover of lower margin units during 1H2020.

EBITDA stood at EGP377 million, a margin of 19% during 1H2020. Net Profit after Tax and Minority Interest amounted to EGP277 million, implying a Net Profit margin of 14%.

Net Debt decreased to EGP2.0 billion by end of 1H2020, a drop of EGP0.2 billion from 1Q2020, in line with the Company's strategy to optimize and reduce leverage. Receivables amounted to EGP21.4 billion, covering Net Debt 10.6 times. Net Debt/EBITDA stood at 1.8 times by end of 1H2020.

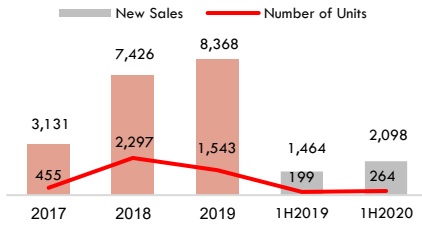
Operational Review

New Sales (Residential and Commercial) recorded EGP4.4 billion in 1H2020, a decrease of 28% YoY, given the comparison with a high base for 1H2019, which seen a strong uptake in Palm Hills Alexandria. Should we exclude the Palm Hills Alexandria Expression of Interest, New Sales would have demonstrated a growth of 10% YoY in 1H2020.

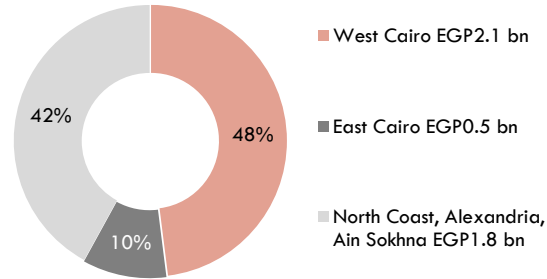
Despite witnessing slowdowns in homebuying transactions during April 2020, the Company had an outstanding sales performance 2Q2020 mostly in June, supported by the successful launch of Laguna Bay project in Ain Sokhna, the strong uptake for the Company's offerings in the North Coast and further interest in the ready to move products.

On the Commercial front, the segment's New Sales amounted to EGP489 million during 1H2020, a growth of 34% YoY mostly driven by the sale of office space in Golf Central for EGP329 million and The Lane for EGP71 million.

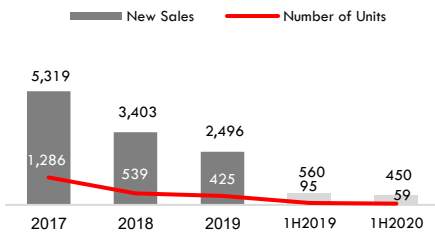
New Sales, West Cairo¹ (2017-1H2020, EGP Million)



The following chart shows percentage contribution of each operating region to New Sales during 1H2020:

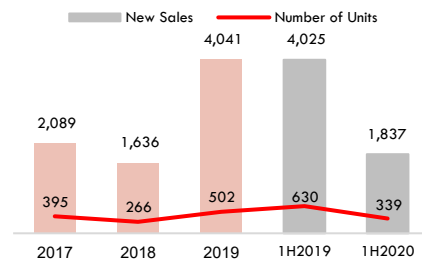


New Sales, East Cairo¹ (2017-1H2020, EGP Million)



In West Cairo, New Sales amounted to EGP2.1 billion, of which residential stood at EGP1.6 billion and the remaining balance from commercial sales. The largest contributors to residential sales were Badya, The Crown, along remarkable contribution from Palm Parks, Golf Extension and Golf Views mostly on the ready to move products.

New Sales, North Coast, Alexandria, Ain Sokhna¹ (2017-1H2020, EGP Million)



North Coast, Alexandria and Ain Sokhna witnessed robust performance during the second quarter of 2020 following the launch of Laguna Bay in June 2020, recording EGP510 million in New Sales in a matter of weeks. The three destinations combined achieved New Sales of EGP1.8 billion during 1H2020.

The Company handed over 318 residential and commercial units during 1H2020 mainly in the following projects: Capital Gardens, Woodville, Golf Extension, Hacienda Bay and Palm Hills Katameya. Handovers recovered during 2Q2020 following the easing of restrictions and curfews. The Company had an additional 744 units released from construction during the period, of which 391 units are within livable zones.

1- New Sales represent Gross New Sales which includes residential and commercial segments.

Consolidated Income Statement ²

(Egyptian Accounting Standards)

In EGP 000's	2Q2020	2Q2019	%	1H2020	1H2019	%
Revenue	873,183	1,556,993	(44%)	2,008,212	2,515,075	(20%)
Cost of Revenue	(515,123)	(905,457)	(43%)	(1,257,632)	(1,507,495)	(17%)
Gross Profit	358,060	651,536	(45%)	750,580	1,007,581	(26%)
Gross Profit margin	41%	42%	(1pp)	37%	40%	(3pp)
General Administrative, Selling and Marketing Expenses	(185,187)	(220,389)	(16%)	(373,726)	(357,806)	4%
EBITDA	172,874	431,147	(60%)	376,854	649,775	(42%)
EBITDA margin	20%	28%	(8pp)	19%	26%	(7pp)
Administrative Depreciation	(23,656)	(20,762)	14%	(47,151)	(41,527)	14%
Operating Profit	149,218	410,384	(64%)	329,703	608,248	(46%)
Less:						
Finance Cost & Interests	(43,293)	(49,817)	(13%)	(104,886)	(104,681)	0.2%
Securitization of Notes Receivables	-	(35,916)	NA	-	(44,015)	NA
Interest on Land Purchase Liabilities	100,746	(19,006)	NA	73,945	(100,580)	NA
Provisions	-	(700)	NA	-	67,963	NA
Add:						
Interest Income - Amortization of Discount on Notes Receivables	4,280	22,359	(81%)	8,560	44,718	(81%)
Gain on Investment in Fair Value through profit or loss	1,826	2,485	(27%)	4,160	5,432	(23%)
Interest Income on Held to Maturity Investments	6,785	15,440	(56%)	16,220	60,907	(73%)
Net Profit Before Income Tax & Minority Interest	219,563	345,228	(36%)	327,702	537,992	(39%)
Income Tax Expense	(22,047)	(29,571)	(25%)	(45,469)	(67,240)	(32%)
Deferred Tax	(67)	(151)	(56%)	(190)	(270)	(30%)
Net Profit After Tax	197,449	315,506	(37%)	282,044	470,482	(40%)
Non-Controlling Interest	(2,127)	(5,189)	(59%)	(5,459)	(19,004)	(71%)
Net Profit After Tax & Minority Interest	195,322	310,317	(37%)	276,585	451,478	(39%)
Net Profit After Tax & Minority Interest margin	22%	20%	2pp	14%	18%	(4pp)

2- The Company's consolidated financial statements for the period ended June 30, 2020, prepared in accordance with Egyptian Accounting Standards ('EAS'), can be downloaded from our Company's website: www.palmhillsdevelopments.com

Consolidated Balance Sheet (Egyptian Accounting Standards)

EGP Thousand	June 30, 2020	December 31, 2019
Long-Term Assets		
Investments in Associates	150,328	143,370
Investment Property	387,942	393,483
Notes Receivable - Long Term	15,189,094	15,318,677
Projects Under Construction	1,647,260	1,739,437
Advance Payments for Investments Acquisitions	194,907	194,907
Fixed Assets (net)	1,436,344	1,353,869
Deferred Tax Asset	3,360	3,549
Employee Stock Ownership Plan	45,240	68,172
Other Long - Term Assets	2,979	1,391
Total Long - Term Assets	19,057,455	19,216,854
Current Assets		
Works in Process	7,712,569	8,115,250
Held to Maturity Investments	1,144,672	924,376
Cash	830,562	1,375,178
Notes Receivable - Short Term	4,707,310	4,691,813
Investments at Fair Value	69,375	87,513
Accounts Receivable	1,550,889	1,272,279
Suppliers - Advance Payments	492,041	451,528
Debtors & Other Debit Balances	841,746	917,361
Due from Related Parties	427,255	418,965
Total Current Assets	17,776,420	18,254,266
Total Assets	36,833,873	37,471,118
Current Liabilities		
Banks - Credit Balances	65,545	87,238
Banks - Overdraft	1,022,475	963,312
Advances from Customers	14,463,797	14,212,609
Completion of Infrastructure Liabilities	58,062	95,083
Provisions	182,242	180,718
Current Portion of Land Purchase Liabilities	91,175	235,683
Notes Payable - Short Term	700,053	1,750,902
Current Portion of Term Loans	356,906	295,133
Suppliers & Contractors	781,749	762,160
Income Tax Payable	54,964	97,622
Creditors & Other Credit Balances	753,387	630,784
Due to Joint Arrangements Partners	1,348,403	1,081,182
Due to related Parties	6,830	6,639
Total Current Liabilities	19,885,588	20,399,065
Working Capital	(2,109,167)	(2,144,802)
Total Investment	16,948,288	17,072,053
<i>Financed as Follows:</i>		
Shareholders' Equity		
Issued and Paid-In Capital	6,235,199	6,235,199
Legal Reserve	778,473	738,358
Special Reserve	176,513	176,513
Treasury Shares	(46,990)	-
ESOP Re-measurement Reserve	(32,760)	(9,828)
Retained Earnings	1,464,372	995,811
Net Profit for the period	276,585	846,785
Equity Attributable to Equity Holders of Parent Co.	8,851,394	8,982,838
Non-Controlling Interest	551,406	554,742
Total Shareholders' Equity	9,402,800	9,537,581
Long Term Liabilities		
Land Purchase Liabilities	128,728	150,258
Notes Payable - Long Term	1,985,336	1,438,142
Other Long-Term Liabilities - Residents' Association	2,553,762	2,372,856
Loans	2,697,768	2,801,073
Due to Joint Arrangements Partners	179,893	772,143
Total Long-Term Liabilities	7,545,488	7,534,472
Total Equity & Long-Term Liabilities	16,948,287	17,072,053



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Cash Flow Statement

(Egyptian Accounting Standards)

EGP Thousand	June 30, 2020	June 30, 2019
Net Profit for the Period (Before Income Tax & Non-Controlling Interest)	327,702	537,992
Interest on Land Purchase Liabilities	53,602	100,580
Administrative Depreciation	51,161	51,205
Provision Formed	-	2,177
Finance Costs & Interest	104,886	104,681
Interest on Discounted Receivables	-	44,015
Share of Profit/Loss of Associates	5,042	(1,911)
Gain (loss) on Disposal of Fixed Assets	(26)	(144)
Interest Income - Amortization of Discount on Notes Receivables	(8,560)	(44,718)
Gains on Investments in Fair Value through Profit or Loss	(4,160)	(5,432)
Provisions no Longer Required	-	(70,140)
Gains and losses on Held to Maturity Investments	(16,220)	(60,907)
Interest Rebate from Land Purchase Liabilities	(127,548)	-
Operating Profit Before Changes in Working Capital Items	385,880	657,398
Cash flow from Operating Activities		
Change in Work in Process	246,896	(812,059)
Change in Notes Receivables	122,646	365,215
Change in Investments in Fair Value through Profit or Loss	18,138	(5,050)
Change in Held to Maturity Investments	(220,296)	860,709
Change in Accounts Receivable	(278,609)	(128,924)
Change in Suppliers - Advance Payments	(40,513)	(11,691)
Change in Debtors & Other Debit Balances	75,615	(369,202)
Change in Due from Related Parties	(8,290)	(37,440)
Change in Advances from Customers	251,187	200,495
Provisions	1,523	(932)
Change in Due to Related Parties	190	957
change in Notes Payables	(429,711)	(282,047)
Change in Suppliers & Contractors	19,588	125,576
Income Tax Paid	(88,127)	(249,107)
Change in Creditors and Other Credit Balances	122,603	52,359
Change in Other Long Term - Residents' Association	180,906	272,108
Change in Guaranteed Payments - Joint Arrangements	(325,028)	(132,865)
Change in Completion of Infrastructure	(37,021)	-
Net Cash (Used In) Operating Activities	(2,421)	505,499
Cash Flows from Investing Activities		
Payments for Purchase of Fixed Assets	(28,497)	(9,168)
Proceeds from Sale of Fixed Assets	175	261
Payments for Associates Investment	(12,000)	(50,000)
Payments for Projects Under Construction	(17,109)	(5,306)
Payments Advance for Investments	(714)	(2,519)
Other Payments	(1,589)	-
Proceeds from Investments in Fair Value through Profit or Loss	4,160	5,432
Proceeds from Held to Maturity Investments	16,220	60,907
Cash Flows from Investing Activities	(39,355)	(393)
Cash Flows from Financing Activities		
Credit Balance	(21,693)	30,455
Banks - Overdraft	59,162	125,687
Treasury Shares	(46,990)	-
Adjustments to Retained Earnings	(338,108)	(115,912)
Minority Interests	(8,794)	(9,789)
Securitization of Notes Receivables	-	(44,015)
Deferred Tax	-	3
Proceeds from Loans	427,416	11,670
Repayment of Loans	(468,947)	(501,320)
Finance Costs & Interests	(104,886)	(104,681)
Net Cash Provided by Financing Activities	(502,840)	(607,901)
Net Cash Flow During the Period	(544,616)	(102,765)
Cash & Cash Equivalents at Beginning of the Period	1,375,178	955,738
Cash & Cash Equivalents as at June 30, 2020	830,562	852,973



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About Palm Hills Developments

Palm Hills Developments ("PHD"), a leading real estate developer in Egypt, is a joint stock company established in 1997. The Company builds integrated communities and has one of the most diversified land bank portfolios, spreading over 42.3 million square meters ("sqm"). PHD's product offerings include primary homes on both West Cairo and East Cairo, as well as secondary homes in the North Coast (Mediterranean Sea) and Ain Sokhna (Red Sea).

As at end of 1H2020, PHD delivered 10,920 units within its developments. Today, PHD has 9 projects under development, 3 projects in West Cairo, 3 projects in East Cairo and 3 projects in the North Coast and Alexandria, in addition to 7 new projects including 6 co-developments, translating into a sales backlog of c.EGP15 billion. PHD is one of the most liquid and actively traded stocks on the Egyptian Stock Exchange, and is traded under the symbol "PHDC.CA". The Company has a GDR listing on the London Stock Exchange, and is traded under the symbol "PHDC.LI". For more information, please visit: www.palmhillsdevelopments.com/

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