



PALM HILLS
DEVELOPMENTS

4Q2017 Earnings Release

Strong set of results: PHD beat market consensus on all matrices with 24% YoY growth in New Sales to EGP10.5 billion, and 26% YoY growth in Net Profit after Tax & Minority Interest to EGP806 million

Cairo/London (February 26, 2018) - 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 December 31, 2017.

2017 Highlights

- PHD beat all its previously announced guidance and financial targets for the year on all fronts, and exceeded market consensus and analysts' estimates.
- The Company witnessed improvements in profitability margins across the board namely in Gross Profit and EBITDA margins of 32% and 20% respectively, and Net Profit margin of 12%.
- New Sales amounted to EGP10.5 billion, a growth of 24% YoY, the highest in the Company's history. New residential sales reached EGP9.8 billion with commercial sales accounting for the balance. It is worthy to highlight that Gross Profit margin on 2017 New Sales is currently estimated at 42%, which should be reflected in P&L statements of future reporting periods.
- The number of units sold (residential and commercial) increased 13% YoY to 2,136 units, up from 1,894 units sold during 2016.
- Revenue for the year recorded a growth of 17% YoY reaching EGP6.6 billion.
- Gross Profit grew 25% YoY to reach EGP2.1 billion, a margin of 32%.
- EBITDA improved 33% YoY and amounted to EGP1.3 billion, a margin of 20%.
- Net Profit after Tax and Minority Interest grew 26% YoY to EGP806 million, despite the negative impact of EGP116 million resulting from one-offs associated with securitization and discounting of Receivables, and YoY increase of EGP150 million in finance cost.
- Cash inflow from operations amounted to EGP4.6 billion, a growth of 51% YoY.
- Construction earned value stood at EGP2.1 billion. The Company concluded construction works of five projects during the year.
- PHD concluded securitization and discounting of receivables related to handed over units worth EGP629 million.
- The Company signed the definitive co-development agreement of 3,000 feddan in West Cairo, with the first phase due for launch in April 2018.
- PHD commenced monetization of non-core commercial assets and generated sales of EGP662 million during the year.
- Finalized negotiations with local banks and reduced interest rates applicable to 75% of the Company's debt, helping save EGP100 million over the tenor of the loans.
- The Company handed over 1,781 units, exceeding FY2017 target of 1,600 units. 85% of handed over units were in Palm Parks, Golf Extension, Golf Views, Village Gate Katameya, Village Gate, Hacienda Bay and Hacienda White 2.

Yasseen Mansour, Chairman Comments:

I am very pleased to share with you our full year 2017 financial results, another successful year on all fronts, during which we witnessed strong profitable growth, driven by the ongoing demand and uptake of our products offerings across all operating regions, backed by our dedicated management team.

Our financial results continued to reflect our operational excellence highlighted by an all-time high New Sales of EGP10.5 billion, driven by growth in volume and value of units sold. We believe our market share grew as well with 2,136 units sold throughout 2017. Revenue for the year increased 17% YoY to EGP6.6 billion, which reflected positively on Net Profit recording EGP806 million, a growth of 26% YoY, having in mind that we borne EGP116 million as financial charges relating to securitization and discounting of receivables transactions concluded during the year. We handed over 1,781 units, spent EGP2.1 billion on construction and generated cash flows from operations of EGP4.6 billion.

Our Balance Sheet maintained its strong position with receivables of EGP15.3 billion, covering Net Debt 4.3 times. PHD is planning to conclude securitization transactions of c. EGP1.5-1.8 billion during the year, including EGP700-800 million with expected closing during 1Q2018. The transactions' proceeds will be mostly utilized in debt repayment, as part of the Company's commitment to deleverage the Balance Sheet through its securitization of receivables program.

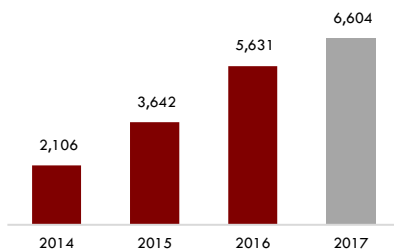
FY2017 was another exciting year as we continued to replenish our land bank and signed the definitive agreement of the co-development of 3,000 in West Cairo with NUCA and added 135 feddan in the North Coast.

The Company is gearing up to the launch of its largest project ever spreading 3,000 feddan in West Cairo, planned for April 2018 after the issuance of the related ministerial decree. Furthermore, the Company is targeting to launch its co-development project in Alexandria during 2H2018.

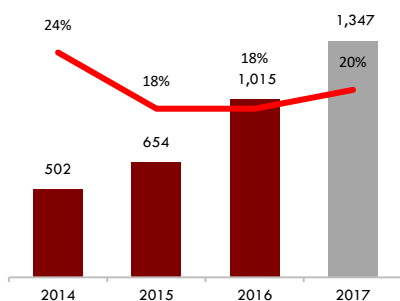
We continue to closely monitor our construction cost which increased 29% YoY, in comparison to our selling prices which recorded a YoY growth of 41% for land, 51% and 39% for Built Up Area of standalone units and apartments respectively.

With regards to our recurring income and commercial real estate portfolio, the segment contributed 14% to Net Profit, in line with our strategy to generate 25% in Net Profit from recurring income by FY2020.

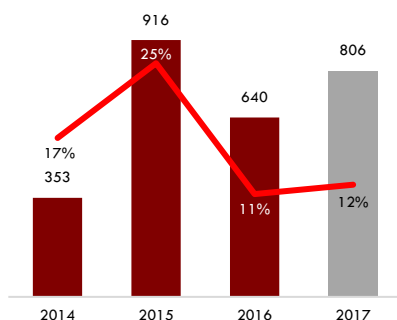
Revenue
(2014-2017, EGP Million)



EBITDA & EBITDA Margin
(2014-2017, EGP Million)



Net Profit after Tax & Minority Interest
(2014-2017, EGP Million)



Financial Review

EGP Million	4Q2017	4Q2016	%	FY2017	FY2016	%
Revenue	1,846	1,974	(7%)	6,604	5,631	17%
Gross Profit	627	562	12%	2,103	1,679	25%
Gross Profit margin	34%	28%	6pp	32%	30%	2pp
EBITDA	409	315	30%	1,347	1,015	33%
EBITDA margin	22%	16%	6pp	20%	18%	2pp
Net Profit before Tax & Minority Interest	385	232	66%	1,103	913	21%
Net Profit after Tax & Minority Interest	339	236	44%	806	640	26%
Net Profit margin	18%	12%	6pp	12%	11%	1pp
New Sales	2,398	2,800	(14%)	10,539	8,467	24%

Revenue for the year grew 17% YoY to record EGP6.6 billion, driven by the increased pace of construction with 1,781 handed over units, exceeding the previously announced target of 1,600 units. 56% of handed over units were in Hacienda Bay, Village Gate and Golf Extension, coupled with the recognized portion of sold standalone units (on percentage of completion basis) mostly in Palm Hills New Cairo, Hacienda West, The Crown and Woodville, alongside the handover of retail units in Village Gate Katameya Mall. The Company sold one of its non-core land plots (Galala plot in the North Coast) spreading 487k sqm to a non-listed property developer, for a total consideration of EGP375 million during 4Q2017. PHD sold 2,136 units throughout the year, a growth of 13% YoY.

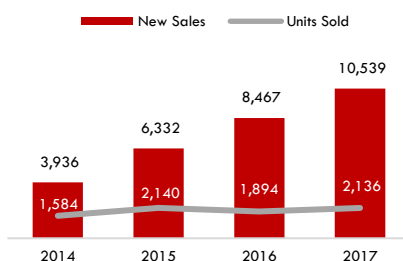
Gross Profit increased to EGP2.1 billion, a growth of 25% YoY, with a margin of 32%, an improvement of 2 pp because of lower cost pressure YoY as the Company is gradually completing old projects that negatively impacted profitability margins during previous reporting periods.

SG&A/Revenue stood at 11.5% in 2017 (11.8% in 2016), and continued to decrease as a percentage of New Sales to 7.2% (7.8% in 2016) despite the unprecedented salary adjustments that took place in 2017 following the devaluation of local currency late 2016. EBITDA grew 33% YoY to record EGP1.3 billion, an EBITDA margin of 20% in 2017 (18% in 2016).

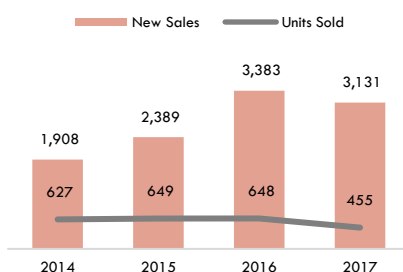
Net Profit after Tax & Minority Interest grew 26% YoY to reach EGP806 million, despite the negative impact of higher finance cost YoY and EGP116 million one-offs associated with discounting and securitization of Receivables. Bottom line was supported by growth in hotels segment revenue, as part of PHD's stake in Macor, where the segment witnessed solid growth of 57% YoY reaching EGP63 million, on the back of gradual tourism recovery and improved business climate.

In 4Q2017, Revenue slightly decreased to EGP1.8 billion due to the YoY change in mix of units/projects sold coupled with lower handed over units of 441 units (597 units in 4Q2016). Nevertheless, Gross Profit grew 12% YoY to EGP627 million, as the Company has nearly concluded old projects with low margins. While EBITDA grew 30% YoY to EGP409 million, mostly on the back of lower SG&A and Cost of Revenue. Net Profit for the quarter recorded EGP339 million, a growth of 44% YoY, despite the increase in interest charges.

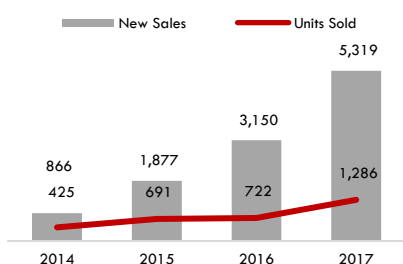
New Sales, All Regions¹ (2014-2017, EGP Million)



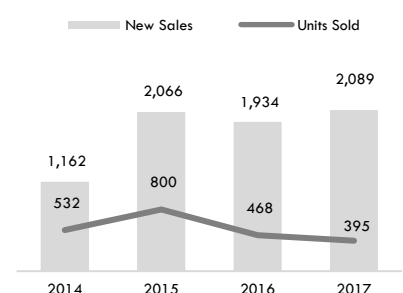
New Sales, West Cairo¹ (2014-2017, EGP Million)



New Sales, East Cairo¹ (2014-2017, EGP Million)



New Sales, North Coast¹ (2014-2017, EGP Million)



Net Debt/EBITDA stood at 2.6 times, at par with FY2016. By the end of 2017, Receivables reached EGP15.3 billion compared to EGP11.3 billion by end of FY2016, driven by the strong sales growth, covering Net Debt 4.3 times.

Operational Review

New Sales exceeded the EGP9.5 billion target, recording EGP10.5 billion

New Sales for 2017 recorded EGP10.5 billion, a growth of 24% YoY, the highest in the Company's history. New residential sales amounted to EGP9.8 billion with commercial sales accounting for the balance.

During 2017, the Company increased average selling prices by 51% and 39% YoY for BUA of standalone units and apartments, and 41% YoY for land. Growth in sales was driven by the increase in prices and volumes sold, which recorded 2,136 units, a growth of 13% YoY.

In West Cairo, New Sales was driven mainly by demand for residential units in The Crown, Woodville and Golf Extension coupled with commercial units' sales in The Lane and Palm Central. In 4Q2017, the drop in New Sales resulted from lower available for sale inventory in comparison to 4Q2016.

In East Cairo, growth in New Sales was fueled by Palm Hills New Cairo which accounted for EGP4.4 billion in 2017 (cumulative sales of EGP5 billion since launch in November 2016). The Company sold commercial units worth EGP45 million in Village Gate Katameya Mall during 4Q2017.

In the North Coast, the region witnessed solid performance during the summer season supported by the launch of Hacienda West in June 2017, which booked aggregate sales of EGP1.1 billion.

In 2017, the Company handed over 1,781 units, surpassing the full year target of 1,600 units. During 4Q2017, the Company delivered 441 units. Construction activities are progressing on schedule with an earned value of EGP2.1 billion in 2017, a growth of 5% YoY.

The recurring income portfolio from three hotels and commercial real estate segment contributed 14% to Net Profits. The number of memberships in Palm Club stood at 2,736 memberships by end of 2017.

The Company is currently considering expanding the number of hotel rooms of Novotel October hotel, given its ongoing strong performance.

¹ - New Sales represent Gross New Sales which includes residential and commercial segments in West and East Cairo.



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Outlook

In 2018, PHD expects a healthy demand for primary housing driven by ongoing house formation and growing migration trend from the capital city of Cairo to the Eastern and Western suburbs. The Company is eyeing New Sales of EGP12 billion for the year, to be fueled by the launch of the 3,000 feddan project in West Cairo which will cater to various income brackets alongside the Company's first project in Alexandria and more phases within recently launched projects.

On the P&L front, the Company is targeting a top line of more than EGP6.8 billion, Net Profit of more than EGP800 million. The Company is planning to handover 1,500 units and spend EGP2.0 billion on construction during FY2018.

With regards to the securitization of receivables program, PHD is planning to monetize receivables up to c. EGP1.8 billion during the year, of which EGP700-800 million will be concluded during 1Q2018.

Consolidated Income Statement ² (Egyptian Accounting Standards)

EGP Thousand	4Q2017	4Q2016	Change	FY2017	FY2016	Change
Revenue	1,845,734	1,974,388	(7%)	6,603,539	5,630,639	17%
Cost of Revenue	(1,218,232)	(1,412,822)	(14%)	(4,500,248)	(3,951,476)	14%
Gross Profit	627,503	561,565	12%	2,103,291	1,679,163	25%
<i>Gross Profit Margin</i>	<i>34%</i>	<i>28%</i>	<i>6 pp</i>	<i>32%</i>	<i>30%</i>	<i>2 pp</i>
General Administrative, Selling and Marketing Expenses	(218,754)	(246,094)	(11%)	(756,284)	(664,116)	14%
EBITDA	408,749	315,472	30%	1,347,007	1,015,046	33%
<i>EBITDA Margin</i>	<i>22%</i>	<i>16%</i>	<i>6 pp</i>	<i>20%</i>	<i>18%</i>	<i>2 pp</i>
Administrative Depreciation	(5,402)	(5,329)	1%	(20,476)	(13,991)	46%
Operating Profit	403,347	310,142	30%	1,326,531	1,001,055	33%
Less:						
Finance Cost & Interests	(50,582)	(24,227)	NA	(207,738)	(57,582)	NA
Securitization of Notes Receivables Discounting Charges	-	-	-	(116,441)	-	-
Interest on Land Purchase Liabilities	(14,301)	(31,164)	(54%)	(124,024)	(118,644)	5%
Provisions	(65,638)	(51,531)	27%	(70,308)	(52,735)	33%
Add:						
Recoverable Interest on Land Purchase Liabilities	80,744	-	-	163,568	-	-
Interest Income - Amortization of Discount on Notes Receivables	16,798	11,515	46%	67,191	46,061	46%
Gains on investments in fair value through profit or loss	1,422	1,790	(21%)	6,011	5,813	3%
Interest Income on held-to-maturity investments	13,500	15,176	(11%)	58,571	89,201	(34%)
Net Profit Before Income Tax & Minority	385,289	231,702	66%	1,103,360	913,170	21%
Income Tax Expense	(45,866)	30,374	NA	(162,100)	(126,311)	28%
Deferred Tax	(5,587)	(1,037)	NA	(4,790)	(1,603)	NA
Net Profit After Tax	333,835	261,038	28%	936,471	785,256	19%
Non-Controlling Interest	4,808	(25,354)	NA	(130,833)	(145,460)	(10%)
Net Profit After Tax & Minority Interest	338,643	235,685	44%	805,637	639,796	26%
<i>Net Profit After Tax & Minority Interest Margin</i>	<i>18.35%</i>	<i>11.94%</i>	<i>6 pp</i>	<i>12%</i>	<i>11%</i>	<i>1 pp</i>

2- The Company's consolidated financial statements for the period ended December 31, 2017, prepared in accordance with Egyptian Accounting Standards ('EAS'), can be downloaded from our Company's website: www.palmhillsdevelopments.com

3- Finance cost & Interest includes capital lease interest of EGP111 million and finance cost of EGP96 million.

4- Discounted Notes Receivables as part of the securitization and discounting transactions concluded during 1Q2017 and 3Q2017.

Consolidated Balance Sheet (Egyptian Accounting Standards)

EGP Thousand	December 31, 2017	December 31, 2016
Long-Term Assets		
Investments in Associates	83,615	79,226
Investment Property	758,690	888,506
Notes Receivable - Long Term	11,356,555	7,300,040
Projects Under Construction	882,473	877,767
Advance Payments for Investments Acquisitions	184,336	184,336
Fixed Assets (net)	347,278	351,608
Deferred Tax Asset	5,485	10,302
Other Long-Term Assets	1,391	1,391
Employee stock ownership plan (ESOP)	83,414	81,287
Total Long-Term Assets	13,703,236	9,774,462
Current Assets		
Works in Process	9,193,761	6,410,746
Held to Maturity Investments	467,935	153,328
Cash & Cash Equivalents	562,030	808,517
Notes Receivable - Short Term	3,012,453	3,295,528
Investments at Fair Value	51,427	58,471
Accounts Receivable	883,344	757,057
Suppliers - Advance Payments	486,084	489,064
Debtors & Other Debit Balances	589,211	218,477
Due from Related Parties	251,408	244,125
Guaranteed Payments – Joint Arrangements Partners	50,000	40,000
Total Current Assets	15,547,652	12,475,312
Total Assets	29,250,888	22,249,774
Current Liabilities		
Banks - Credit Balances	50,561	42,176
Banks – Overdraft	374,696	79,410
Advances from Customers	10,132,168	7,744,755
Completion of Infrastructure Liabilities	95,083	95,083
Provisions	240,244	169,387
Current Portion of Land Purchase Liabilities	102,493	60,651
Investment Purchase Liabilities	-	44,257
Notes Payable - Short Term	1,239,625	974,302
Current Portion of Term Loans	979,574	541,015
Suppliers & Contractors	543,392	448,466
Income Tax Payable	162,100	126,629
Creditors & Other Credit Balances	523,428	522,256
Due to Joint Arrangements Partners	174,562	160,424
Due to related Parties	96,617	131,333
Total Current Liabilities	14,714,542	11,140,145
Working Capital	833,110	1,335,168
Total Investment	14,536,345	11,109,629
<i>Financed as Follows:</i>		
Shareholders' Equity		
Issued and Paid-In Capital	4,617,899	4,617,899
Legal Reserve	682,810	630,142
Special Reserve	476,064	524,213
ESOP Re-measurement Reserve	43,010	31,493
Retained Earnings (Deficit)	76,127	(222,479)
Net Profit for the Period/Year	805,638	639,795
Equity Attributable to Equity Holders of Parent Co.	6,701,549	6,221,064
Non-Controlling Interest	538,436	412,152
Total Shareholders' Equity	7,239,985	6,633,215
Long Term Liabilities		
Land Purchase Liabilities	335,844	169,800
Notes Payable - Long Term	1,912,929	612,701
Other Long-Term Liabilities - Residents' Association	1,083,208	736,444
Loans	3,228,805	2,957,470
Due to Joint Arrangements Partners	735,573	-
Total Long-Term Liabilities	7,296,360	4,476,414
Total Equity & Long Term Liabilities	14,536,345	11,109,629



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Cash Flow Statement (Egyptian Accounting Standards)

EGP Thousand	December 31, 2017	December 31, 2016
Net Profit for the period (Before Income Tax & Non-Controlling Interest)	1,103,360	681,666
Administrative Depreciation	36,820	19,589
Provision Formed	70,308	1,204
Securitization of Receivables Interest	116,441	-
Interest on Land Purchase Liabilities	124,024	87,480
Finance Costs & Interest	207,738	33,355
Gain (loss) on Disposal of fixed assets	(1,538)	(37)
Share of Profit/Loss of Associates	(4,390)	1,574
Gains on Investments in Fair Value through Profit or Loss	(6,011)	(4,221)
Interest Income on held to maturity investments	(58,571)	(74,025)
Recoverable Interest on Land Purchase liabilities	(163,568)	-
Interest Income – Amortization of Discount on Notes Receivables	(67,191)	(34,546)
Operating Profit Before Changes in Working Capital Items	1,357,423	1,029,264
Changes in Working Capital Items		
Change in Work in Process	(2,109,608)	(276,749)
Change in Notes Receivables	(3,706,248)	(3,632,191)
Change in Investments in Fair Value through Profit or Loss	(314,607)	8,642
Change in Held-to-maturity Investments	7,044	459,718
Change in Accounts Receivable	(126,287)	(53,027)
Change in Suppliers - Advance Payments	2,981	(104,287)
Change in Debtors & Other Debit Balances	(370,734)	(43,622)
Change in Due from Related Parties	(7,283)	(71,733)
Change in Guaranteed Payments - Joint Arrangements	(10,000)	(40,000)
Change in Advances from Customers	2,387,413	1,495,323
Change in Completion of Infrastructure Liabilities	-	(78,565)
Change in Investments purchase liabilities	(44,257)	-
Provisions	549	(192)
Change in Due to Related Parties	(34,717)	(94,985)
Changes in Notes Payables	1,605,095	846,134
Change in Suppliers & Contractors	94,927	41,616
Income Tax Paid	(126,629)	(46,314)
Change in Creditors and Other Credit Balances	1,172	176,888
Change in Other Long Term - Residents' Association	346,764	250,844
Due to Joint Arrangements Partners	749,710	160,424
Net Cash (Used In) Operating Activities	(278,131)	27,187
Cash Flows from Investing Activities		
Payments for Purchase of Fixed Assets	(38,329)	(51,218)
Proceeds from Sale of Fixed Assets	1,560	48
Proceeds from Payments for Projects Under Construction	(24,812)	(19,112)
Proceeds from real estate investments	128,066	-
Proceeds from Investments in Fair Value through Profit or Loss	6,011	5,813
Interest Received on Held to Maturity Investments	58,571	89,201
Cash Flows from Investing Activities	131,066	24,731
Cash Flows from Financing Activities		
Banks - Credit Balances	8,384	11,141
Banks – Overdraft	295,285	(827)
Adjustments to Retained Earnings	(288,521)	(287,044)
Proceeds from ESOP	9,390	3,565
Dividends	-	(373,669)
Non-Controlling Interest – Dividends	(4,548)	(4,083)
Deferred Tax	28	43
Special Reserve	(48,149)	-
Proceeds from Loans	559,832	592,754
Repayment of Loans	(306,944)	(93,371)
Finance Costs & Interests	(324,179)	(57,582)
Net Cash Provided by Financing Activities	(99,422)	(209,071)
Net Increase in Cash & Cash Equivalents during the Period	(246,486)	(157,153)
Cash & Cash Equivalents at Beginning of the Period	808,517	965,670
Cash & Cash Equivalents as at 31 December 2017	562,030	808,516



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About Palm Hills Developments

Palm Hills Developments, a leading real estate developer in Egypt, is a joint stock company established in 1997. Palm Hills builds integrated communities and has one of the most diversified land bank portfolios, spreading over 40.6 million square meters ("sqm") in Egypt, including 5 million sqm in Saudi Arabia. The Company's product offerings include primary homes on both West Cairo and East Cairo, as well as secondary homes by the Mediterranean Sea, North Coast.

As at end of 2017, PHD delivered more than 8,132 units within its developments, including more than 3,480 units in 12 completed projects. Today, PHD has 11 projects under development, 5 projects in West Cairo, 4 projects in East Cairo and 2 projects in the North Coast, in addition to 5 new projects including 4 co-developments, translating into a sales backlog exceeding EGP11.8 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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