



**PALM HILLS**  
DEVELOPMENTS

## 1Q2016 Earnings Release

**Record quarter for PHD with New Sales recording EGP2.2 billion, driven by robust demand for homes. An all-time high quarterly Gross Profit of EGP394 million, yet changes in accounting policies results in deferred profits.**

**Cairo/London (May 9, 2016)** - 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 March 31, 2016.

### Key Highlights

#### 1Q2016

- New Sales for the quarter recorded EGP2.2 billion, a growth of 62% YoY, the highest quarterly New Sales achieved since inception, driven by the strong demand for housing across all regions, backed by successful launches of new projects and new phases of existing projects.

EGP Million	Previous Accounting Standards			New Accounting Standards		
	1Q2016 <sup>BR</sup>	1Q2015 <sup>BR</sup>	Change	1Q2016 <sup>R</sup>	1Q2015 <sup>R</sup>	Change
Revenue	1,121	754	49%	1,072	743	44%
Gross Profit	394	343	15%	308	313	(2%)
Gross Profit Margin	35.2%	45.4%	(10.2 pp)	28.7%	42.2%	(13.4pp)
EBITDA	277	252	10.1%	191	222	(14.3%)
EBITDA Margin	24.5%	33.1%	(8.6pp)	17.8%	29.6%	(12.1pp)
Net Profit before Tax & Minority Interest	282	219	29%	196	190	3%
Net Profit after Tax & Minority Interest	192	215	(11%)	105	186	(43%)
Net Profit Margin	17.1%	28.5%	(11.4pp)	9.8%	25%	(15.1pp)

- For consistency and comparability purposes, we briefly highlight 1Q2016 financial results under the previous revenue recognition method:
  - Revenue for the quarter recorded EGP1.12 billion, a growth of 49% YoY, driven by a stronger pace of construction and units deliveries.
  - Gross Profit achieved a new quarterly record of EGP394 million, a growth of 15% YoY. EBITDA grew 10% YoY, achieving a new record of EGP277 million.
  - Net Profit before Tax & Minority Interest reached EGP282 million, a growth of 29% YoY. Net Profit after Tax & Minority Interest reached EGP192 million, a decrease of 11% YoY. The decrease in Net Profit after Tax & Minority Interest was driven by the Company's tax exemption expiring on December 31, 2015, coupled with higher Minority Interest YoY as a result of higher recognized revenue from Village Gate, Palm Valley & CASA, which the Company owns 51% and 60% respectively.
- Since the beginning of January 2016, PHD started to apply the Percentage of Completion ("PoC") method on the recognition of revenue from villas and standalone units, as per recent amendments in the Egyptian Accounting Standards, whereas revenue is weighted against the unit of contract basis, and recognized based on PoC relative to actual cost incurred. Revenue from apartments and multi-tenants buildings are recognized only upon delivery, which remains in line with the previous revenue recognition method. Comparative figures were restated accordingly. The new accounting standards didn't reduce our profits, but merely deferred it, as we control our profitability internally to meet our targets, not having in mind the accounting standards being applied.
- Under the new revenue recognition method, Revenue for the quarter grew 44% YoY to record EGP1.07 billion. Gross Profit was largely flat at EGP308 million, while EBITDA decreased 14% YoY. Net Profit before Tax & Minority Interest increased 3% YoY to EGP196 million. Net Profit after Tax & Minority Interest decreased 43% YoY to EGP105 million. Profitability for the quarter was not only impacted by the change in accounting standards but also the following factors:
  - The Company adopts a first sold first delivered policy of delivering units and this quarter we delivered units sold in 2011 and 2012 which were sold at depressed prices and suffered a delayed delivery due to the 2011 revolution.
  - Change in mix/type of units delivered during 1Q2016 with a total of 377 units, which included 263 apartments and 114 standalone units.

<sup>BR</sup> Before restatement figures (using the old revenue recognition method); <sup>R</sup> Restated figures.

### **Yasseen Mansour, Chairman Comments:**

I am very pleased to share with you our first quarter 2016 financial results, another record quarter for the Company in terms of New Sales and units' deliveries, driven by robust market conditions, accelerated construction works, backed by strong management team and financial position.

Our New Sales for the quarter recorded EGP2.2 billion, a growth of 62% YoY, the highest quarterly New Sales achieved since inception, driven by the strong demand for housing across all regions.

We continued our efforts with expediting projects deliveries; during the quarter, the Company handed over 377 homes. Furthermore, the Company spent EGP582 million on construction and collected EGP715 million from Receivables and New Sales, a growth of 13% YoY.

Our Balance Sheet maintained its strong position, with Total Equity (unadjusted) of EGP6.2 billion. Net Debt stood at EGP1.75 billion, with Net Debt/EBITDA at 2.3x. On April 7, 2016, the Company commenced distribution of cash dividends of EGP0.15/share and is currently pursuing regulatory procedures required to conclude the distribution of bonus shares (each 20 existing shares to receive 1 bonus share).

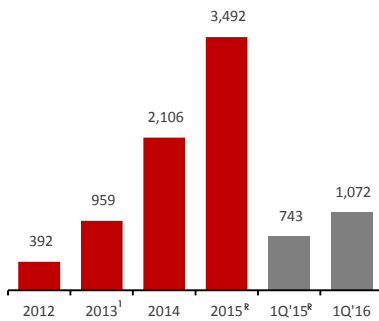
Since the beginning of January 2016, we adopted the mandatory changes to revenue recognition policies as per the revised Egyptian Accounting Standards, which negatively impacted our consolidated and standalone retained earnings by EGP156 million and EGP128 million respectively. While the new regime adversely affected our 1Q2016 financial results, we expect it to boost our results going forward as the new standards will result in more balanced revenue recognition especially with regards to standalone units. The new accounting standards didn't reduce our profits, but merely deferred it, as we control our profitability internally to meet our targets, not having in mind the accounting standards being applied.

On the land bank growth front, we signed a co-development agreement of 135 feddan in the North Coast, which is located 65 km west of Hacienda White 1, on a revenue sharing basis, with a private land owner.

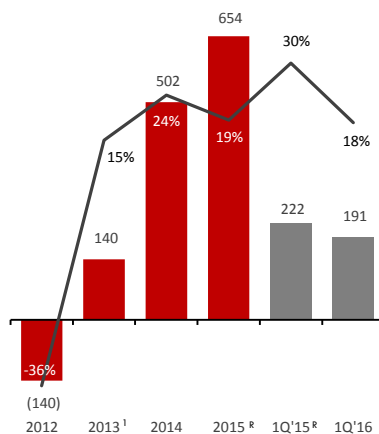
With regards to our recurring income portfolio, the segment contributed 11% to Net Profits, in line with our strategy to achieve 25% in Net Profits from recurring income by FY2020. To date, we have leased 81% from Street 88's GLA, our strip mall in West Cairo, with a revenue backlog of EGP29 million.

We remain on track to launch Sales in the 500 feddan co-development project with NUCA during 4Q2016. SWA Group is expected to finalize the master plan during this quarter. We are still negotiating the 10,000 feddan project of West Cairo with NUCA, and expect to reach a final agreement later this year. Given the strong market conditions, we expect to achieve New Sales of EGP7 billion for the full year, and deliver more than 1,600 homes.

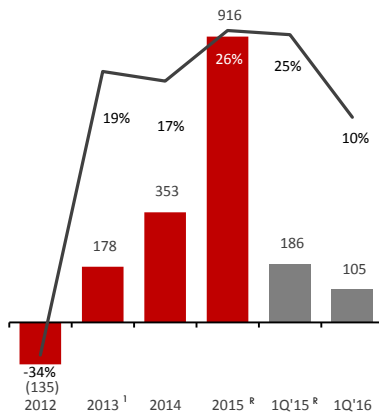
**Revenue**  
(2012 - 2016, EGP million)



**EBITDA & EBITDA Margin**  
(2012 - 2016, EGP million)



**Net Profit after Tax & Minority Interest**  
(2012 - 2016, EGP million)



### Key Financial Indicators

EGP Million	Previous Accounting Standards			New Accounting Standards		
	1Q2016 <sup>BR</sup>	1Q2015 <sup>BR</sup>	Change	1Q2016 <sup>R</sup>	1Q2015 <sup>R</sup>	Change
Revenue <sup>1</sup>	1,121	754	49%	1,072	743	44%
Gross Profit	394	343	15%	308	313	(2%)
Gross Profit Margin	35.2%	45.4%	(10.2 pp)	28.7%	42.2%	(13.4pp)
EBITDA	277	252	10.1%	191	222	(14.3%)
EBITDA Margin	24.5%	33.1%	(8.6pp)	17.8%	29.6%	(12.1pp)
Net Profit before Tax & Minority Interest	282	219	29%	196	190	3%
Net Profit after Tax & Minority Interest	192	215	(11%)	105	186	(43%)
Net Profit Margin	17.1%	28.5%	(11.4pp)	9.8%	25%	(15.1pp)
New Sales	2,200	1,358	62%	2,200	1,358	62%

### Financial Review

Under the previous revenue recognition method, Revenue<sup>2</sup> for the quarter recorded EGP1.12 billion, a growth of 49% YoY, driven by a stronger pace of construction and units deliveries. While Gross Profit achieved a new quarterly record of EGP394 million, a growth of 15% YoY. EBITDA grew 10% YoY, achieving a new record of EGP277 million. Net Profit before Tax & Minority Interest reached EGP282 million, a growth of 29% YoY. Net Profit after Tax & Minority Interest reached EGP192 million, a decrease of 11% YoY. The decrease in Net Profit after Tax & Minority Interest was driven by the Company's tax exemption expiring on December 31, 2015, coupled with higher Minority Interest YoY as a result of higher recognized revenue from Village Gate, Palm Valley & CASA, which the Company owns 51% and 60% respectively.

Since the beginning of January 2016, PHD adopted recent amendments to the Egyptian Accounting Standards, as stipulated by Ministerial Decree #110 of 2015, by applying the Percentage of Completion ("PoC") method as an accounting policy with regards to revenue recognition relating to standalone units (villas, town-houses and twin-houses) on a unit of contract basis including all contract components (land development cost, construction works, extra works, etc.). PoC is calculated in relation to cost of actual completed components as a percentage of the unit's total contracted value for each house. Recognition policy for apartments and multi-tenants buildings remains unchanged from previous practices due to difficulty in applicability of PoC and allocation of costs of public areas and the likes to each unit's cost, which may vary until completion of the relevant multi-tenants building.

Under the new revenue recognition method, Revenue for the quarter grew 44% YoY to record EGP1.07 billion. Gross Profit was largely flat at EGP308 million, while EBITDA decreased 14% YoY. Net Profit before Tax & Minority Interest increased 3% YoY to EGP196 million. Net Profit after Tax & Minority Interest decreased 43% YoY to EGP105 million. Profitability for the quarter was not only impacted by the change in accounting standards but also the following factors:

- The Company adopts a first sold first delivered policy of delivering units and this quarter we delivered units sold in 2011 and 2012 which were sold at depressed prices and suffered a delayed delivery due to the 2011 revolution.
- Change in mix/type of units delivered during 1Q2016, which included 263 apartments and 114 standalone units.

<sup>BR</sup> Before restatement figures (using the old revenue recognition method); <sup>R</sup> Restated figures.

<sup>1</sup> 2013 revenue and profit exclude the sale of the Village Mall for consideration of EGP240 million and EGP52 million respectively.

<sup>2</sup> PHD recognizes revenue on a "Percentage of Completion" basis for standalone units. Revenue from apartments and multi-tenants buildings are recognized only upon delivery.

## 1Q2016 Earnings Release

The Company delivered 377 units during the quarter, a growth of 47% YoY including 263 apartments, with stand-alone units accounting for the balance.

It's worthy to highlight that weighted average selling prices of land increased 21% YoY. In addition, weighted average selling prices of Built Up Area of standalone units and apartments increased 20% and 16% YoY.

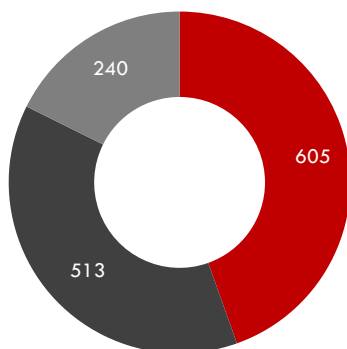
Net Debt stood at EGP1.75 billion, up from EGP1.5 billion by end of FY2015. Annualized Net Debt/EBITDA stood at 2.3x, negatively impacted by the adoption of changes in the Egyptian Accounting Standards.

By end of 1Q2016, Receivables stood at EGP8.0 billion; compared to EGP7.6 billion by end of 2015, supported by the growth in New Sales.

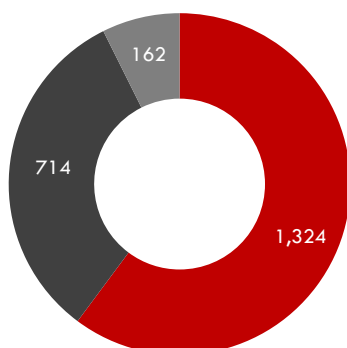
### Operational Review Strong Sales Momentum

New Sales for the quarter, which are not yet recognized as revenue, stood at EGP2.2 billion, up from EGP1.4 billion in 1Q2015, a growth of 62% YoY, a new record for quarterly Sales surpassing the Company's previous record of EGP2 billion achieved in 3Q2015, driven by the strong demand for the Company's products portfolio, backed by successful sales strategy and marketing campaigns. It is worthy to highlight that 68% of 1Q2016 New Sales were from units priced at a range of EGP1.5 - EGP7 million.

1Q2015 New Sales by Region  
(EGP million)

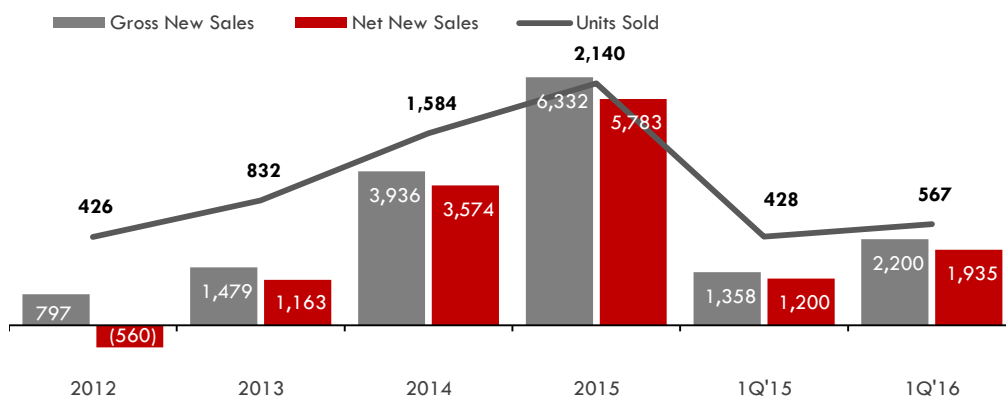


1Q2016 New Sales by Region  
(EGP million)



■ West Cairo  
■ East Cairo  
■ North Coast

Reported Gross & Net New Sales<sup>3</sup>  
(FY2012 – 1Q2016, EGP million)



In West Cairo, New Sales grew 119% YoY to record EGP1.3 billion, of which EGP662 million were generated from the recently launched Palm Valley project, a true indication of the soundness of Egyptian property market, and strong evidence of the sustainable and growing demand for our product offerings.

In East Cairo, we witnessed another record quarter with New Sales of EGP714 million, a growth of 39% YoY, mainly driven by the launch of the third phase of Capital Garden, which recorded New Sales of EGP 277 million.

In the North Coast, we have seen a good momentum as well with New Sales amounting to EGP162 million, despite the seasonality factor where demand for secondary homes is usually much stronger during the summer season.

A total of 567 units were sold during 1Q2016, up from 428 units in 1Q2015, supported by the strong New Sales realized in Capital Gardens and Palm Valley, alongside EGP344 million in Golf Extension. In addition, we have seen a good demand for secondary homes during the quarter, as we realized New Sales worth EGP92 million in

Hacienda White 2 and EGP62 million in Hacienda Bay.

The Company delivered 377 units during the quarter, an increase of 47% YoY, up from 256 units in 1Q2015, exceeding the pre-set target for deliveries during the 1Q2016. Total construction spending reached EGP582 million during the quarter, an increase of 36% YoY.

With regards to recurring income portfolio, the segment contributed 11% to Net Profits, mainly from our three hotels and Palm Club, in line with our strategy to achieve 25% in Net Profits from recurring income by FY2020. In West Cairo, we have completed all construction works in Street 88 strip-mall and successfully leased 81% of the project's GLA, with total revenue backlog of EGP29 million, at average lease rate ranging between EGP260-300/sqm per month. Two tenants commenced official operations, with remaining tenants finalizing their furniture and fixtures before end of year.

Phase 8 office building is progressing as planned and the Company received indicative interest for 70% of the project's GLA. In East Cairo, Village Gate & VGK malls are currently under development, with 52% of the available-for-sale units on VGK mall successfully contracted, translating into a revenue backlog of EGP163 million. Average selling price in VGK mall ranged between EGP32-35k/sqm.

### Outlook

The Company expects to launch Sales in a number of projects during 2016, namely Phase 2 of Palm Hills Katameya extension (East Cairo), the recently signed co-development in Ras El Hekma (North Coast) and the 2.1 million sqm co-development with NUCA (East Cairo).

The Company is still negotiating the 10,000 feddan project of West Cairo with NUCA, and expects to reach a final agreement later this year. The Company is also looking into a couple of other land bank opportunities in West Cairo, with size ranging between 150 and 200 feddan.

With regards to the recurring income portfolio, the Company expects to finalize all construction works of Phase 8 office building, Village Gate & VGK malls by beginning of FY2017.

Given the strong market conditions, management have revisited the full year New Sales target and is now set at EGP7 billion, compared to EGP6.5 billion previously. The Company remains to track to spend EGP2 billion on construction and deliver more than 1,600 units.

### Consolidated Income Statement <sup>4</sup> (Egyptian Accounting Standards)

In EGP 000's	1Q2016 <sup>R</sup>	1Q2015 <sup>R</sup>	Change	1Q2016 <sup>BR</sup>	1Q2015 <sup>BR</sup>	Change
<b>Revenue</b>	<b>1,071,535</b>	<b>743,366</b>	<b>44%</b>	<b>1,120,743</b>	<b>754,221</b>	<b>49%</b>
Cost of Revenue	(763,537)	(429,946)	78%	(726,532)	(411,698)	77%
<b>Gross Profit</b>	<b>307,998</b>	<b>313,420</b>	<b>(2%)</b>	<b>394,211</b>	<b>342,523</b>	<b>15%</b>
Gross Profit margin %	28.7%	42.2%	(13.4 pp)	35.2%	45.4%	(10.2 pp)
General administrative, selling and marketing expenses	(117,355)	(91,009)	29%	(117,355)	(91,009)	29%
<b>EBITDA</b>	<b>190,643</b>	<b>222,411</b>	<b>(14%)</b>	<b>276,857</b>	<b>251,514</b>	<b>10%</b>
EBITDA margin %	17.8%	29.9%	(12.1 pp)	24.7%	33.4%	(8.6 pp)
Administrative depreciation	(2,641)	(2,074)	27%	(2,641)	(2,074)	27%
<b>Operating Profit</b>	<b>188,003</b>	<b>220,337</b>	<b>(15%)</b>	<b>274,216</b>	<b>249,440</b>	<b>10%</b>
<b>Less:</b>						
Interest expenses – amortization of discount on land liability	-	(3,129)	NA	-	(3,129)	NA
Finance costs & interests	(5,123)	(2,868)	79%	(5,123)	(2,868)	79%
Interest on land purchase liabilities	(25,151)	(48,572)	(48%)	(25,151)	(48,572)	(48%)
Provision	(607)	-	NA	(607)	-	NA
<b>Add:</b>						
Gains on investments in fair value through profit or loss	1,415	1,215	17%	1,415	1,215	17%
Interest income – amortization of discount on notes receivables	11,515	23,050	(50%)	11,515	23,050	(50%)
Interest income	25,748	76	NA	25,748	76	NA
<b>Net Profit Before Income Tax</b>	<b>195,799</b>	<b>190,108</b>	<b>3%</b>	<b>282,012</b>	<b>219,211</b>	<b>29%</b>
Income tax expense	(45,908)	(1,186)	NA	(45,908)	(1,186)	NA
Deferred tax	-	(60)	NA	-	(60)	NA
<b>Net Profit after Tax</b>	<b>149,891</b>	<b>188,862</b>	<b>(21%)</b>	<b>236,104</b>	<b>217,965</b>	<b>8%</b>
Non-controlling interest	(44,464)	(3,264)	NA	(44,464)	(3,264)	NA
<b>Net Profit after Tax &amp; Minority Interest</b>	<b>105,427</b>	<b>185,598</b>	<b>(43%)</b>	<b>191,640</b>	<b>214,701</b>	<b>(11%)</b>
Net Profit after Tax & Minority Interest margin %	9.8%	25%	(15.1 pp)	17.1%	28.5%	(11.4 pp)

<sup>4</sup> The Company's consolidated financial statements for the period ended March 31, 2016, prepared in accordance with Egyptian Accounting Standards ('EAS'), can be downloaded from our Company's website: [www.palmhillsdevelopments.com](http://www.palmhillsdevelopments.com)

<sup>R</sup> Restated figures; <sup>BR</sup> Before restatement figures (using the old revenue recognition method).



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### Consolidated Balance Sheet (Egyptian Accounting Standards)

EGP 000's	March 31, 2016	December 31, 2015 <sup>R</sup>
<b>Long-Term Assets</b>		
Investments in Associates	76,836	78,506
Investment Property	854,665	854,665
Notes Receivable - Long Term	5,164,817	4,546,282
Projects Under Construction	879,421	858,654
Advance Payments for Investments Acquisitions	184,336	184,336
Fixed Assets (net)	336,412	334,623
Deferred Tax Asset	11,905	11,948
Other Long Term Assets	1,391	1,391
<b>Total Long-Term Assets</b>	<b>7,509,783</b>	<b>6,870,404</b>
<b>Current Assets</b>		
Works in Process	6,645,566	6,463,687
Held to Maturity Investments	390,007	613,046
Cash & Cash Equivalents	1,276,902	965,670
Notes Receivable - Short Term	2,146,382	2,371,035
Investments at Fair Value	70,934	67,113
Accounts Receivable	675,992	704,029
Suppliers - Advance Payments	325,141	384,777
Debtors & Other Debit Balances	255,487	174,854
Due from Related Parties	198,510	172,392
Minimum Guaranteed Payments - Co-Development Projects	90,000	-
<b>Total Current Assets</b>	<b>12,074,921</b>	<b>11,916,602</b>
<b>Total Assets</b>	<b>19,584,704</b>	<b>18,787,006</b>
<b>Current Liabilities</b>		
Banks - Credit Balances	28,213	31,035
Banks - Overdraft	76,893	80,237
Advances from Customers	6,319,885	6,249,432
Completion of Infrastructure Liabilities	144,242	173,648
Provisions	117,336	116,844
Current Portion of Land Purchase Liabilities	233,462	263,319
Due to Related Parties	254,638	226,319
Investment Purchase Liabilities	44,257	44,257
Notes Payable - Short Term	735,590	473,693
Current Portion of Term Loans	410,234	80,814
Suppliers & Contractors	268,161	406,850
Income Tax Payable	81,370	46,631
Creditors & Other Credit Balances	324,709	345,368
Dividends Payable	329,850	-
<b>Total Current Liabilities</b>	<b>9,368,840</b>	<b>8,538,447</b>
<b>Working Capital</b>	<b>2,706,081</b>	<b>3,378,155</b>
<b>Total Investment</b>	<b>10,215,864</b>	<b>10,248,559</b>
<i>Financed as Follows:</i>		
<b>Shareholders' Equity</b>		
Issued and Paid-In Capital	4,397,999	4,344,640
Legal Reserve	624,902	585,104
Special Reserve	524,213	524,213
Bonus Share	219,900	-
Amounts Set Aside for Employees' Stock Option Plan	(77,371)	-
ESOP Re-Measurement Reserve	24,012	-
Retained Earnings (Deficit)	34,538	(212,391)
Net Profit for the Period/Year	105,427	915,563
<b>Equity Attributable to Equity Holders of Parent Co.</b>	<b>5,853,620</b>	<b>6,157,129</b>
Non-controlling Interest	311,149	270,774
<b>Total Shareholders' Equity</b>	<b>6,164,769</b>	<b>6,427,903</b>
<b>Long Term Liabilities</b>		
Land Purchase Liabilities	266,893	268,236
Notes Payable - Long Term	292,054	148,532
Other Long Term Liabilities – Residents' Association	516,962	485,600
Loans	2,975,185	2,918,287
<b>Total Long Term Liabilities</b>	<b>4,051,094</b>	<b>3,820,656</b>
<b>Total Equity &amp; Long Term Liabilities</b>	<b>10,215,864</b>	<b>10,248,559</b>



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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 27.1 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 1Q2016, PHD delivered more than 4,690 units within its developments, including more than 1,500 units in 11 completed projects. Today, PHD has 14 projects under development, 6 projects in West Cairo, 6 projects in East Cairo and 2 projects in North Coast, translating into a sales backlog exceeding EGP9.2 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/](http://www.palmhillsdevelopments.com/)

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### Disclaimer

This presentation contains statements that could be construed as forward looking. These statements appear in a number of places in this presentation and include statements regarding the intent, belief or current expectations of the number of units to be delivered, construction spending, projects' timelines and estimates regarding future growth of the business, financial results and other aspects of the activity and situation relating to the Company. Such forward looking statements are no guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward looking statements as a result of various factors. You are cautioned not to place undue reliance on those forward looking statements, which speak only as of the date of this presentation, which is not intended to reflect Palm Hills Developments business or acquisition strategy or the occurrence of unanticipated events.