

Palm Hills Developments Announces FY 2008 Consolidated IFRS Results

EBIT Grows by 159% to EGP 730 million (US \$135 million)¹

Cairo, March 16 2009 - Palm Hills Developments S.A.E. (PHD), a leading Egyptian real-estate developer specializing primarily in residential real-estate and resort projects, announced its financial results for the year ending December 31, 2008. PHD is listed on the Egyptian Stock Exchange (EGX) and on the London Stock Exchange (LSE).

HIGHLIGHTS

- **Strong Growth:** Net sales increased to EGP 1,234 million (US \$229 million), growth of 131% on 2007 (EGP 535 million / US \$99 million)
- **Higher Reservations²:** Reservations were EGP 3,702 million (US \$686 million), growth of 23% compared to last year (EGP 2,999 million / US \$555 million)
- **Total Contract Values:** Total contracts signed increased by 177% to EGP 3,032 million (US \$561 million) compared with 2007 (EGP 1,093 million / US \$202 million)
- **Excellent Margin Growth:** EBIT margin grew from 53% in 2007 to 59% in 2008
- **EBIT Growth:** Exceptional growth in EBIT to EGP 730 million (US \$135 million) in 2008 up 159% in 2007 (EGP 281 million / US \$52 million)
- **Net Profit:** grew 234% Y-o-Y from EGP 197 million in 2007 (US \$36 million) to EGP 658 million (US \$122 million) in 2008
- **Land Bank Continues to Grow:** total land bank reached 48.8 million sqm in 2008, up 29% Y-o-Y
- **Bank Debt: Equity³:** down 22% at 31/21/2008, from 59% at 2007 year-end.

¹ Based on EGP/US\$5.4

² Gross reservations net of returns

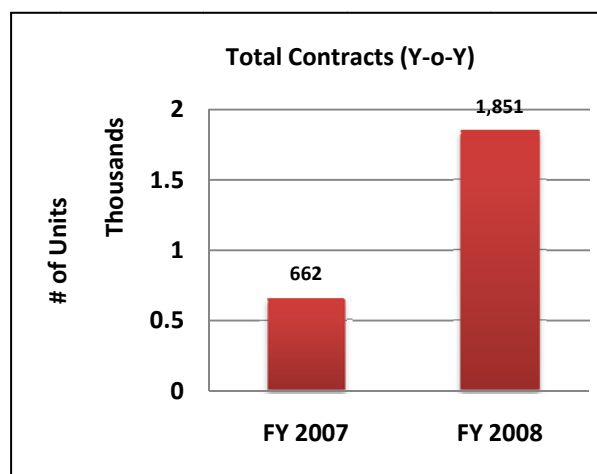
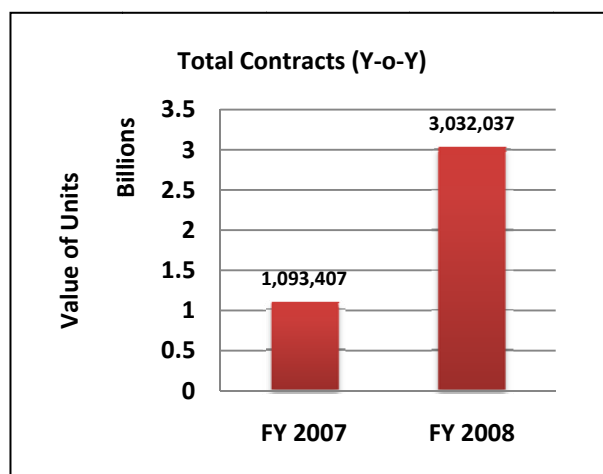
³ (Bank Overdrafts + Term Loans) / Total Equity



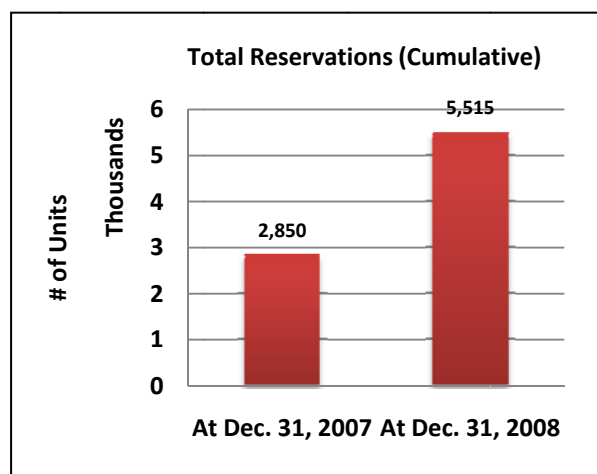
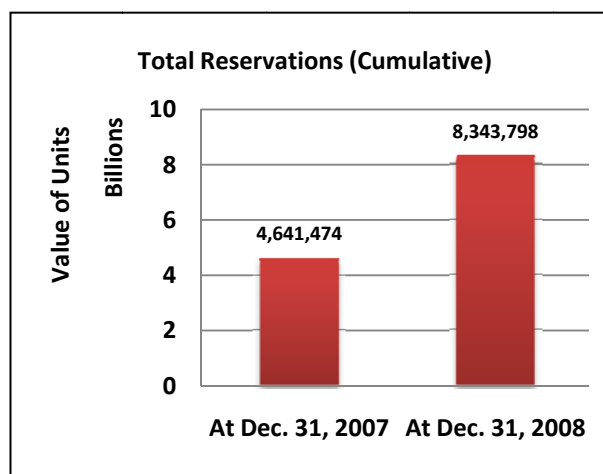
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Operational Performance

During the year 2008, PHD's reservations amounted to EGP 3,702 million (US \$686 million) (2665 units) compared to EGP 2,999 million (US \$555 million) (2180 units) in 2007, recording a 23% increase Y-o-Y. The total value of contracted units surged a remarkable 177% Y-o-Y from EGP 1,093 million (US \$202 million) (662 units) to EGP 3,032 million (US \$561 million) (1851 units) in 2008, comprising a total of 532,4 thousand sqm of land and 584,4 thousand sqm of built-up area.



On a cumulative basis, reservations value totaled EGP 8,343 million (US \$1,545 million) at December 31, 2008 compared to EGP 4,641 (US \$859 million) in 2007. This comprised 5515 units of which 2720 were contracted and 2795 were reserved compared to a total of 2850 units in 2007.



PHD's remarkable growth in sales had been triggered by an all-encompassing strategic corporate focus on diversifying the customer base and penetrating varying market segments, offering a wide variety of products with novel designs, efficient spaces, and competitive prices. Thus, projects launched during the year have achieved outstanding reservation rates including: Ain Sokhna with a total of EGP 982,5 million (US \$182 million) worth of reservations; Golf Extension with a total of EGP 840,2 million (US \$156 million) worth of reservations; Village Extension with a total of EGP 312 million (US \$58 million).



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In addition to the corporate focus on diversifying the company's portfolio of products, PHD reinforced its concentration on project development and execution accumulating a total construction expenditure of EGP 718 million in 2008. PHD also secured an exclusive agreement with Allam Sons, a leading private sector contractor in Egypt, to expedite its construction and guarantee its delivery dates to its clients. The agreement entailed the establishment of a joint venture, United Company for Construction and Development (UCC), to which a portion of PHD's construction operations would be designated on an annual basis. UCC has already commenced construction in Hacienda Bay and the Village projects. Construction of the Golf Extension and Village Extension projects, in addition to the Village Mall in New Cairo, will be assigned to the venture during 2009.

Financial Performance

During the year 2008, PHD achieved a net sales figure of EGP 1,234 million (US \$229 million), compared to EGP 535 million (US \$99 million) in 2007, realizing a remarkable 131% increase in net sales Y-o-Y. The total number of contracted units in 2008 reached 1851 units (EGP 3,032 million / US \$561 million) compared with 662 units (EGP 1,093 million / US \$202 million) in 2007. Of the aforementioned sum, 32% (EGP 959,3 million / US \$178 million) stemmed from the Hacienda Bay project, 24% (EGP 736,9 million / US \$136 million) from the Golf Views project, 12% (EGP 365,8 million / US \$68 million) from the Palm Hills Katameya project, 9% (EGP 276,5 million / US \$51 million) from the Bamboo Extension project, and the remainder from other projects.

PHD's boost in gross profit margins, reaching 76% representing EGP 941 million (US \$174) in 2008, compared with 73% representing EGP 393 million (US \$73 million) in 2007, was echoed by the large contributions of Hacienda Bay, EGP 338 million (US \$63 million), Golf Views, EGP 328 million (US \$61 million), Palm Hills Katameya, EGP 180 million (US \$33 million), and Bamboo Extension, EGP 68 million (US \$13 million).

Overall, PHD has delivered yet another set of record profits, with net profit after taxes and minority interest standing at EGP 658 million (US \$122 million) with a 53% net profit margin at 31/12/2008 compared with EGP 197 million (US \$36 million) with a 37% net profit margin at 31/12/2007, a remarkable 234% higher Y-o-Y.

Land Bank

During the year 2008, PHD was able to add a total of approximately 11 million sqm to its land bank both locally and regionally through both direct acquisition of land and/or through acquiring majority stakes of owning companies. PHD maintained the absolute advantage of the diversity of its land bank by acquiring 796 thousand sqm in New Cairo, 882 thousand sqm in 6th of October, 1,4 million sqm in the North Coast, 1,3 million sqm in the Red Sea and Aswan, in addition to 6,6 million sqm in Saudi Arabia, in both Riyadh and Jeddah, reaching a total land bank of 48,8 million sqm at 31/12/2008, achieving a 29% increase Y-o-Y.

In light of the increase of its land bank, PHD commissioned CB Richard Ellis (CBRE), the world's leading global real estate consultancy firm, to undertake the independent revaluation of its land bank. Following the revaluation, the market value of PHD's properties as at November, 9 2008, came to EGP 33.1 billion (US \$6.0 billion) prior to adjustments for tax, minority interests, land repayment obligations and other liabilities. The valuation was undertaken in accordance with the standards of the Royal Institute of Chartered Surveyors Valuation Standards, Sixth Edition. The revaluation showed a significant increase of 70% over the previous valuation of EGP 19.5 billion (US \$3.6 billion) as at March, 1 2008. The revaluation excluded PHD's land in Saudi Arabia and other plots totaling 8.8 million sqm, which were valued at acquisition cost.



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Outlook

While the uncertainty in the global economy has clearly impacted investor sentiment in the Egyptian marketplace, the underlying, long term fundamentals of the real estate market remain intact. PHD is confident that the Group is well positioned to endure the challenging current conditions and firmly believes that the Group's experienced management team, diverse spread of operations and strong brands will underpin PHD's continued success.

It is also imperative to note that the real-estate industry in Egypt is highly fragmented with only 4 major developers in the market commanding a modest market share. Given the current market conditions, the less organized and smaller developers will be at a more significant disadvantage, allowing PHD and other more established developers to expand their share in the market. Furthermore, PHD is the only existing developer today that offers a highly diversified product mix that is spread over an equally diversified land bank, thereby addressing different market segments with varied purchasing powers assuring a sustainability of demand.

In order to sustain its competitive advantage in the aforementioned categories and maintain its stable position in the current financial downturn, PHD will focus on the following:

- In compliance with the corporate strategy on serving various market segments, PHD will launch 3 new projects with an approximate 80% of the total number of units valued at less than EGP 1.5 million, including: the 49, located on the Cairo/Alexandria Desert Road, 190 Feddans, located in 6th of October, and Kapci in New Cairo.
- Execution of agreements signed with international hotel chains through 2010: Nikki Beach Hotel in the North Coast to operate a 5 star, 160 bedroom hotel facility; the Ritz-Carlton Hotel in 6th of October to operate a 5-star, 160 bedroom hotel facility, to commence hotel operations in 2012.
- Commencement of construction in the Village Mall in New Cairo, PHD's first commercial project, upon final completion of the project's masterplans and designs; the mall is expected to achieve significant liquidity and profit upon launch.
- Focusing on liquidity and maintaining a robust funding structure, noting that PHD's ability to secure EGP 700 million (US \$130 million) of bank debt putting it at an edge vis-à-vis competitors.
- Concentrating on cost control and achieving maximum benefit from the recent drop in building materials prices in addition to the targeted drop in overall group overheads by over 25%.

The developments made by the business over the past 12 months in establishing alliances, acquiring a large, diversified land bank and attracting new customers means that PHD is well placed to weather the current financial/economic downturn.



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Table 1 – FY 2008 Vs. FY 2007 Operating Results (EGP '000)⁴

	12 Months Ended	
	31/12/2008	31/12/2007
SALES (NET)	1,234,806	535,023
Cost of sales	(293,340)	(142,403)
GROSS PROFIT	941,466	392,620
<i>Margin%</i>	76.24%	73.38%
Selling, General & Administrative Expenses	(211,405)	(110,788)
OPERATING PROFIT (EBIT)	730,062	281,832
<i>Margin%</i>	59.12%	52.68%
Other income	24,593	5,352
Interest income - Amortization of discount	73,084	12,882
Finance costs	(108,523)	(77,202)
PROFIT BEFORE TAX	719,216	222,864
Income tax expense	(59,172)	(30,495)
PROFIT FOR THE YEAR	660,044	192,369
Minority interest	(2,365)	4,220
NET PROFIT AFTER MINORITY	657,678	196,589
<i>Margin%</i>	53.26%	36.74%

N.B

Palm Hills Developments recognizes its villas and town houses revenues from land upon signature of a contract while revenues from construction are recognized on a percentage of completion basis with a minimum threshold of 50%. Revenues from apartments and multi tenant buildings are recognized upon delivery. As a result, total revenues figure on the Income Statement during a period does not reflect neither reservations nor construction revenues from villas and town houses less than 50% completed or any revenues from apartments.

⁴ Figures presented are prepared according to IFRS.



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Table 2 – Performance by Project

Project	Sales Launch	Total Reservations ⁵				Total Contract Value			
		FY 2007		FY 2008		FY 2007		FY 2008	
		No. of units	Value (000)	No. of units	Value (000)	No. of units	Value (000)	No. of units	Value (000)
Cascade (6)	Mar-05	8	7,829	-	-	17	16,812	-	-
Bamboo (7)	Jun-05	13	7,942	-	-	26	15,832	-	-
Golden Palm (8)	Jun-05	18	40,608	7	13,729	16	30,203	21	64,834
Golf Views	Jun-05	95	441,907	21	138,628	15	79,912	201	736,963
Golf Extension	Jan-08	-	-	319	840,209	-	-	-	-
Katameya	Jul-06	167	436,100	73	256,604	251	553,041	105	365,765
Bamboo Extension	May-07	114	252,405	22	44,558	-	-	127	276,451
Hacienda Bay	Jul-07	630	1,093,751	270	548,451	89	288,478	524	959,318
Casa	Jun-07	732	473,188	84	84,522	-	-	521	371,087
The Village	Nov-06	228	109,371	111	76,958	248	109,129	140	94,157
Palm Park	Dec-07	175	136,223	453	404,158	-	-	139	105,225
Ain Sokhna	Feb-08	-	-	893	982,472	-	-	1	3,000
Village Gate	Jun-08	-	-	412	312,035	-	-	72	55,237
Total		2180	2,999,325	2665	3,702,325	662	1,093,407	1,851	3,032,037

⁵ Total Reservations during 2008 Net of Returns