



FULL-YEAR 2009 EARNINGS RELEASE

A Strong Close to a Challenging Year as PHD Releases FY 2009 Results

Cairo, March 1, 2010 ----Palm Hills Developments (PHDC.CA on the Egyptian Exchange), Egypt's premiere real estate developer, announced today its consolidated financial results for the fiscal year 2009, reporting total sales of EGP 1,145.8 million¹ (US\$209 million), a decline of just 7% year-on-year despite a challenging first half that saw the Egyptian real estate market enter a downturn. Net sales in Q4 2009, expected to be a slow quarter due to an abundance of national holidays, were up 55% to reach EGP 470.8 (US\$ 86 million) compared to EGP 303 million (US\$ 55 million) in Q3 2009 and were 237% higher than Q4 2008. Cumulative Reservations reached EGP 9.4 billion (US\$ 1.7 billion), including Cumulative Contracts of EGP 7.2 billion (US\$ 1.3 billion) and Total Reservations of EGP 2.2 billion (US\$ 400 million).

"We are very pleased with how this challenging year has ended," said PHD Chief Executive Officer Yasseen Mansour, noting, "New contracts were up significantly in Q4 2009 both year-on-year and quarter-on-quarter, while cancellations in the fourth quarter were down substantially on quarterly and yearly comparatives. Against this backdrop and in light of broad improvements in consumer sentiment, we are now substantially increasing our construction spending to take advantage of low building materials costs."

Highlights of PHD's FY 2009 results follow below, along with management's analysis of the company's performance and an update on operational developments. Full consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) are available for download on www.palmhillsdevelopments.com.

KEY HIGHLIGHTS

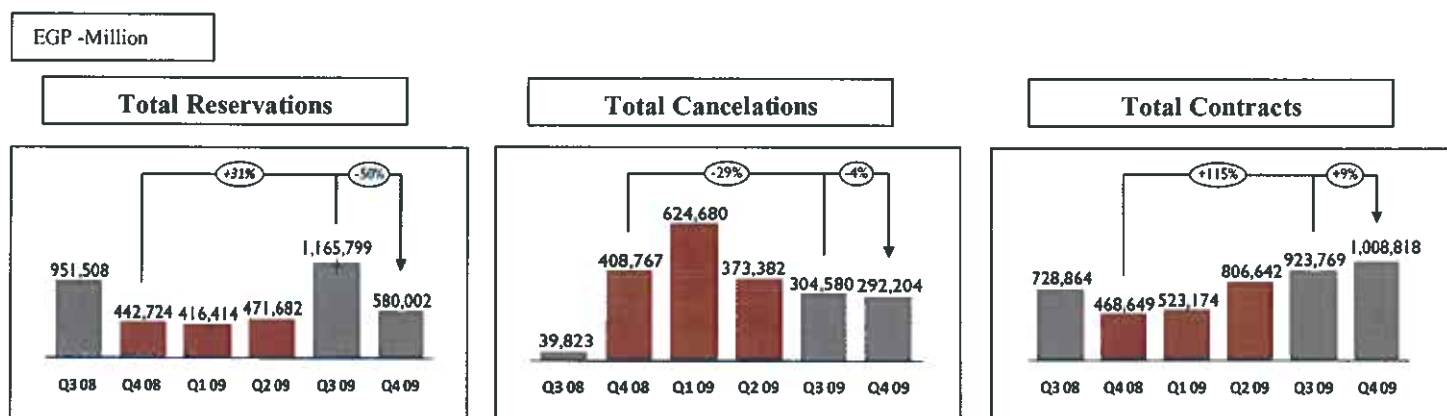
- **Total New Contracts** signed in Q4 2009 were valued at EGP 1.0 billion (US\$ 182 million), an increase of 115% over the same quarter of the previous year as management targeted the conversion of reservations into contracts. Total contracts signed in FY 2009 stood at EGP 3.3 billion (US\$ 601 million), a 5.0% rise over the previous year despite challenging market conditions.
- **Total New Reservations** in Q4 2009 stood at EGP 580 million (US\$ 106 million), a 31% rise over the same quarter of the previous year.
- **PHD's Customer Base** grew 35.5% to 5,750 clients at year's end on the back of management's strategy of attracting new customers through the diversification of both core products and the price ranges at which they were offered. New clients accounted for 85% of units sold in FY 2009.
- **Net Sales** in Q4 2009 reached EGP 470.8 million (US\$ 86 million), 237% higher than Q4 2008, signaling a healthy recovery in market sentiment. FY 2009 sales totaled EGP 1,145.8 million (US\$ 209 million), a decline of just 7% despite a very challenging first half. This also comes as a result of the increased share of apartments in the revenue contribution (apartments are recognized only at 100% completion).
- **Net Operating Profit (EBIT)** rose to EGP 139.4 million (US\$ 25 million) in Q4 2009, a sharp 266% increase over the same quarter of the previous year. Net operating profit for the year dipped 31% to EGP 503 million (US\$ 92 million), reflecting the decline in sales and an increase in COGS balanced against an 11% dip in SG&A expenditures (see Financial Performance, below). EBIT margins contracted 15.2 percentage points to close the year at 43.9%.

¹ Palm Hills Developments issues its financials in Egyptian Pounds (EGP) and advises that those seeking to convert to US dollars do so at a rate of USD 1 = EGP 5.49 for FY 2009.



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- **Net Profit** climbed 38.8% to EGP 185.1 million (US\$ 34 million) in Q4 2009 compared with the previous quarter. On the full year, net profit fell 28% to EGP 475.6 million (US\$ 87 million), in line with expectations after a challenging first half. Net profit margin for the year stood at a healthy 41.5%.
- **Total Land Bank** remained unchanged at 48.8 million square meters.
- **Ratio of Bank Debt to Equity²** dipped slightly from 22% at the end of Q4 2008 to 21.6% at the end of Q4 2009, leaving ample room to take on new debt to finance both an accelerated pace of construction and new expansion.



Operational Highlights of 2009: Deriving Strength from Adversity

Despite a challenging first half that saw the Egyptian real estate market forced into a downturn by the spillover of the global economic crisis into the local market, Palm Hills Developments closed 2009 in a more advantageous competitive position than ever. PHD has long had one of the largest, most attractive and most diverse land banks in Egypt; unparalleled dual construction arms, giving it the ability to simultaneously deliver multiple projects; and the balance-sheet strength to support those activities.

While the challenges of the year just past were undeniable, PHD management took prompt action to: diversify the company’s client base and product mix; increase its ability to respond to market developments; expand its new construction capacity; position the company to substantially diversify its revenue base in the coming five years; and further strengthen its balance sheet through a judicious mix of both equity and debt to support these activities.

² Calculated as (Bank Overdrafts + Term Loans) / Total Equity



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Cumulative reservations reached EGP 9.4 billion (US\$ 1.7 billion) as at year's end, with favorable trends in gross reservations (up 31% year-on-year in Q4 2009), declining cancellations (down 4% between Q4 2009 and Q3 2009 and 28.5% from Q4 2008), and the conversion of EGP 1 billion (US\$ 182 million) in reservations into signed contracts in Q4 2009. Total contracts signed in 2009 were valued at EGP 3.3 billion (US\$ 601 million), a 5% rise over the previous year. As of FY 09, total contracted units reached EGP 7.2 billion (US\$ 1.3 billion), an increase of 84% over 2008 total contracted units of EGP 4.3 billion (US\$ 783 million).

Net sales in Q4 2009 rose 55% compared with the previous quarter to EGP 470.8 million (US\$ 86 million) and were 237% higher than Q4 2008 despite it being slow season due to the number of national holidays. FY 2009 sales totaled EGP 1,145.8 million (US\$ 209 million), a decline of just 7% despite a very challenging first half. Positive sales momentum beginning in Q2 2009 came as a result of a management's sustained effort to diversify PHD's product base at prices that make PHD accessible to a broader group of consumers.

The company's operational and financial flexibility allow management to rapidly react to market conditions. While sales of primary homes in the Greater Cairo Area proved challenging in the first half of 2009, high demand for second homes / vacation homes as underscored by strong sales of Hacienda Bay (Zone 1), for example, led management to rapidly launch Hacienda White (Zone 1) in Q3 2009. Hacienda White (Zone 1) was 100% sold shortly after launch.

At present, PHD is actively constructing five developments in West Cairo, four developments in East Cairo and one on the North Coast, with plans to begin construction on three additional developments in 2010. Heading into this year, management moved to accelerate the pace of build-out to capture the benefits of low construction material costs at a time of improving consumer sentiment. PHD's ability to rapidly deliver multiple simultaneous projects through its in-house construction team was enhanced by the roll-out in 2009 of its joint venture construction operation signed in 2008 with leading builder Hassan Allam & Sons.

While PHD already has the largest dedicated sales team of any developer in Egypt, management moved in 2009 to both broaden and deepen its distribution network through a strategic partnership with a leading Egyptian realtor and the launch of PHD-owned points of sale in London and the Gulf Cooperation Council. The targeting of high-value offshore clients comes at the same time as management increasingly targets Egypt's large upper-middle income consumer population by offering smaller plots and unit sizes.

In the year just ended, management took significant steps toward its goal of developing a recurring revenue stream. Management's priority areas include hospitality, retail and office space, and education. The company has previously disclosed that it is in negotiations to acquire a controlling stake in Maccor, Inc., which has majority and minority stakes in hotel establishments, with a strategy of establishing budget hotels under the Accor brand. These hotels will be located in urban areas in Cairo or in other regions of Egypt. Also in the hospitality sector, PHD announced in May 2009 that the Ritz-Carlton Hotel Company would manage the Ritz-Carlton Palm Hills at Palm Hills October. Most recently, the company concluded a memorandum of understanding that will see luxury operator Taj Hotels, Resorts and Palaces (Indian Hotels Company Ltd.) manage three PHD hotel properties, one each in Ain Sokhna (Red Sea), the North Coast and the historic city of Aswan.

PHD took significant steps in 2009 to shore up an already very healthy balance sheet in anticipation of accelerating its construction spending in 2010 and beyond (see details in Financial Performance, below).



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Finally, management believes that PHD's brand equity on the local market is as strong as ever, as underscored by the sell-out of Hacienda White (Zone I) and the substantial conversion of nearly EGP 2 billion (US\$ 364 million) in reservations into signed contracts during the second half of the year.

Financial Performance

The drive to capture the benefits of low building materials prices by accelerating the pace of construction on multiple projects is supported by a robust balance sheet. Management notes a healthy debt-to-equity ratio of 21.6%, which it plans to grow through both an EGP 500 million (US\$ 91 million) loan agreement concluded with Banque Misr and a further EGP 567 million (US\$ 103 million) syndicated loan arranged by CIB. Moreover, management has obtained Board approval to explore a bond issue of up to EGP 1 billion (US\$ 182 million). Expansion on the debt side will be balanced in part by an EGP 700 million (US\$ 128 million) capital increase presently due to begin on 8 March 2010 via a rights issue of 349,440,000 shares at par (EGP 2 per share).

The recovery of sales momentum that began in Q3 2009 accelerated in the final quarter of the year despite the confluence of national holidays. The 55% rise in net sales to EGP 470.8 million (US\$ 86 million) in Q4 2009 over Q3 2009 reflects the recognition for the first time of the Built-up Area (BuA) at three projects (Cascade, Golden, Bamboo); substantial conversions of reservations into contracts in the Golf, Golf Extension and Bamboo Extension projects; and new revenues from land sales in Village Gardens October.

Importantly, SG&A expenses declined 11% in FY 2009 compared with the previous year on the back of a strict program of cost control. The 121% increase in SG&A spending in Q4 2009 compared to the previous quarter owes primarily to an 86% rise in marketing and advertising spending as the company launched its first television campaign in both the Arabic and English languages. The Q4 2009 SG&A line item also records salaries and year-end bonuses as well as professional fees that are contractually recognized at year's end.

Land Bank

The size of the land bank remains unchanged at 48.8 million square meters in FY 2009 compared with the previous fiscal year. PHD's focus in 2009 was on the execution of its existing projects. Management's goal is to capitalize on current favorable cost-saving conditions, boosting EBITDA margins and decreasing construction costs. Nonetheless, the company remains diligent regarding the pursuit of compelling land acquisition opportunities that complement its existing developments.

Outlook

PHD maintains a very positive view of the Egyptian real estate market. Although Egypt's large, fast-growing population, expanding economy, and long-term fundamentals of the fast-developing infrastructure base make the country highly attractive going forward, management also continues to explore interesting opportunities outside Egypt that would allow it to exploit the strength of its balance sheet and of its operational know-how.

Management is optimistic that barring an exogenous shock, consumer sentiment will continue to recover in Egypt throughout 2010. Sales growth at new distribution points in Europe (London) and the GCC will be driven largely by economic developments in those markets.

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Table 1 – Full Year 2009 vs. Full Year 2008 Operating Results (EGP '000)³

| | 12 Months Ended | |
|--|------------------|------------------|
| | 31/12/2009 | 31/12/2008 |
| SALES (NET) | 1,145,795 | 1,234,806 |
| Cost of Sales | (454,520) | (293,340) |
| GROSS PROFIT | 691,274 | 941,466 |
| <i>Margin%</i> | <i>60.33%</i> | <i>76.24%</i> |
| Selling, General & Administrative Expenses | (178,313) | (201,239) |
| EBITDA | 512,962 | 740,327 |
| <i>Margin%</i> | <i>44.77%</i> | <i>59.95%</i> |
| Depreciation and Amortization | (10,001) | (10,266) |
| OPERATING PROFIT (EBIT) | 502,960 | 730,062 |
| <i>Margin%</i> | <i>43.90%</i> | <i>59.12%</i> |
| Other Income | 29,972 | 24,593 |
| Interest Income - Amortization of Discount | 116,266 | 73,084 |
| Finance Costs | (25,956) | (37,977) |
| Interest Exp. - Amortization of Discount | (63,254) | (70,546) |
| PROFIT BEFORE TAX | 559,987 | 719,216 |
| Income Tax Expense | (39,892) | (59,172) |
| PROFIT FOR THE YEAR | 520,096 | 660,044 |
| Minority Interest | (44,500) | (2,365) |
| NET PROFIT AFTER MINORITY | 475,595 | 657,678 |
| <i>Margin%</i> | <i>41.51%</i> | <i>53.26%</i> |

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.

³ Figures presented are prepared according to IFRS.



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Table 2 – Q4 2009 Vs. Q4 2008 Operating Results (EGP '000)⁴

| | 3 Months Ended | |
|--|----------------|----------------|
| | 31/12/2009 | 31/12/2008 |
| SALES (NET) | 470,750 | 139,532 |
| Cost of Sales | (246,479) | (26,740) |
| GROSS PROFIT | 224,271 | 112,792 |
| <i>Margin%</i> | 47.64 | 80.84 |
| Selling, General & Administrative Expenses | (82,292) | (67,701) |
| EBITDA | 141,979 | 45,091 |
| <i>Margin%</i> | 30.16% | 32.32% |
| Depreciation and Amortization | (2,551) | (7,001) |
| OPERATING PROFIT (EBIT) | 139,428 | 38,090 |
| <i>Margin%</i> | 29.62% | 27.3% |
| Other Income | 16,147 | (16,650) |
| Interest Income - Amortization of Discount | 10,775 | 43,719 |
| Finance Costs | 16,611 | 25,746 |
| Interest Exp. – Amortization of Discount | (21,272) | (10,899) |
| PROFIT BEFORE TAX | 161,689 | 80,006 |
| Income Tax Expense | 16,771 | 37,736 |
| PROFIT FOR THE YEAR | 178,460 | 117,742 |
| Minority Interest | 6,613 | (4,275) |
| NET PROFIT AFTER MINORITY | 185,074 | 113,467 |
| <i>Margin%</i> | 39.31% | 81.32% |

N.B

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Yasseen Mansour
Chairman and Chief Executive Officer

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