

SECOND QUARTER 2010 EARNINGS RELEASE

Egypt's Premiere Developer Reports Strongest Second-Quarter Performance Ever

Sharp rise in reservations, new contracts driven by Hacienda White 2, Village Gardens Katameya (VGK) and Palm Hills Katameya Extension (VGK 2)

Cairo, August 8, 2010 — Palm Hills Developments (PHDC.CA, PHDC.EY), Egypt's premier real estate developer, reported strong rises in sales, reservations and new contracts as it announced today its consolidated financial and operational results for the second quarter of 2010.

The three months ending 30 June 2010 saw PHD record new reservations (sales) of EGP 1.75 billion, our highest quarter ever, up 271.3% year-on-year and 126.1% quarter-on-quarter) and new contracts of EGP 1.11 billion (up 119.1% quarter-on-quarter and 37.7% on Q2 2009).¹ Meanwhile, the company's client base grew 6.2% to 6,450 customers at the end of Q2 2010.

"PHD's emphasis in the second quarter was on driving sales," said Palm Hills Developments Chairman and Chief Executive Officer Yasseen Mansour, adding, "I am particularly delighted to note the success of Hacienda White 2 on the North Coast, which was built on last summer's very well-received launch of Hacienda White and further cemented our reputation as Egypt's leading developer of summer destinations".

"Our partnership with Burooj, announced in the first quarter and targeting Egyptian expats in the Gulf, has been similarly successful and helped Village Gardens Katameya finish the quarter as the number-one contributor to new contracts and the number-two contributor to new reservations."

PHD recorded net sales of EGP 331.8 million in Q2 2010, a rise of 37.3% year-on-year. PHD's gross profit margin also increased from 53.9% in the previous quarter to 62.6% as a result of strong sales in North Coast projects. Despite the increase in SG&A expenses (related mainly to advertising and marketing campaigns) operating profit increased from LE 61.4 million and LE 105.9 million in Q1 2010 and Q2 2009 respectively to LE 131.2 million in Q2 2010, an increase of 114% quarter-on-quarter and 24% year-on-year. Consolidated net income declined slightly in the same period to EGP 84.3 million as a result of increased minority interest (LE 20.985 million) and higher tax provision estimates. .

PHD's sales backlog as of 30 June 2010 stood at EGP 11.5 billion, after deduction of delivered units and cancellations, of which cumulative contracts accounted for EGP 8.7 billion.

"We have put substantial emphasis in the first half on building our reservations pipeline and converting that into contracts," added Mansour. "The recovery in consumer confidence that underpins our H1 2010 results should prove durable through the second half. We look forward to new sales activity being driven in part by the re-launch of Palm Sokhna later this year, while the anticipated finalization of regulatory procedures should see Botanica reservations converting into contracts."

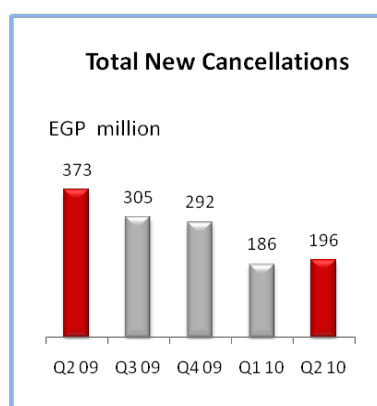
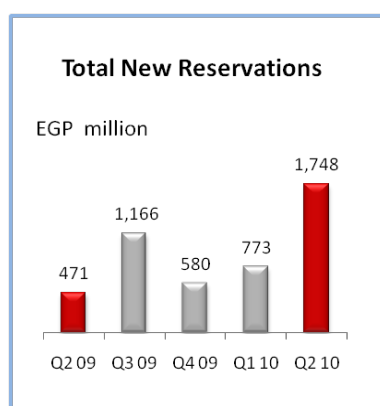
Highlights of PHD's Q2 2010 results follow below, along with management's analysis of the company's performance and an update on operational developments. Full consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) are available for download on www.palmhillsdevelopments.com.

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 5.7063 for Q2 2010.

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KEY HIGHLIGHTS

- **Total New Reservations** in Q2 2010 stood at EGP 1.75 billion, a 126.1% rise over the value of reservations in Q1 2010 and a 271.3% increase over the same quarter last year.
- **Total New Contracts** signed in Q2 2010 were valued at EGP 1.11 billion, up 119.1% quarter-on-quarter and 37.7% on Q2 2009.
- **Total New Cancellations** increased 5.4% compared to the first quarter of 2010 to EGP 196.4 million from EGP 185.6 million (and decreased 47.5% year-on-year from EGP 373.4 million).
- **PHD's Customer Base** grew 6.2% to 6,450 clients at the end of June 2010 on the back of management's strategy of attracting new customers through the diversification of products and the price ranges at which they were offered.
- **Net Sales** in Q2 2010 stood at EGP 331.81, a rise of 37.3% year-on-year and up 67.6% from EGP 198 million in Q1 2010.
- **Net Operating Profit (EBIT)** rose just under 24% year-on-year to EGP 131.2 million in Q2 2010.
- **Net Profit** declined 12.4% to EGP 84.3 million in Q2 2010 compared with the same period last year.
- **Total Land Bank** stood at 47.8 million square meters broadly diversified across Cairo (multiple locations), the Red Sea and the Mediterranean as well as Saudi Arabia.
- **Ratio of Bank Debt to Equity²** stood at 18.9% at the end of Q2 2010. (Net debt to equity: 6%)



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

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Operational Highlights of Q2 2010

PHD reported a strong sales performance in Q2 2010 as the nation's largest (and most diversified) real estate sales force capitalized on continued strong marketing spending to drive reservations and contracts across the company's footprint.

Notably, reservations at the newly launched Hacienda White 2 reached 122 units at a value of EGP 395.2 million during the three months just ended, cementing PHD's reputation as the developer of choice for Egyptian summer destinations. Palm Hills Katameya Extension (VGK2) recorded reservations of 648 units (EGP 738.9 million).

New contracts at Village Garden Katameya (VGK) and Palm Hills Katameya Extension (VGK 2) reached 660 units at a value of EGP 513.5 million in Q2 2010, partly on the back of Palm Hills Developments' agreement with Burooj, the real estate arm of Abu Dhabi Islamic Bank, to target middle- and upper-middle income Egyptian expatriates in the Gulf. Earlier this year, PHD reached an MOU with Burooj to sell 425 units of Village Garden Katameya in East Cairo with a gross value of EGP 315 million.

Sales momentum in the quarter was given a substantial boost by the successful launch of the "Power of 7" campaign, which extended seven-year payment terms for Palm Hills Katameya Extension (VGK 2) and Palm Parks projects. This campaign extends PHD's first major regional advertising effort and is backed by the unrivaled strength of the company's balance sheet. The "Power of 7" contributed 145 units with a total value of EGP 378.2 million in sales during Q2 2010.

Sales efforts in the second quarter of 2010 focused on not only building a strong reservation book for Hacienda White 2 but on converting these reservations to contracts. Total reservations under Hacienda White 2 reached LE 395.2 million while contracted units reached a value of LE 98.4 million.

Management anticipates reservations in Botanica to be converted into contracts in early 2011 following the finalization of regulatory approvals expected by year's end. Also expected to drive sales momentum heading into the second half is the anticipated post-Ramadan re-launch of Palm Sokhna now that regulatory approvals are in hand.

Total cancellations in 2Q 2010 stood at EGP 196.4 million.

Other operational developments in the quarter included sustained progress on building new components of PHD's recurring revenue stream. The construction of Golf Views' Nicklaus golf course (in Palm Hills October) is presently ahead of schedule, leading management to expect a soft opening in December 2010 / January 2011. Tender documentation for the construction of the Ritz Carlton Hotel at Palm Hills October is now in the finalization stage, setting the stage for a Q4 2010 start to construction and soft launch early in 2013.

Construction of the company's East Cairo Village Mall is now more than 50% complete (on track for a soft launch in fall 2011). Finally, the Sixth of October Downtown commercial project has begun earth works as the project nears the completion of the detailed design phase. Management estimates construction at Sixth of October Downtown will take approximately three years.

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Financial Performance

Net sales rose 37% year-on-year in the second quarter of 2010 to reach EGP 331.8 million. The leading contributor to sales in Q2 2010 was Hacienda White 2 (EGP 64.3 million) followed closely by the Golf Extension project (EGP 63.6 million) and Hacienda White (EGP 54.0 million). COGS eased to 37.3% of sales in Q2 2010 against a comparative of 42.9% of sales in Q2 2009 due largely to the contribution of Hacienda White and Hacienda White 2, which carry lower land costs.³

The second quarter saw EBITDA rise 26.5% year-on-year to EGP 136.7 million. In absolute terms, COGS rose 19.6% to EGP 123.9 million, slower than sales growth, thereby supporting a 94.7% and 50.5% increase in gross profit compared to Q1 2010 and Q2 2009 respectively. Despite the 136.5% year-on-year increase in SG&A to EGP 71.2 million operating profit increased from LE 61.4 million and LE 105.9 million in Q1 2010 and Q2 2009 respectively to LE 131.2 million, an increase of 114% and 24% respectively. Consolidated net income declined slightly in the same period to EGP 84.3 million as a result of increased minority interest (LE 20.9 million) and higher tax provision estimates

SG&A climbed on the back of the ongoing regional corporate advertising campaign launched in Q4 2009 as well as promotional events and the launch of the Power of 7 campaign. Also adding to SG&A spending was a comparative rise in salary and wage expenditures resulting from both new management depth added in the second and third quarters of 2009 (and thereby not fully reflected in the Q2 2009 comparative) and standard wage rises.

Land Bank

The size of the land bank stood at 47.8 million square meters at the end of Q2 2010, diversified by country (Egypt and Saudi Arabia) and geography within Egypt (including North Coast, Red Sea and multiple Cairo locations). PHD's focus in the second quarter was on the execution of existing projects. 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 and believes strong Q2 2010 results underscore the strong prospects — barring exogenous shocks — of a sustained recovery in consumer sentiment in 2010.

Sales growth at new distribution points in Europe (London) and the GCC (Dubai) will be driven largely by economic developments in those markets, and management will continue to invest in expansion of those points of sale. Further targeting of middle-income Egyptian expats through arrangements such as that with Burooj would also be welcome developments. PHD's reach and penetration of new market segments is also underpinned by its unrivaled liquidity and strong cash flow, which allowed it to announce in April that both the newly launched Palm Hills Katameya Extension and a new phase of Palm Parks will see payment terms extended to up to seven years.

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

³ Management notes that Palm Hills Developments reports sales revenues adjusted to reflect (a) the deduction of the estimated infrastructure costs (pro-rated) for the meters sold, (b) variance between the estimated infrastructure costs previously booked and the actual infrastructure costs subsequently recorded, (c) the subtraction of sales returns and any applicable discounts.

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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.

Investment in the development of recurring revenue streams in all markets and projects will continue to be a priority going forward.

Table 1 – Performance Highlights (in EGP millions)

	Quarter-on-Quarter			Year-on-Year		
	1Q10	2Q10	% Change	Q2 2009	Q2 2010	% Change
Total New Reservations	773	1,748	126.1	471	1,749	271.3%
Total New Cancellations	186	196	5.4	373	196	-47.5%
Total New Contracts	507	1,111	119.1	807	1,111	37.7%

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Table 2 – Q2 2010 vs. Q2 200^a Operating Results (EGP '000)⁴

	Three Months Ended		Half-Year Ended	
	30/06/2009	30/06/2010	30/06/2009	30/06/2010
SALES (NET)	241,713	331,810	372,009	529,839
Cost of Sales	(103,590)	(123,940)	(124,678)	(215,193)
GROSS PROFIT	138,123	207,870	247,332	314,646
<i>Margin%</i>	57.1%	62.65%	66.5%	59.39%
Selling, General & Administrative Expenses	(30,097)	(78,695)	(58,767)	(120,054)
EBITDA	108,025	129,174	188,564	194,593
<i>Margin%</i>	44.7%	38.93%	50.7%	36.73%
Depreciation and Amortization	(2,137)	(5,464)	(4,832)	(9,490)
OPERATING PROFIT (EBIT)	105,888	123,711	183,732	185,103
<i>Margin%</i>	43.8%	37.28%	49.4%	34.94%
Other Income	4,528	39,514	16,443	86,286
Interest Income - Amortization of Discount	32,434	51,489	64,867	102,977
Finance Costs	(8,766)	(5,633)	(23,944)	(16,346)
Interest Exp. – Amortization of Discount	(8,661)	(66,532)	(17,322)	(107,064)
PROFIT BEFORE TAX	125,422	142,548	223,777	250,955
Income Tax Expense	51.9%	42.96%	60.2%	47.36%
PROFIT FOR THE PERIOD	(18,037)	(37,278)	(27,578)	(38,583)
Minority Interest	107,385	105,269	196,199	212,372
NET PROFIT AFTER MINORITY	(11,160)	(20,979)	(38,828)	(20,952)
<i>Margin%</i>	96,225	84,290	157,371	191,420

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.