

FIRST QUARTER 2014 EARNINGS RELEASE

Palm Hills Developments Reports 112% Rise in New Sales, Surge in Construction and Deliveries as it Releases 1Q 2014 Earnings

Egypt's premier real estate developer reports net profit after minority interest of EGP 49.7 million on statutory revenues of EGP 405.8 million, gears up for acceleration of construction spend in balance of 2014, 2015

1Q 2014 KEY HIGHLIGHTS — Statutory Financial Results

- **Statutory Revenues** of EGP 405.8 million in 1Q 2014, a 177% rise from the previous year, backed by a 76.4% rise in units delivered.
- **Gross Profit** of EGP 129.7 million in 1Q 2014, an improvement of 87%.
- **Net Profit After Minority Interest** rose 9% to EGP 49.7 million.

1Q 2014 KEY HIGHLIGHTS — Operational Results

- **Total New Sales (Reservations)** in 1Q 2014 stood at EGP 775.1 million, against EGP 365.6 million the previous year, a 112% rise; meanwhile **total net sales** reached EGP 578 million, up from a negative EGP 35.7 million in 1Q 2013.
- **Total New Contracts** signed in 1Q 2014 were valued at EGP 592.6 million, up 46.8% from EGP 403.8 million the previous year.
- **Total Units Delivered** in the quarter stood at 291, a sharp improvement from 165 units in the same period last year and an average of 330 units annually in 2011-12.
- **Total Customer Receivables** stood at EGP 3.7 billion
- **Work in Process** stood at EGP 6.0 billion

1Q 2014 KEY HIGHLIGHTS — Operations

- **Continuing to Create Communities:** Completion of the Village project in New Cairo, with 93% of units handed over, marks the first project Palm Hills has fully completed in New Cairo and further enhances the Company's position as the most diversified developer in Egypt with livable projects in West Cairo (Palm Hills), New Cairo (Village) and North Coast (Hacienda Bay and Hacienda White), where many units have been handed over and will be used over the summer by their owners.
- **New Project Launches:** The launch of phase 1 in Woodville with 66 units mainly townhouses and small standalone units catering to the middle income segment.
- **Launch of marketing campaign** with nationwide billboards and print advertisements.
- **Continuous Improvement in our Projects:** Palm Hills is continuously working to improve the efficiency of projects through either adding more units or reconfiguring existing units to smaller sized units.

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- **Focus on Construction:** Palm Hills is on track to achieve its targeted EGP 1 billion in construction, with construction spending during the quarter coming at EGP 228 million.
- **Diversifying our Cash Sources:** With the closing of the EGP 600 million capital increase in 4Q2013 and releasing it in 1Q2014, Palm Hills has recently signed a term sheet for a EGP2.4 billion syndicated facility, which will be used to refinance existing debt and finance the development of the Company's existing projects
- **Institutionalizing our Shareholders Base:** The acquisition of 2.3% of the Company's shares by leading global investor Ripplewood is a significant step towards a stronger shareholder base. Mr. Tim Collins, Chairman of Ripplewood, will join Palm Hills Development's board of directors as vice chairman.

Cairo, 15 May 2014 — Palm Hills Developments (PHDC.CA, PHDC.EY), Egypt's premier real estate developer, reported today its consolidated financial and operational results for the first quarter of 2014. Highlights include significant improvements across all key operational and financial metrics as the company reported a net profit after taxes and minority interest of EGP 49.7 million on revenues of EGP 405.8 million.

"Our first quarter sales performance exceeded our expectations under the five-pillar strategy we inaugurated last year," said Chief Investment Officer Tarek Abdel Rahman. "The closure of the EGP 600 million capital increase has enhanced the liquidity of our balance sheet, allowing us to accelerate construction, which is delivering new sales while simultaneously rolling out our national advertising campaign.

"Against this backdrop, we are now in final talks to conclude an EGP 2.4 billion syndicated facility that will further accelerate construction as we continue to adjust master plans to optimize land use and efficiency while also reconfiguring aspects of our offering to cater to the under-served middle-income segment.

"Our capital increase was substantially over-subscribed, and we are honored to have attracted the attention of noted value investors including, most recently, a fund of Ripplewood Holdings, which has acquired a 2.3% stake in PHD."

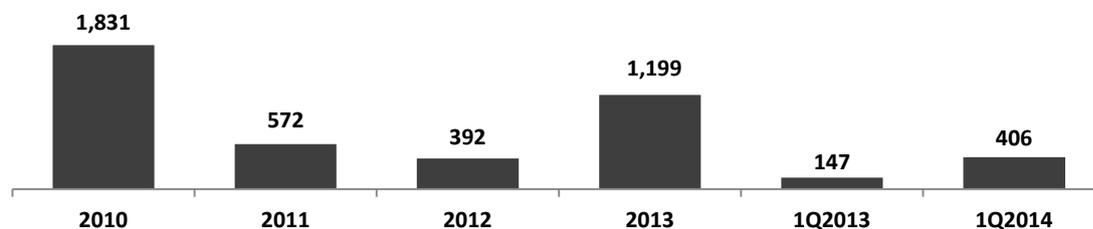
Statutory Financials Show Sharp Improvement

Statutory revenues (net recognized sales)¹ rose 177% year-on-year in 1Q 2014 to EGP 405.8 million as the company delivered 291 units, a 76.4% rise in deliveries. Revenues were driven by enhanced deliveries as well as sales of standalone units in east and west Cairo

¹ PHD recognizes revenues from the sale of land for villas and townhouses upon signature of contracts. Revenues from construction are recognized on a "percentage completion" basis, with a minimum threshold of 50%. Revenues from apartments and multi-tenant buildings are recognized only upon delivery. As a result, the total revenue figure on the Income Statement during a period does not reflect reservations or construction revenues from villas and townhouses less than 50% completed or revenues from any apartment unit that has not been delivered to the client.

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Statutory Revenues (2010-1Q2014, EGP million)



The bottom-line impact of strong revenue growth in the quarter was negatively affected by a rise in Cost of Sales as well as rising interest expenses. The disproportionate rise in COGS relative to deliveries owes to the mix of unit sales recognized in the quarter, with a larger contribution from lower-margin single-family dwellings and sale of units with more expensive land acquisition cost.

SG&A spending expanded 75% in the quarter, reflecting a significant acceleration of business activities year-on-year; SG&A outlay includes both the cost of a successful new national marketing campaign and higher commissions backed by a sharp rise in new sales (reservations). As a percentage of new sales (reservations),² SG&A spending fell 2.4 percentage points to 5.3% in 1Q 2014; total SG&A spending in the quarter is in line with FY 2014 budget expectations. SG&A spending remains down substantially from historical levels as management maintains a sharp focus on efficiencies here and in construction costs.

EBITDA came in strong at EGP 80 million nearly double the 1Q2013 figure of EGP 41 million while net income witnessed a 10% improvement to EGP 50 million

The share capital on the balance sheet now reflects the closure of PHD's fully-subscribed EGP 600 million capital increase, regulatory approvals for which were completed in the first quarter taking the paid in capital to EGP 2.7 billion and total equity to EGP 4 billion

Palm Hills Developments' 1Q 2014 consolidated financial statements prepared in accordance with Egyptian Accounting Standards (EAS) are now available for download on palmhillsdevelopments.com.

Key Operational Performance Highlights

1. Significant improvement in Sales

New sales (reservations), which are not yet recognized as revenues, stood at EGP 775.1 million in 1Q 2014, a 112% rise year-on-year and equivalent to half of all new sales recorded in 2013. New reservations were weighted towards:

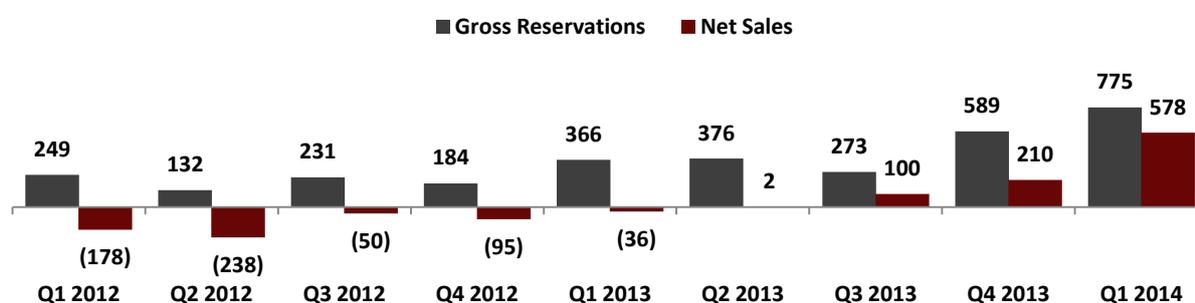
- Palm Hills Katameya Extension (East Cairo),
- Golf Views (West Cairo),

²SG&A expenditure is a current expense, where as statutory revenues reflect historical activities as dictated by PHD's revenue recognition policy (see footnote 1). Management accordingly evaluates the ratio of SG&A spending to New Sales (Reservations) and not statutory revenues.

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- Golf Extension (West Cairo)
- Village Gate (East Cairo)

Quarterly New Gross Sales vs Net Sales (1Q2013-1Q2014, EGP million)



New contracts, representing the conversion of reservations into binding purchase contracts, rose 46.8% to EGP 592.6 million in 1Q 2014 compared with the same period last year.

2. Syndicated Facility for EGP 2.4 billion

To enhance construction and delivery PHD is currently in negotiations with a group of banks for a medium term loan for EGP 2.4 billion. Part of the EGP 640 million facility will be used to refinance existing debt with the balance to be used to finance the development of Golf Views, Golf Extension, Palm Parks, Hacienda White and Palm Hills Katameya. The loan is still in the negotiations phase with closure expected towards the end of June 2014

3. Land Bank Management

PHD's bank of land stood unchanged at 23.2 million square meters as of 31 March 2014. The Company boasts the most diversified land bank in Egypt across East and West Cairo and the North Coast.

The Company's active land bank (land which is currently being developed) stands at 9.5 million square meters. The balance of 13.7 million is in raw undeveloped land with fully 7 million square meters of which is located on the Cairo-Alexandria Desert Road. Also included in the undeveloped land bank figure is 5 million square meters of land in Saudi Arabia.

As a result of its inventory in East New Cairo being quickly sold out, the Company is looking to acquire new land in East Cairo.

4. Improved Project Efficiencies

Palm Hills started an exercise in 2013 to enhance the profitability of its projects through driving more efficiency across our projects. Subtle revisions to master plans without affecting the general layout of the project, either through adding more units or reconfiguring larger land plots into smaller units, have started to yield its benefits with extra units in Golf Views and Hacienda Bay adding c. EGP 1 billion in revenues.

— Ends —

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Palm Hills Development Statutory Income Statement (Egyptian Accounting Standards)

EGP '000	1Q 2014	1Q 2013	Change
SALES (NET)	405,825,823.00	146,446,828.00	177%
Cost of sales	(276,126,012.00)	(77,011,234.00)	259%
GROSS PROFIT	129,699,811.00	69,435,594.00	87%
<i>Margin%</i>	32%	47%	
Selling, General & Administrative Expenses	(49,019,386.00)	(28,021,180.00)	75%
EBITDA	80,680,425.00	41,414,414.00	95%
<i>Margin%</i>	20%	28%	
Depreciation and Amortization	(11,633,036.00)	(7,998,491.00)	45%
OPERATING PROFIT	69,047,389.00	33,415,923.00	107%
<i>Margin%</i>	53%	48%	
Other income	6,655,849.00	14,846,271.00	-55%
Interest Expenses - Amortization of discount	-	-	
Interest on land purchase liabilities	(36,785,280.00)	(28,427,638.00)	29%
Interest income - Amortization of discount	34,062,533.00	44,476,293.00	-23%
Finance costs	(13,812,287.00)	(14,734,122.00)	-6%
Provision	-	(479,452.00)	-100%
Interest income	181,785.00	72,308.00	151%
Gain from held for trading investment	1,343,272.00	1,398,786.00	-4%
PROFIT BEFORE TAX	60,693,261.00	50,568,369.00	20%
Income tax expense			
Deferred tax Exp.	(60,000.00)	(60,000.00)	0%
PROFIT FOR THE YEAR	60,633,261.00	50,508,369.00	20%
Minority interest	(10,910,198.00)	(4,942,146.00)	121%
NET PROFIT AFTER MINORITY	49,723,063.00	45,566,223.00	9%
<i>Margin%</i>	12%	31%	



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Palm Hills Developments Statutory Balance Sheet (Egyptian Accounting Standards)

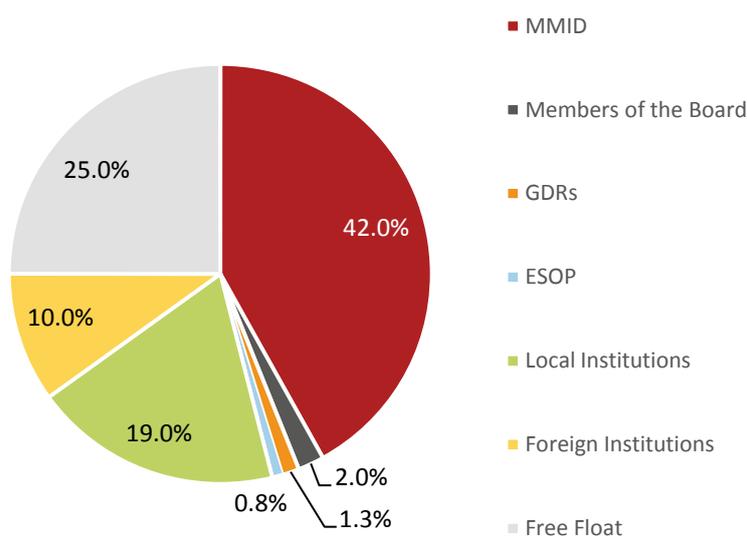
EGP '000	31 March 2014	31 December 2013
ASSETS		
Non-current assets		
Investment property	1,085,262,463.00	1,085,262,453.00
Project Under Construction	357,428,812.00	353,874,855.00
Property and equipment	322,541,142.00	329,186,036.00
Advance payments for investments acquisition	162,806,743.00	157,806,743.00
Investment in an associate	124,297,832.00	125,066,417.00
Held-to-maturity investment	5,082,625.00	5,082,625.00
Other long term assets	1,390,734.00	1,390,734.00
Notes receivable - Long Term	1,857,443,243.00	1,429,408,400.00
	3,916,253,594.00	3,487,078,263.00
Current assets		
Notes receivable - Short Term	1,139,190,892.00	1,273,423,714.00
Accounts receivable	1,364,833,055.00	1,456,050,650.00
Other receivable and prepayments	181,644,647.00	162,529,345.00
Related Parties Current Accounts	130,375,973.00	130,282,380.00
Subsidiaries current Accounts		
Suppliers & contractors prepayments	528,769,010.00	340,304,710.00
Bank balances	250,556,209.00	111,047,504.00
Held for trading investment	64,328,132.00	64,351,262.00
Advance payments for Land Acquisition	39,900,551.00	27,286,499.00
Development properties	6,037,934,266.00	5,975,149,080.00
	9,737,532,735.00	9,540,425,144.00
TOTAL ASSETS	13,653,786,329.00	13,027,503,407.00
EQUITY AND LIABILITIES		
Equity		
Share capital	2,696,640,000.00	2,096,640,000.00
Statutory reserve	558,315,335.00	558,109,843.00
Special reserve	524,212,885.00	524,212,885.00
Retained earnings	(9,631,060.00)	(186,722,625.00)
Equity	3,769,537,160.00	2,992,240,103.00
Profit for the Year	49,723,063.00	238,888,791.00
Treasury Stocks		
Equity attributable to equity holders of the parent		
Non-controlling interests		
Minority Interests	255,753,065.00	245,042,204.00
Total equity	4,075,013,288.00	3,476,171,098.00
Non-current liabilities		
Term loans	739,276,973.00	801,517,496.00
Land purchase liabilities	317,560,226.00	303,062,799.00
Notes payable	667,435,581.00	778,465,893.00
Other non-current liabilities	347,308,600.00	334,404,529.00
Deferred tax liability	5,896,241.00	5,836,241.00
	2,077,477,621.00	2,223,286,958.00
Current liabilities		
Banks credit balance	51,435,121.00	56,966,978.00
Bank overdrafts	61,604,281.00	226,711,926.00
Current portion of term loans	207,461,380.00	215,083,852.00
Notes payable - Short term	718,529,506.00	726,317,030.00
Land purchase liabilities - short term	132,225,149.00	134,310,897.00
Investment purchase liability	114,304,534.00	125,108,586.00
Advances from customers	4,306,651,397.00	4,145,094,928.00
Deferred Revenues	220,378,935.00	233,975,520.00
Other current liabilities		
Related Parties Current Accounts	593,866,588.00	644,076,309.00
Accounts payable and accruals	1,020,815,371.00	746,373,137.00
Income tax payable	65,326,188.00	65,326,188.00
Allowance & Provisions	8,696,970.00	8,700,000.00
	7,501,295,420.00	7,328,045,351.00
Total liabilities	9,578,773,041.00	9,551,332,309.00
TOTAL EQUITY AND LIABILITIES	13,653,786,329.00	13,027,503,407.00

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About Palm Hills Developments

Palm Hills Developments (PHDC.CA, PHDC.EY) is a leading real estate company in the Egyptian market, primarily focused on developing integrated, self-sufficient communities. Founded in 2005 by Mansour and Maghraby Investment and Development (MMID), the company, which is listed on the Egyptian and London stock exchanges, is among the most trusted names in the Egyptian real estate market. You can learn more about PHD and our projects at www.palmhillsdevelopments.com/

Shareholder Structure as of 31 March 2014



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Forward-Looking Statements

Statements contained in this document that are not historical facts are based on current expectations, estimates, projections, opinions and beliefs of Palm Hills Developments. Such statements involve known and unknown risks, uncertainties and other factors; undue reliance should not be placed thereon. Certain information contained herein constitutes “targets” or “forward-looking statements,” which can be identified by the use of forward-looking terminology such as “may,” “will,” “seek,” “should,” “expect,” “anticipate,” “project,” “estimate,” “intend,” “continue” or “believe” or the negatives thereof or other variations thereon or comparable terminology. Actual events or results or the actual performance of Palm Hills Developments may differ materially from those reflected or contemplated in such targets or forward-looking statements. The performance of Palm Hills Developments is subject to risks and uncertainties.