



**PALM HILLS**  
DEVELOPMENTS

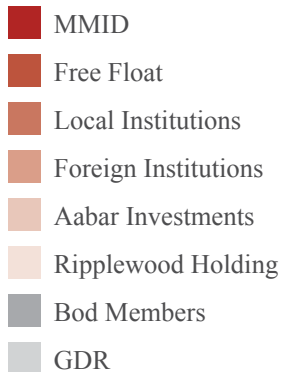
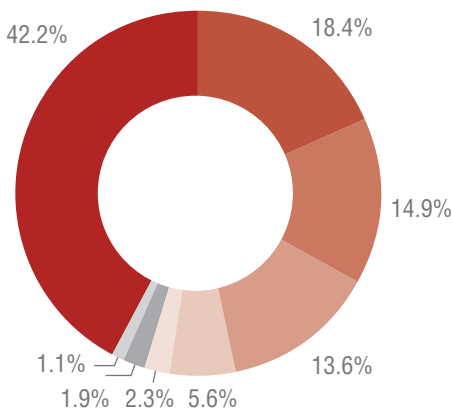
## FY 2014 Earnings Release

Cairo, Egypt | 19 February 2015

# Palm Hills Developments Reports 74% Increase in Statutory Revenues, Over Two-fold Increase in EBITDA in FY 2014

All key financial indicators are up as Egypt's premier real estate developer reports a strong increase in standalone unit sales at developments in East Cairo, West Cairo and on the North Coast

### Shareholder Structure as of 3 February 2015



### FY 2014 KEY HIGHLIGHTS — Statutory Financial Results

- Statutory Revenues of EGP 2,106.1 million in FY 2014, a 74% rise from FY 2013 despite 2013 figures including one-off revenue of EGP 240<sup>1</sup> million from the sale of the Village Mall.
- Gross Profit of EGP 705.4 million in FY 2014 is a 161.6% increase over EGP 269.7 million in FY 2013; notably, when excluding the impact of the sale of the mall, Gross Profit more than tripled year-on-year.
- Net Profit after Minority Interest increased 47.9% year-on-year to EGP 353.3 million; setting aside the one-off profit of EGP 52 million from the sale of the Village Mall, Net Profit after Minority Interest records an 89% increase over FY 2013.

### FY 2014 KEY HIGHLIGHTS — Operational Results

- Total Gross Sales (Reservations) in FY 2014 stood at EGP 3.9 billion against EGP 1.48 billion in FY 2013, a 166% rise; Total Net Sales reached EGP 3.57 billion.
- Total New Contracts signed in FY 2014 were valued at EGP 2.99 billion, up 167% over FY 2013 figure of EGP 1.12 billion.
- Launch of new five-pillar strategy focusing on growth with development of recurring revenues; expansion of product portfolio; geographic diversification; rapid delivery of projects; emphasis on profitability.

**Cairo, 19 February 2015** — Palm Hills Developments (PHDC.CA, PHDC.EY), Egypt's premier real estate developer, reported today its consolidated financial and operational results for the year ending 31 December 2014, reporting net profit after taxes and minority interest of EGP 353.3 million on revenues of EGP 2,106.1 million.

“Our year end results for 2014 are truly a culmination of our efforts to turnaround the company's performance and return to 2010 levels of profitability,” said Co-Chief Executive Officer Tarek Abdel Rahman. “Our successful sales strategy and marketing campaign, coupled with an influx of financing to speed up construction and increase the pace of deliveries, really paid off with a more than two-fold increase in our statutory revenues.”

<sup>1</sup> Actual cash received was EGP 190 mn as a result of the buyer settling the amount in cash as opposed to installments on 4 years.

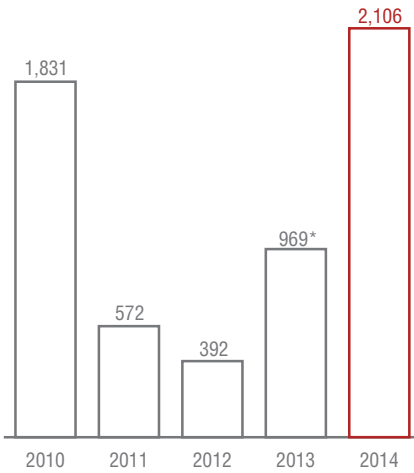


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### Statutory Revenues (2010 - 2014, EGP mn)



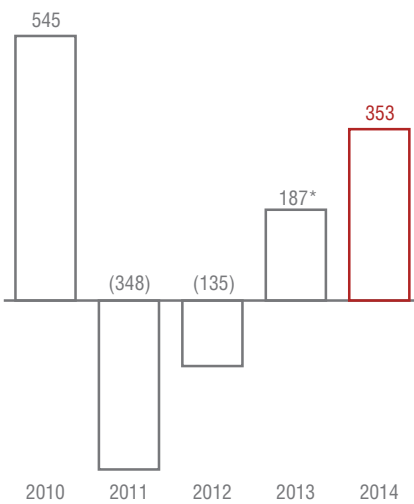
“Going forward, 2015 will see us expand our product portfolio and increase recurring revenues as we aim to continuously improve profitability and maximize shareholders’ value. We have already begun a capital increase process to help finance our expansion plans, both in the residential and commercial sectors, which will help place PHD in a position to capture the rebound in consumer confidence and maintain our ability to meet consumer demand,” Abdel Rahman concluded.

### Statutory Financials Show Sharp Improvement

Statutory revenues (net recognized sales)<sup>2</sup> rose 74.2% year-on-year in FY 2014 to EGP 2,106.1 million. It is particularly noteworthy that our FY 2013 statutory revenues included the non-recurring sale of The Village Mall for consideration of EGP 240 million. Factoring out this one-off sale, the company recorded a more than two-fold growth of statutory revenues in FY 2014.

The strong growth in Statutory Revenues comes on the back of an increased pace of construction and deliveries across all of PHD’s projects, in addition to an uptick in land revenues which reached EGP 1,311.9 million in FY14. On a project-by-project basis, a hike in sales of standalone units in the Golf Views project as well as North Coast projects — namely Hacienda Bay and Hacienda White I and II — together accounted for over 41% of net recognized revenues in FY 2014. Management also attributes revenue growth to an uptick in construction revenue from the Village, Hacienda Bay, and Casa projects.

### Net Profit after Minority Interest (2010 - 2014, EGP mn)



The revenue increase translated into significant growth at the gross profit level of 162% year-on-year to EGP 705.4 million, as well as an 11 percentage point jump in gross profit margin to 33.5% compared to an FY 2013 margin of 22.3%. Margin improvement was driven by increased selling prices together with the continued booking of standalone unit sales and hence land recognition, as well as lower land costs of projects.

Selling, General & Administrative expenses (SG&A) increased by 155% year-on-year in FY 2014 to EGP 280 million on the back of rising sales commissions and marketing expenses associated with the company’s ongoing successful national marketing campaign. However, when pitted against Gross Sales (Reservations) SG&A actually decreased by 0.34 pts compared to FY 2013. Furthermore, the strong growth in FY 2014 EBITDA to EGP 502.3 mn, a 162% increase over FY 2013, was sufficient to absorb the rising expenses. EBITDA Margin meanwhile saw a marked improvement of 8 pts to 23.8% in FY 2014.

Net Profit after Minority Interest in FY 2014 rose a solid 47.9% year-on-year to EGP 353.3 million. Notably, when the one-off EGP 52 million in profit in FY 2013 is factored out, Net Profit after Minority Interest actually recorded an 89% increase year-on-year.

<sup>2</sup> 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.

\* 2013 revenues and profits exclude the sale of the Village Mall for consideration of EGP 240 mn and EGP 52 mn respectively.

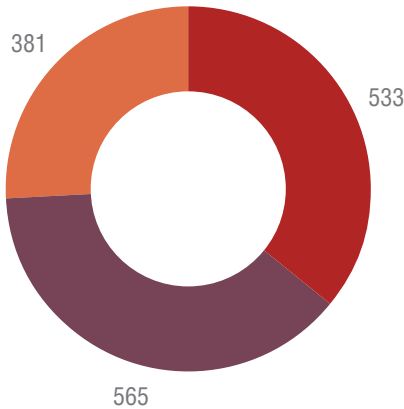


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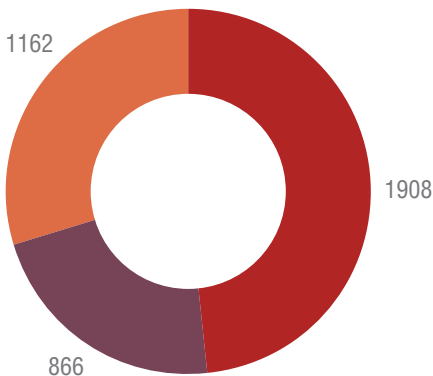
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### 2013 Gross Sales by Region (Reservations, EGP mn)



### 2014 Gross Sales by Region (Reservations, EGP mn)



- West Cairo
- East Cairo
- North Coast

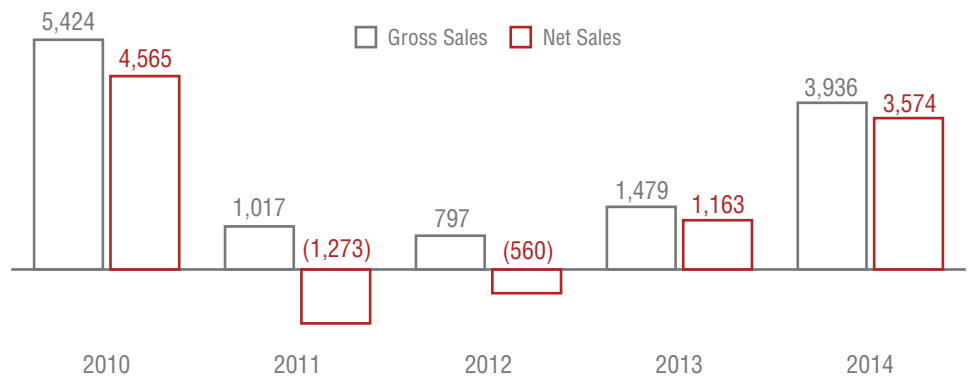
The company's balance sheet has become more robust, as the EGP 2.4 billion syndicated facility has now been approved. The first drawdown of EGP 1,095 million began on 2 October 2014, a portion of which was allocated to refinance existing bank debt with the balance utilized in financing construction, infrastructure, marketing, SG&A and land payments for a number of projects — namely Palm Hills Katameya, Golf Views, Golf Extension, Palm Parks and Hacienda White II.

### Key Highlights of Operational Performance

#### 1. Continued Strong Sales Momentum

Gross Sales (Reservations), which are not yet recognized as revenues, rose 166% year-on-year in FY 2014 to EGP 3.94 billion from EGP 1.48 billion in FY 2013. Total unit sales stood at 1,584 units compared to 832 units the previous year. The strong growth was mainly driven by a hike in unit sales in West Cairo projects — namely Golf Views, Palm Parks and Golf Extension recording a year-on-year increase of 584%, 181% and 39% respectively — in addition to the launch of our Woodville project which recorded sales of EGP 356 million.

### Reported Gross & Net Sales (2010 - 2014, EGP mn)



Furthermore, North Coast projects — namely Hacienda Bay and Hacienda White II — also saw impressive growth with the latter recording a 415% increase in unit sales to EGP 471 million, while our East Cairo developments similarly recorded strong results primarily at the Palm Hills Katameya and Village Gate projects with an 860% and 238% year-on-year sales growth respectively.

This outstanding growth is attributable to a number of factors, most prominent of which is consumer confidence in the PHD brand and the speed up of construction in all the company projects. A diverse product portfolio and an unmatched land bank have placed PHD in a position well-suited to meet current demand.

#### 2. Marketing Campaign Reaps Remarkable Rewards

Management also attributes sales growth to the successful sales strategy and marketing campaign launched in 2Q14 with the “building on” push, along with the later phase of the campaign focusing on raising consumer awareness project-by-project.



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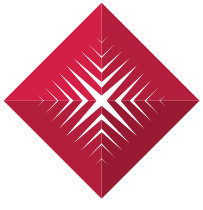
On 19 December 2014, PHD, in collaboration with renowned football star Xavi Hernandez, kick-started the Campus Xavi World Tour with the first international stop held at PHD's flagship development in 6th of October City. At the Campus Xavi Palm Hills, Hernandez provided training for over 300 Egyptian youngsters aged between six and fifteen years old during a five day camp. The campaign, which holds true to our slogan of "building on," reaped remarkable results across all our West Cairo developments.

### Outlook

Looking ahead, the company has made strong progress on its strategy to develop recurring revenue streams, where we see potential from our recent co-development agreement for commercial land at Village Avenue and, in coming years, from the development of 28,000 sqm of retail / commercial land in Palm Valley — previously known as Village Gardens October — that is currently in the design phase and strategically located on the main 26th of July corridor road in 6th of October City. The expected 1Q 2015 launch of Palm Valley home sales will also be an important revenue driver going forward.

Furthermore, as part of the company's growth strategy, PHD is working to expand its product portfolio by seeking to acquire new land plots in East Cairo for future developments which will allow it to capture opportunities in this high potential area.

Palm Hills Developments' FY 2014 consolidated financial statements, prepared in accordance with Egyptian Accounting Standards (EAS), are now available for download on [www.palmhillsdevelopments.com](http://www.palmhillsdevelopments.com).



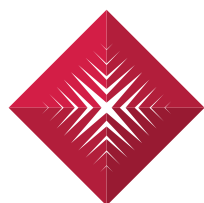
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## FY 2014 Earnings Release

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### Palm Hills Development Consolidated Income Statement (Egyptian Accounting Standards)

EGP	FY14	FY13	Change
<b>Revenues</b>	<b>2,106,065,002</b>	<b>1,209,212,537</b>	<b>74.2%</b>
Cost of revenues	(1,400,646,199)	(939,562,156)	49.1%
<b>Gross profit</b>	<b>705,418,803</b>	<b>269,650,381</b>	<b>161.6%</b>
<i>Margin %</i>	33.5%	22.3%	0.11
General administrative, selling and marketing expenses	(280,336,442)	(109,869,618)	155.2%
Provisions	(482,400)	(78,888)	511.5%
Other revenues	77,692,636	31,879,607	143.7%
<b>EBITDA</b>	<b>502,292,597</b>	<b>191,581,482</b>	<b>162.2%</b>
<i>EBITDA Margin %</i>	23.8%	15.8%	0.08
Administrative depreciation	(7,492,182)	(10,462,645)	-28.4%
<b>Operating Profit</b>	<b>494,800,415</b>	<b>181,118,837</b>	<b>173.2%</b>
<b>Less:</b>			
Interest expenses – amortization of discount on land liability	(27,784,532)	(11,499,681)	141.6%
Club's net operating loss	(13,874,223)	(13,815,354)	0.4%
Finance costs & interests	(76,086,336)	(58,604,555)	29.8%
Interest on land purchase liabilities	(140,128,549)	(74,015,846)	89.3%
<b>Total Expenses</b>	<b>(257,873,640)</b>	<b>(157,935,436)</b>	<b>63.3%</b>
	236,926,775	23,183,401	
<b>Add:</b>			
Gains on investments in fair value through profit or loss	4,881,558	5,762,051	-15.3%
Interest income – amortization of discount on notes receivables	136,250,133	222,381,463	-38.7%
Interest income	4,038,931	920,681	338.7%
Share of profit of associates	-	-	-
<b>Total Revenues</b>	<b>145,170,622</b>	<b>229,064,195</b>	<b>-36.6%</b>
<b>Net Profit Before Income Tax</b>	<b>382,097,397</b>	<b>252,247,596</b>	<b>51.5%</b>
Income tax expense	(18,655,440)	-	
Deferred tax	9,835,039	(509,302)	NA
<b>Net Profit after Tax</b>	<b>373,276,996</b>	<b>251,738,294</b>	<b>48.3%</b>
Attributable to:			
Equity holders of the company	353,290,475	238,888,791	47.9%
Non-controlling interest	19,986,521	12,849,503	55.5%
<b>Net Profit after Tax &amp; Minority Interest</b>	<b>353,290,475</b>	<b>238,888,791</b>	<b>47.9%</b>
<i>Margin %</i>	16.8%	19.8%	-0.03



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### Palm Hills Development Consolidated Balance Sheet

(Egyptian Accounting Standards)

EGP	31-Dec-14	31-Dec-13
<b>Long term assets</b>		
Investments in associates	77,163,454	125,066,417
Investment property	1,085,976,898	1,085,262,463
Held to Maturity Investments	19,657,226	-
Financial investments available for sale	-	5,082,625
Notes receivable long term	2,660,382,446	1,429,408,400
Projects under construction	857,379,279	353,874,855
Advance payments for investments acquisition	204,110,633	157,806,743
Fixed assets (net)	312,468,739	329,186,036
Deferred Tax Asset	3,998,815	-
Other long term assets	1,390,734	1,390,734
<b>Total long term assets</b>	<b>5,222,528,224</b>	<b>3,487,078,273</b>
<b>Current Assets</b>		
Works in process	6,074,901,015	5,975,149,080
Cash and cash equivalents	194,949,064	111,047,504
Notes receivable short term	1,571,753,888	1,273,423,714
Investments at fair value through profit and loss	56,856,080	64,351,262
Accounts receivable	1,121,983,423	1,456,050,650
Suppliers - advance payments	373,201,558	340,304,710
Debtors and other debit balances	116,796,819	189,815,844
Due from related parties	105,748,551	130,282,380
<b>Total current assets</b>	<b>9,616,190,398</b>	<b>9,540,425,144</b>
<b>Total Assets</b>	<b>14,838,718,622</b>	<b>13,027,503,417</b>
<b>Current Liabilities</b>		
Banks - credit balances	39,197,560	56,966,978
Banks – overdraft	-	226,711,926
Advances from customers	5,001,684,303	4,145,094,928
Completion of infrastructure liabilities	133,837,879	233,975,520
Provisions	9,063,024	8,700,000
Current portion land purchase liabilities	216,568,788	134,310,897
Due to related parties	646,313,369	644,076,309
Investment purchase liabilities	44,256,746	125,108,586
Notes payable short term	805,227,757	726,317,030
Current portion of term loans	174,410,000	215,083,852
Suppliers & contractors	405,055,090	305,548,453
Income tax payable	83,978,776	65,326,188
Creditors & other credit balances	410,672,236	440,824,684
<b>Total current liabilities</b>	<b>7,970,265,528</b>	<b>7,328,045,351</b>
<b>Working capital</b>	<b>1,645,924,870</b>	<b>2,212,379,793</b>
<b>Total investment</b>	<b>6,868,453,094</b>	<b>5,699,458,066</b>
<i>Financed as follows:</i>		
<b>Shareholders' Equity</b>		
Issued and paid - up capital	2,696,640,000	2,096,640,000
Legal reserve	566,469,569	558,109,843
Special reserve	524,212,885	524,212,885
Retained deficit	(272,361,289)	(186,722,625)
Net profit for the period / year	353,290,475	238,888,791
<b>Equity attributable to equity holders of the parent</b>	<b>3,868,251,640</b>	<b>3,231,128,894</b>
Non-controlling interest	255,951,133	245,042,204
<b>Total shareholders' equity</b>	<b>4,124,202,773</b>	<b>3,476,171,098</b>
<b>Long Term Liabilities</b>		
Land purchase liabilities	350,433,822	303,062,799
Notes payable long term	536,510,993	778,465,893
Deferred tax liabilities	-	5,836,241
Other long term liabilities – Residents' Association	395,362,285	334,404,539
Loans	1,461,943,221	801,517,496
<b>Total long term liabilities</b>	<b>2,744,250,321</b>	<b>2,223,286,968</b>
<b>Total equity and non-current liabilities</b>	<b>6,868,453,094</b>	<b>5,699,458,066</b>



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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/](http://www.palmhillsdevelopments.com/)

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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.