



PALM HILLS
DEVELOPMENTS

4Q2016 Earnings Release

Palm Hills Developments becomes number one Egyptian property developer in terms of New Sales with record Revenue, EBITDA, and handed over units in FY2016

Cairo/London (February 7, 2017) - Palm Hills Developments S.A.E. ("PHD" or "the Company") (EGX: PHDC.CA, PHDC.LI), a leading real estate developer in Egypt, announce its consolidated financial and operating results for the financial period ended December 31, 2016.

Key Highlights

- The Company continues to reap the benefits of its strategic direction of increasing construction spend while delivering record results driven by the accelerated construction program, becoming the largest property developer in Egypt, as the Company spent more than EGP5 billion on construction in 2014-2016, and thus largely avoided the impact of inflation and recent floatation of the Egyptian Pound.
- In January 2017, the Company acquired 190 feddan in West Cairo from the Egyptian Ministry of Housing, which is considered a natural extension to Palm Hills Golf Views and Golf Extension, in line with its strategy to replenish the land bank, which is depleting due to the unprecedented demand for its product offerings and strong pace of construction as well as handovers.
- The first tranche of our c.EGP2.5 billion securitization of receivables program was launched in December 2016 and concluded in January 2017 with net proceeds of EGP404 million, relating to 465 handed over units. The Company expects to monetize receivables of up to c.EGP1.0 billion during FY2017.

FY2016

- New Sales recorded EGP8.2 billion, a growth of 29% YoY, surpassing FY2015 record of EGP6.3 billion and FY2016 target of EGP7 billion, positioning the Company as the highest selling Egyptian property developer. Growth in New Sales was driven by the strong demand across all regions coupled with an increase in YoY selling prices by 56% and 43% YoY for BUA of standalone units and apartments respectively. The average selling price of land grew 28% YoY.
- Cash inflows from operations recorded EGP3.0 billion, of which EGP2.0 billion were spent on construction in line with the Company's strategy to invest in construction to hedge inflation and speed up deliveries, in addition to EGP690 million spent on land installments.
- The Company delivered 2,049 units, translating into 555k sqm of developed area, surpassing FY2016 handovers target of 1,800 units. Handovers grew 30% YoY, in comparison to 1,573 units for the same period last year, driven by the accelerated construction program to conclude all projects under developments during FY2017/2018. Delivered units surpassed the number of units sold during the period. It is worthy to highlight that the Company concluded Village Avenue project during 4Q2016.
- Despite the changes in accounting standards, Revenue grew 55% YoY to record EGP5.6 billion, a record for the Company, driven by a stronger pace of unit deliveries, accelerated construction activities and healthy sales momentum in existing developments as well as recently launched projects. EBITDA grew 55% YoY recording EGP1.0 billion. Net Profit after Tax & Minority Interest¹ grew 8% YoY at EGP640 million, despite the expiry of the Company's tax exemption on December 31, 2015, coupled with higher Minority Interest YoY.

4Q2016

- New Sales for the quarter marked a strong growth of 60% YoY to record EGP2.7 billion, mainly fueled by the launch of Palm Hills New Cairo during November 2016, recording New Sales of EGP1.1 billion.
- During the quarter, the Company handed over 597 units, an increase of 11% YoY.
- Revenue almost doubled YoY to reach EGP2.0 billion, driven by the increased pace of delivery across all operating regions coupled with a significant increase in average selling prices prior and post the floatation of Egyptian Pound. EBITDA amounted to EGP315 million, an increase of 413% YoY. Net Profit after Tax & Minority Interest grew 40% YoY to record EGP235 million.

1 - For illustrative purposes, Net Profit figures of FY2015 were normalized by adding back provisions of EGP100 million and deducting EGP426 million of capital gain on the sale of non-core land bank in the North Coast and Alexandria.

Yasseen Mansour, Chairman Comments:

I am very pleased to share with you our fourth quarter and full year 2016 financial results, another record year for the Company in terms of New Sales, profitability and handovers, driven by robust demand for our projects, accelerated pace of construction, supported by our strong management team and stable financial position.

FY2016 was a record year for the Company with New Sales of EGP8.2 billion, a growth of 29% YoY, units delivered recording 2,049 homes and construction amounting to EGP2.0 billion. Our strategy to accelerate construction and leverage up the Balance Sheet over the last three years with a total spend of EGP5 billion has benefited us significantly, allowing us to largely avoid the impact of inflation, caused by the devaluation of local currency and speed up unit deliveries improving customer satisfaction, further cementing Palm Hills Developments as the highest quality developer in Egypt. We remain committed to this strategy in the present inflationary environment and expect to spend EGP2.3 billion on construction and handover 1,600 units during FY2017.

Our financial results reflected our operational excellence with record Revenue of EGP5.6 billion and EBITDA of EGP1.0 billion. Our Balance Sheet maintained its strong position with receivables of EGP11.3 billion covering Net Debt four times. Due to the rising interest rate environment, we opted to de-lever through a securitization of receivables program of c. EGP2.5 billion over 2-3 years. The first tranche was signed during 4Q2016 and transaction concluded in January 2017 with net proceeds of EGP404 million related to receivables due on 465 handed over homes. The securitization program is completely non-recourse to the Company and was concluded at a lower interest than existing debt, which will be fixed over the program's tenor.

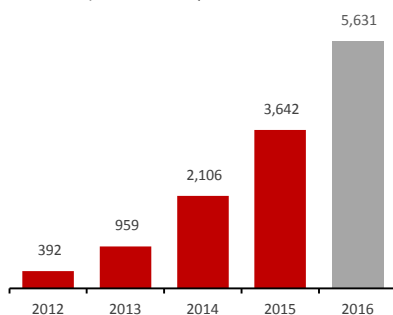
Again, FY2016 was an exciting year for the Company, where we continued to replenish our land bank with the acquisition of 190 feddan in West Cairo, strategically located adjacent to Palm Hills Golf Views and Golf Extension, and considered a natural extension to our namesake project Palm Hills. We are in discussions to acquire several new parcels of land including land in Alexandria and the 6,000 feddan in West Cairo. We expect to launch the first phase of apartments in Palm Hills New Cairo, the second phase of Capital Gardens, Hacienda West, and the 190 feddan during FY2017.

Despite the challenging market conditions post the floatation of Egyptian Pound and the resulting inflation, we still expect sales growth in FY2017, buoyed by the launch of Palm Hills New Cairo in November 2016 where we sold 157 standalone units worth EGP1.0 billion in one week.

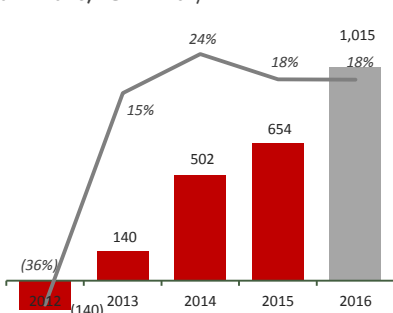
We continue to closely monitor our construction costs and have partially hedged any increases by securing, through our contractors, bulk deals for steel, cables and aluminum, coupled with increasing our sales prices which recorded a Year on Year growth of 28% for land, 56% and 43% for Built Up Area of standalone units and apartments respectively.

We expect to conclude a number of projects during the year, as we previously promised, including Palm Hills Katameya, Palm Hills Katameya Extension, Village Gate, Casa and Hacienda White 2.

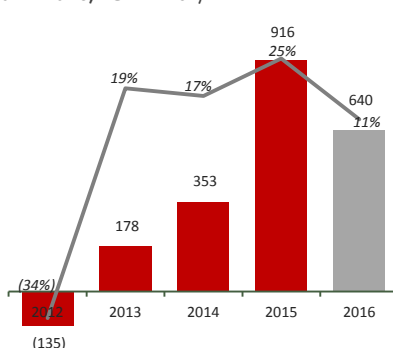
Revenue
(2012-2016, EGP Million)



EBITDA & EBITDA Margin
(2012-2016, EGP Million)



Net Profit after Tax & Minority Interest
(2012-2016, EGP Million)



Financial Review

EGP Million	4Q2016	4Q2015	Change	FY2016	FY2015	Change
Revenue ³	2,002	1,055	90%	5,631	3,642	55%
Gross Profit	573	239	140%	1,679	1,150	46%
Gross Profit margin	28.6%	22.7%	5.9pp	29.8%	31.6%	(1.8pp)
EBITDA	315	61	413%	1,015	654	55%
EBITDA margin	15.8%	5.8%	10.0pp	18.0%	17.9%	0.1pp
Net Profit before Tax & Minority Interest ²	231	188	23%	913	660	38%
Net Profit after Tax & Minority Interest ²	235	169	40%	640	590	8%
Net Profit margin ²	11.8%	15.9%	(4.1pp)	11.4%	16.2%	(4.8pp)
New Sales	2,740	1,713	60%	8,194	6,332	29%

Despite the implemented changes in accounting policies since the beginning of FY2016, Revenue³ for the year grew by a remarkable 55% YoY recording EGP5.6 billion, a new record for the Company. Gross Profit for the year grew 46% YoY and amounted to EGP1.7 billion. EBITDA for FY2016 grew by 55% YoY and recorded EGP1.0 billion. Gross profit and EBITDA margins were largely in line with FY2015 at c.30% and 18% respectively.

The growth was driven by the increase in selling prices of land by 28% YoY, and Built up Area of standalone units and apartments by 56% and 43% YoY respectively, the handing over of 2,049 units and accelerated construction spend of EGP2.0 billion.

SG&A/Revenue decreased to 12%, compared to 14% in FY2015. Despite the Company's tax exemption expiring by end of FY2015 and the significant increase in Minority Interest which resulted from the launch of Palm Valley during 1Q2016, Net Profit after Tax & Minority Interest² for the year increased 8% YoY to EGP640 million.

Revenue for the quarter grew by a remarkable 90% YoY to EGP2.0 billion, boosted by strong deliveries across all operating regions, further supported by the growth in New Sales in East Cairo and increase in average selling prices. Gross Profit for the quarter increased 140% YoY to EGP573 million, mainly driven by stronger execution and 597 handed over units coupled with the increase in average selling prices. EBITDA for the quarter came in strong at EGP315 million. Net Profit after Tax & Minority Interest for the quarter grew 40% YoY reaching EGP235 million.

Net Debt/EBITDA edged up slightly to 2.6x up from 2.3x in FY2015. By end of FY2016, Receivables stood at EGP11.3 billion compared to EGP7.6 billion by end of 2015, supported by the strong YoY growth in New Sales.

1- 2013 revenue and profit exclude the sale of the Village Mall for total considerations of EGP240 million and EGP52 million respectively.

2- For illustrative purposes, Net Profit figures of FY2015 were normalized by adding back provisions of EGP100 million and deducting EGP426 million of capital gain on the sale of non-core land bank in the North Coast and Alexandria.

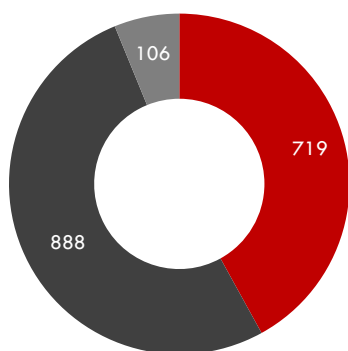
3- PHD recognizes revenue on a "Percentage of Completion" basis for standalone units. Revenue from apartments and multi-tenants buildings are recognized only upon delivery.

Operational Review

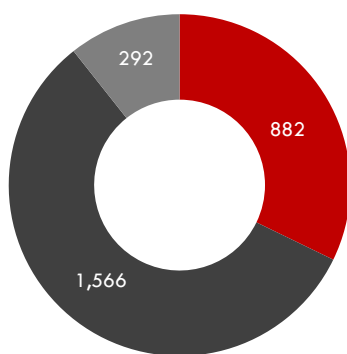
New Sales for the year amounted to EGP8.2 billion, a growth of 29% YoY, surpassing FY2015 record of EGP6.3 billion. Growth in New Sales was driven by the YoY increase in average selling prices and new launches. It is worthy to highlight that 58% of units sold during FY2016 were units priced at a range of EGP1.5-7 million.

New Sales for the quarter marked a strong growth of 60% YoY recording EGP2.7 billion, driven by the launch of Palm Hills New Cairo in November 2016, which recorded New Sales of EGP1.1 billion, alongside healthy sales momentum mainly in Golf Extension, Palm Hills Katameya Extension, Palm Valley and Capital Gardens.

4Q2015 New Sales by Region
(EGP Million)

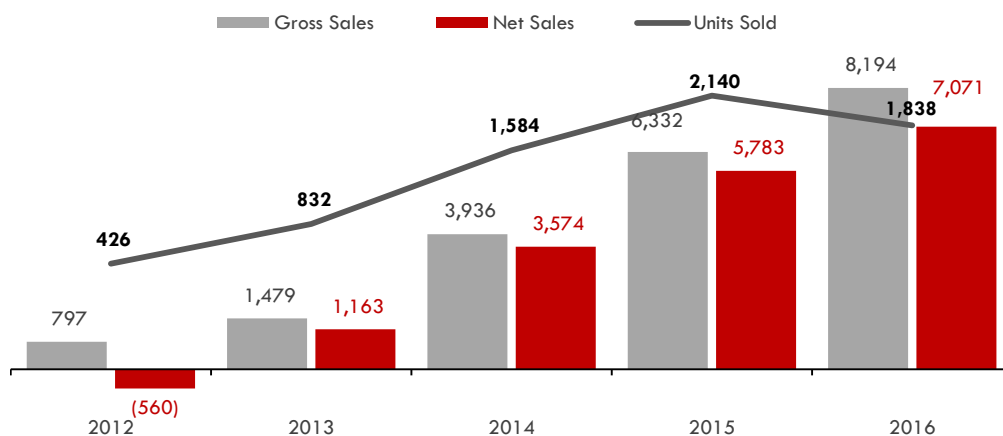


4Q2016 New Sales by Region
(EGP Million)



- West Cairo
- East Cairo
- North Coast

Reported Gross & Net New Sales⁴
(2012-2016, EGP Million)



In West Cairo, New Sales grew 42% YoY to record EGP3.4 billion during FY2016, of which EGP1.3 billion was generated by Golf Extension, EGP937 million by Palm Valley since the project's launch in March 2016, and EGP595 million by Golf Views.

In East Cairo, New Sales recorded EGP2.9 billion during FY2016, a growth of 53% YoY, boosted by EGP1.1 billion of New Sales in Palm Hills New Cairo, New Sales of EGP801 million in Palm Hills Katameya Extension, as well as strong demand for Capital Gardens where New Sales recorded EGP641 million. It is worthy to highlight that cumulative New Sales in Capital Gardens stood at EGP1.3 billion equivalent to 818 units, since the project was launched in December 2015.

In the North Coast, New Sales stood at EGP1.9 billion and EGP333 million during FY2016 and 4Q2016 respectively despite the seasonality factor where demand for secondary homes is usually much stronger during the summer season.

By end of FY2016, handovers grew by a remarkable 30% YoY to reach 2,049 units, in comparison to 1,573 units for the same period last year. During the fourth quarter, the Company delivered 597 units, an increase of 11% YoY, exceeding the pre-set target for the period.

⁴ Net New Sales represent Gross New Sales after deducting the related period's cancellations.

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Our construction activities are progressing on schedule, recording an earned value of EGP2.0 billion in FY2016, an increase of 7% YoY.

With regards to recurring income portfolio and commercial real estate, the segment contributed 11% to Net Profits, mainly from our three hotels and Palm Club, in line with our strategy to achieve 25% in Net Profits from recurring income by FY2020. The number of memberships in Palm Club crossed the 2,300 memberships mark by end of FY2016. The Company finalized all construction works of Phase 8 office building during the year. Construction of Palm Valley's commercial mall commenced during 3Q2016, with plans to finalize the mall's construction during FY2018.

Outlook

As we continue to spend on construction and accelerate the pace of handovers, the Company expects to fully complete a number of projects during FY2017 including Palm Hills Katameya, Palm Hills Katameya Extension, Village Gate, Casa and Hacienda White 2.

While the operating environment will be tough due to the high inflation, we expect growth in sales to be driven by new launches planned for the year including Hacienda West in the North Coast, the recently signed 190 feddan in West Cairo, and new phases of Palm Hills New Cairo and Capital Gardens. The Company expects to monetize receivables of up to c.EGP1.0 billion during FY2017, as part of the securitization program with the objective of deleveraging the Balance Sheet.

With regards to the recurring income and commercial real estate portfolio, the Company expects to finalize all construction works of Village Gate and VGK Malls during FY2017, and to be operational during FY2018.

The Company is currently in active negotiations to acquire on co-development basis 130 feddan in Alexandria. We are still negotiating the terms and conditions of the 6,000 feddan co-development project of West Cairo with NUCA via a jointly formed committee, and hope to finalize the definitive agreement during 1Q2017.

Consolidated Income Statement ⁵ (Egyptian Accounting Standards)

EGP Thousand	4Q2016	4Q2015	Change	FY2016	FY2015	Change
Revenue	2,002,200	1,055,406	90%	5,630,639	3,641,652	55%
Cost of Revenue	(1,428,708)	(816,022)	75%	(3,951,476)	(2,491,683)	59%
Gross Profit	573,492	239,384	140%	1,679,162	1,149,969	46%
Gross Profit margin %	28.6%	22.7%	5.9pp	29.8%	31.6%	(1.8pp)
General administrative, selling and marketing expenses	(258,021)	(177,953)	45%	(664,116)	(496,142)	34%
EBITDA	315,471	61,431	413%	1,015,046	653,827	55%
EBITDA margin %	15.8%	5.8%	10.0pp	18.0%	17.9%	0.1pp
Administrative depreciation	(5,329)	(2,572)	107%	(13,991)	(9,115)	53%
Operating Profit	310,142	58,860	427%	1,001,055	644,711	55%
Less:						
Interest expenses - amortization of discount on land liability	-	(3,130)	NA	-	(12,518)	NA
Finance costs & interests	(24,227)	(4,061)	NA	(57,582)	(38,504)	49%
Interest on land purchase liabilities	(31,164)	75,711	(141%)	(118,644)	(74,993)	58%
Provision	(51,531)	(4,990)	NA	(52,735)	(104,653)	(50%)
Add:						
Gains on investments in fair value through profit or loss	1,592	2,715	(41%)	5,813	6,296	(8%)
Interest income - amortization of discount on NR	11,515	23,050	(50%)	46,061	92,198	(50%)
Interest income	15,177	39,648	(62%)	89,201	47,976	86%
Capital gain on investment property	-	-	-	-	425,736	NA
Net Profit Before Income Tax	231,504	187,803	23%	913,170	986,249	(7%)
Income tax expense	30,374	(32,025)	NA	(126,311)	(45,770)	NA
Deferred tax	(1,037)	9,226	NA	(1,603)	8,026	NA
Net Profit after Tax	260,841	165,005	58%	785,256	948,505	(17%)
Non-controlling interest	(25,354)	3,657	NA	(145,460)	(32,942)	NA
Net Profit after Tax & Minority Interest	235,487	168,661	39%	639,795	915,563	(30%)
Net Profit after Tax & Minority Interest margin %	11.8%	15.9%	(4.1pp)	11.4%	25.1%	(13.7pp)

⁵- The Company's consolidated financial statements for the period ended December 31, 2016, prepared in accordance with Egyptian Accounting Standards ('EAS'), can be downloaded from our Company's website: www.palmhillsdevelopments.com



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Consolidated Balance Sheet (Egyptian Accounting Standards)

EGP Thousand	December 31, 2016	December 31, 2015 ^R
Long-Term Assets		
Investments in Associates	79,226	78,506
Investment Property	888,506	854,665
Notes Receivable - Long Term	7,300,040	4,546,282
Projects Under Construction	877,767	858,654
Advance Payments for Investments Acquisitions	184,336	184,336
Fixed Assets (net)	351,608	334,623
Deferred Tax Asset	10,302	11,948
Other Long Term Assets	1,391	1,391
Employee stock ownership plan (ESOP)	81,287	-
Total Long-Term Assets	9,774,462	6,870,404
Current Assets		
Works in Process	6,410,746	6,463,687
Held to Maturity Investments	153,328	613,046
Cash & Cash Equivalents	808,517	965,670
Notes Receivable - Short Term	3,295,528	2,371,035
Investments at Fair Value	58,471	67,113
Accounts Receivable	757,057	704,029
Suppliers - Advance Payments	489,064	384,777
Debtors & Other Debit Balances	218,477	174,854
Due from Related Parties	244,125	172,392
Minimum Guaranteed Payments - Co-Development Projects	40,000	-
Total Current Assets	12,475,312	11,916,602
Total Assets	22,249,774	18,787,006
Current Liabilities		
Banks - Credit Balances	42,176	31,035
Banks - Overdraft	79,410	80,237
Advances from Customers	7,744,755	6,249,432
Completion of Infrastructure Liabilities	95,083	173,648
Provisions	169,387	116,844
Current Portion of Land Purchase Liabilities	60,651	263,319
Due to Related Parties	131,334	226,319
Investment Purchase Liabilities	44,257	44,257
Notes Payable - Short Term	974,302	473,693
Current Portion of Term Loans	541,015	80,814
Suppliers & Contractors	448,466	406,850
Income Tax Payable	126,629	46,631
Creditors & Other Credit Balances	682,680	345,368
Total Current Liabilities	11,140,145	8,538,447
Working Capital	1,335,168	3,378,155
Total Investment	11,109,629	10,248,559
<i>Financed as Follows:</i>		
Shareholders' Equity		
Issued and Paid-In Capital	4,617,899	4,344,640
Legal Reserve	630,142	585,104
Special Reserve	524,213	524,213
ESOP Re-measurement Reserve	31,493	-
Retained Earnings (Deficit)	(222,479)	(212,391)
Net Profit for the Period/Year	639,795	915,563
Equity Attributable to Equity Holders of Parent Co.	6,221,064	6,157,129
Non-controlling Interest	412,152	270,774
Total Shareholders' Equity	6,633,215	6,427,903
Long Term Liabilities		
Land Purchase Liabilities	169,800	268,236
Notes Payable - Long Term	612,701	148,532
Other Long Term Liabilities - Residents' Association	736,444	485,600
Loans	2,957,470	2,918,287
Total Long Term Liabilities	4,476,414	3,820,656
Total Equity & Long Term Liabilities	11,109,629	10,248,559

R: Restated figures.



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About Palm Hills Developments

Palm Hills Developments, a leading real estate developer in Egypt, is a joint stock company established in 1997. Palm Hills builds integrated communities and has one of the most diversified land bank portfolios, spreading over 27.8 million square meters ("sqm") in Egypt, including 5 million sqm in Saudi Arabia. The Company's product offerings include primary homes on both West Cairo and East Cairo, as well as secondary homes by the Mediterranean Sea, North Coast.

As at end of 4Q2016, PHD delivered more than 6,351 units within its developments, including more than 1,500 units in 12 completed projects. Today, PHD has 14 projects under development, 6 projects in West Cairo, 6 projects in East Cairo and 2 projects in North Coast, translating into a sales backlog exceeding EGP9.6 billion. PHD is one of the most liquid and actively traded stocks on the Egyptian Stock Exchange, and is traded under the symbol "PHDC.CA". The Company has a GDR listing on the London Stock Exchange, and is traded under the symbol "PHDC.LI". For more information, please visit: www.palmhillsdevelopments.com/

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