



PALM HILLS
DEVELOPMENTS

4Q2018 Earnings Release

PHD beat market consensus on all matrices recording a growth of 45% YoY in number of units sold to mark 3,102 units, 18% YoY growth in New Sales to EGP12.5 billion and 45% YoY reduction in Net Debt to EGP1.9 billion

Cairo/London (February 27, 2019) - Palm Hills Developments S.A.E. ("PHD" or "the Company") (EGX: PHDC.CA, PHDC.LI), a leading real estate developer in Egypt, announced its consolidated financial and operating results for the financial period ended December 31, 2018.

Key Highlights

- In Badya, the Company achieved New Sales of EGP4.8 billion (1,935 residential units) since its launch in May 2018.
- New Sales (Residential and Commercial) amounted to EGP12.5 billion, a growth of 18% YoY with 3,102 units sold, compared to 2,136 units during FY2017. Growth in New Sales was led by the successful launch of Badya, continued uptake of residential units in Palm Hills New Cairo, complemented by the remarkable 168% YoY growth in commercial sales to EGP1.8 billion. During the year, the Company sold PK2 Mall, clinics in Hale Town, and retail space in Hacienda Bay's Lake Yard, Golf Extension, VGK Mall, and The Lane Mall.
- PHD concluded securitization and discounting of receivables portfolio of EGP942 million in relation to 663 handed over units during FY2018, with proceeds mostly directed towards deleveraging the Balance Sheet.
- In 1Q2019, the Company expects to finalize discounting and securitization (non-recourse) transactions of receivables portfolio of c. EGP1.0 billion, in relation to 861 delivered units in the following projects: Palm Parks, Palm Valley, Golf Views, Golf Extension, Palm Hills Katameya (1 & 2), Hacienda Bay and Hacienda White 2. The transactions' proceeds will be utilized entirely in the partial repayment of existing debt.
- The Company successfully concluded its recent EGP1.54 billion Rights Issue, with 3.3 times oversubscription during the second subscription round. The newly issued shares commenced trading on the EGX & LSE on December 30, 2018.
- Revenue grew by 12% YoY reaching EGP7.4 billion, surpassing the previously announced target of EGP6.8 billion. Revenue growth resulted from an increase in handover of residential units in Palm Parks, Golf Extension, Hacienda Bay, Hacienda White 2 and Palm Valley, complemented by 19% YoY increase in New Sales including a higher number of standalone units in Palm Hills New Cairo, Badya and Golf Extension.
- As part of the Company's strategic focus on profitable growth, margins continued to improve across the board during FY2018. Gross Profit increased 23% YoY to EGP2.6 billion, coupled with 21% YoY growth in EBITDA recording EGP1.6 billion, an EBITDA margin of 22%.
- Net Profit after Tax and Minority Interest stood at EGP812 million, translating into a Net Profit margin of 11%. Net Profit was negatively impacted by one-time charges relating to securitization and discounting of receivables by EGP114 million, interest charges on land liabilities of EGP249 million and an increase in Income Tax Expenses post the expiry of a subsidiary's tax break.
- The Company handed over 1,541 units, surpassing its previously announced target of 1,500 units in FY2018. The majority of handed over units were in Palm Parks, Golf Views, Golf Extension, Hacienda Bay, and Hacienda White 2. Notably, PHD started delivering units in Palm Valley and The Lane Mall in West Cairo.

Yasseen Mansour, Chairman & Group CEO Comments:

I am pleased to share with you our full year 2018 financial results. We have made further progress this year on our strategic ambition of enhancing our financial performance with growth in sales, handovers, and profitability margins, led by successful launches and monetization of commercial offerings.

New Sales grew 18% YoY to mark EGP12.5 billion following the successful launch of Badya, where we sold 1,935 units worth EGP4.8 billion. This strong sales figure does not include the bulk of Palm Hills Alexandria, where its results will reflect during FY2019.

We continued to gain market share with 3,102 units sold during FY2018. PHD continued to lead the market with 1,541 units handed over to clients, as we spent EGP1.5 billion on construction.

Our P&L continued to improve during FY2018, reflecting our focus on profitable growth and margins expansion with Revenue of EGP7.4 billion, Gross Profit margin of 35%, EBITDA margin of 22%, Net Profit after Tax & Minority Interest of EGP812 million.

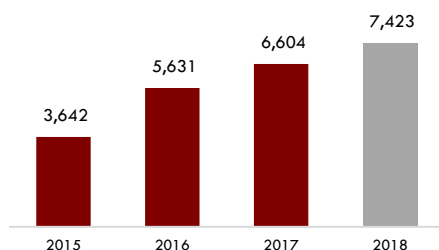
The recurring income portfolio contributed 10% to Net Profit in FY2018, following the swift recovery of tourism coupled with steady growth in Palm Club's operations. We are targeting to expand the portfolio's contribution over the next few years with aims to reach 20% by 2022.

We listened to the investor community's concerns regarding leverage. Although we were comfortable with our Net Debt position, we reduced Net Debt by 45% YoY to EGP1.9 billion by end of FY2018, down from EGP3.6 billion a year earlier, further solidifying our Balance Sheet where receivables cover Net Debt 9.4 times. Net Debt/EBITDA stood at 1.2x in FY2018, compared to 2.6x in FY2017. Our commitment to deleverage the Balance Sheet continues in FY2019.

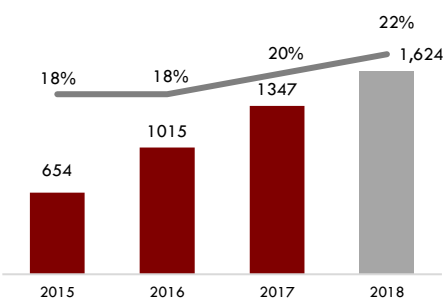
Regarding Botanica, we were pleased with the reallocation and rezoning of some state-owned land on Cairo Alexandria highway to the New Urban Communities Authority ("NUCA") in accordance with the recent presidential decrees, which will positively impact Botanica's allowable built up area and valuation as part of the New Sphinx City, given Botanica's proximity to Sphinx International Airport. Looking at the North Coast, we are pleased with the approval of the region's strategic master plan, which will positively affect Hacienda West. We are still negotiating the co-development agreement of the mixed-use plot spreading 205 feddan in West Cairo and hope to reach a definitive agreement during 1H2019.

Looking ahead, we are eyeing New Sales of EGP14 billion in FY2019, to deliver 1,350 units, spend EGP2.2 billion on construction, recognize Revenue of EGP7.5 billion, achieve a Gross Profit margin above 38%, which should lead to a Net Profit of more than EGP1 billion.

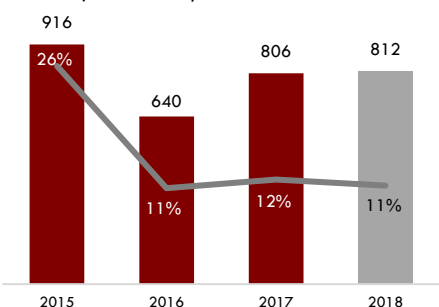
Revenue
(2015-2018, EGP Million)



EBITDA & EBITDA Margin
(2015-2018, EGP Million)



Net Profit after Tax & Minority Interest
(2015-2018, EGP Million)



Financial Review

EGP Million	4Q2018	4Q2017	Change	FY2018	FY2017	Change
Revenue	1,767	1,846	(4%)	7,423	6,604	12%
Gross Profit	466	628	(26%)	2,587	2,103	23%
Gross Profit margin	26%	34%	(8pp)	35%	32%	3pp
EBITDA	183	409	(55%)	1,624	1,347	21%
EBITDA margin	10%	22%	(12pp)	22%	20%	2pp
Net Profit before Tax & Minority Interest	172	385	(55%)	1,159	1,103	5%
Net Profit after Tax & Minority Interest	172	339	(49%)	812	806	1%
Net Profit margin	10%	18%	(8pp)	11%	12%	(1pp)
New Sales	2,620	2,398	9%	12,463	10,539	18%

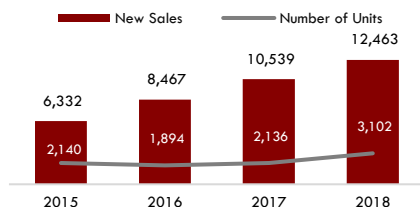
Revenue for FY2018 grew by 12%YoY to EGP7.4 billion, driven by New Sales of standalone units in Palm Hills New Cairo, Badya and The Crown, complemented by the handover of 1,541 units (1,511 residential and 30 commercial units). A large percentage of handovers were in Palm Parks, Hacienda Bay, Hacienda White 2, Golf Extension and Woodville. Notably, the Company commenced handovers in Palm Valley, The Lane Mall and Palm Central ahead of schedule.

While Gross Profit increased by 23% YoY to record EGP2.6 billion, a margin of 35%, higher 3pps YoY. Profitability margins continued to improve with support from sold standalone units and the handover of high margin residential units. EBITDA grew 21% YoY to EGP1.6 billion, an EBITDA margin of 22%. Net Profit after Tax and Minority Interest stood at EGP812 million, at par with last year. Notably, Net Profit of FY2018 was negatively impacted by interest charges on land liabilities (EGP249 million) coupled with one off charges relating to securitization and discounting of receivables (EGP114 million), as well as an increase in Income Tax Expenses post the expiry of a subsidiary's tax break.

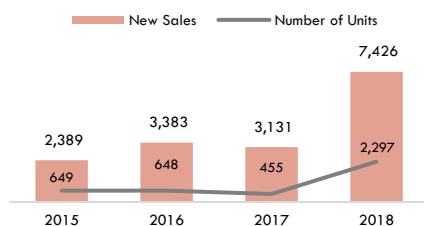
Looking into 4Q2018, Revenue decreased 4% YoY to EGP1.8 billion due to the difference in sales mix with lower number of standalone units sold during 4Q2018, coupled with the delivery of units in some of the projects currently under development. During 4Q2018, the Company managed to speed up construction works in Palm Valley, The Lane Mall and Palm Central resulting in the handover of 56 residential and commercial units ahead of schedule. Gross Profit and EBITDA amounted to EGP466 million and EGP183 million, a margin of 26% and 10%, respectively. Net Profit after Tax & Minority Interest stood at EGP172 million, a margin of 10%.

Net Debt/EBITDA stood at 1.2x in FY2018, down from 2.6x in FY2017. By end of 2018, Receivables recorded EGP18.4 billion, compared to EGP15.3 billion in 2017, covering Net Debt by 9.4 times.

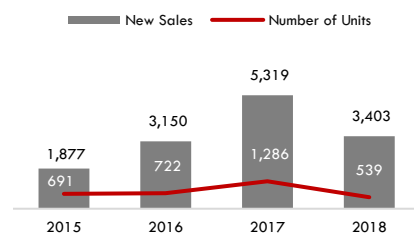
New Sales, All Regions¹ (2015-2018, EGP Million)



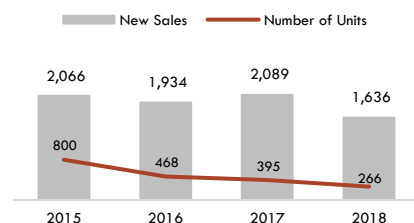
New Sales, West Cairo¹ (2015-2018, EGP Million)



New Sales, East Cairo¹ (2015-2018, EGP Million)



New Sales, North Coast & Alexandria¹ (2015-2018, EGP Million)



Operational Review

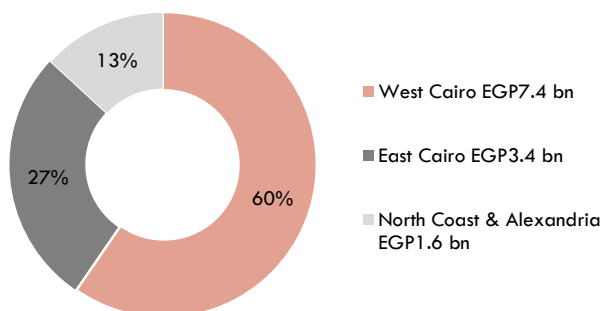
18% YoY growth in New Sales driven by demand for residential and commercial offerings

New Sales recorded EGP12.5 billion in FY2018, a growth of 18% YoY, of which EGP10.7 billion were generated by residential sales and EGP1.8 billion from commercial sales. Badya was the largest contributor accounting for 45% of Residential New Sales, followed by Palm Hills New Cairo (17% of Residential New Sales) and Palm Hills Alexandria (8% of Residential New Sales).

During the year, commercial sales witnessed an unprecedented growth of 168% YoY to record EGP1.8 billion, driven by the sale of PK2 Mall in East Cairo, retail outlets in Hacienda Bay's Lake Yard, in addition to units in VGK and The Lane Malls, as well as sales of retail space in Golf Extension and clinics (Hale Town) in Golf Views.

Total number of units sold (residential and commercial) increased 45% YoY to 3,102 units (2,136 units in FY2017), comprising 2,977 residential and 125 commercial units.

In 4Q2018, New Sales grew 9% YoY to EGP2.6 billion. Residential sales increased 3% YoY to EGP2.3 billion, while commercial sales witnessed a remarkable 95% growth YoY reaching EGP303 million, mostly due to the sale of retail space in Golf Extension and clinics in Hale Town. The following chart shows percentage contribution of each operating region to New Sales during FY2018:



In West Cairo, New Sales amounted to EGP7.4 billion, (including residential sales by EGP6.7 billion). More than 70% of the region's New Sales were generated by Badya (EGP4.8 billion since its launch in May 2018), followed by The Crown (EGP720 million). Commercial sales recorded EGP683 million, a growth of 17%.

In East Cairo, New Sales decreased 36% YoY to EGP3.4 billion in FY2018, due to the comparison with a high base in the previous period, which seen strong uptake in Palm Hills New Cairo. During FY2018, the Company sold residential and commercial units worth EGP2.5 billion and EGP863 million respectively in East Cairo.

In the North Coast and Alexandria, New Sales stood at EGP1.6 billion during FY2018, mostly due to the launch of Palm Hills Alexandria during December 2018, where the Company achieved EGP863 million (111 units). On the commercial front,

¹ - New Sales represent Gross New Sales which includes residential and commercial segments.



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New Sales recorded EGP225 million in FY2018, following the launch of Lake Yard at Hacienda Bay.

The Company handed over 1,541 units, surpassing its previously announced target of 1,500 units in FY2018. The bulk of handovers were in the following projects: Palm Parks, Golf Views, Golf Extension, Hacienda Bay, and Hacienda White 2. PHD started delivering units in Palm Valley (30 units) and The Lane Mall (19 retail outlets). Construction activities recorded an earned value of EGP1.5 billion during FY2018.

Recurring income portfolio from our three hotels and commercial real estate segment contributed 10% to Net Profit. The number of memberships in Palm Club stood at 3,150 memberships by end of FY2018.

Outlook

PHD expects to spend EGP2.2 billion on construction during FY2019 with further acceleration in the pace of handovers and deliveries target of 1,350 units. The Company expects to complete few projects during the year including Palm Valley, Golf Extension and Woodville in West Cairo, as well as Palm Hills Katameya extension 2 in East Cairo.

The Company is eyeing New Sales of EGP14 billion, capitalizing on Badya, Palm Hills Alexandria, Palm Hills New Cairo and further value unlocking from commercial assets.

PHD intends to engage in further securitization and discounting transactions in FY2019 as the interest rate environment improves further.

Consolidated Income Statement ² (Egyptian Accounting Standards)

EGP Thousands	4Q2018	4Q2017	%	2018	2017	%
Revenue	1,766,740	1,845,734	(4%)	7,422,756	6,603,539	12%
Cost of Revenue	(1,300,562)	(1,218,232)	7%	(4,835,433)	(4,500,248)	7%
Gross Profit	466,179	627,503	(26%)	2,587,323	2,103,291	23%
Gross Profit Margin	26%	34%	(8pp)	35%	32%	3pp
General Administrative, Selling and Marketing Expenses	(283,288)	(218,754)	30%	(963,480)	(756,284)	27%
EBITDA	182,891	408,749	(55%)	1,623,843	1,347,007	21%
EBITDA Margin	10%	22%	(2pp)	22%	20%	2pp
Administrative Depreciation	(25,402)	(5,402)	NA	(66,807)	(20,476)	NA
Operating Profit	157,489	403,347	(61%)	1,557,035	1,326,531	17%
Less:						
Finance Cost & Interests	7,671	(50,582)	(115%)	(200,064) ³	(207,738)	(4%)
Securitization of Notes Receivables	-	-	-	(114,003)	(116,441)	(2%)
Interest on Land Purchase Liabilities	(59,123)	(14,301)	NA	(249,565)	(124,024)	NA
Provisions	(59)	(65,638)	NA	(12,248)	(70,308)	(83%)
Add:						
Recoverable Interest on Land Purchase Liabilities	-	80,744	NA	-	163,568	NA
Interest Income - Amortization of Discount on Notes Receivables	20,131	16,798	20%	80,526	67,191	20%
Interest Income on Held to Maturity Investments	43,137	13,500	220%	88,882	58,571	52%
Gain from Held for Trading Investment	2,550	1,422	79%	8,693	6,011	45%
52Net Profit Before Income Tax & Minority	171,796	385,289	(55%)	1,159,257	1,103,360	5%
Income Tax Expense	24,338	(45,866)	NA	(251,517)	(162,100)	55%
Deferred Tax	(420)	(5,587)	(92%)	(874)	(4,790)	(82%)
Net Profit After Tax	195,714	333,835	(41%)	906,866	936,471	(3%)
Non-Controlling Interest	(24,191)	4,808	NA	(95,124)	(130,833)	(27%)
Net Profit After Tax & Minority Interest	171,523	338,643	(49%)	811,742	805,637	1%
Net Profit After Tax & Minority Interest Margin	10%	18%	(8pp)	11%	12%	(1pp)

2- The Company's consolidated financial statements for the period ended December 31, 2018, prepared in accordance with Egyptian Accounting Standards ('EAS'), can be downloaded from our Company's website: www.palmhillsdevelopments.com

3- Finance cost & Interest includes Capital lease interest of EGP115 million and Finance Cost of EGP84 million.



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Consolidated Balance Sheet (Egyptian Accounting Standards)

EGP Thousand	December 31, 2018	December 31, 2017
Long-Term Assets		
Investments in Associates	97,447	83,615
Investment Property	769,612	758,690
Notes Receivable - Long Term	13,087,429	11,356,555
Projects Under Construction	106,030	882,473
Advance Payments for Investments Acquisitions	194,598	184,336
Fixed Assets (Net)	1,427,791	347,278
Deferred Tax Asset	4,469	5,485
Other Long-Term Assets	1,391	1,391
Employee Stock Option Program (ESOP)	-	83,414
Total Long-Term Assets	15,688,768	13,703,236
Current Assets		
Works in Process	9,091,530	9,193,761
Held to Maturity Investments	1,750,819	467,935
Cash & Cash Equivalents	955,738	562,030
Notes Receivable - Short Term	4,235,390	3,012,453
Investments at Fair Value	75,867	51,427
Accounts Receivable	1,061,705	883,344
Suppliers - Advance Payments	494,373	486,084
Debtors & Other Debit Balances	984,451	589,211
Due from Related Parties	359,633	251,408
Guaranteed Payments - Joint Arrangements Partners	-	50,000
Total Current Assets	19,009,505	15,547,652
Total Assets	34,698,273	29,250,888
Current Liabilities		
Banks - Credit Balances	57,736	50,561
Banks - Overdraft	897,807	374,696
Advances from Customers	11,484,809	10,132,168
Completion of Infrastructure Liabilities	95,083	95,083
Provisions	251,706	240,244
Current Portion of Land Purchase Liabilities	158,982	102,493
Notes Payable - Short Term	1,586,918	1,239,625
Current Portion of Term Loans	1,101,130	979,574
Suppliers & Contractors	704,440	543,392
Income Tax Payable	251,569	162,100
Creditors & Other Credit Balances	617,219	523,428
Due to Joint Arrangements Partners	749,683	174,562
Due to related Parties	28,188	96,617
Total Current Liabilities	17,985,272	14,714,542
Working Capital	1,024,234	833,110
Total Investment	16,713,001	14,536,345
<i>Financed as Follows:</i>		
Shareholders' Equity		
Issued and Paid-In Capital	6,157,199	4,617,899
Legal Reserve	708,524	682,810
Special Reserve	476,064	476,064
ESOP Re-measurement Reserve	-	43,010
Retained Earnings	556,922	76,127
Net Profit for the Period/Year	811,742	805,638
Equity Attributable to Equity Holders of Parent Co.	8,710,451	6,701,549
Non-Controlling Interest	505,090	538,436
Total Shareholders' Equity	9,215,541	7,239,985
Long Term Liabilities		
Land Purchase Liabilities	298,280	335,844
Notes Payable - Long Term	1,660,457	1,912,929
Other Long-Term Liabilities - Residents' Association	1,671,536	1,083,208
Loans	2,657,712	3,228,805
Due to Joint Arrangements Partners	1,209,477	735,573
Total Long-Term Liabilities	7,497,460	7,296,360
Total Equity & Long-Term Liabilities	16,713,001	14,536,345

Cash Flow Statement

(Egyptian Accounting Standards)

EGP Thousand	December 31, 2018	December 31, 2017
Net Profit for the period (Before Income Tax & Non-Controlling Interest)	1,159,257	1,103,360
Administrative Depreciation	85,077	36,820
Provision Formed	12,248	70,308
Securitization of Receivables Interest	114,003	116,441
Interest on Land Purchase Liabilities	249,565	124,024
Finance Costs & Interest	200,064	207,738
Gain (loss) on Disposal of fixed assets	(1,039)	(1,538)
Share of Profit/Loss of Associates	(11,852)	(4,390)
Gains on Investments in Fair Value through Profit or Loss	(8,693)	(6,011)
Interest Income on held to maturity investments	(88,882)	(58,571)
Recoverable Interest on Land Purchase liabilities	-	(163,568)
Interest Income - Amortization of Discount on Notes Receivables	(80,526)	(67,191)
Operating Profit Before Changes in Working Capital Items	1,629,220	1,357,423
Changes in Working Capital Items		
Change in Work in Process	(204,574)	(2,090,446)
Change in Notes Receivables	(2,873,286)	(3,706,248)
Change in Investments in Fair Value through Profit or Loss	(1,282,884)	(314,607)
Change in Held to maturity Investments	(24,440)	7,044
Change in Accounts Receivable	(178,362)	(126,287)
Change in Suppliers - Advance Payments	(8,289)	2,981
Change in Debtors & Other Debit Balances	(395,240)	(370,734)
Change in Due from Related Parties	(108,225)	(7,283)
Change in Guaranteed Payments - Joint Arrangements	50,000	(10,000)
Change in Advances from Customers	1,352,641	2,387,413
Change in Investments purchase liabilities	-	(44,257)
Provisions	(786)	549
Change in Due to Related Parties	(68,429)	(34,717)
Changes in Notes Payables	(154,744)	1,605,095
Change in Suppliers & Contractors	161,047	94,927
Income Tax Paid	(162,048)	(126,629)
Change in Creditors and Other Credit Balances	93,791	1,172
Change in Other Long Term - Residents' Association	588,327	346,764
Due to Joint Arrangements Partners	1,049,025	749,710
Net Cash (Used In) Operating Activities	(537,252)	(278,131)
Cash Flows from Investing Activities		
Payments for Purchase of Fixed Assets	(52,297)	(38,329)
Proceeds from Sale of Fixed Assets	1,250	1,560
Investments in sister companies	(1,979)	-
Payment for Investments Acquisition	(10,262)	-
Proceeds from Payments for Projects Under Construction	(9,581)	(24,812)
Proceeds from real estate investments	(12,673)	128,066
Proceeds from Investments in Fair Value through Profit or Loss	8,693	6,011
Interest Received on Held to Maturity Investments	88,882	58,571
Cash Flows from Investing Activities	(12,032)	131,066
Cash Flows from Financing Activities		
Proceeds from Capital Increase	1,539,299	-
Banks - Credit Balances	7,175	8,384
Banks - Overdraft	523,111	295,285
Adjustments to Retained Earnings	(299,129)	(288,521)
Proceeds from ESOP	40,404	9,390
Non-Controlling Interest - Dividends	(128,471)	(4,548)
Deferred Tax	141	28
Special Reserve	-	(48,149)
Proceeds from Loans	566,192	559,832
Repayment of Loans	(1,015,730)	(306,944)
Finance Costs & Interests	(314,067)	(324,179)
Net Cash Provided by Financing Activities	918,928	(99,422)
Net Increase in Cash & Cash Equivalents during the Period	393,707	(246,486)
Cash & Cash Equivalents at Beginning of the Period	562,030	808,517
Cash & Cash Equivalents as at 31 December 2018	955,738	562,030



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About Palm Hills Developments

Palm Hills Developments ("PHD"), a leading real estate developer in Egypt, is a joint stock company established in 1997. The Company builds integrated communities and has one of the most diversified land bank portfolios, spreading over 40.6 million square meters ("sqm") in Egypt, including 5 million sqm in Saudi Arabia. PHD'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 2018, PHD delivered more than 9,643 units within its developments, including more than 4,968 units in 12 completed projects. Today, PHD has 11 projects under development, 5 projects in West Cairo, 4 projects in East Cairo and 2 projects in the North Coast, in addition to 5 new projects including 4 co-developments, translating into a sales backlog of EGP14.8 billion (Residential segment by EGP13.8 billion and commercial segment by EGP1 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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