



باديكو القابضة
PADICO HOLDING

PADICO HOLDING NEWS

PADICO HOLDING Quarterly Newsletter - Issue 2 - May 2011

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PEX Preceding All Arab Exchanges

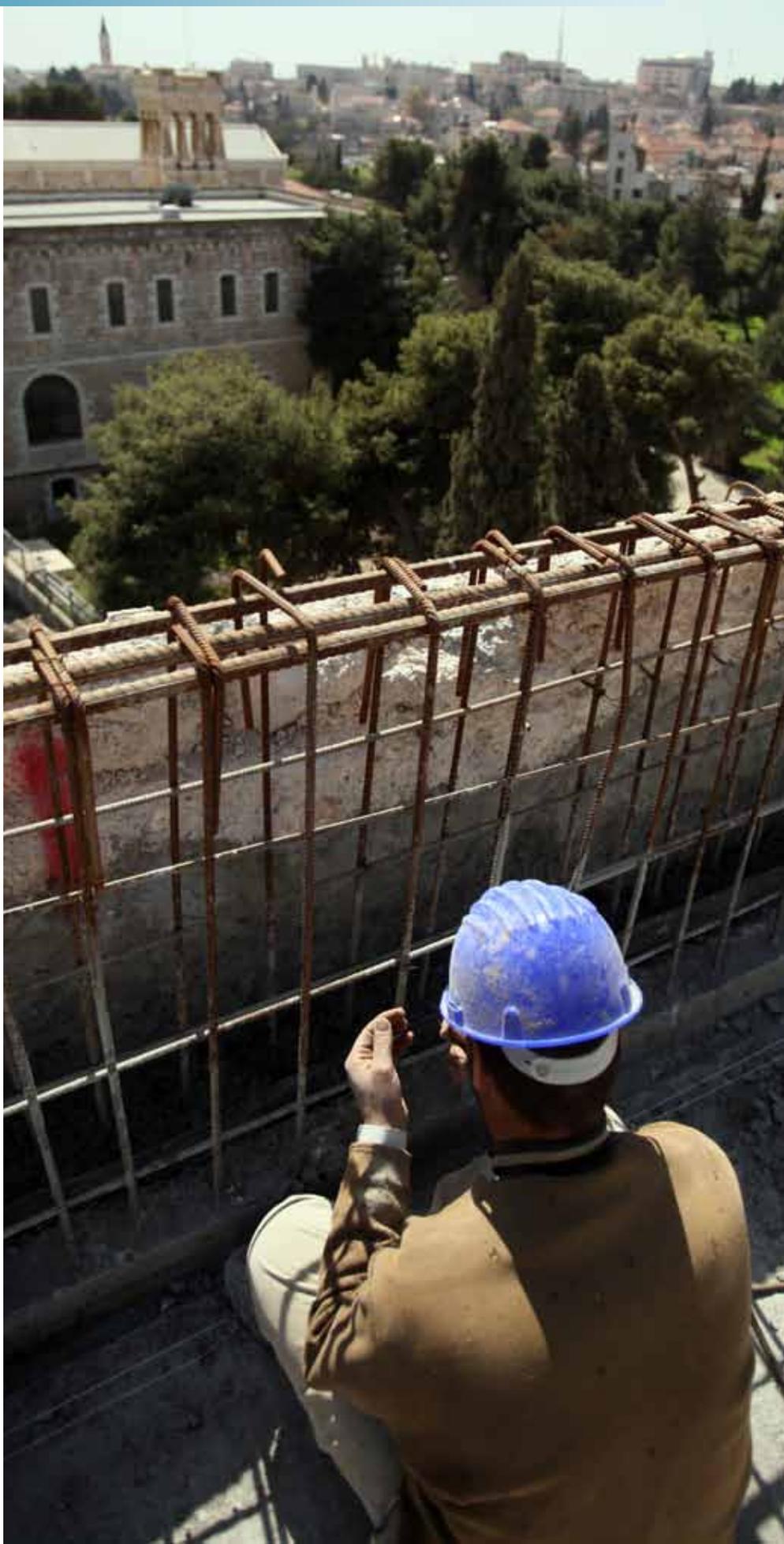
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Jericho Gate Real Estate Investment Co. Purchases 3,000 Dunums of Land in Jericho

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Opening Statement

The Palestinian national economy has managed to score growth beyond all projections. According to preliminary estimates released by the Palestinian Central Bureau of Statistics (PCBS) on 23 March 2011, the Palestinian economy in both the West Bank and the Gaza Strip registered a growth of 9.3% in 2010 compared to 2009 – a percentage that well exceeded earlier projections posed by local and international organisations.

In line with PCBS's data, Q4 2010 witnessed a major progress. In the last three months of 2010, the Palestinian economy marked a growth of 2.8% compared to Q3 2010, and 8.5% compared to Q3 2009. Accordingly, GDP in the Palestinian territory rose to US\$ 1,477 million in Q4 2010 in comparison to US\$ 1,137 million in Q3 2010.

Compared to Q3 2010, economic growth in Q4 2010 amounted to 5.5% and 5.2% in the West Bank and Gaza Strip, respectively.

In comparison to 24.5% in late 2009, unemployment dropped to 23.7% in the end of 2010. Marking a lower rate than previous years, unemployment stood at 17.2% in the West Bank and at 37.8% in the Gaza Strip by the end of 2010.

Despite the fact that public expenditure, which is backed by international aid, has constituted the primary source of economic growth over the past three years, 2010 marked a significant activity within the private sector, which is well positioned to lead the national economy.

Heading Arab exchanges, Al Quds Index of the Palestine Exchange (PEX) closed at 497.67 points at the end of Q1 2011, registering a rise of 1.65% compared to the end of the year 2010 closing. Compared to the end of 2010, PEX was the single Arab exchange to close with a rise in the end of Q1 2011. Out of 42 companies listed on PEX towards the end of 2010, 31 companies achieved profits and 11 suffered losses. 19 companies decided to distribute dividends to shareholders. Alongside a number of subsidiaries and affiliates, PADICO HOLDING was on top of companies that achieved profits. The majority of PADICO HOLDING's subsidiaries and affiliates also decided to distribute dividends to shareholders. In 2010, PADICO HOLDING made a net profit of US\$ 38.75 million. PADICO HOLDING's Board decided to recommend to the General Assembly to distribute cash dividends of US\$ 15 million to shareholders. This amount comprised 6% of PADICO HOLDING's

paid in capital. PALTEL Group also achieved significant results with a net profit of JD 86.3 million. PALTEL's General Assembly also approved the Board's recommendation to distribute cash dividends of JD 52.6 million to shareholders. This allocation represents 40% of PALTEL's paid-in capital. The Palestine Poultry Company (PPC) continued to make progress through achieving profits of JD 4.4 million. PPC's Board also decided to recommend to the General Assembly to distribute a total dividend of 20% to shareholders. This includes 8% cash dividends and 12% stock dividends.

The General Assembly of the Palestine Real Estate Investment Company (PRICO) approved the Board's recommendation to distribute a cash dividend of 6%, or JD 2.91 million, to shareholders.

The Palestine Industrial Investment Company (PIIC) achieved profits of JD 4.05 million. PIIC's Board decided to recommend to the General Assembly to distribute 8% of the company's capital as cash dividends.

The Vegetable Oil Industries Company (VOIC) made a profit of JD 2 million. VOIC's Board decided to recommend to the General Assembly to distribute 15% of the company's capital as cash dividends.

According to preliminary results, the operational performance of PADICO HOLDING and its affiliate and subsidiary companies has continued to expand. Anticipating continued security and political stability as well as enhanced public expenditure by the Palestinian National Authority (PNA), it is projected that these companies make better results than those achieved in 2010, positively impacting the performance of shares belonging to PADICO HOLDING as well as subsidiaries and affiliates on PEX.

The excellent results achieved by both PADICO HOLDING and its subsidiaries and affiliates are an outcome of PADICO HOLDING's commitment to provide rewarding returns to shareholders. This is a clear indicator that the local market is positively perceiving the Company's restructuring plans, which will in turn increase the flow of to the Company's stock and enhance its turnover. It will also expand PADICO HOLDING's investor base, providing a further opportunities for growth and expansion in the Palestinian market.

News from PADICO HOLDING

PADICO HOLDING Finalises Preparations to Issue The First Corporate Bonds in Palestine

PADICO HOLDING has finalised all necessary preparations required to issue the first corporate bonds in Palestine, under the supervision of regional financial advisors and lead manager Ithmar Invest and AB Invest. Preparations also included cooperation efforts with relevant official Palestinian bodies including the Palestinian Monetary Authority (PMA), the Palestine Capital Market Authority (PCMA), and the Ministry of National Economy. Issuing corporate bonds represent a milestone for the Palestinian national economy in general, and the financial sector in particular. This step will introduce new investment tools and financing alternatives outside the customary bank loans. It will also enable local investors, especially banks and financial institutions, to diversify their investments as well as benefit from cash surpluses and obtain economically feasible returns that compete with similar investment opportunities in regional and international markets. This bond issue represents a pioneering experience that can be built on in the near and medium future, especially in terms of obtaining a country credit rating for Palestine. This issue will also provide an incentive to other private sector companies to follow PADICO HOLDING's example. PADICO HOLDING has secured commitment from several banks and banking institutions to subscribe in the corporate bonds that will be announced in a private launching event. At a par value of US\$ 10,000 per bond, PADICO HOLDING will issue 7,000 corporate bonds at a total value US\$ 70 million. Issuing the first corporate bonds in Palestine is part of PADICO HOLDING's plan to restructure its debt, and engage in vital investment initiatives, along with its subsidiaries and affiliates, that require some time to become income generating.

PADICO HOLDING Finalises Preparations to Launch the First Palestinian Depositary Receipts Program (DRs)

Over the past few months, PADICO HOLDING has finalised all preparations required to launch the first Palestinian Depositary Receipts program (DRs), to be traded on London Stock Exchange (LSE). The company has already signed an agreement with Bank of New York Mellon to appoint it as the depositary bank. It is worth noting that Bank of New York Mellon is considered a leading financial institution in this regard, with its international market share of DR sponsorships exceeding 63%. As part of the preparations, PADICO HOLDING has also coordinated with all relevant official Palestinian entities, including the Palestine Capital Market Authority and the Palestine Security Exchange.

Launching the first Palestinian DR program is considered a significant step for PADICO HOLDING and for the Palestinian financial services sector in general. This program will enable foreign investors to purchase PADICO HOLDING's shares in the local market through acquiring certificates issued by Bank of New York Mellon in international markets. This initiative will attract international institutions and foreign funds to the Palestinian market, and encourage them to look for business opportunities in it. Furthermore, introducing this new investment tool will contribute to promoting the local financial market's stability and increasing trading volumes. Launching the programme will also help PADICO HOLDING to retain a wider international coverage by diversifying and expanding its shareholders base, thereby positively impacting the company's share price and its stability.



Jericho Gate Real Estate Investment Co. Purchases 3,000 Dunums of Land in Jericho

The Jericho Gate Real Estate Investment Company purchased 3,000 dunums of land located at the southern entrance of the city of Jericho. Following negotiations of more than a year, this is by far the largest real estate transaction in the company's history. The Jericho Gate Real Estate Investment Company has already initiated the licensing and registration procedures of the land, as part of the overall development plan. The plan entails constructing tourism, real estate and entertainment facilities over the next 10 years. Targeting internal, regional and international tourism, the proposed projects will include the construction and development of various tourism and entertainment facilities including hotels, resorts, water parks, in addition to others.

It should be noted that the Jericho Gate Real Estate Investment is a private shareholding company, incorporated by PADICO HOLDING and the PALTEL Group, with a capital of JD 35 million, and a 50% holding for each.

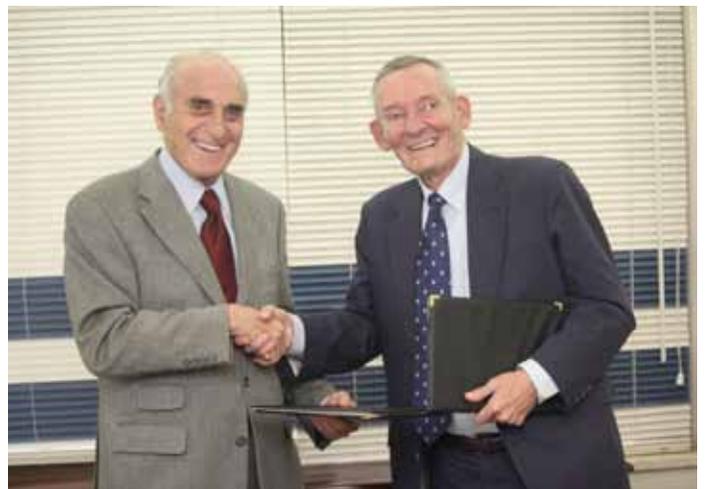
PADICO HOLDING Signs a MoU with the UNDP, Paving the Way for Partnerships with International Organisations in Infrastructure Projects

PADICO HOLDING has recently signed a MoU with the United Nations Development Programme (UNDP), in a step to pave the way for partnerships in infrastructure projects, particularly in the fields of water, wastewater management, solid waste management, and seawater desalination.

Mr. Munib R. Masri, PADICO HOLDING's Chairman, signed the MoU with Mr. Timothy Rothermel, UNDP Special Representative in the Palestinian Territory. The MoU states that a framework of joint cooperation between both parties will be developed in several development sectors, including solid waste management, wastewater management, seawater desalination, renewable energy, and information sharing in respective sectors.

In particular, both parties will examine partnership opportunities related to developing and managing a wastewater treatment facility in Khan Yunis in the Gaza Strip.

The MoU is in line with PADICO HOLDING's investment plan for the upcoming years which focuses investments in the infrastructure sector. PADICO HOLDING has already started the implementation of several projects in this vital sector.



PADICO HOLDING and the Northern Gaza Solid Waste Management Council sign A MoU for the Construction of a Joint Solid Waste Recycling Project

PADICO HOLDING and the Northern Gaza Solid Waste Management Council signed a memorandum of understanding (MoU) for the construction of a joint solid waste recycling project that will provide services for solid waste sorting and organic fertilizer production.

Through this MoU, PADICO HOLDING reiterates its commitment to investing in the Gaza Strip in spite of the current dire conditions. PADICO HOLDING continues to search for projects that contribute to driving the national economy and reducing unemployment. According to the MoU, PADICO HOLDING will be responsible for developing an economic feasibility study and environmental impact assessment as well as for providing needed funds, equipment and assembly lines for the proposed project. On the other hand, the Northern Gaza Solid Waste Management Council will

provide all available information about the solid waste sector and assist PADICO HOLDING in securing the land needed for the project.

The project will contribute to providing raw materials to be used as production inputs, including carton, plastics and metals. It will also produce organic fertilizers at preferential and competitive prices. This project will also help extend the life span of existing sanitary landfills, through alleviating the pressure imposed on them by the increasing amounts of municipal solid waste.

This prospective solid waste recycling project complements PADICO HOLDING's plan to invest in the solid waste management sector. PADICO HOLDING has already incorporated the Palestinian Solid Waste Recycling Company (TADWEER), launched a solid waste recycling project in Nablus, and contributed to installing the solid waste recycling project in Jenin.

PADICO HOLDING Denounces the Israeli Destruction of its Facilities in the Gaza Industrial Estate



On April 21st 2011, the Israeli occupying forces raided the Gaza Industrial Estate, PADICO HOLDING's main investment in the Gaza Strip. Without prior notice and during Jewish holidays, Israeli bulldozers and tanks demolished more than 8 industrial facilities near Al Muntar (Karnei) Crossing. The Israeli army also destroyed the main electricity transformer in the Gaza Industrial Estate, cutting electricity off all facilities in the area. Meanwhile, Israeli troops opened fire indiscriminately on PADICO HOLDING's staff members, who attempted to reach the Industrial Estate, preventing them from accessing the area.

In an official statement, PADICO HOLDING strongly deplored the Israeli offense and demanded that the Palestinian Government fulfil its responsibilities towards the private sector, and urgently intervene to halt these grave Israeli aggressions and encroachments. PADICO HOLDING confirmed that it will take all expedient legal measures to prosecute the Israeli government through all relevant judicial bodies. Furthermore, PADICO HOLDING demanded that the international community shoulder its responsibility and immediately intervene and put an end to this serious Israeli escalation, which has further deteriorated the suffering and losses incurred by the Company in the Gaza Strip.



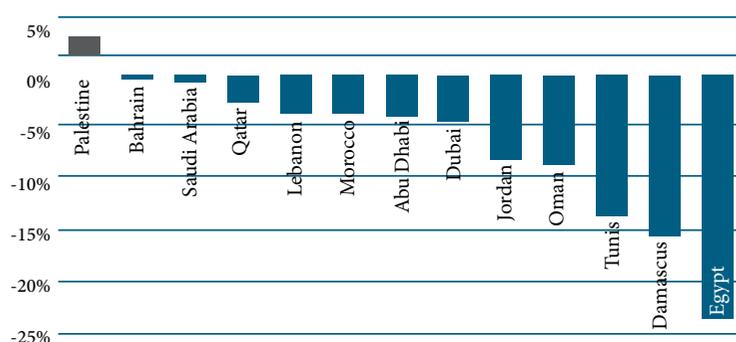
News From Subsidiaries and Affiliates

PEX Preceding All Arab Exchanges

Al Quds Index Alone In Green Amongst Arab Exchanges in Q1 2011

Al-Quds Index led all Arab markets' indices as at March 31st 2011, whereby it closed at 497.67 points, or up by 1.65% compared to the 2010 closing. Compared to all other Arab markets which sustained various losses over the reporting period, PEX marked the sole rise and was the only exchange in green amongst Arab exchanges by the end of Q1 2011.

PEX Compared to Other Regional Exchanges



Trading number of shares	49,284,177
Trading value (US\$)	86,609,730
Number of transactions	20,058
Market cap	2,814,959,352
Daily trading average	1,353,277

PEX Regular General Assembly Meeting Convenes

On April 4th 2011, PEX's General Assembly held a regular meeting at its main office in Nablus. A number of issues on the session agenda were addressed. The General Assembly also viewed the PEX Board's report on PEX operations ending in 2010. Following deliberations, the report was adopted by a unanimous vote. In addition to discussing and approving the Auditor's report, the General Assembly endorsed PEX's financial statements for 2010.

PEX Posts a Comprehensive Information Package on its Website

As part of its ongoing efforts to facilitate activities implemented by PEX's Clearance, Depository and Settlement Centre (CDS), and to better serve shareholders, investors and listed companies, PEX announced that it will be providing updated data about all procedures undertaken by the CDS regarding all listed companies. Examples of such data include distribution of stock dividends, any increase or reduction of a listed company's capital, public and private offerings, dilution of shares, etc.

Palestine Industrial Investment Company's Board Recommends the Distribution of 8% Cash Dividends to Shareholders for 2010

On February 24th 2011, the Board of the Palestine Industrial Investment Company (PIIC) recommended to the General Assembly to distribute cash dividends amounting to 8% of the shares' par value.

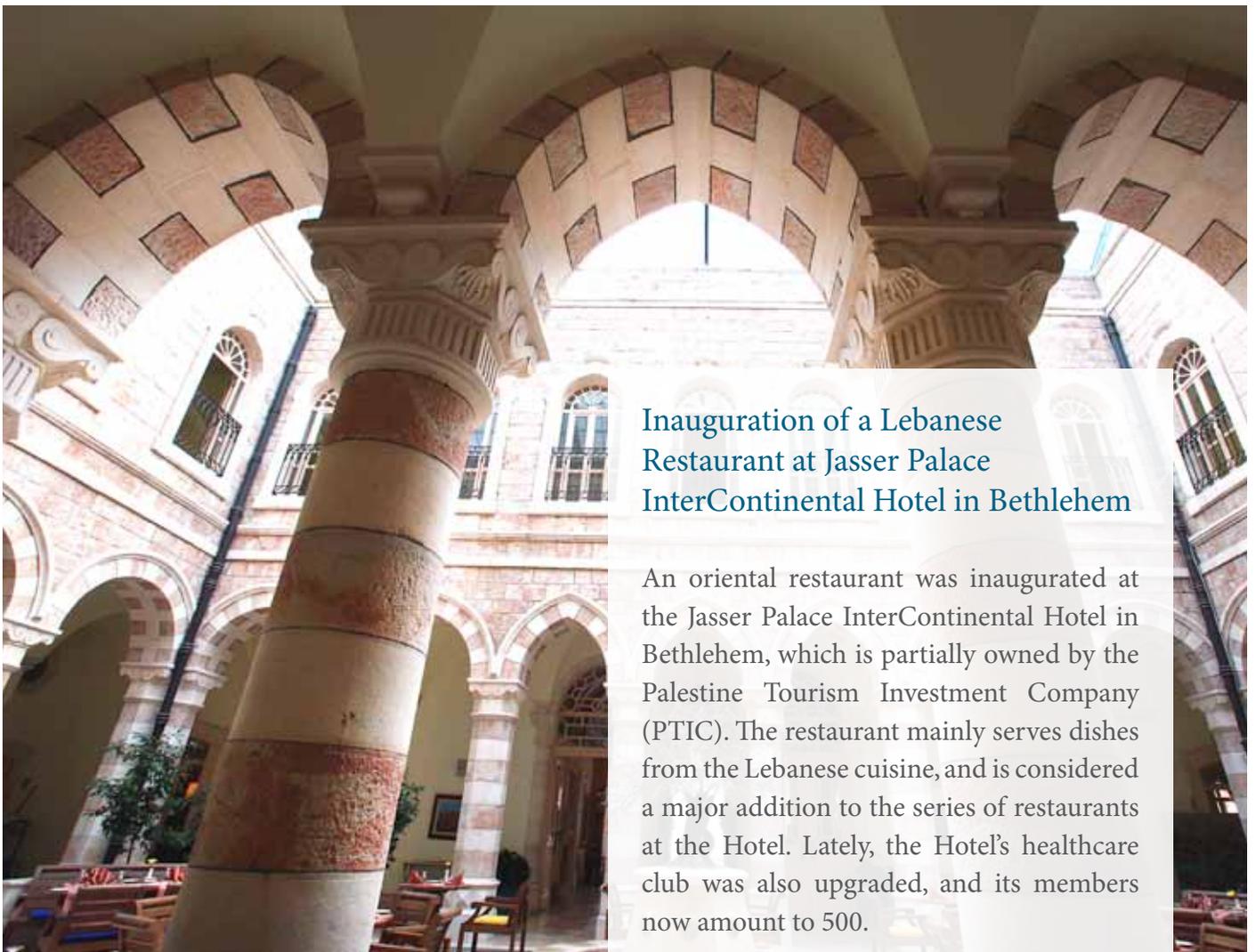
On the other hand, PIIC continues to explore new investment opportunities in line with the nature of its activity in the industrial investment sector. PIIC also contributes to promoting the performance of all companies currently operating under its umbrella.

New Listing Companies

PEX listed two new companies: Global United Insurance Company with the symbol (GUI) and Palestine Mortgage & Housing Corp. with the symbol (PMHC). With the listing of these new companies, a total of 43 companies, with a market value of over US\$ 2.8 Billion, are now listed on PEX.

A Statistical Report Covering the Activities of Palestinian Brokerage Firms in 2010

For the sake of endorsing strong transparency and disclosure principles, PEX posted on its website a statistical report covering all brokerage firms that are members of PEX. The report included statistics and information on the performance and activity of each brokerage firm throughout 2010.



Inauguration of a Lebanese Restaurant at Jasser Palace InterContinental Hotel in Bethlehem

An oriental restaurant was inaugurated at the Jasser Palace InterContinental Hotel in Bethlehem, which is partially owned by the Palestine Tourism Investment Company (PTIC). The restaurant mainly serves dishes from the Lebanese cuisine, and is considered a major addition to the series of restaurants at the Hotel. Lately, the Hotel's healthcare club was also upgraded, and its members now amount to 500.



Palestine Poultry Company Starts the Operational Activity of Its Broiler Poultry Farms and Increases the Production Capacity of Its Chicken Hatcheries

The Palestine Poultry Company (PPC) has completed the construction of the first two broiler poultry farms with a production capacity of 270,000 birds per cycle. In May 2011, PPC will operate the second poultry farm. It is worth noting that work on other PPC poultry farms is currently undertaken, and that the third and fourth poultry farms will be finalised in early August and November of 2011, respectively.

PPC is also expanding operations at its chicken hatchery in order to increase the production capacity to 30%. It is expected that the project will be completed in July 2011. It is important to note that the PPC hatchery is the largest and most advanced of its own in Palestine.

In its General assembly Meeting which took place on February 24th 2010, PPC's Board recommended to the General Assembly to distribute 20% of the shares' par value, 8% in cash and 12% in stock.

The Vegetable Oil Industries Company Approves Dividend Distribution of 15% of its Shares' Par Value for 2010

In its meeting that took place on April 26th 2011, the General Assembly of the Vegetable Oil Industries Company (VOIC) approved a dividend distribution of 15%, or JD 600,000, for 2010. The VOIC General Assembly also elected a new board, including 7 members, for the upcoming 4-year cycle.



The National Carton Industry Elects a New Board and Reduces Its Capital

In its meeting that took place on March 29th 2011, the Irregular General Assembly of the National Carton Industry (NCI) decided to reduce the Company's capital from JD 5 million to US\$ 5 million in order to curb losses accumulating since its establishment. Accordingly, the face value of NCI's share will be US\$ 1 instead of JD 1. During its regular meeting, NCI also elected a new board for the upcoming 4-year term.

This plan has helped NCI overcome a period of losses since its incorporation. In 2010, the Company registered a growth rate of 500% compared to 2009. Over the past 3 years, NCI has also scored a growth in the cumulative sales volume by 56%, raising the 2010 operating profit margin by more than 21% in comparison to the 2009 results.

In light of the increasing seasonal demand on cardboard, NCI anticipates that it will achieve distinctive results during the first half of 2011, raising its earnings per share.



Palestine Real Estate Investment Company Elects a New Board and Endorses the Distribution of 6% of the Shares' Nominal Value as Dividends for 2010

In its 16th Regular Meeting held in Ramallah and Gaza on April 26th 2011, the General Assembly of the Palestine Real Estate Investment Company (PRICO) elected a new board for the upcoming 4 years. The Board includes 3 seats for PADICO HOLDING as well as one seat for the Palestine Technology Transfer Company, Arab Bank – West Bank Branches, Arab Investors Company, Palestine Basic Chemical Company, Al Mashtal Tourism Investment Company, and Palestine General Trading Company each.

PRICO's General Assembly also approved the former Board's recommendation to distribute 6% of PRICO's shares' par value as dividends for 2010. The General Assembly also endorsed both the financial and the administrative reports.

PRICO continues to implement a number of important real estate projects in Palestine. Currently, the Company is finalising the last storey of the Days Inn Hotel in Ramallah. PRICO has also finished 65% of the restoration work of the St. George Hotel in Jerusalem. The Company is now finishing 20 villas and constructing 20 others in Dahiyat Ar Reehan Housing Project. Also, PRICO has finalised the first phase of the National Beverage Company construction project, which is expected to be completed during the second half of 2011. In addition, PRICO has completed the construction of 6 out of 21 floors of the Culture Palace in Ramallah.

Furthermore, PRICO has finalised the first building of the Ministries Complex in Ramallah. The Company has also undertaken construction work on almost 60% of the Council of Ministries building. PRICO also started the implementation of the first phase of Al Ghadeer Housing Project.

PRICO has finalised remaining procedures to start restoration and expansion of the Grand Park Hotel in Ramallah. The Company is also about to sign a contract to construct the Presidential Hospitality Palace. It should be noted that PRICO's main office was finally relocated to the new PADICO House building, in Al Masyun neighbourhood in Ramallah.



PALTEL GROUP Holds its 14th Regular General Assembly Meeting, and Approves the Distribution of 40% of the Shares' Par Value to Its Shareholders

In addition to endorsing the Company's financial and administrative reports, the General Assembly of PALTEL Group approved a dividend distribution of 40% of the Company's shares' par value. PALTEL's decision was made in its 14th regular meeting, which took place at Jericho InterContinental Hotel and via videoconference in Gaza.

According to PALTEL's 2010 annual fiscal report, net profits rose by 22.75% reaching JD 86.3 million in 2010 compared to JD 70.3 million in 2009. Marking an increase of 7.09%, the report also showed a rise of JD 111.8 million of operational profits in the end of 2010 in comparison to JD 104.4 million in the end of 2009.

Mr. Sabih al Masri, PALTEL's Board Chairman, stated that net operating revenues amounted to JD 339.9 million in 2010, rising by 7.88% in contrast with JD 315.09 million in 2009. This is a result of the increasing operating revenues generated by the wireless telecommunications, digital services and ICT, which rose by 10.04%, 9.07%, 9.52% and 13.60% respectively.

PALTEL Group and Ma'an Network Sign an Agreement to Link Ma'an TV Studios to PALTEL Network via Optical Fibres

According to an agreement signed with Ma'an Network, PALTEL will link Ma'an TV studios in the West Bank and Haifa to Ma'an Central Studio in Bethlehem through PALTEL-operated optical fibres.

Mr. Ammar al Aker, PALTEL's Chief Executive Officer, signed the agreement with Mr. Raed Uthman, Director General of Ma'an Network. In addition to a number of media representatives, Mr. Abdul Majid Milhem, PALTEL's Director General, and several managers of PALTEL Group and affiliate companies attended the event.

Corporate Social Responsibility

PADICO HOLDING Hosts Delegations from Harvard and Stanford Universities

Mr. Munib R. Masri, PADICO HOLDING's Chairman of the Board, and Mr. Samir Hulileh, CEO of PADICO HOLDING, met with two delegations from Harvard and Stanford Universities. Mr. Masri and Mr. Hulileh gave a brief about the general living conditions, and the political and economic situation in Palestine. On their first visit to Palestine, both delegations included a number of graduate students from different schools such as political science, law and business administration.

Mr. Masri particularly commended the Harvard University delegation, which PADICO HOLDING covered a portion of its visit costs. Also appreciating

the delegation's interest to closely view the real living conditions of the Palestinian people, Mr. Masri highlighted the significance of this visit, which comes at a time when Palestine witnesses a youth and popular mobility calling for change, especially on the political level.

Members of both delegations articulated their strong admiration of Palestinian achievements and success stories, especially those of the private sector, stressing their capability of taking part in the development process, in addition to alleviating the suffering of the Palestinian people by providing employment opportunities and promoting investment prospects.

PADICO HOLDING Supports the TEDxRamallah Conference

PADICO HOLDING also supported the TEDxRamallah Conference, which took place in Bethlehem. As an independently organised TED event, TEDxRamallah aimed to showcase inspiring stories of Palestine in various fields, including science, education, literature, technology, design, etc., in order to contribute to the positive perception of Palestine. The event was organised simultaneously via videoconference in Jordan and Lebanon.



PADICO HOLDING Supports the Engineering Day and the 3rd Conference of Graduate Students at Bir Zeit University

PADICO HOLDING provided support to the Engineering Day, organised by the Omar al'Aqqad Faculty of Engineering at Bir Zeit University. Alongside the faculty students, more than 25 representatives from companies and institutions took part in the event. Over 25 graduation projects designed by students at Bir Zeit Engineering Faculty were also presented on this Day. The Conference featured lectures, symposiums and a meeting held by the Engineering Faculty graduates alumni. PADICO HOLDING and its subsidiaries, including PRICO and Al Mashreq Real Estate Company, also took part in an exhibition organised by private sector participants. PADICO HOLDING and its subsidiaries presented some of their projects in the real estate, tourism, industry and agriculture sectors. Additionally, PADICO HOLDING provided support to the 3rd Conference of Graduate Students, entitled Applied Research as a Tool to Develop the Palestinian Society. The Conference was organised by the Faculty of Graduate Studies at Bir Zeit University.

PADICO HOLDING Financial performance for Q1 /2011

Main financial indicators & ratios

(Amounts in USD millions)

Main items in consolidated income statement	2011	2010	%
Total revenues	26.83	22.21	21
Subsidiaries operating income	14.42	10.17	42
Share of profit of associates	11.01	10.21	8
Operating income	9.72	10.18	(5)
Net consolidated income	9.79	10.66	(8)
EPS (In USD)	0.038	0.041	(7)
ROaE	8.36%	9.75%	(14)
ROaA	5.98%	6.85%	(13)
Main items in consolidated statement of financial position	2011	2010	%
Total assets	671.54	637.98	5
Total debt	174.28	151.32	15
Other liabilities	24.12	23.14	4
Non-controlling interests	64.15	63.78	1
Equity attributable to equity holders of the parent	408.99	399.74	2
Retained earnings & reserves	158.95	149.40	6
Total equity	473.14	463.52	2
Book value per share	1.64	1.60	3
Debt ratio	36.83%	32.65%	13
Total debt /Total assets	25.95%	23.72%	9
Current ratio	95.73%	98.15%	(2)

Revenues

Total revenues rose from USD 22.21 million in Q1/2010 to reach USD 26.83 million in Q1/2011, (a growth rate of 21%) . This growth is due to the increase in operating income from subsidiaries which has increased from USD 10.17 million in Q1/2010 to reach USD 14.42 million in Q1/2011 (an increase of 42%). PADICO Holding share of associates' profit has increased from USD 10.21 million in Q1/2010 to reach USD 11.01 million in Q1/2011, (a growth rate of 8%).

The following table illustrates PADICO`s main sources of revenue in Q1/2011, 2010

(Amounts in USD millions)

Revenue sources	2011	%	2010	%
Operating income	14.42	54	10.17	46
PADICO`S share of associates` profit	11.01	41	10.21	46
Income from investment portfolios	1.27	5	1.11	5
Other revenues	0.13	0	0.72	3
Total Revenues	26.83	100	22.21	100

Operating profit

PADICO HOLDING's operating profit reached USD 9.72 million in Q1/2011, compared with USD 10.18 million in Q1/2010, which reflects a decline by 4.5%, this decline is mainly due to the decrease in the operating profit for Palestine poultry company (PPC) which resulted from the fall in poultry prices because of dumping the Palestinian market with Israeli Smuggled poultry.

Income from financial investment portfolio

The financial assets portfolio registered an income of USD 1.27 million in Q1/2011 in comparison with USD 1.11 million in Q1/2010. It is worth mentioning that the amount of trading investment constituting 1.2% of total assets as at the end of Q1/2011.

Operating expenses

Operating expenses rose from USD 5.34 million in Q1/2010 to reach USD 11.11 million in Q1/2011, with an increase of USD 5.77 million (an increase by 108%). Operating expenses include subsidiaries' cost of sales and services. As mentioned previously, this increase in operating expenses occurred simultaneously with a rise in operating income, also resulted from the increase in the operating & production costs in the new projects mainly the new slaughterhouse for poultry which started its commercial production during Q1/2011, and it will need time until the company breakeven and to start making profits.

General and administrative expenses

General and administrative expenses totalled USD 4.05 million in Q1/2011 compared to USD 4.35 million in Q1/2010, registering a decrease of 7%. This item includes the administrative expenses of the Group and its subsidiaries that have all witnessed an expansion in operating activities. It is worth noting that the percentage of administrative expenses to total operating income has decreased from 20% in Q1/2010 to 15% in Q1/2011, this decrease is due to the cutting cost policy that PADICO HOLDING adopted since the beginning of the year 2010.

Finance costs

Finance costs amounted to USD 1.82 million in Q1/2011, compared with USD 1.62 million in Q1/2010, registering an increase of 13%. This increase is mainly due to the increase in total debt in Q1/2011 compared with same period 2010.

Consolidated Net income

PADICO HOLDING's consolidated net income amounted to USD 9.79 million in Q1/2011, compared to USD 10.66 million in Q1/2010, registering a 8% decrease. EPS has reached 3.8 cents in Q1/2011 compared to 4.1 cents for the same period in the year 2010.

Assets

Total assets reached USD 671.54 million as at the end Q1/2011, compared to USD 637.98 million as at the end of the year 2010, an increase of 5%. Total current assets reached USD 94.04 million as at the end Q1/2011, compared with USD 72.95 million as at the end of the year 2010, an increase by 29%. Total non-current assets reached USD 577.5 million as at the end of Q1/2011, compared to USD 565.02 million as at the end of the year 2010, an increase of 2%.

The following table shows the main items of the company's assets and their distribution as at the end of Q1/2011 in comparison with the end of the year 2010:

(Amounts in USD millions)

	2011	%	2010	%
Cash and financial investment	88.48	13	75.86	12
Investment properties	64.62	10	64.13	10
Investment in associates	346.83	52	337.41	53
Loan & receivables	49.77	7	38.06	6
Property, plant & equipment, projects in progress & intangible assets	113.05	17	110.19	17
Inventories	8.79	1	12.33	2
Total	671.54	100	637.98	100

Equity

Equity attributable to owners of the parent has increased from USD 399.73 million as at the end of the year 2010 to reach USD 408.99 million at the end Q1/2011. Simultaneously, the Book value per share has increased from USD 1.60 as at the end of the year 2010 to USD 1.64 at the end of Q1/2011. Also, Non controlling interests have increased from USD 63.78 million in the year 2010 to USD 64.15 million at the end of Q1/2011 (by 1%).

Liabilities

Total liabilities have increased by USD 23.94 million from USD 174.46 million as at the end of 2010 to USD 198.40 million at the end of Q1/2011, an increase by 14%. This is mainly due to the increase in loans and credit facilities by USD 22.96 million, from USD 151.320 million at the end of 2010 to USD 174.28 million at the end of Q1/2011, an increase by 15%. During Q1/2011, PADICO HOLDING has obtained a USD 30 million short term loan to finance its share in Jericho Gate for Real Estate Investment Company with JOD 35 million capital owned equally with Paltel, the company aimed to start a new real estate development project in Jericho, this loan will be settled after the issuing of PADICO`s bonds in Q2/2011.

The following table summarizes the equity and liabilities section as at the end of Q1/2011 in comparison with the end of the year 2010:

(Amounts in USD millions)

	2011	%	2010	%
Paid in capital (including premiums and treasury stocks)	266.25	40	266.25	42
Retained earnings , reserves & others	142.74	21	133.49	21
Loans & credit facilities	174.28	26	151.32	24
Payables, provisions and other liabilities	24.12	4	23.14	3
Non controlling interests	64.15	9	63.78	10
Total	671.54	100	637.98	100



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