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PADICO HOLDING

PADICO HOLDING NEWS

PADICO HOLDING Quarterly Newsletter - Issue 9 – April 2013

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Opening Statement

The 2013 public budget of the Palestinian Authority (PA) has finally been approved. However, the budget is still a subject of controversy, particularly between the Government and certain political factions. As in past years, the budget reflects extensive public expenditure. The total public expenditure and net lending comprised of USD 3,888 million in the 2013 budget, compared to USD 3,652 million in 2012. Still, the most prominent development in this year's budget is the drop of recurrent deficit from USD 1,334 million in 2012 to USD 1,050 million in 2013. Another development of equal significance is the fact that the public wage bill has not seen any major rise. An exception of almost USD 110 million, however, was a primary result of charging retired military personnel's allowance to the public sector wage bill. During past years, this allowance was embedded within other budget line items.

In comparison to the 2012 actual budget, the public sector wage bill will see a rise of 2% in the 2013 public budget. Social transfers will also increase by 34%. By contrast, operating expenses will drop by 11%, but capital expenses will not be changed. The wage bill line item remained stable although regular annual increments of public sector employees were taken into account. The Government was committed to repaying these increments retroactively as of 1 January 2013. The Government signed agreements with labor unions shortly before the 2013 public budget had been approved, introducing further financial implications. This rise will be financed by the same wage bill line item by terminating unreal jobs, as well as decreasing ministers' pay as well as those alike by 19%, and reducing operating expenses by more than 20%. Though further review is needed, this is a positive development, which the private sector has long called for. The 2013 public budget was endorsed in conjunction with signs of a breakthrough in relation to foreign aid. During his visit to Palestine on 21 March 2013, US President Barack Obama pledged USD 500 million in aid to the Palestinian people. This included USD 200 million in direct support of the PA public budget. Earlier, the US Congress had blocked US aid to the PA for more than a year. Palestinians hope that other donors will be motivated to fulfill respective commitments towards the PA. In the last meeting of the Ad Hoc Liaison Committee (AHLC), the donor community pledged a USD 1.1 billion in support of the PA. The Government expects that the same amount of financial support will be channeled to the PA Public Treasury.

Along with the expected donor payments, the 2013 public budget reflects an optimistic perspective of scaling down the PA financial crisis, which reached a climax in 2012 and greatly impacted the overall Palestinian economy. Economic growth has maintained a sluggish trend, plummeting down to 5.5%. Meanwhile, unemployment soared up from 22.4% in late 2011 to 22.9% at the end of 2012. Towards the end of 2012, the PA's indebtedness stood at around USD 3.8 billion, including USD 375.1 million as bank loans and USD 919 million due for the Pension Fund. Over the same period, the PA's external debt amounted to USD 1.1 billion. The arrears owed to private sector providers – amounting in the end of 2012 to almost USD 400 million – has caused the most damage to the Palestinian economy. The 2013 public budget has not earmarked a budget line item to repay this debt. However, these arrears will be handled once revenues or additional financing sources are available.

The Palestinian private sector has clearly been affected by the current financial crisis as well as by procedures implemented by the Government over the past year, including the amendment of the Income Tax Law and a demand that companies postpone benefits accrued by the Investment Promotion Law exemptions. This has obviously impacted net profits. Compared to 2011, business results of most companies listed on the Palestine Exchange (PEX) index showed a remarkable decline. Nonetheless, relevant boards of directors recommended that dividends to be distributed in 2012 be equal to those of 2011.

Like others, the Palestine Development and Investment Company Ltd. (PADICO HOLDING), as well as it's subsidiary and affiliate companies, were influenced by the PA financial crisis and adverse consequences on overall economic activities. Earnings made by subsidiaries and affiliates have declined, subsequently decreasing PADICO HOLDING's share of associates profit. This recession is also a result of low profit margins earned by start-ups, particularly those operated in 2011 and 2012. In addition, incorporation expenses incurred by projects under construction are charged to the income statement.

In light of recent political and economic developments, PADICO HOLDING's Board of Directors has reconsidered the Company's plans. On the local level, political prospects have come to an impasse, compounded by the PA's financial crisis, the Palestinian internal political division has remained unresolved. In addition to the global financial crisis, the Palestinian national economy has been affected by regional developments arising from the Arab Spring events. Accordingly, the Company's Board decided to maintain current investments and finalize projects under implementation over upcoming years. The Company will also avoid engagement in new investments over the medium run. Noting that during the past three years, PADICO HOLDING has already invested approximately USD 130 across various economic sectors.

PADICO HOLDING's Profits Stand at USD 20.4 Million in 2012

Palestine Development and Investment Ltd. (PADICO HOLDING) announced it earned a profit before taxes of USD 20.4 million in 2012, compared with USD 26.8 million in 2011, a drop of 25.4 %.

The Company's financial results are attributed to a decline in subsidiaries profits, especially the companies working in the real estate and tourism sectors, in addition to a decrease in the Company's share of affiliates' profits. The Company experienced low profit margins for new projects, including Al-Mashtal Hotel in Gaza, St. George Landmark Hotel in Jerusalem, Movenpick Hotel in Ramallah, and the poultry slaughter house in Tulkarm, all of which began operations in 2011 and 2012. These projects need time to reach the break-even point where they will cover fixed and variable costs. In addition, some projects remain in the establishment phase, and therefore continue contributing losses to the income statement, these projects include Al-Sharafat development in Jerusalem, Executive Club in Ramallah, Jericho Gate for Real Estate Investment, and various solid waste projects. The effect of these factors is in line with expectations, and will gradually decline as the projects become fully operational and achieve the targeted market share in the coming few years. The implementation of the new corporate income tax rate (20%) also contributed to a decline in PADICO HOLDING's share of Palestine Telecommunications Company's (PALTEL) profits, which resulted in lower profits in 2012.

The Company's total revenues in 2012 amounted to USD 103.78 million compared to USD 103.89 million in the year 2011, a slight decrease of USD 2.08 million, or 2%. Furthermore new projects contributed to the rise in operating income from USD 58.78 million in 2011 to USD 61.62 million in 2012, an increase of 4.8%.

PADICO HOLDING's share from it's affiliates' results in a decreas by 11.2 % in operations from USD 43.07 million in 2011 to USD 38.26 million in 2012 due to the Company's dicreased share from PALTEL's profits. PALTEL's profit declined from JOD 90.74 million in 2011 to JOD 82.13 million in the year 2012 as a result of an increase in the corporate income tax from 15% to 20% in the beginning of the year, as well as PALTEL's decision to postpone for two years benefits from the partial tax exemption of 50% to which it is entitled under the Investment Promotion Law.

Operation of New Projects

Over the past year, PADICO HOLDING began operating a number of projects in which it had invested in accordance with the Company's 2009-2013 strategic plan. Most notably, the St. George Hotel in Jerusalem began operations in the first quarter of 2012 under an operating agreement with Jordan's Landmark Hotels chain. Total investment in the project exceeded USD 14 million after the completion of the restoration.

PADICO HOLDING's project Nakheel Palestine for Agricultural Investment also continued to expand its operations in Jericho. The company completed planting 20,200 trees by the end of 2012, and the total investment in the project has reached about USD 11 million. Once complete, the plantation will include 36,000 palm trees on an area of more than 3000 dunums in the area classified as «C», in addition to the date sorting and packaging factory. Nakheel produced 170 tons of dates during the past year, and production is expected to reach 350 tons this coming year. It will reach maximum production in 2017, at which point it will represent half of all date production in Palestine. Nakheel allocates 60 - 70% of its product for export to foreign markets, especially Europe and East Asia. 30 - 40% remain for the domestic market. The project is currently maintains 60 permanent employees, and employs an additional 60 workers during harvests.

Palestine Poultry Company (AZIZA) continued its expansion of chicken farms to provide its slaughterhouse with a larger share of its poultry needs. The Company has spent USD 22 million on its expansion projects since the beginning of the year 2009. This expansion includes the construction of seven farms in different parts of the West Bank, with a production capacity of up to 9000 tons of live chickens annually at an estimated cost of USD 7 million.

Its is worth mentioning that investments carried out by the company or that the company has begun to implement during the past three years amounted to about USD 130 million, reflecting the scale of their operations. These projects provided about 600 jobs in 2011 alone, and created even more in the year 2012. Mr. Hulileh CEO of PADICO HOLDING said that he expects these projects to make significant profits beginning next year.

Projects Under Development

PADICO HOLDING and its group of companies have also implemented a number of new projects in accordance with the Company's investment strategy, and the Company expects them to become operational this year. These projects include: Executive Club in Ramallah, which is expected to open during the first half of 2013; Jericho Agro-industrial Park, which is being developed in partnership with the Palestine Real Estate Investment Company (PRICO) and the Palestinian Investment Fund; projects in the field of solid waste mangement and wastewater treatment managed by PADICO HOLDING's subsidiary TADWEER; and construction of Al-Ghadeer complex in Ramallah, Al-Sharafat complex in Jerusalem, and Al-Mashtal Chalets and «Pearl Towers» in Gaza.

Jericho Gate

PADICO HOLDING launched Jericho Gate for Real Estate Investment, the biggest real estate project focusing on tourism and entertainment in the country. It will be built on 3000 dunums near the southern entrance to the city of Jericho. PADICO HOLDING and PALTEL each contributed half of the JD 35 million initial capital investment.

Jericho Gate has finalized the registration, and has received the necessary land permission from the Land Authority in Jericho. The company also prepared two studies on water and energy to determine how best to meet water and electrical needs using traditional and non-traditional sources, including the use of surface water, water treatment, rehabilitation of deserted wells, and the drilling of new wells. The study also examined the possibility of building a plant to produce electricity from a solar power plant with a capacity of about 20 Mega Watt.

The company also completed feasibility and technical studies, and brought an advisory panel from Australia to develop a master plan for the project. The plan is expected to be completed in the first half of the current year so that it may be submitted to the authorities to obtain the necessary permits. The actual implementation of the project on the ground will then begin.

Jericho Gate company formed a joint committee with the Municipality of Jericho in order to build and cultivate a harmonious relationship between the development and the city and governorate of Jericho. Jericho Gate also held a series workshops with the local community on the project. It listened to their comments and concerns, which will be taken into account during the project's implementation.

Future Outlook

PADICO HOLDING will concentrate during 2013 on completing projects that have already been implemented, fortifying and improving the performance of existing projects, and arriving at a reasonable level of profitability despite challenging economic conditions and an expected decline in economic growth. The Company will also focus on increasing liquidity and on decisively reducing debts in the coming years.

A Training Course on the New Income Tax Law

PADICO HOLDING held a two-day training course entitled «The New Income Tax Law,» in which twenty-five CFOs, heads of accounts, and accountants from the Company and its subsidiaries and affiliates participated. These include executives and employees from Palestine Poultry Company, Palestine Plastics Industries Company, the Palestine Exchange, PRICO, Movenpick Hotel, the InterContinental Hotel, Al-Mashtal Hotel in Gaza, Palestine Mortgage and Housing cpmpany, Director of PADICO HOLDING's Internal Audit Department, Mr. Zamari lectured during the workshop.

The training was designed to familiarize participants with legal proceedings relating to tax codes contained in the new income tax law, imposed on individuals and companies. The new law has been in effect since 1 January 2011, and applies to all of the Palestinian territories.

PADICO HOLDING Participates in EFG Hermes Conference

PADICO HOLDING participated in the 9th Annual EFG Hermes conference, which was organized by EFG Hermes in Dubai in March 2013. Representatives of the Company participated in the conference, and a number of Arab and international investors sought investment opportunities in PADICO HOLDING. They concentrated mostly on the expected direction of the company's new projects.

Around 230 investors of many nationalities, and representatives of fifty-nine leading companies in the MENA region participated in the conference. This conference is considered the biggest investment event in the MENA markets, as the capital of these companies can reach USD 215 billion, and the total value of their financial assets is over USD 4 trillion.

The conference offers a platform for companies and regional institutions to present their success stories in front of the leading figures in the global investment community. Many of these figures are looking for promising opportunities in Middle Eastern and North African capital markets, and they seek an opportunity to hold direct meetings between the participants in the conference.

News from Subsidiary and Affiliate Companies

The Palestinian Monetary Authority and the Palestine Stock Exchange Signed a Joint Cooperation Agreement to Begin Implementing Cash Settlements for Stock Market Trading through the BURAQ System

On the 13 February 2013, the Palestine Exchange and the Monetary Authority signed a joint cooperation agreement to begin implementing cash settlements for stock market trading through the PMA's Real-Time Gross Settlement System (BURAQ).

Palestine Exchange CEO, Mr. Ahmed Aweidah, and the governor of the Monetary Authority, Dr. Jihad al-Wazir, signed the agreement in the presence of Chairman of the Board of Directors of the Capital Market Authority, Maher Masri. The signed agreement aims to regulate the relations between the two parties by utilizing important features and services, which are available in the BURAQ system.
The Clearing Depository and Settlement Department (CDS) of the PEX has become an indirect member of the Real Time Gross Settlement (RTGS) system at the PMA.

The Palestine Exchange Gets the Gratification to Work as a Local Operating Unit (LOU) to be Involved in the Legal Entity Identifier (LEI)

The Association of National Numbering Agencies in London has granted PEX the role of the fourth Local Operating Unit (LOU) in the world to be involved in the Legal Entity Identifier (LEI) global system for the purpose of issuing LEI numbering for the companies, Additionally, it become a stock exchange authorized by the institution and agencies coding national ANNA issue numbering global companies internalized in the capital market.

The Palestine Exchange is made the world's fourth Local Operating Unit. The previously existing LOUs include those operating in Germany, the United States, and Ireland.

Palestine Exchange: Profits of Listed Companies for the Fiscal Year 2012 were Approximately USD 250 Million Before-Tax

Preliminary final financial statements showed that 33 companies achieved profit and15 companies suffered losses during the legal statutory period for disclosure of listed companies for the fiscal year 2012.

The primary financial statements showed that companies attained profits of about USD 282 million before tax in the year 2012. Losses reached approximately USD 33 million, bringing net profits of listed companies to USD 248,562,908 before tax (profit – loss). Net profits before tax were USD 236,211,530 in 2011, an increase of 5.23%. The services, banking and financial services, insurance, and industry sectors rose in profits, while profits fell in the investment sector.

The Start of Application of the Revised Listing System

The Palestine Stock Exchange announced on the amendment system insertion of the stock market and start its implementation beginning of the year 2013, after approval by the Capital Market Authority it. In the context of the development and modernization of the Palestine Exchange's regulations.

Among the most prominent features of the revised system is modifying terms of the insertion in both the first and second markets, and the guidelines of transmission between companies on objective and realistic basis, and shortening the material across the dropping of all materials that addressed systems in accordance to the instructions issued by the Capital Market Authority. Additionally, removing the material that is not related to the stock market, and incorporating the terms and regulations in use, as well as introducing new concepts and definitions to the system about good governance, services, conversion and others.

CEO of the Palestine Exchange Participates in «Arindon» investment Conference in Bahrain

CEO of the Palestine Exchange, Ahmed Aweidah, recently participated in the «Arindon» annual investment conference, which considered the direction of the financial markets during the year 2013. It was held in Manama, Bahrain, and included leading executives and regional capital market investors, officials and representatives of major finance institutions and global investment funds, as well as economists and financial specialists.

Mr. Aweidah was the keynote speaker in a key session focused on the expectations of the regional capital markets in 2013. He addressed the challenges facing the financial markets, referring to the orientations of investors and expectations of investing in securities in light of the current economic conditions and of the global financial and political changes taking place in the Middle East and North Africa (MENA) region.

Release of the Book «Proceedings of the 6th Annual Palestinian Capital Market Meeting 2012»

The Palestine Exchange recently published the electronic version of the book «Proceedings of the 6th Annual Palestinian Capital Market Meeting 2012», which documents the activities of the 6th Annual Palestinian Capital Market Forum, held by the stock exchange on 12 November 2012, in Ramallah, under the title: «The Brokerage Industry: Current Challenges and Future Prospects».

The book begins with a presentation of the activities of the opening session, and continues with an account of the first session on the realities of the brokerage industry, which drew on the experiences of regional and international organizations. The second part of the book is devoted to discussing the reality of brokerage services in Palestine, the prospects for development, the possibility of introducing new investment tools, and final recommendations. The book also covers other subjects, including information about the speakers of the forum and its corporate sponsors, as well as pictures from the event and some of the media coverage that the event gained.

Nakheel Palestine earns GLOBAL G.A.P Certificate for the Second Year in a Row

Nakheel Palestine earned a Global G.A.P quality assurance certificate in February following the company›s efforts to improve its quality standards and to ensure safe, high-quality food production and high quality.

The quality certificate is Global G.A.P's global standard for best practices in the field of agriculture. The quality standards apply to both the palm farms and to the factory as well, ensuring the entire production process meets international standards.

Nakheel Palestine Participates in International Exhibitions

Participation in international food exhibitions is an opportunity for many investors, food producers, and manufacturers to promote their country's products and services. Since the beginning of 2013, Nakheel Palestine has participated in three different international food exhibitions, Fruit Logistica which was held in Berlin, the Gulfood 2013 held in Dubai, and Foodex 2013 which was held in Tokyo. This participation is part of the company's international marketing strategy, where the company displays its products to the potential customers and expands its networks in international markets.

The sales and marketing team, Ms. Maisa Manasrah, the Sales and Marketing manager, and Mr. George Abu-Ghazaleh, the Sales and Marketing executive, represented Nakheel Palestine. Nakheel Palestine's presence at these events has attracted many customers from all over the world and opened new possibilities for successful partnerships in the upcoming years.

Nakheel Palestine Begins Exporting Dates to Russia and Continued Exporting to Turkey

Nakheel Palestine began made its first shipment of dates to Russia on 20 February 2013, and made a second shipment to Turkey in March, 2013. Both come as part of the company's effort to access global markets.

Reach and Cairo-Amman Bank Sign a Partnership Agreement for Communication Center Services

Reach, a PALTEL Group Company that specializes in providing communication center services, and Cairo-Amman Bank signed a partnership agreement under which Reach provides specialized customer services to the Bank's customers in Palestine.

According to this agreement which was signed in March 2013, Reach will provide its dedicated technical support services through a qualified and specialized team around the clock. It will also use modern technologies and applications to serve as an integrated contact center.

Josef Nasnas, Deputy General Manager/ Palestine Regional Manager of the Bank, and Ghassan Anabtawi, Reach General Manager, signed the agreement. In the presence of Mr. Imad Lahham, PR Senior Director at PALTEL Group, which took place at Reach offices.

Jacir Palace Intercontinental Hotel - Bethlehem Donates Lighting Units for Aida Refugee Camp

The Jacir Palace InterContinental Hotel in Bethlehem donated twenty lighting units to Aida refugee camp. The units will illuminate the street connecting the center of the camp to the main street, and they will be installed in coordination with the Public Committee of Aida refugee camp. The municipality of Bethlehem will install the units, and the Palestine Electric Company will connect them to the power grid. This street is vital to the camp, and lighting it will serve hundreds of residents daily.

The development of the Department of marketing the products of vegetable Aziza

The Palestine Poultry Company has established a Department of Marketing and Sales, and work is undertaking to open an office of the Department in Ramallah. These developments are part of the company's efforts to strengthen Aziza brand and to improve distribution of its products to customers all over Palestine. The General Manager the company, Abdul Hakim Fokaha, said that the goal of establishing a specialized department for marketing of Aziza is to provide the Palestinian market with high-quality national products that meet the the highest local and international quality standards.

Social Responsibility

«Assessing Impact of Initiatives Directed Towards Enhancwing Education and Private Sector Competitiveness»

PADICO HOLDING in partnership with the Department of Business Administration and Marketing at Birzeit University and the British Council held a workshop entitled «Assessing Impact of Initiatives Directed Towards Enhancing Education and Private Sector Competitiveness» moderated by Professor George Tovstiga. Additionally representatives of government sector, private sector, civil society, and universities participated in the workshop.

The representatives agreed on the need of partnership in the development of academic education and universities' curriculum to adhere with the labor market needs, to create jobs and reduce unemployment, particularly among the youth and university graduates.

The participants were divided into four working groups - the private sector, government, academic sector, and civil society institutions - to assess the impact of initiatives directed towards improving education. These groups emphasized the importance of creating sustainable development projects for the youth in order to prepare them for their role in the community. This could be achieved by changing curriculums to be in line with the needs of the labor market. The groups also highlighted the necessity of empowering young people in all sectors. They also stressed the significance of identifying the needs of the private sector and involving it in the development of educational materials and university curricula.

In addition, the groups called for the government to encourage true partnerships with the private sector, particularly in the preparation of professional and educational national strategies, as well as policy formulation and evaluation before and after implementation.

The workshop was part of an ongoing process to develop a long-term partnership on which to build future collaborative initiatives. It focused on ensuring the continuity of the partnership between various sectors, and on measuring the impact of all joint initiatives, especially those related to university education and how to improve it.

Professor George Tovistiga, who moderated the workshop, conducted a presentation to provide a background and define concepts. The expected result of the workshop was to enhance the interaction between the four sectors in order to evaluate the regulatory and institutional environment.

This workshop comes as part of a research project «University- Industry- Government Partnerships: a Competitive Perspective,» which was implemented by the Department of Business Administration and Marketing at Birzeit University with the support of PADICO HOLDING.

PADICO supports the Workshop on «Unemployment and Job Creation»

PADICO HOLDING supported a workshop on «Unemployment and Job Creation," organized by the Ramallah-based advertising and marketing company «Ugarit." A large number of representatives of official institutions, private sector, universities, and civil society institutions that work in the field of education and employment participated in the event. The statistical figures presented during the workshop showed that unemployment is mainly concentrated among young people, especially graduates of universities and colleges. The numbers also highlighted the low competitiveness of the Palestinian labor force.

The speakers at the seminar explained that one of the main reasons behind the accumulation of unemployed people is the gap between the training offered by the Palestinian education system and the requirements of the labor market. The result is that Palestinian university graduates remain uncompetitive, even in the local labor market. The speakers also pointed out that addressing the unemployment problem requires greater harmonization between educational institutions and Palestinian employers. They suggested greater focus on vocational and technical education. The participants additionally emphasized the importance of lending and financing for small businesses related to developing the infrastructure and tourism.

PALTEL Group in Cooperation with the Ministry of Social Affairs supports Beit Al-Ajdad for Elderly Care in Jericho

PALTEL Group in cooperation with the Ministry of Social Affairs are providing support to Beit Al- Ajdad for Elderly Care in Jericho, by establishing a physiotherapy unit for the organization.

The signing ceremony took place at the headquarters of PALTEL Group, where Mr. Ammar Aker CEO of the company, and Mrs. Magda Masri the Minister of Social Affairs, and Dr. Kawthar Moghrabi the General Manager of Al- Isra Wal tofola.

Opening remarks were presented by Masri where she expressed pride in the attention given by PALTEL Group to the Palestinian people among all segments, as well as the ongoing support to the unfortunate marginalized group, and both governmental and non-governmental entities. Subsequently,

Al Masri emphasized the importance of partnership and consolidate efforts to further completion of the national strategy for social protection.

Aker stressed on the significance of enhancing cooperation between the private sector and governmental sector to serve the Palestinian society , and pointed that projects and programs implemented by PALTEL Group concentrate on visionary and sustainable development.

The Palestine International Award for Excellence and Creativity Honors International Personals and a Number of Creators of Palestinians in its fifth year

Under the auspices of President Mahmoud Abbas, and the presence of Dr. Hussein Al- Araj a representative of the President, and Chairman of the Board of Trustees, Mr. Sabih Masri, and the Secretary General of the award, Mr. Ammar Aker and members of the Board of Trustees of the award, with the participation of a number of officials and legal persons and means of local and international media.

Subsequently, on 3/4/2013 the Board of Trustees honored the Brazilian President, former Luiz Inacio Lula da Silva, Her Highness Sheikha Fatima girl Mubarak Ketbi , and the great artist Marcel Khalifa, along with a number of distinct Palestinian individuals and institutions. The event was held at Al Najah University in Nablus.

During the ceremony, a short film was presented on each of the winners, also it included a song dedicated to the award performed by Habib Shehadeh and and Rajeen band.

Subsequently, Dr. Hussein Araj, Mr. Masri and Mr. Ammar Aker distributed the awards on the winners, they are: for the category of excellence for people with special needs, the first place shared by Ms. Haneen Hendi from Nablus, and Mr. Mohammed Said Mahmoud Melhem from Jenin. And in the second place, Mr. Mohammed fanoun from Gaza. As for the category for unique project, lighting project for Palestinian villages by solar cells ranked the first place, and in the second place the re-division of land in the scheme to expand the city of Ramallah. Consequently, for the category of institutions' excellence, An-Najjah National University ranked the first place , and also Al- Haq Organization and the Islamic Charitable Society equally shared the second place. During the ceremony Trio Joubran were honored within the special honorary awards category.

In the context of honoring international personalities HE the Brazilian consul general in Jerusalem Mr. Paulo Roberto, received a special award on behalf of former Brazilian President Luiz Inacio Lula da Silva, in recognition of his honorable and noble stances towards the Palestinian cause and the Palestinian people, in particular.

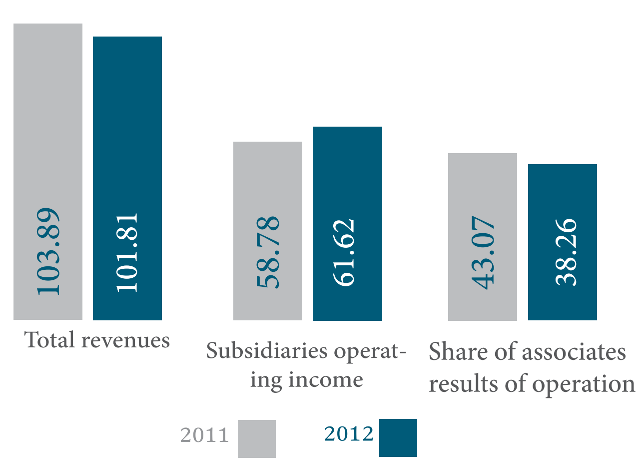
The idea of The Palestine International Award for Excellence and Creativity, which is one of PALTEL Group's programs targeting community development, was initiated by the Palestinian businessman Mr. Sabih Taher Masri, who preferred to make the award an annual event to honor creators in recognition of their achievements in terms of developing the Palestinian society, and maintaining its moral and material characteristics. Additionally, the prize is awarded to encourage best management performances and innovative initiatives by individuals and institutions to promote the application of modern management concepts and excellence in management and performance, in order to best serve the society.

Financial Performance in 2012

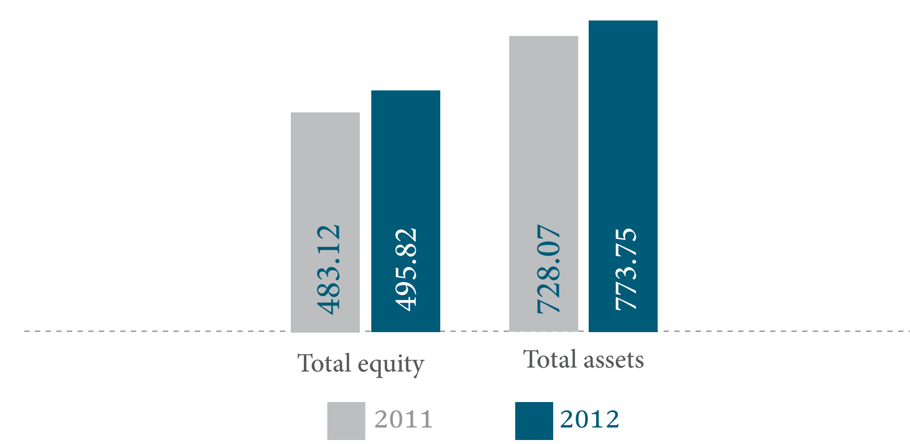
1. Main Financial Indicators

(Amounts in USD Million except for the shares)

Main items of Consolidated Income Statement	2012	2011	Change %
Total revenues	101.81	103.89	(2.0)
Subsidiaries operating income	61.62	58.78	4.8
Share of associates results of operation	38.26	43.07	(11.2)
Operating income	28.84	35.62	(19.0)
Profit before Income tax	20.04	26.85	(25.4)
Profit attributable to equity holders of the parent	19.35	28.64	(32.4)
EPS (Cent)	7.8	11.5	(32.2)
ROaE	3.74%	5.51%	(32.1)
ROaA	2.44%	3.82%	(36.1)



Main items of Consolidated Statement of Financial Position	31/12/2012	31/12/2011	Change %
Total assets	773.75	728.07	6.3
Total debt	225.29	206.02	9.4
Other liabilities	52.64	38.94	35.2
Non-controlling interests	97.33	81.53	19.4
Equity attributable to equity holders of the parent	398.49	401.60	(0.8)
Total equity	495.82	483.12	2.6
Total debt/ Total equity	45.44%	42.64%	6.6
Total debt / Total assets	29.12%	28.30%	2.9
Current ratio	80.35%	89.88%	(10.6)
Book value per share (USD)	1.598	1.611	(0.8)

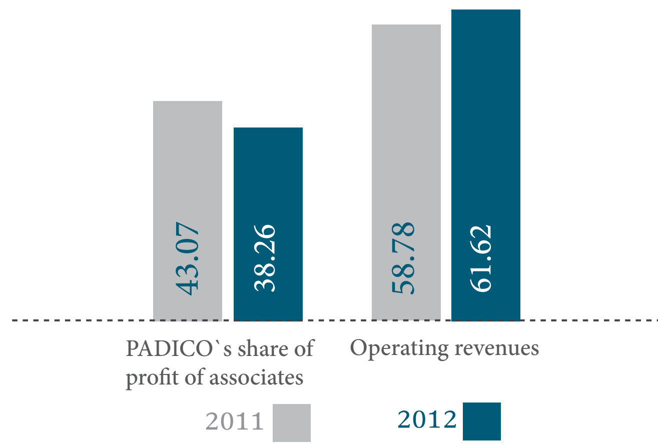


Market indicators	31/12/2012	31/12/2011	Change %
Closing share price (USD)	0.90	1.00	(10.0)
P/BV	0.56	0.62	(9.7)
P/E	11.54	8.70	32.6
Trading volume (million shares)	30.48	52.74	(42.2)
Turnover ratio	12.19%	21.10%	(42.2)

2. Summary of financial performance

2.1 Revenues

In 2012, PADICO HOLDING's total consolidated revenues decreased by 2% to reach USD 101.81 million compared to USD 103.89 million in 2011, recording a decline of USD 2.08 million.
This decline in total revenues can be mainly explained by the decline in PADICO HOLDING's share of profits of associates, which decreased from USD 43.07 million in 2011 to USD 38.26 million in 2012, recording a decline by 11.02%.
This decline in PADICO HOLDING's share was mainly due to the decrease in PALTEL`s net profits from JOD 90.74 million in 2011 to JOD 82.13 million in 2012, as a result of rising corporate tax rate from 15% to 20% since the beginning of 2012, this is in addition to the postponement of taking advantage of the investment exemption (50%) for two years.



On the other hand, operating revenues of subsidiaries increased in 2012 by 4.8%, from USD 58.78 million to USD 61.62 million. This increase was due to the operating revenues that were derived from the new projects that started their operation in 2011 and 2012, such as AlMashtal and St. George Hotels. It is also due to the consolidation of the financial statements of Nakheel Palestine and Palestine Tourism Investment Company (PTIC) in 2012. These investments have been reclassified from associates to subsidiaries.
PADICO HOLDING recorded gain from sales of investment properties with an amount of USD 1.85 million in 2012 compared to USD 0.68 million in 2011, while gain from financial assets portfolio registered a decline from USD 1.36 million in 2011 to USD 0.08 million in 2012, recording a decline by 93.6 %.

Table (1) : Sourse of revenues

Item	2012	%	2011	%	Change %
Operating revenues	61.62	60.5	58.78	56.6	4.8
PADICO`s share of associate`s results of operation	38.26	37.6	43.07	41.5	(11.2)
Gain from financial assets portfolio	0.08	0.1	1.36	1.3	(93.6)
Gain from sale of investments.	1.85	1.8	0.68	0.6	172.1
Total Revenues	101.81	100.0	103.89	100.0	(2.0)

2.2 Expenses

Operating expenses increased from USD 45.34 million in 2011 to USD 47.53 million in 2012 recording an increase of USD 2.19 million, by 4.8 %. This increase in operating expenses was accompanied with the 4.8% increase in the operating revenues as mentioned above.
General and administrative expenses amounted to USD 16.21 million in 2012 compared to USD 15.09 million in 2011, registering an increase of 7.4%. This was primarily due to the consolidation of the financial statements of Nakheel and PTIC in 2012.
Finance costs totalled USD 10.23 million in 2012, compared to USD 7.95 million in 2011, registering an increase of 28.7%. This increase was mainly due to the increase in total average debt from USD 178.67 million in 2011 to USD 215.65 million in 2012. Total average debt includes bonds that were issued by PADICO HOLDING in 2011 with an amount of USD 85 million. Moreover, consolidation of Nakheel and PTIC in PADICO HOLDING's financial statements contributed tothe increase in PADICO HOLDING's total debt.

Table (2) : Expenses

Item	2012	%	2011	%	Change %
Operating expenses	47.53	56.8	45.34	60.5	4.8
G & A expenses	16.21	19.4	15.09	20.2	7.4
Finance costs	10.23	12.2	7.95	10.6	28.7
Depreciation & amortization	7.95	9.5	5.79	7.7	37.3
Income tax expense	1.72	2.1	0.77	1.0	123.4
Total expenses	83.64	100.0	74.94	100.0	11.6

2.3 Operating income

Operating income decreased by 19% to reach USD 28.84 million in 2012 compared to USD 35.62 million in 2011. The decrease in operating income is traced back to the low profit margins of a number of PADICO HOLDING's new projects whose operations were launched in 2011 and 2012, such as Al-Mashtal Hotel in Gaza, St. George Hotel in Jerusalem, Movenpick Hotel, and the poultry slaughterhouse project. These new projects need additional time to reach the break-even point and become profit generating.
Moreover, some of PADICO HOLDING's new projects are still in the establishment phase and part of their start-up expenses are being allocated to the company's operating expenses in the consolidated income statement, such as Al Sharafat project in Jerusalem, The executive club project in Ramallah, in addition to Jericho Gate for Real Estate Investment and Tadweer. Additionally, the new corporate income tax rate of 20% reduced PADICO HOLDING's share of profits of associates, especially from PALTEL, as mentioned before. These factors have all led to a decrease in the group's operating income, which is clearly reflected in 2012 and 2011. These effects are expected to gradually decline in 2013 and the subsequent years, in line with the expected growth in operations and as new projects achieve targeted market share in the medium term.

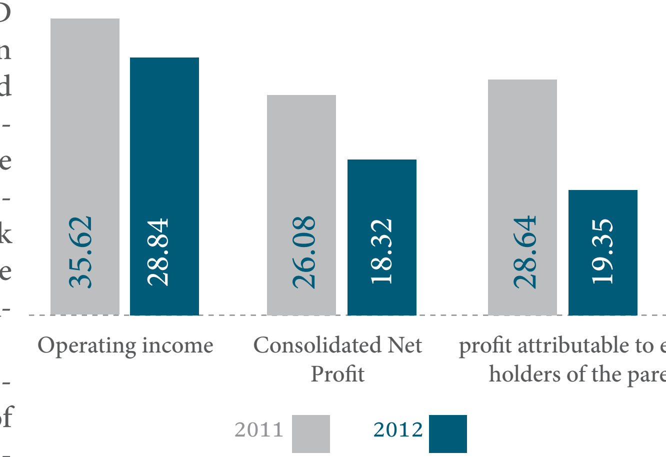


Table (3) :Summary of Consolidated Income Statement

Item	2012	2011	Change %
Total revenues of associates and subsidiaries	100.52	101.85	(1.3)
Operating, G &A expenses and , depreciation & amortization	(71.68)	(66.23)	8.2
Operating income	28.84	35.62	(19.0)
Other revenues	1.43	(0.82)	274.4
Finance & income tax expenses	(11.95)	(8.72)	37.0
Consolidated net Profit	18.32	26.08	(29.8)
Attributable to:			
Equity holders of the parent	19.35	28.64	(32.4)
Non-controlling interests	(1.03)	(2.56)	(59.8)

2.4 Consolidated net profit

- EBITDA decreased by 5.9%, and amounted to USD 38.2 million in 2012, compared to USD 40.6 million in 2011.
- EBIT amounted to USD 30.3 million in 2012, compared to USD 34.8 million in 2011, registering a decrease by 12.9%.
- EBT amounted to USD 20.04 million in 2012, compared to USD 26.85 million in 2011, registering a decrease by 25.4%.
- Consolidated profit attributable to equity holders of the parent declined by 32.4% and amounted to USD 19.35 million in 2012. compared to USD 28.64 million in 2011, registering a decrease of USD 9.29 million.

3. Summary of financial position

3.1 Assets

Total assets reached USD 773.75 million as at the end of 2012, compared to USD 728.07 million as at the end of 2011, with a growth rate of 6.3%.

- Total current assets constituted 10.7% of total assets, while non-current assets constitute 89.3% of total assets.
- Cash and financial investment reached USD 70.66 million as at the end of 2012 compared to USD 80.63 million as at the end of 2011, registering a decrease of USD 9.97 million by 12.4%. Current ratio decreased to reach 80.35% as at the end of 2012 compared to 89.88% as at the end of 2011.
- Investment properties witnessed a decrease of 4.4% as at the end of 2012 to reach USD 100.87 million, compared to USD 105.46 million as the end of 2011, a decline of USD 4.59 million. This decline resulted from selling investment properties during 2012. This item includes the subsidiaries'investments in lands and real estate, mainly in PRICO and Jericho Gate.
- Investment in associates reported a decrease of 2.8% to reach USD 358.44 million as at the end of 2012, compared to USD 368.61 million as at the end of 2011, this decrease resulted from reclassifying the investment in PTIC and Nakheel from"investment in affiliates" to "investment in subsidiaries" and consolidating their financial statements in 2012.
- Loans and receivables increased by 20.9% to reached USD 47.67 million as at the end of 2012 compared to USD 39.43 million as at the end of 2011, It should be mentioned that the major part of the receivables related to PADICO HOLDING`s subsidiaries.
- Property, Plant & Equipment, and Projects in progress rose to reach USD 169.84 million as at the end of 2012 compared to USD 117.40 million as at the end of 2011. The increase is due to the new projects, such as St. George Hotel, Al Ghadeer Residence, and the consolidation of the financial statements of Nakheel and PTIC in 2012.

Table (4) : Summary of assets Distribution

Item	2012	%	2011	%	Change %
Cash and financial investment	70.66	9.1	80.63	11.1	(12.4)
Investment properties	100.87	13.0	105.46	14.5	(4.3)
Investment in associates	358.44	46.3	368.61	50.6	(2.8)
Loans & receivables	47.67	6.2	39.43	5.4	20.9
Property, plant & equipment, and projects in progress	169.84	22.0	117.40	16.1	44.7
Intangible assets	7.88	1.0	8.87	1.2	(11.2)
Inventory and ready for sale properties	11.45	1.5	7.67	1.1	49.3
Biological assets	6.94	0.9	-	-	100.0
Total Assets	773.75	100.0	728.07	100.0	6.3

3.2 Equity

Equity attributable to equity holders of the parent reported a slight decrease of 0.8% and reached USD 398.49 million by the end of 2012, compared to USD 401.60 million as at the end of 2011, recording a decline of USD 3.11 million. This decline was due to 2011's cash dividends distribution with an amount of USD 15 million by USD 0.06 per share, and the increase in the negative balance of cumulative change in fair value reserve to reach USD 34.51 million as at the end of 2012, compared to USD 25.86 million as at the end of 2011. This rise is due to the revaluation of investments classified under "financial assets through other comprehensive income".

Equity attributable to equity holders of the parent consists of USD 250 million paid in capital, in addition to the retained earnings & reserves, which constituted 52.2% of paid in capital and amounted to USD 130.62 million. As at the end of 2012, BV per share, reached almost USD 1.60.

As for non-controlling interests, their balance settled at USD 97.33 million as of the end of 2012, constituting 19.6% of total equity which reached USD 495.82 million as of the end of 2012.

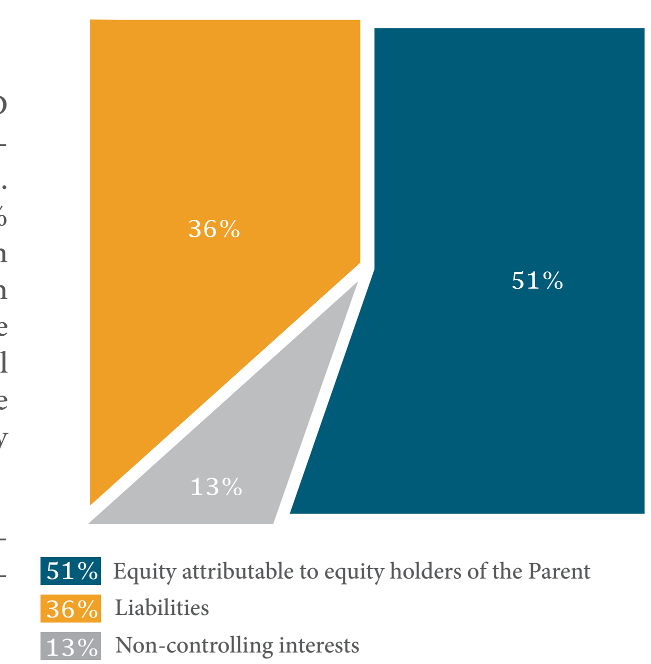
Table (5) : Summary of Total equity

Item	2012	%	2011	%	Change %
Paid in capital	250.00	50.4	250.00	51.7	-
Share premium & treasury stock	16.25	3.3	16.25	3.4	-
Retained earnings & reserves	130.62	26.4	134.05	27.7	(2.6)
Foreign currency translation	1.62	0.3	1.30	0.3	24.6
Equity attributable to equity holders of the Parent	398.49	80.4	401.60	83.1	(0.8)
Non-controlling interests	97.33	19.6	81.52	16.9	19.4
Total equity	495.82	100.0	483.12	100.0	2.6

3.3 Liabilities

Total liabilities increased by USD 32.98 million from USD 244.95 million as at the end of 2011 to USD 277.93 million as at the end of 2012, registering an increase of 13.5%. Debt securities, loans and credit facilities constitute 81% of total liabilities, which amounted USD 225.29 million as at the end of 2012 compared to USD 206.02 million as at the end of 2011, this increase is due to the increase in debt balance as a result of consolidating the financial statements of Nakheel and PTIC. This also includes the bonds in amount of USD 85 million, which were issued by PADICO in the last quarter of 2011 as mentioned before.

Other liabilities constitute 19% of total liabilities, and include trade payables that related to subsidiaries` operations, dividend payables, provisions and other liabilities.



The Business Women Forum in partnership with PADICO HOLDING launched a mentorship program entitled “I Will Lead”, which aims towards encouraging and empowering entrepreneurial women to develop or build their own businesses, in order to take a leading role in the Palestinian society.