PADICO HOLDING's General Assembly Approves Distribution of 5% Cash Dividends to Shareholders

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Amman – 14 May 2013: The General Assembly of Palestine Development and Investment Company Ltd. (PADICO HOLDING) approved the Board of Director's recommendation to distribute a 5% cash dividend out of the capital stock, as in 5 cents per share.
PADICO HOLDING General Assembly held its 18th Annual Ordinary Meeting in Amman which was transmitted via videoconference to Ramallah. The meeting brought together the Company's Board of directors, legal advisor, external auditor, and shareholders of 71.1% of the company's shares.
Mr. Munib R. Masri Chairman of PADICO HOLDING stated that the Board of director's recommendation to distribute cash dividends to shareholders reflects its due diligence to adhere to a years-long policy of annual dividend distribution despite the fact that the Company is implementing new projects worth millions of dollars. Additionally, profits have also been adversely impacted by unstable political and economic conditions in Palestine, including an acute financial crisis that has negatively affected the business sector as a whole.
Expressing the Board of Director's content with the 2012 results, Mr. Masri announced that PADICO HOLDING marked a pre-tax profit of USD 20.04 million in spite of current predicaments.

20 Years for PADICO HOLDING's Inception

Mr. Masri overviewed PADICO HOLDING's journey over the past two decades, emphasizing achievements and challenges faced:
On the threshold to the third decade in the Company's life, and with an insightful look back, I can proudly say that PADICO HOLDING has distinctively succeeded in leading the process of investment in the Palestinian economy, guided by a vision that has never missed the objective of effective and efficient contribution to building an independent Palestinian state. A state that is capable of providing a decent standard of living to the Palestinian people, with respect to public rights and freedom. A state that treats all citizens on an equally, and furnishes equitable opportunities for all.
Over the course of two decades, PADICO HOLDING has incorporated and invested in almost 33 companies across all economy sectors: tourism, agriculture, industry, real estate, and infrastructure. Towards the end of 2012, the Company's assets totalled USD 774 million. The company's investments reach diverse geographic area and cover the West Bank, including East Jerusalem, and Gaza Strip. PADICO HOLDING's investments are demarcating boundaries of our homeland.

Internal Political Division is the Most Abominable Challenge

"The Company's path towards this success has never been a path strewn with roses." Mr. Masri reflected. On the contrary, PADICO HOLDING has encountered a challenge in every phase and an impediment in every step forward. "As early as the thought of founding the company which was raised in a meeting with the late President Yasser Arafat, we didn't have the faintest illusion about the tough path and immense difficulties we were to face ahead. However, this has not undermined our determination. We decided to move forward no matter what conditions we stumble upon." Mr. Masri resolved.

Mr. Masri emphasised that the worst challenge that has ever faced the Palestinian economy and exerted far-reaching adverse impacts on performance of Palestinian companies, national economy and the national Palestinian project as a whole has been the Palestinian internal political division of June 2007. This split has been exacerbated by an impasse in political prospects and a setback in the political process. The Palestinian Authority (PA) has further suffered from an unprecedented financial crisis, resulting in an irregular payment of the public sector wage bill, almost complete inability to pay private sector arrears, and a remarkable rise in the PA public debt.

However, Mr. Masri assured shareholders:

"Notwithstanding all these grave challenges and obstacles in the face of the Palestinian economy, your Company has continued to register growth in various financial indicators. Net shareholders equity rose from USD 24.4 million in 1994 to USD 400 million in the end of 2012. Since it was incorporated, total dividends distributed to the Company's shareholders have exceeded USD 166 million. "

Mr. Masri expressed his appreciation to shareholders for their trust and confidence in the Company's Board and successiveExecutive Managements. He also articulated his gratitude to the Executive Management. "We believe that if it were not for shareholders' trust and Executive Management's diligent effort, these results would have not materialised." Mr. Masri concluded.

2012 Performance

Reviewing the Executive Management's Report, Mr. Samir Hulileh CEO of PADICO HOLDING, presented the Company's performance throughout 2012, highlighting surrounding environment, projects under implementation, and plans for upcoming years.

Overall, 2012 was a tough year, subsequent political and economic events have continued to negatively reflect on the business sector performance in Palestine. The Palestinian Government's decision to raise income tax on both corporations and individuals has further increased burden on the private sector. Israel's attack on the Gaza Strip in late 2011 also resulted in exorbitant financial losses.

Combined, these causes have resulted in a GDP decline from 10% in 2011 to less than 6% in 2012. Meantime, unemployment soared up across the West Bank and Gaza Strip. In addition to the financial crisis in the Euro zone, regional developments and consequences of the Arab Spring have negatively impacted the Palestinian economic activity, particularly tourism. Perhaps the most visible domestic factor was the suspended enforcement of the Investment Promotion Law and raised corporate income tax, costing the Company a remarkable fall of income as a main result of its declining share of the Palestine Telecommunications Company (PALTEL Group) profits.

Financial and Operating Performance

As it operates in most business sectors, PADICO HOLDING Group has not been immune from concurrent political and economic events. In addition, PADICO HOLDING has engaged in new investments in the tourism, agriculture and infrastructure sectors. Not matched by increasing corporate profits yet, these new enterprises have resulted in rising operating revenues. Compared to USD 26.8 million in 2011, the Company made a pre-tax profit of USD 20.04 million in 2012, marking a drop of 25.2%. The major cause of declining 2012 profits is attributed to the plummeting performance of restructured holding companies as well as low profit margins scored by new projects, which started operation in 2011 and 2012. These include Al Mashtal Hotel in Gaza, St. George Landmark Hotel Jerusalem, Mövenpick Hotel Ramallah, and slaughterhouse of the Palestine Poultry Company (PPC) in Tulkarem. These projects need some time until they reach a break-even point, where they can cover their non-variable costs and start to achieve growing profit margins. Additionally, a number of projects are still under construction, incurring incorporation expenses that are charged to the income statement. These are the Sharafat housing project in Jerusalem, Executive Club in Ramallah, Jericho Gate Real Estate Investment Company, and solid waste management projects. Implementation of the new 20% Income Tax Law has further led to declining PADICO HOLDING's share of affiliates' profit, particularly PALTEL Group. These causes have led to low profits generated by operations on the level of the PADICO HOLDING Group, manifesting clearly in 2012.

Revenues

Mr. Hulileh explained that PADICO HOLDING's revenues totalled USD 103.78 million in 2012 compared to USD 103.89 million in 2011. New projects contributed to increasing operating revenues in 2012 by 8.4%, from USD 58.78 million in 2011 to USD 63.69 million in 2012. PADICO HOLDING's share of associates' profit fell from USD 43.07 million in 2011 to USD 37.25 million in 2012. The drop was a main result of the Company's declining share of PALTEL profits, which receded from JD 90.74 million in 2011 to JD 82.13 million in 2012. This is due to raising the corporate income tax bracket from 15% to 20% in early 2012 as well as PALTEL's initiative to postpone benefit of the partial exemption (50%) offered by the Investment Promotion Law for a period of two years.

Progressive Investments

Mr. Hulileh stated that 2012 saw major developments and marked progress in PADICO HOLDING's projects and investments. With effects manifesting on the Company's financial statements, some projects have already started to achieve returns. Mr. Hulileh envisaged that these returns would scale up incrementally and reach the desired level over the upcoming two or three years.

In 2012, PADICO HOLDING started to operate a number of old and new projects, most notably the St. George Landmark Hotel Jerusalem. After a USD 14 million worth investment of refurbishment and renovation, the Hotel was in full operation in Q1 2012. Following a five-year suspension generated by the internal split and siege on Gaza, 2012 marked the launch of Al Mashtal Hotel. Facilities include 222 five star hotel rooms, halls, and restaurants.

The Nakheel Palestine for Agricultural Investment Company (Nakheel Palestine) continued to expand agricultural operations. In its final phases, the enterprise will cultivate a total of 36,000 palm trees over an area of more than 3,000 *dunums* in Area C. With a total investment of USD 11 million, the Company finalised cultivation of over 20,000 palm treestowards the end of 2012. Nakheel Palestine's palm plantations produce high quality Medjool dates.

The Palestine Poultry Company (PPC), owner of AZIZA trademark, also continued to expand broiler poultry farms, now providing the Company's slaughterhouse with even surplus birds. The project includes construction of seven broiler poultry farms across the West Bank governorates with a production capacity of 9,000 tonnes of live chickens per annum. The cost of broiler poultry farm construction is expected to total USD 7 million. Upon completion, PPC will have spent a total of USD 22 million on expansion investments since early 2009.

As the largest real estate, tourist and recreational facility across Palestine, PADICO HOLDING announced completion of sporadic registration of land needed to launch the Jericho Gate Real Estate Investment project. Stretching over 3,000 *dunums*, the project is located in Area A at the southern entrance to Jericho city. Land registration certificates have been issued by the Jericho Land

Registration Department. To secure the project's operational needs, the Company also developed two integrated research papers on water and energy supply. In April 2013, an initial outline plan has been designed.

Incorporated in partnership with the Palestine Investment Fund (PIF), the Palestine Real Estate Investment Company (PRICO) won a concession contract to develop the Jericho Agro-Industrial Park. Having started to develop internal infrastructure networks, PRICO signed more than 21 memorandums of understandings with companies and factories, which expressed interest to operate in the Jericho Agro-Industrial Parkand enjoy associated privileges.

With an investment of around USD 5 million, a major portion of the Business Club in Ramallah has been finalised. It is expected that it would start operation in August 2013.

In addition to the St. George Landmark Hotel, 2012 saw a noticeable progress towards implementing the Sharafat housing project in Jerusalem. Having been suspended for over 10 years, initial construction licences have been obtained from relevant authorities. Development work is scheduled to start in summer 2013.

Action Plan of the Upcoming Phase

Regarding future planning activity, Mr. Hulileh stated that PADICO HOLDING's Mid-term Plan 2013-17 is designed tomaintain and develop current investments as well as to finalise projects under implementation, particularly in energy and infrastructure sectors. The Plan is also tailored to enhance performance and profitability of existing enterprises.

To optimise liquidity and reduce indebtedness and administrative expenses, the Executive Management, guided by the Board of Directors, has developed an ambitious 2013 budget with a view to reduce PADICO HOLDING's administrative and general expenses by 24%. The Company would continue to reduce debts over the upcoming few years. "We are confident that successful implementation of the Mid-term Plan will promote the Company to sustained growth of profits over years to come, meeting our shareholders' aspiration for stable annual dividends. New projects will be ready to generate favourable results as of 2013." Mr. Hulileh concluded.