

Flash Result—1H, 2010

Palestine Development & Investment (PADICO Holding)

Company Overview

Ticker	Sector	Trading Currency	ISIN	Current Price	Market Capitalization	52 Week High	52 Week Low
PADICO	Investment	USD	PS4002112937	1.35	337,500,000	1.50	1.16

PADICO Holding is a limited public shareholding company that is traded on the Palestine Securities Exchange (PSE) with a paid up capital of USD 250 million. Since its inception in 1993, its mission has been to develop and strengthen the Palestinian economy by investing in vital economic sectors, and the mission is being fulfilled through a well-structured, focused, and resourceful group of subsidiaries and affiliates that invest in major sectors in line with the company's overall strategy. PADICO Holding's business model relies on sector diversification and includes real estate, telecommunications, tourism, industry, and financial services.

The number of PADICO's holding investors has gradually increased to reach more than 11,100 in August 2010, and includes major investors from Palestine, MENA and international markets.

The Restructuring Plan & PADICO Holding's new investments

PADICO Holding completed a major phase in the restructuring of existing investments, as part of expanding the company's investment base and maximizing shareholders' profit, through the transactions of :

- Purchasing all shares of Kuwaiti Global Investment in the Palestinian Real Estate Investment Company (PRICO); PADICO's total share increased from 37% to 71%.
- Purchasing Global's share in the Palestine Securities Exchange (PSE); raising their stake from 68% to 78%.
- Selling their shares in the National Cartoon Industry (NCI) and the Golden Wheat Mills (GMC) to Palestine Industrial Investment Company (PIIC); to focus all PADICO Holding's industrial investments in one single specialized holding.

Subsidiaries	Direct Ownership
Palestine Real Estate Company (PRICO)	70.87%
Al Mashtal Tourism Investment Company	60.65%
Palestine Industrial Estate Development (PIEDCO Holding)	55.32%
Palestine Industrial Investment Company (PIIC)	60.14%
Palestine Securities Exchange (PSE)	78.00%
Jerusalem Development & Investment Company (Jedico)	100.00%
Palestine Development & investment Co Private	100.00%
Jerusalem Tourism Investment Co. (JIT)	95.24%
PADICO Services Co.	100.00%
Palestine Company for the transfer Of technology LTD	100.00%
Palestine Company for Canning and packaging	100.00%
Palestine General Trading Company	100.00%
Palestine Company for Basic Chemical Products Ltd	100.00%
Rawan International Investment Co.	100.00%

Restructuring Plan

The plan consists of restructuring and focusing PADICO Holding's investments in each sector:

- **Real Estate sector**

1. Merging and acquiring 16 companies into one holding company.
2. The value of the transaction is USD 95 million.
3. PADICO will own a controlling stake in the new holding.

- **Manufacturing sector**

1. Consolidating 6 companies into one holding company.
2. The value of the transaction is USD 9.7 million.
3. PADICO owns a controlling stake in the holding; Palestine Industrial Investment (PIIC).

- **Services Sector**

1. Transforming the PSE from a private shareholding company to a public shareholding company.
2. Separate the depository and clearance centre from the trading activities.
3. PADICO to reduce its holdings in the PSE from 76% to around 50%.

Affiliates	Direct Ownership
PALTEL Group	31.70%
Palestine Tourism Investment Co.	41.47%
Vegetable Oil Industries Co VOIC	24.15%
Palestine Electrical & Electronics Co (PEEC)	20.05%
National Electricity Co.	20.50%
Jordan Vegetable Oil Industries Co	16.14%
Arab Hotels	16.04%

Other Investment	Direct Ownership
VTEL Holding	10%
First Jordan Investment Company	0.70%
Cairo Amman Bank	4.30%
Palestine Electricity Co	18.20%
Palestine Mortgage & Housing Corporation	15.80%
Al Rafah Microfinance Bank	6.70%
Palestine for Distribution & Logistics Services (WASSEL)	6.50%
Harvest Export Company	2.00%

New Projects

Power Generation

- PADICO will establish a power generation station located in Northern West Bank, with a total capacity of 400 MW.
- The estimated cost will be USD 300 million, USD 120 million will be financed through equity, while the USD 180 million will be debt.
- The plant is expected to start operations by end 2014.

Solid Waste

- PADICO established the first recycling company in Palestine - including the composting- "The Palestinian Recycling Company".
- The new company's first pilot projects will be building, managing, and operating a recycling facility in Nablus with a total cost of USD 2 million, to start operations in September 2010.

Waste Water

- PADICO will be the first private company to enter the water sector in Palestine.
- A new company will be established owned by PRC and a regional investor.
- A memorandum of understanding has been signed with Jenin Municipality to upgrade the wastewater treatment plant.
- The project estimated cost is around USD 1- 2 million, and will start operations beginning of 2011.

Agriculture

- PADICO will be planting 3,000 dunums at 3 stages.
- The first stage will be planting 400 dunums with around 5,000 palm trees.
- A new company will be established with a total capital of USD 10 million, and PADICO and its subsidiaries to own around 51%.

Financial Statements

Categories (\$ million)	1H 2009	1H 2010	Change
Operating Revenues	13.29	25.15	89%
Share of profit of affiliates	18.27	18.72	2%
Income from Investment Portfolio	0.64	1.81	184%
Other	1.91	2.96	55%
Total Revenues	40.26	48.64	21%
Operating Expenses	8.57	15.91	86%
Administrative Expenses	8.39	8.64	3%
Total Expenses	20.26	27.75	37%
Net Profit	19.80	20.39	3%

PADICO Holding's gross revenues reached \$48.64 million in 1H 2010 compared to \$40.26 million in 1H 2009; an increase of 21%, driven mainly by a growth in the operating revenues of subsidiaries which in turn amounted to \$25.15 million in 1H 2010 compared to \$13.29 million in the corresponding period of 2009 rising by 89%.

PADICO Holding's stake in its affiliates' revenues rose in 1H 2010 to reach \$18.72 compared to \$18.27 million in 1H 2009, following an improvement in most of these companies' financial performance as Vegetables Oil Industries Company (VOIC), National Carton Industry (NCI) and Palestine Tourism Investment Company, while PADICO Holding's stake in Palestine Telecommunications Company (PALTEL) dropped due to a decline in the latest's net income in 1H 2010.

The group realized an income from investment portfolio of \$1.81 million in 1H 2010 compared to \$0.64 million in 1H 2009; a growth of 184%.

It should be noted that the revenues of 1H 2009 included unrepeatable gains from business combination of its subsidiary (Palestine Real Estate Investment Company – PRICO) by a figure of \$6.15 million.

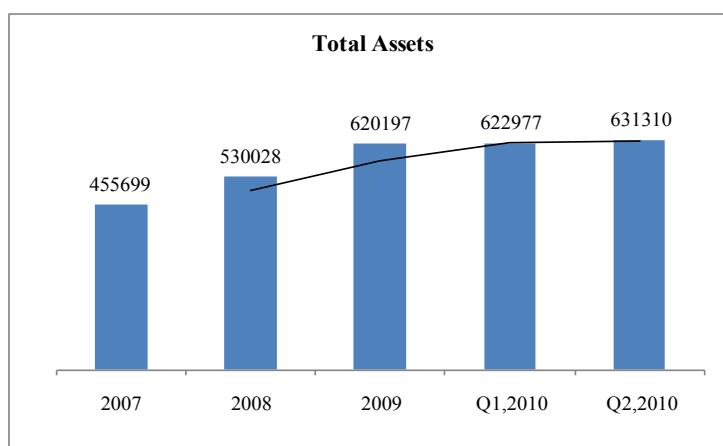
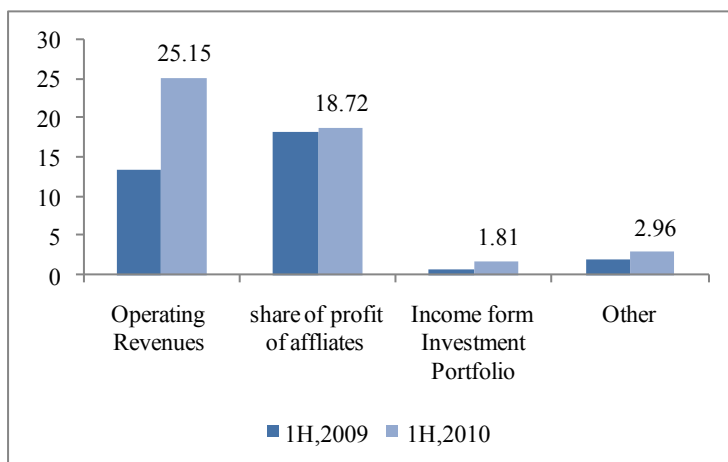
PADICO Holding's total expenses increased by 37% to stand at \$27.75 million in 1H 2010 compared to \$20.26 million in 1H 2009, affected mainly by the increase in the operating expenses which in turn stood at \$15.91 million in 1H 2010; a net change of 86% compared to 1H 2009 following the growth in the operating revenues of subsidiaries.

The group reported a slight increase in its general & administrative expenses of 3% when amounted to \$8.64 million in 1H 2010, while interest expenses had sustained around the levels of \$3.20 million.

In aggregate, PADICO Holding's consolidated income reached \$20.39 million in 1H 2010 compared to \$19.80 million in 1H 2009; a growth rate of 3% and EPS of \$0.075 attributable to equity holders of the parent.

PADICO Holding's total assets aggregate \$631.31 million in 1H 2010 compared to \$620.20 million in the end of 2009 growing by 2%, following an increase in current and non-current assets.

Current assets settled at \$81.41 million in 1H 2010 opposed to \$79.48 million at the end of 2009; a net change of 2% due to a growth in accounts receivables by 100% and in inventories & ready for sale properties by 161% opposing to a decline in trading securities, loans to affiliates and cash & banks' deposits.



Non-Current assets registered \$549.90 million in 1H 2010 compared to \$540.72 million at the end of 2009, increasing by 2% and attributed to an increase in property, plant & equipment by 8% and in investment in affiliates by 2% in addition to an increase of 17% in financial assets at fair value through other comprehensive income.

PADICO Holding's total liabilities declined by 6% from \$190.49 million at the end of 2009 to amount \$179.07 million in 1H 2010, following a drop in both of current and non-current liabilities.

Current liabilities dropped by 11% to reach \$74.36 million in 1H 2010, ascribed to the decline in the group's short term loans & credit facilities in which amounted \$54.36 million in 1H 2010 compared to \$64.46 million at the end of 2009.

Categories (\$ million)	1H 2010	Change
Total Assets	631.31	2%
Current Assets	81.41	2%
Non Current Assets	549.9	2%
Total Liabilities	179.07	-6%
Current Liabilities	74.36	-11%
Non Current Liabilities	104.72	-2%
Total Equity	452.24	5%
Capital	250	0%
Minority Interests	69.1	2%
Equity attributable to equity holder s of the parent	383.14	6%

Non-current liabilities also dropped by 2% to settle at \$104.72 million in 1H 2010, attributed to the drop in the long term loans value when stood at \$98.93 million in 1H 2010 compared to \$101.34 million at the end of 2009.

PADICO Holding's total shareholders' equity reached \$452.24 million in 1H 2010 compared to \$429.71 million at the end of 2009; rising by 5%, driven mainly by a growth of 19% in retained earnings in which in turn settled at \$111.90 million in 1H 2010.

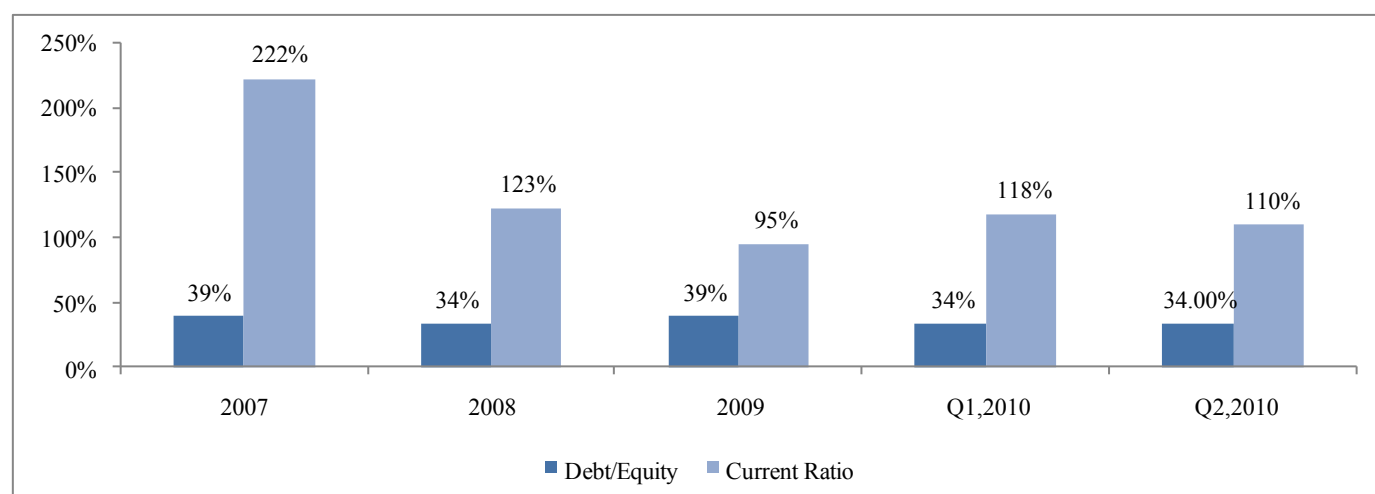
Financial Ratios

PADICO Holding shrank its debts ratios, following the reduction of its liabilities and the reported growth in equity and assets. Loans to equity stood at 34% in 1H 2010 compared to 39% in 1H 2009 amid PADICO Holding's strategy to reduce debts through paying of approximately 30% of its liabilities during the year 2010.

Consequently, Loans constituted 24% of total PADICO Holding's total assets, declining by 11% in the same debt reduction strategy.

PADICO Holding reported an efficiency of a the company's operating cycle, when current ratio stood at 1.10 times, increasing by 16%.

Item	1H 2009	1H 2010
ROaE	5.80%	5.10%
ROaA	3.50%	3.30%
Debt Ratio	39.00%	34.00%
Loans/ Assets	27%	24%
Current Ratio	95%	110%
Book Value	1.45	1.53
EPS	0.082	0.075



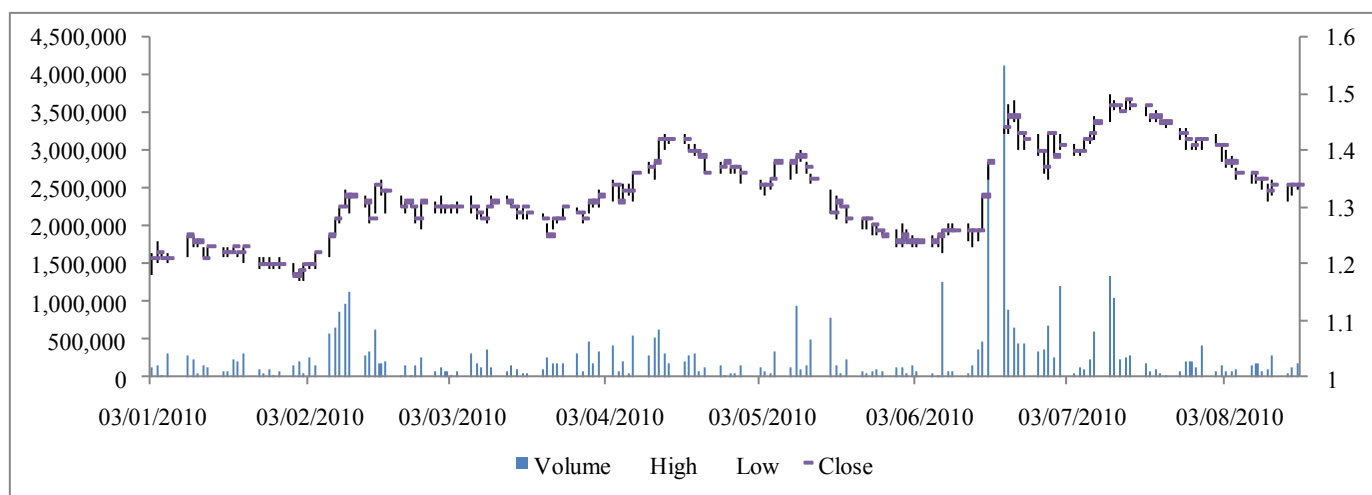
Market Indicators

PADICO's share is currently trading below its book value, and recording an acceptable forward PE compared to the overall market's PE .

The company's market cap stood at \$347 million at the end of 1H 2010 increasing by 7.00% compared to the settled value at June 30, 2009.

Trading volume of PADICO reached 37.47 million shares for the period between Jan 1—June 30, 2010

Item	1H 2009	1H 2010	Change
Market Price	1.30	1.39	7.00%
P/BV	0.90	0.91	1.09%
PE	7.93	9.27	16.28%
Market Capitalization (\$ million)	325	347	7.00%
Turn Over %	18.53%	14.99%	-19.12%



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