

Flash Result- 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	1.12	280,000,000	1.50	1.10

Palestine Development & Investment Company - PADICO Holding - is a public shareholding company that is traded in Palestine Exchange (PEX) with a paid up capital of \$250 million. It is engaged - together with its subsidiaries - in investment activities in diversified sectors, including tourism, real estate, infrastructure, manufacturing, finance, telecommunications and agriculture. 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.

PADICO's share price is currently calculated in Al Quds Index formula and weighs around 15%. Also, it is the largest investment company in the PEX in terms of market capitalization.

Projects in Operation

Along with its subsidiaries and affiliates, PADICO Holding has taken the initiative to implement several pioneering projects and set in place another package of projects in various sectors, thereby promoting trust and confidence that the coming years will witness significant growth in general indicators and, consequently, profits.

- In the agriculture sector, Nakheel Palestine Agricultural Investment Company – a PADICO Holding investment – planted in 2010 more than 7,500 palm seedlings in the An-Nabi Mousa area in Jericho, finalizing the first stage of a project that calls for the cultivation of 3,000 dunums over a period of three years.
- In the infrastructure sector, PADICO Holding signed an agreement with Nablus Municipality and The Applied Research Institute of Jerusalem (ARIJ) to begin implementing a solid waste recycling project in the Nablus governorate. Accordingly, Nablus municipality will provide the land necessary for implementing the project. Having initiated needed civil engineering operations, the site will be completed in spring 2011.
- PADICO Holding has also acted as a strategic partner in the solid waste recycling project of Zahrat Al-Finjan sanitary landfill in the Jenin governorate.
- PADICO Holding signed a memorandum of understanding (MoU) with Jenin municipality to construct a wastewater treatment plant for agricultural irrigation.
- PADICO Holding has also begun to develop expedient studies to launch a significant real estate project in Jericho city. With a capital of JD 35 million (\$49 million), PADICO Holding and PALTEL incorporated the Jericho Gate Real Estate Investment Company. Each company owns 50% of its capital. Over the next five years, the real estate project will develop 3,000 dunums of land at the southern entrance of Jericho city, install infrastructure networks, and construct integrated housing, tourist and entertainment enterprises.
- With a total cost of \$300 million, preparations are well underway to construct the electricity generation plant in the northern West Bank. With a preliminary output of 200 megawatts, the plant will cover one third of the West Bank inhabitants' current needs. As the most prominent shareholder, PADICO Holding makes contributions either through an immediate share of 15% or through a contribution in the Gaza-based Palestine Electricity Company. The latter invests a share of 41% in the Northern West Bank Electricity Generation Plant.
- In line with PADICO Holding's commitment to invigorate its investments and promote the national economy in the Gaza Strip, there is a progress in several projects including Al-Mashtal Hotel, which was completed and is scheduled for inauguration in Q2 2011, in addition to the chalets project in the vicinity of Al-Mashtal Hotel, as well as the Gaza Industrial Estate and Gaza Electricity Generation Station.

Restructuring Process Updates

PADICO Holding made great strides towards finalizing the restructuring of its investments:

- PADICO Holding has completed the restructuring of the Palestine Electronics and Electrical Company (PEEC) and sold and liquidated Best Buy Company. Now, PEEC has a well-established, single operational real estate company (Aqarat), which manages commercial compounds including the Municipal Commercial Compound in Nablus city centre.
- PADICO Holding, Palestine Telecommunications Company (PALTEL Group), and Palestine Industrial Estate Development Company (PIEDCO Holding) – a subsidiary of PADICO Holding – sold their shares in the Palestinian Distribution and Logistics Services Co. (WASSEL) to Massar International; The transaction included the sale of approximately 1.53 million shares, equaling around 24% of WASSEL's capital.
- PADICO Holding has also made remarkable progress in the restructuring process of its investments in the real estate, tourism, industry and financial sectors, including the restructuring the capital of Palestine Tourism Investment PTIC, raising it over two phases to JD 18.5 million. With significant steps towards reducing its financial burden and strengthening its financial position, PTIC has settled all respective debts. PTIC's operational activities are also further supported by the operations of Jaser Palace Hotel, which is managed by the international InterContinental Group.
- PADICO Holding purchased additional shares in PIEDCO Holding from major shareholders, raising its stake from approximately 55% to 78% of the company's capital. Meanwhile, PADICO Holding is in the process of rejuvenating operations at subsidiary companies, including the Palestine Industrial Estates Development and Management Company (PIEDCO Gaza), which owns the Gaza Industrial Estate, as well as Al-Mashreq Real Estate Company, which has started to implement a set of vital projects throughout the West Bank.
- PADICO Holding is in the final stages of merging its investments in the tourism and real estate sectors. The merger is planned to combine 16 existing companies to form a single Holding company with capital exceeding \$180 million. To function primarily as PADICO Holding's investment arm in real estate and tourism sectors, the new Holding company will operate in land and real estate development, real estate management, and contracting works.
- The industrial restructuring agenda, the Board of Palestine Plastics Industries Company (PPIC) - currently known as LADAEN in the market - is making extensive efforts to find alternatives to the restructuring process. It is expected that a comprehensive plan to finalize the operational and financial restructuring at PPIC will be in place by the end of Q1 2011.

Income Statement

- Total revenues of the largest investment company in term of market capitalization - PADICO Holding - soared by 21.76% to reach \$102.18 million in 2010 compared to \$83.92 million in 2009. This was corresponding mainly to a significant growth in the operating revenues which amounted to \$55.42 million and grew by 78.66% compared to the previous year. Also the stake of PADICO in the profits of associates increased by 31.85% to reach \$38.93 million in 2010, which in turn was due to the remarkable development in the operating revenues of subsidiaries & associates, in which all the companies have added up positively to the revenues of PADICO.
- Income from investment portfolio reached \$1.75 million in 2010 opposed to \$0.34 million in 2009 accompanied by a decline in the investment portfolio from \$18.16 million to \$8.28 million in 2010. Moreover, PADICO achieved gains from selling real estate and other types of investments by \$4.13 million in 2010 opposed to \$0.36 million in 2009, to add up to the total revenues in 2010 in addition to other miscellaneous revenues items by \$7.83 million.
- It should be mentioned that PADICO Holding registered a gain from business combination of subsidiaries in 2009 by \$15.45 million resulting from raising its stake in its subsidiary - Palestine Real Estate Investment PRICO- whereby it acquired the stake of "Global Investment House" below the fair value; thus recording profits and 70.87% ownership in PRICO.

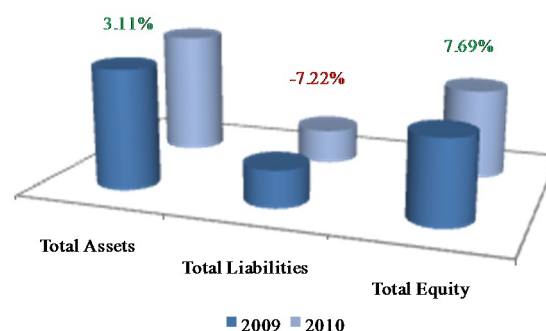
Item	2009	2010	Δ
Operating Revenues	31,018,000	55,418,000	78.66%
Share of Profit of Associates	29,529,000	38,933,000	31.85%
Gain from Business Combination of Subsidiaries	15,449,000	-	-
Other Revenues	7,927,000	7,833,000	-1.19%
Total Revenues	83,923,000	102,184,000	21.76%
Operating Expenses	20,270,000	38,686,000	90.85%
G&A Expenses	12,665,000	15,162,000	19.72%
Net Income	41,954,000	38,141,000	-9.09%
Changes in Fair Value of Financial Assets at Fair Value through other Comprehensive Income	(9,153,000)	(1,939,000)	78.82%
Total Comprehensive Income	32,801,000	37,260,000	13.59%

- In addition, PADICO Holding recorded another nonrecurring gain item in 2009, in which a balance of \$6.36 million had been recovered from the provision of a loan that was granted to the subsidiary - Palestine Tourism Investment Company- , adding up to the nonrecurring profit in 2009 to reach \$21.81 million that will not be recorded in 2010.
- In consequence, total expenses aggregated at \$62.90 million in 2010 rising by 51.22% opposed to 2009. Operating expenses which include cost of sales and services in subsidiaries reached \$38.69 million in 2010 corresponding to the reported growth in the operating revenues, and constituting 61.51% from total expenses, while general & administrative expenses stood at \$15.16 million in 2010 compared to \$12.66 million in 2009, recording an increase of 19.71% and a noticeable decline in its proportion to the operating revenues due to costs control applied by PADICO.
- In aggregate, Net income reached \$38.14 million in 2010 opposed to \$41.95 million in 2009; thus recording an earning of \$0.15 per share.
- PADICO Holding reported lower losses in the changes in fair value of financial assets at fair value through other comprehensive income in 2010 when reached a negative balance of \$1.94 million opposed to a loss of \$9.48 million in 2009. Therefore, total comprehensive income of the year 2010 amounted to \$37.26 million rising by 13.59% compared to the year 2009.

Balance Sheet

- Total assets aggregated at \$639.48 million in 2010 compared to \$620.20 million in 2009; a growth rate of 3.11%. This increase came due to an increase of 5.01% in the major component of PADICO Holding's assets; noncurrent assets.
- Noncurrent assets -which constitute 88.79% of total assets and amount \$567.80 million in 2010- recorded an increase of \$27.08 million in 2010 compared to 2009, stimulated mainly by a growth of 90.11% in property, plant & equipments which in turn reached \$82.25 million, in addition to an increase of 9.31% in investment in associates to stand at \$336.82 million. On the other hand, projects in progress declined by 70.62% when amounted to \$14.33 million in 2010 due to the handover of several projects of the subsidiaries.
- Current assets reported a decline of 9.81%, ascribed to a drop in liquid assets items, where cash & short term deposits reached \$13.34 million in 2010 compared to \$20.86 million in 2009; a negative change of 36.07%, also trading investments dropped by 54.39% to end up at \$8.28 million in 2010. On the other hand, other non liquid items witnessed a growth, where accounts receivables recorded a noticeable increase of 134.13% when settled at \$40.16 million in 2010, also inventories & ready for sale properties grew by 78.09% to reach \$8.62 million.
- Total liabilities witnessed a decline of 7.22% in 2010 compared to 2009 when reached \$176.75 million, attributed to a drop in both current and noncurrent liabilities.
- Current liabilities stood at \$76.18 million in 2010 declining by 8.69%, ascribed to a drop in credit facilities and short term loans by 4.80% when reached \$61.37 million in 2010 compared to \$64.46 million in 2009. Also other liabilities balances declined by an amount of \$4.74 million; a drop of 36.13% in 2010 compared to 2009.
- Debts of PADICO Holding was also decreased through its noncurrent liabilities, when reached \$100.56 million in 2010 dropping by an amount of \$6.50 million compared to 2009. This change was corresponding mainly to a drop of 7.35% in the long term loans; this balance reached \$93.90 million in 2010 compared to \$101.34 million in 2009.
- PADICO Holding's total equity aggregated at \$462.73 million in 2010 compared to \$429.70 million in 2009; a growth rate of 7.69%. Retained earnings constituted 27.27% of total equity in 2010 amounting to \$126.18 million. It should be mentioned that minority interests settled at \$63.61 million in 2010 constituting 13.75% of total equity.

Item	2009	2010
Current Assets	79,475,000	71,675,000
Non Current Assets	540,722,000	567,801,000
Total Assets	620,197,000	639,476,000
Current Liabilities	83,430,000	76,181,000
Non Current Liabilities	107,062,000	100,565,000
Total Liabilities	190,492,000	176,746,000
Paid Up Capital	250,000,000	250,000,000
Retained Earnings	93,641,000	126,182,000
Total Equity	429,705,000	462,730,000



Ratio Analysis

- PADICO Holding reported very good profitability indicators in 2010, especially when considering the nonrecurring profit items realized in 2009. Operating profit recorded \$37.34 million in 2010 compared to \$19.66 million in 2009; therefore soaring the operating indicators.
- Book value recorded an increase of 7.69% in 2010 compared to 2009; book value reached \$1.85 per share according to the total equity and recorded \$1.60 per share according to shareholders' equity only (excluding minority interests).
- Debts ratios recorded remarkable negative changes, due to PADICO's announced strategy in 2009 to reduce loans in order to affect its debt ratios positively. Now it maintains suitable leverage levels along with the potential risks.
- In consequence, equity ratio increased ascribed to the reported decline in the debt ratio and the noticeable growth in retained earnings.
- Cash ratio dropped due to assets categories reclassifications that led to a growth in total assets.
- Working capital reported a negative balance of \$4.51 million, due to the drop in current assets that accompanied and exceeds the drop in current liabilities, in which registered a negative turnover.

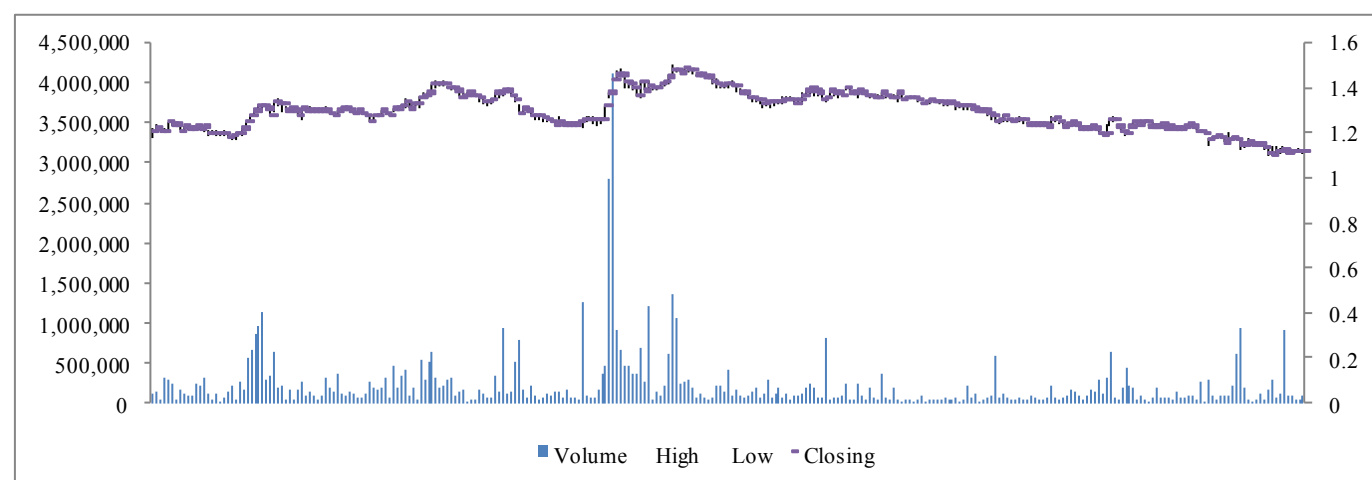
Item	2009	2010
EPS	0.168	0.153
Book Value	1.719	1.851
ROAa	7.29%	6.06%
ROEa	10.30%	8.55%
Net Margin	49.99%	37.33%
Current Ratio	95.26%	94.09%
Working Capital	(3,955,000)	(4,506,000)
Loans/ Assets	26.73%	24.28%
Loans/ Equity	38.59%	33.55%
Debt Ratio	30.71%	27.64%
Equity Ratio	69.29%	72.36%
Total Assets Turnover	13.53%	15.98%
Working Capital Turnover	(21.22)	(22.68)
Cash Ratio	46.77%	28.38%

Market Indicators

- PADICO's share is currently trading below its book value, and recording an acceptable PE compared to the overall market's PE and the investment sector's PE .
- The company's market cap stood at \$300 million at the end of 2010 increasing slightly by 0.84% compared to the settled value at the end of 2009.
- Trading volume of PADICO reached 57.61 million shares in 2010 declining by 7.95%, leading its turnover to stand at 23.04%.

Item	2009	2010
Price	1.19	1.20
P/BV	69.23%	64.83%
PE	7.09	7.87
Trading Volume	62,585,506	57,608,181
Turnover	25.03%	23.04%

PADICO's Performance (January 2010 - February 2011)



Major News

- As evidence of its forward outlook on Palestine; PADICO Holding is due to unveil the first issuance of corporate bonds in Palestine. Corporate bonds with a value of US\$ 70 million will be put forth for private placement and will be offered to local banks and other financial institutions as well as to high net worth individuals.

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