

PALESTINE ELECTRIC COMPANY
ANNUAL REPORT 2013

Celebrating 10 Years of Power Generation



*" I always dreamt of our beautiful Palestine shining
bright amidst all odds. Today we are celebrating 10 years
of generating not only power, but also hope for a brighter
future "*

Said Khoury - Chariman

10 Years of Power Generation



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Chairman's Letter



Said Khoury
Chairman



To our shareholders,

Today we celebrate our tenth year of commercial operation, and I am proud of our accomplishments and success. Our success as a company comes hand in hand with our dedicated working team and exceptional management, whom I commend for their efforts throughout the years.

The difficult times that our country is going through has impacted the development of the power sector in general. Nonetheless, this strategic project and its outstanding management is working hard to overcome all difficulties and to secure the interests of the Palestinian people and the shareholders.

The confidence of our shareholders, our community, and their continued support in achieving our primary goals are, without a doubt, the very soul of this Company and the drive of our determination.

Our future is promising and we never lose hope for a better and brighter Palestine.

Said Khoury
Chairman

Executive Managing Director's Statement



*Walid Salman
Executive Managing Director*

Dear Shareholders

Ten years and going, we stand proud of our accomplishments amidst difficult and turbulent times.

This year, we have succeeded in finalizing all major required maintenance work for the project, and thus ensured the continuation of our high standard technical performance. Our intentions in achieving excellence in our performance, and our determination to fulfill our promises to shareholders have kept our vision and goals in focus.

The tremendous source of support from our Chairman, Mr. Said Khoury, that we cherish and are proud of is what ensures the continuity of this project and its advancement.


Our financial statements and technical reports over the past ten years reflect a successful Company and prove that we are advancing on a steady foothold year after year, achieving good results.

We will persevere to continue our exceptional performance on all levels in order to continue providing this service to the people of Palestine and our valued shareholders.

Finally, I would like to thank our management and operational teams that overlook the management of the power plant through their commitment and outstanding performance.

Walid Salman
Executive Managing Director





" We have come a long way to reach where we are today and to pioneer in our field of power generation, working along International standards of professionalism and expertise."

Walid Salman - Executive Managing Director

Brief Overview of PEC

PEC was established in 1999 in accordance with Palestinian laws, to establish and operate power generating plants in Palestinian territories. We are a public owned company whereby the public shareholders represent 33% and the private shareholders represent 67%.

Gaza Power Generating Company (GPGC) was established as the power plant's operational arm with a capital of \$60 million. Palestine Electric Company owns GPGC, the sole Palestinian supplier of power in Gaza, based on the signed agreements.

The company ensures that the plant is operated and maintained in an environmentally sensitive manner and in accordance with applicable OPIC requirements, World Bank guidelines and local Palestinian environmental requirements and policies.



Power Generating Plant: Operations & Technical Summary

The main objective behind the establishment of GPGC is to fulfill the electricity needs of the Gaza Strip, bearing in mind the industrial sector needs for electricity and the natural population growth.

The power plant operates with a productive capacity reaching 140MW in a combined cycle system consisting of four gas turbines and two steam turbines to form two blocks for electricity generation.

In 2013 GPGC implemented intensive maintenance activities that were conducted by highly qualified workers.

This included the cleaning of fuel storage tanks and boilers, maintaining submarine sea water intake pit and chlorination system, and cooling tower rehabilitation. In addition, GPGC completed major overhauls for two gas turbines and one steam turbine and concluded the annual inspections for the other two gas turbines.

The 2013 maintenance work has improved the plant efficiency and availability.

Fuel Status:

During 2013, fuel was delivered in small quantities on a daily basis. The quantity of fuel was limited for the operation of the power plant, and was inadequate to serve as a reserve. We were only able to utilize half the capacity of the power plant during 2013 due to fuel shortage. This situation was further elaborated leading to shutting down the power plant.

Our Company strives to acquire and retain the best talents. Team work and a visionary management is our strength.



Our Employees

We are proud of our Palestinian workforce in all the technical and administrative departments. By the end of 2013, the number of employees has reached 158, compared to 156 employees at the end of 2012. The majority of the employees consist of engineers, technicians, administrative staff, security and safety employees, who have all acquired the appropriate degrees and certifications for their posts.

Executive Management

Walid Salman	Vice Chairman of the Board of Directors, Executive Managing Director
Rafiq Maliha	Power Plant General Manager
Mahmoud Nabahin	Financial Manager

PEC Board of Directors

#	Names	Position	Representative	Address
1	Said Khoury	Chairman	Palestine Power Private Company L.T.D	Gaza, Al Nusirat, Salah Al Din St., Power Plant, P.O.Box 1336,Tel. 2888600 Ext. No. 331 Fax 2888607
2	Walid Salman	Vice Chairman		
3	Nabil Sarraf	Member		
4	Tarek Aggad	Member		
5	Hani Awad	Member		
6	Hani Ali	Member		
7	Marwan Salloom	Member		
8	Sharhabeel Al Zaeem	Member		
9	Saad Kharmah	Member	Palestine Electric Company Holding	Gaza, Al Nusirat, Salah Al Din St., Power Plant, P.O.Box 1336,Tel. 2888600 Ext. No. 331 Fax 2888607
10	Azzam Shawwa	Member		
11	Samir Shawwa	Member		
12	Faisal Shawwa	Member	Morganti Development LLC	Jordan, Amman, P.O Box 830392, tel +9626 4658403, fax +9626 4643071
13	Khaled Osaily	Member		
14	Majed Helou	Member	Palestinian Pension Agency	Gaza, Al Remal, Thourah St., Tel 2829219, Fax 2822473
15	Iyad Basal	Member	Public Shareholder	Gaza, Al Remal, Haifa St., Tel. 2848025, Telefax 2840384

According to the company's Articles of Association, three seats on the Board of Directors are dedicated to any Public Shareholders holding 1% or more of the shares. At the time of this report, only two seats have been occupied. It was agreed with the Companies Registrar during the Generally Assembly Meeting held on 25 April 2012 that PEC Holding is to have a third representative in PEC Public to complete the legal requirement of 15 Board Members until a public representative exists.

Board of Directors Meetings During 2013:

23 April 2013

A Board of Directors Meeting was held on 23 April 2013, preceding the General Assembly Meeting. The Board of Directors agreed to recommend to the General Assembly a dividend declaration for the year 2012 as follows:

Payout of 10% of the company's original capital to the shareholders owning shares up to the day of the General Assembly Meeting.

This was approved by the General Assembly.

30 September 2013

A Board of Directors Meeting was held on 30 September 2013. During this meeting, administrative and financial matters were discussed in addition to the latest developments in the Company. The re-formation of the Board of Directors was stated and approved.

General Assembly Meeting Date

The General Assembly Meeting for the year 2013 is expected to be held on 29 April 2014.

External Auditors for 2013

Following the voting of the last General Assembly Meeting, Ernst & Young were appointed as the company's external auditors for the year 2013.

Company Legal Advisor

Mr. Sharhabeel Al Zaeem & Associates

Transparency

The company, since enlisted in Palestine Exchange (PEX), has implemented a continuously transparent policy in declaring all requested information as required by PEX and Palestine Capital Market Authority. This implementation emanates from the company's interest in winning the trust of its shareholders and reinforcing the principle of transparency in presenting the information and statements to all shareholders and investors alike, so that they can make their decisions carefully regarding their shares and investments.

Legality

Palestine Electric Company does not have any past or ongoing legal case raised by or upon it.



The Investor Relations Department - Dividend Distribution

Since 2005, our Investor Relations Department has been dedicated to ensuring that all our Shareholders requests are met in a professional and efficient manner.

On our tenth year anniversary, we are proud to announce that our dividend distribution methodology is in line with the best practice and latest technology services from banks to ensure a hassle free and timely distribution of dividends across bank branches within Palestine and abroad.

We protect the rights of our shareholders at the Company and any uncollected dividends will be kept as a reserve to be paid out to shareholders upon their request, following set rules and regulations.

PEC's Role in the Community

In 2011, the company launched a section under the Investor Relations Department called POSITIVE. This section supports humanitarian organizations and encourages community work on all levels. PEC is always on the lookout to support seminars, conferences and summits in Palestine that help to concentrate on vital issues in the country from science and technology to finance and statistics.

Corporate Social Responsibility

We continuously strive to play an active and effective role in the social community by providing our support to educational institutions, local organizations, schools, universities, and training programs. We believe in sharing knowledge and empowering our youth with first hand experience in our field of work and knowledge.

Today we celebrate ten years of continuous involvement in the community, and training, supporting and providing all kinds of aid to many students, trainees and institutions. Our agenda for the coming years is always evolving and we aim to maintain our position as a positive player in the community.



Information Technology (IT)

PEC has devoted a considerable amount of its resources in making sure we are always up to par with our IT standards and applications internally and externally.

The company's IT department tries to apply latest technologies and applications in all the departments which facilitates the work and makes the reports more accessible at any time. Accordingly, most of the company's services have been computerized to minimize paper work, thereby protecting the ecosystem.

In 2013, the IT department had provided and enhanced several facilities for GPGC management and staff for better controlling and monitoring. The department initiates technology enhancement projects such as: work permit system, safety module, security modules, procurement and warehousing modules.

The West Bank Project & Future Plans

After years of experience in operating and maintaining GPGC, we have decided to take part in developing a power generating company in the West Bank.

Palestine Power Generating Company (PPGC) have signed a Memorandum of Understanding with the Palestinian Energy and Natural Resources Authority (PENRA) to establish and develop the new power plant in Jenin..

We are in the process of commencing this project as the main developer, and currently we are in the final stages towards signing all the important agreements necessary to develop this vital project. Our technical, professional, and managerial development along the years will help us prove our sustainability across Palestine and outside Palestine

Corporate Governance

The Company's Board of Directors protects the rights of the shareholders and adopts their interests to develop the company and improve its performance thus ensuring the growth of their assets. The Board of Directors assures the shareholders that the company will remain in constant progress to get better returns even under a stressful economic situation.

In addition to the above, the Board of Directors advises the executive management on the best course of action to preserve the interests of the company and its assets, and to increase its resources. Following the principles of corporate governance.





Shareholders Information Mechanism - Annual Report

The company’s information can be obtained from the following websites: Palestine Exchange, Palestine Capital Market Authority, Palestine Electric Company and from the headquarters office of the Company in Gaza. Our annual report is available to all shareholders two weeks prior to the General Assembly Meeting every year. The shareholders can also get a copy of the annual report from Gaza, Ramallah, and Nablus (following the advertisements we publish in newspapers concerning this). Alternatively, our annual report can be viewed and downloaded from the Company website: www.pec.ps.

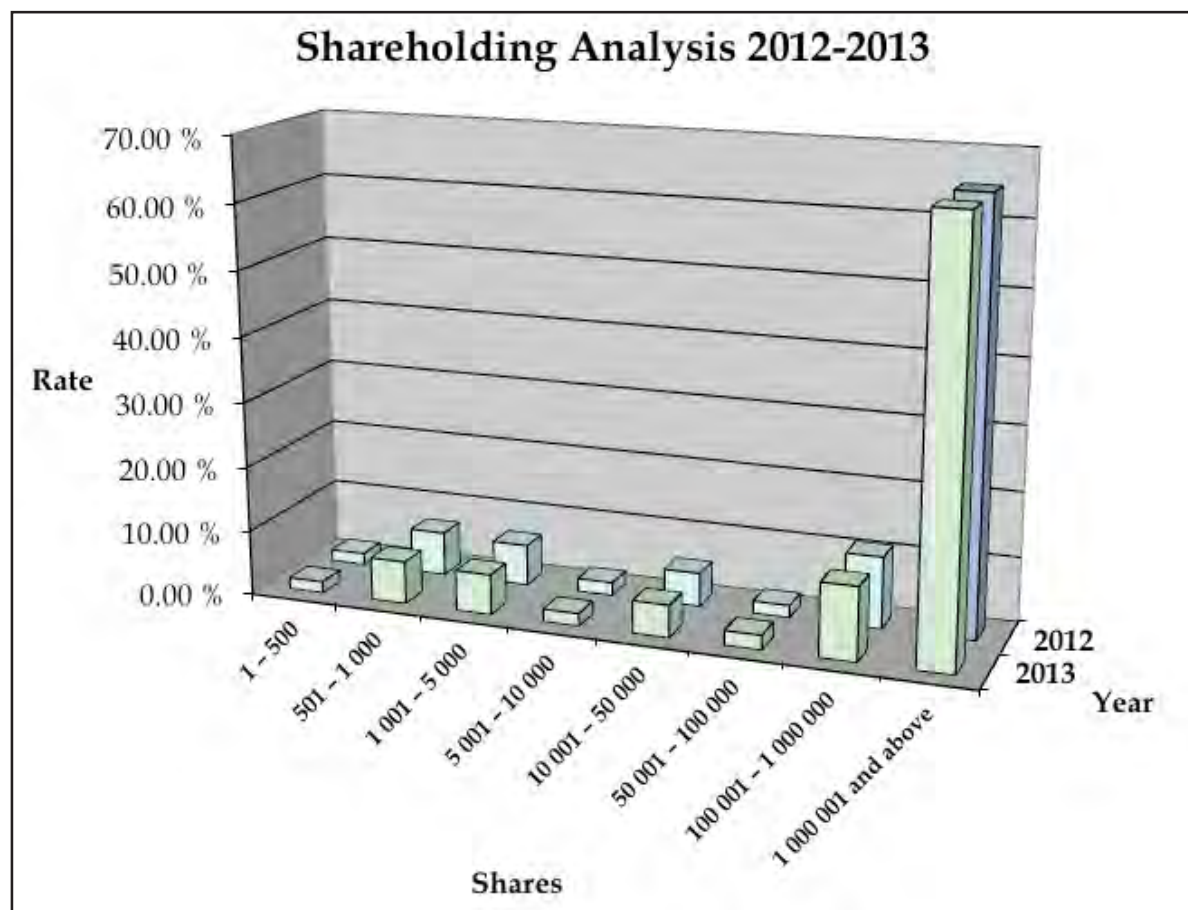
PEC Shareholders

Shareholders Owning more than 5% of the PEC shares:		
Name of Company	Number of Shares	Rate
Palestine Power Private Company L.T.D	38,999,600	65 %



Analysis of registered shareholdings for 2012-2013						
Distribution of shares by type of shareholder	Number of holdings		Shares		Rate	
Year	2012	2013	2012	2013	2012	2013
Institutional investors	5	5	40,200,000	40,200,000	67 %	67 %
Individuals	11,491	11,268	19,800,000	19,800,000	33 %	33 %
Total	11,496	11,273	60,000,000	60,000,000	100 %	100 %

Range analysis of register	Number of holdings		Shares		Rate	
Year	2012	2013	2012	2013	2012	2013
1 – 500	3,336	3,323	1,065,534	1,047,123	1.78 %	1.75 %
501 – 1 000	5,603	5,454	4,047,692	3,941,574	6.75 %	6.57 %
1 001 – 5 000	2,208	2,156	3,798,432	3,735,198	6.33 %	6.23 %
5 001 – 10 000	172	164	1,214,802	1,169,170	2.02 %	1.95 %
10 001 – 50 000	139	136	3,116,354	3,005,162	5.19 %	5.01 %
50 001 – 100 000	15	18	1,135,843	1,346,082	1.89 %	2.24 %
100 001 – 1 000 000	22	21	6,621,743	6,756,091	11.04 %	11.26 %
1 000 001 and above	1	1	38,999,600	38,999,600	65.00 %	65.00 %
Total	11,496	11,273	60,000,000	60,000,000	100 %	100 %

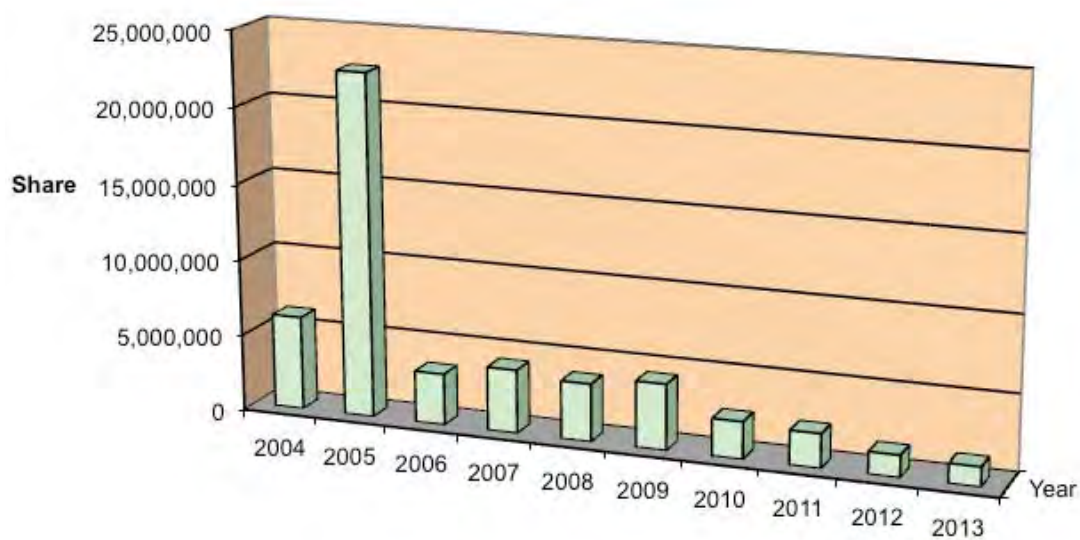


PEC Share Performance

PEC Share Price 2004-2013



PEC Trading Volume 2004-2013



PEC Share all time high (2005):	2.45 US\$
PEC Share 2013 High:	1.44 US\$
PEC Share Close Price 2013:	1.42 US\$
Change Rate on PEC Share Price by the end of 2013:	2.90 %

PEC Share Statistics 2012-2013

Year	Opening Price	Closing Price	High	Low	Trading Value	Shares Traded	Number of Deals
2012	\$1.19	\$1.38	\$1.39	\$1.12	\$1,792,423	1,443,110 shares	1,341 deals
2013	\$1.36	\$1.42	\$1.44	\$1.26	\$1,737,642	1,283,319 shares	1,164 deals



PEC shares relative to Al Quds Index 2013

PEC was listed in the Palestine Exchange in 2004. Like all shares in the market, the PEC shares performance was effected by the unstable political and economic situation in Palestine. The strength of PEC shares is in the professional working team, visionary and effective management and strong support from the Board of Directors and Chariman, thus giving it credibility and continuity.

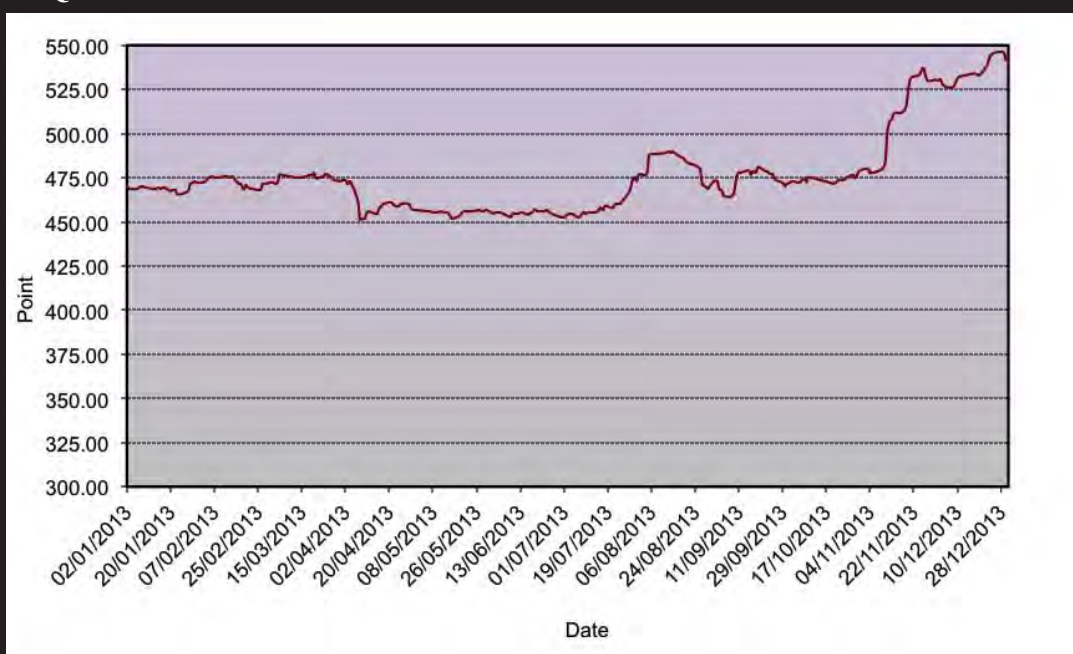
PEC shares and Al-Quds index are in accord, and factors such as the unstable political and economic situation effect PEC shares along the same effect on the overall Al-Quds index. This year PEC shares traded at an average price of \$ 1.36 compared to \$ 1.24 the previous year. The closing price was \$ 1.42.

PEC shares are part of the selected sample group shares for the statistical calculations of the Al Quds index in Palestine Exchange (PEX.).

PEC share Price 2013



Al Quds Index 2013



DETAILS OF THE FINANCIAL RESULTS

The past ten years have been marked with a potential growth of knowledge and experience for us and we have learnt a great deal. Working under such unstable conditions has prepared us to face obstacles and crisis with a strong will and knowledge of all alternate ways and solutions.

Financial Results for 2013

The financial results of 2013 reflect our strong financial position to our shareholders, demonstrating our steady progress and the strong performance of the company.

PEC IN NUMBERS

Details	2009	2010	2011	2012	2013
Net Profit	\$ 6,983,424	\$ 6,782,383	\$ 8,374,034	\$ 8,414,541	\$ 4,561,995
Total Equity	\$ 74,986,394	\$ 75,768,777	\$ 78,142,811	\$ 80,557,352	\$ 79,119,347
PEC Share Price	\$ 1.04	\$ 1.14	\$ 1.19	\$ 1.38	\$ 1.42
Dividends Distributions	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	-
Rate of Dividends Distributions	10%	10%	10%	10%	-

Difference between Preliminary Financial Results and Audited Financial Results for 2013

There are no differences between the preliminary financial results and the audited financial results.

Distribution of Cash Dividends

Today we celebrate ten years of fulfilling our promises to our shareholders and declaring and paying out dividends despite of the unstable political and economic situation within the area. The company's financial situation for 2013 is stable and good in terms of the company's future. We continuously strive to increase the shareholders' profits by developing our abilities to achieve a balanced position during unstable political and economic situations.

Board of Directors Remuneration

The Board of Directors have agreed, during their meeting on 23 April 2013, to pay the following rewards and remunerations for the Board members for the year 2012.

#	BOD	Members Number	Value \$
1	Palestine Power Private Company L.T.D	8	\$ 79,900
2	Palestine Electric Company Holding	3	\$ 28,200
3	Morganti Development LLC	2	\$ 28,200
4	Palestinian Pension Agency	1	\$ 14,100
5	Public Shareholder	1	\$ 14,100
Total		15	\$ 164,500

Ratios of Financial Analyses of 2012-2013

Financial Ratios	2012	2013
Turnover Share	0.024	0.021
Earnings per Share	0.140	0.076
Book Value per Share	1.343	1.319
Market Value to Book Value (One Time)	1.028	1.077
Equity Ratio to Total Assets	0.716	0.670
Return on Equity	0.104	0.058



Audited Financial Statements 2013

