



annual report & financial statements
2014

**Our positive power will always light up the
darkness...**



Tribute to a person who's legend will live forever

A beautiful story of a Palestinian man's life that sparked hope, revived dreams, built homes, and empowered us.

Mr.Said Khoury's life is an ideal embodiment of the Palestinian story that resonates deeply in all our hearts and minds. It is a story of people fighting for their land and rights, a story of bravery, courage and patience. The story of people thriving for education and knowledge, hard work, and ensuring a better life for future generations.



Mr. Said Khoury *May his soul rest in peace*
Chariman of Palestine Electric Company
Founder & Chairman of CCC



29 March 2004, First General Assembly Meeting, official announcement of the establishment of PEC plc.



Mr. Said Khoury had a great dream and I am honored and proud to have been part of that dream which is powerful enough to continue even without the physical presence of its hero. A dream of a better future for Palestine and its people, a dream of rebuilding a nation with a strong economy, and a dream of empowering the new generations and encouraging their personal and social development.

Before ‘**Muallem Abu Tawfiq**’ left us, his heart and mind were with the people of Gaza during the recent war and he was devastated at their suffering. His priority was always Palestine. A Palestinian business man, philanthropist and a major player in the political, social and infrastructure development in Palestine.

Mr. Said Khoury will always be in our hearts and minds, and we find solace in his sons that have took it upon themselves to continue along their father’s path and keep the dream going.

Personally, Mr. Said Khoury was a father figure, a mentor who guided me all throughout my career in the Consolidated Contractors Company and involvement in Palestine. It is great visionaries like this man who impact people so deeply and empower everyone around.

Mr. Said Khoury has ensured that we are all very well prepared for this upcoming period and we are honored to have on-board his son **Mr. Samer Khoury** who is very involved in all our progress and developments and just like his father he provides us with all that is needed for the continuity and success of this project.

Walid Salman
Executive Managing Director



29 April 2014, Palestine Electric Company, General Assembly Meeting.

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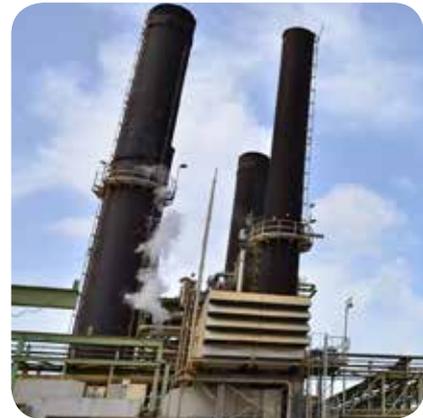
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Company Profile

1. Chairman's Letter



Samer Khoury, Chairman

the dream will go on...

“I am very optimistic about reaching our expected goals for the year 2015, with the support of our shareholders and the efforts of our management in this company.”

Samer Khoury - Chairman



Dear Shareholders

At the start, I would like to pray for the soul of my father Mr. Said Khoury whom we all miss everyday at a time his wisdom and support are very needed. My father has ensured that we are well prepared to continue his mission and we are very determined to carry on with his enthusiasm and visions that we learned and inherited from him throughout the years. Our mission is to focus our efforts on detrimental work for modern development based on what my father (Abu Tawfiq) established. Palestine Electric Company is one of our major projects which we consider to be vital for the economy and power sector in Palestine, and we are ready to utilize all our resources to support it in reaching its full potential and capacity.

I ask all our partners and friends to put our hands together, united in supporting the continuity of this company and its unique management which has proved across the years that it is capable of overcoming all difficulties and directing this project along the right path to success. Through consistent hard work, the management of Palestine Electric Company has placed this company on the Palestinian economic map as one of the most prominent and important projects in Palestine.

In a country with continuous difficulties, technical, political and economic problems, we have overcome all the effects of aggression that the Gaza Strip has witnessed, thus proving over and over again that the Palestinians are able to handle harsh situations and always aim for success. We are obliged to provide all the support needed to protect and support such an important project for the Palestinian economy.

We will work hard to surpass all difficulties and achieve the expected results for this company by cultivating all efforts to reach our strategic goals, thus becoming the pioneers in the power sector in Palestine. We possess the capabilities to expand and accomplish good results for the benefit of everyone.

One of our main goals that I envision for the near future, is to use natural gas as the primary source of fuel for the power plant, this will have a positive impact on all aspects, financial and technical and will greatly benefit Palestinians. We will continue our communications with all related sides from the Palestinian Government and interested parties in this sector to reach this primary goal.

I am very optimistic about reaching our expected goals for the year 2015, with the support of our shareholders and with the efforts of the company management.

For our shareholders who have put their trust in us, I would like to thank you and I appreciate the role of the Palestinian Government and PENRA for their continuous support.

Samer Khoury
Chairman

2. Executive Managing Director's Letter



Walid Salman,
Executive Managing Director

Always working towards the continuity and success of this project...

“**Our dedication** to our work and the enormous effort invested in this project has enabled us to continue generating power to the people of Gaza and supplying them with life’s basic necessity..”

Walid Salman - Executive Managing Director



Dear Shareholders

My deepest condolences and prayers for the soul of our father and our teacher Mr. Said Khoury, and I would like to welcome Mr. Samer Khoury as the Chairman of the Board of Directors. Together we know that we will be able to carry on the mission that Mr. Said Khoury entrusted us with. This is a responsibility that we are abided by and we will work hard on continuing the way with Mr. Samer Khoury to make this detrimental project succeed and flourish .

The latest strikes on Gaza left behind a vast impact on all the people of Gaza whom we are part of, and our power plant was directly effected. I would like to stress on the exceptional work we managed to do and are still doing to overcome the damages that resulted from these strikes and the political situation. I am grateful to god that we were successfully able to combat the damage and rebuilt the power plant after the targeted Israeli strikes.

Hand in hand with all the concerned parties in the power sector, we were able to bring the power plant back to partial operation in a very short time, supported by our experience and our technical team whom I salute for their hard work. We made a decision to depend on ourselves in bringing the power plant back into operation and we achieved just that, with God's blessings.

Our dedication to our work and the enormous effort invested in this project has enabled us to continue generating power to the people of Gaza and supplying them with life's basic necessity. We are pleased to be generating power again and our work continues to rebuild the rest of the damaged machinery and equipment to ensure uninterrupted power generation.

Maintenance plans have been finalized and set for the post attack phase and we are collaborating with the PENRA and the Palestinian government who have given us all the support needed in this domain. Palestine Electric Company is a permanent strategic project in Palestine and must be supported to ensure its continuity of work and service to the Palestinians regardless of the political situation.

Our financial results reflect the situation in Gaza and the resulting shutdown of the power plant after the attack. We have gone a long way in quickly rectifying all damages and impacts of the attacks and I am proud to say that our financial situation is now fundamentally balanced. We are looking forwards to the coming year and are hopeful of better results.

We will utilize our business and political network and full capabilities to maintain a strong safety net for this project's continuity and we are very confident that we will succeed now and in the future.

The road to success is not all laid out and only hard work and a high level of commitment will help overcome all pitfalls. We are optimistic that the future will hold better results for us.

Walid Salman
Executive Managing Director
& Vice Chairman

3. Executive Management & Board of Directors

Executive Management

Walid Salman Vice Chairman of the Board of Directors,
Executive Managing Director

Rafiq Maliha Power Plant General Manager

Mahmoud Nabahin Financial Manager

Board of Directors

#	Names	Position	Representative	Address
1	Samer 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 Salloum	Member		
8	Sharhabeel Al Zaeem	Member		
9	Ahed Bseiso	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 Halou	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.

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.

Board of Directors Meetings During 2014

10 March 2014: A Board of Directors meeting was held

29 April 2014: A Board of Directors Meeting was held on 29 April 2014, preceding the General Assembly Meeting. The Board of Directors agreed to recommend to the General Assembly a dividend declaration for the year 2013 as follows: Payout of 5% 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.

11 December 2014: A Board of Directors Meeting was held on 11 December 2014. 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 2014 is expected to be held on **19 April 2015**.

4. 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.

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.

External Auditors for 2014:

Following the voting of the last General Assembly Meeting, Ernst & Young were appointed as the company's external auditors for the year 2014.

Company Legal Advisor:

Al Zaeem & Associates

Legality:

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

We are proud of our Palestinian workforce in all the technical and administrative departments. By the end of 2014, the number of employees has reached 154, compared to 158 employees at the end of 2013. 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.

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.

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

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

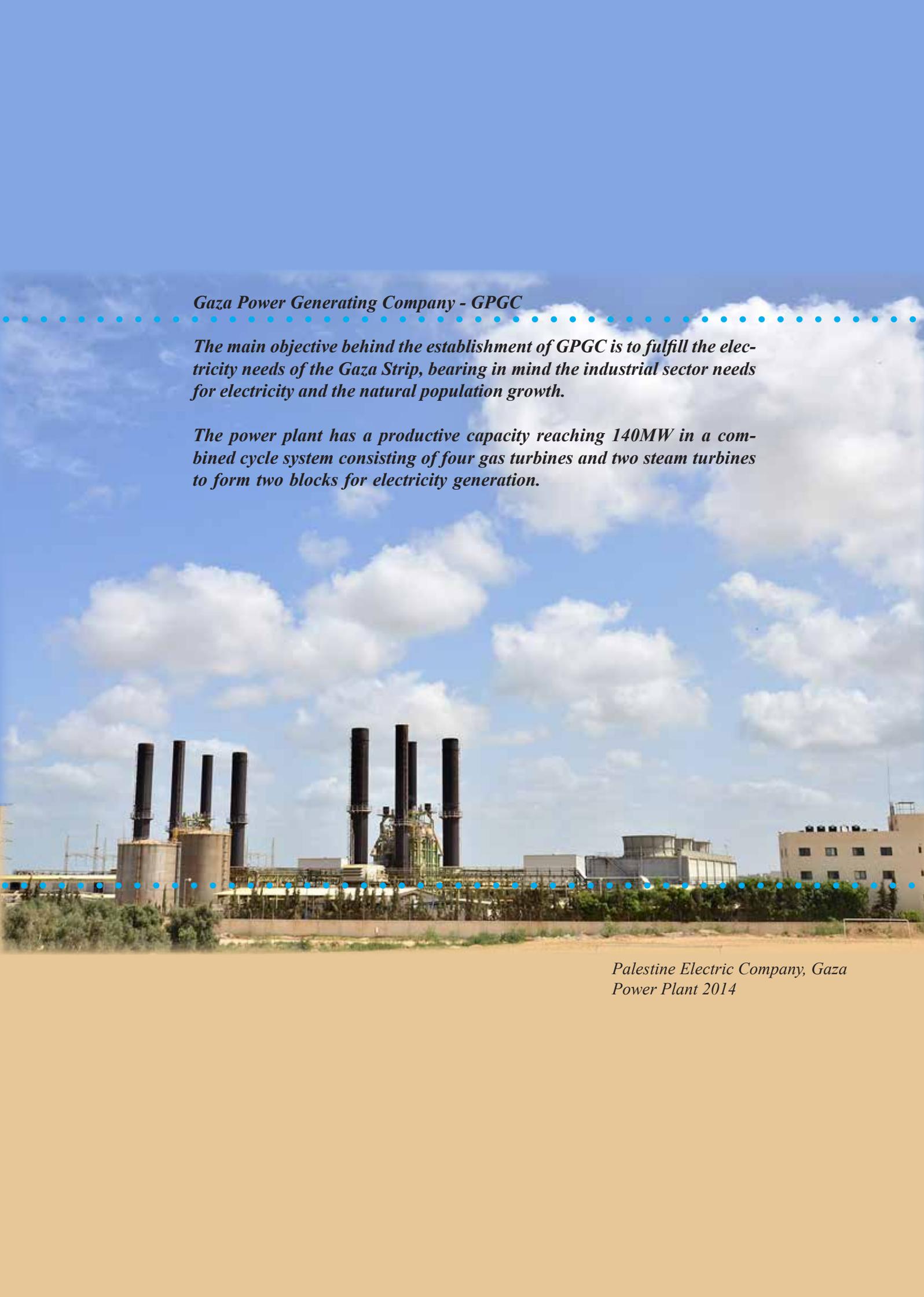
We continuously strive to play an active and effective role in the social community by providing our support to educational institutions, local organizations, schools, universities, and training programs. We believe in sharing knowledge and empowering our youth with first hand experience in our field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

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.

The IT department regularly updates and enhances 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.



Gaza Power Generating Company - GPGC

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 has 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.

*Palestine Electric Company, Gaza
Power Plant 2014*

2014 Operations & Maintenance



*Dr. Rafiq Maliha
Power Plant General
Manager*

Dear Shareholders,
With each passing year, Gaza Power Generating Company (GPGC) rises to the occasion and reaffirms its ability to overcome challenges efficiently, fulfill its objectives, and direct its technical and executive teams' efforts towards implementing the Company's approved annual plans in par with the best practices. The brief report below shows our accomplishments during 2014 and sets our objectives for 2015.

8. Power plant technical

Over the past year, GPGC faced a number of significant challenges, in addition to the continuous blockade of the Gaza Strip, resulting in severe restrictions on the import of material and spare parts for the power plant maintenance, thus hindering attempts for development. The recent war in Gaza directly targeted the power plant's equipment and its premises and employees.

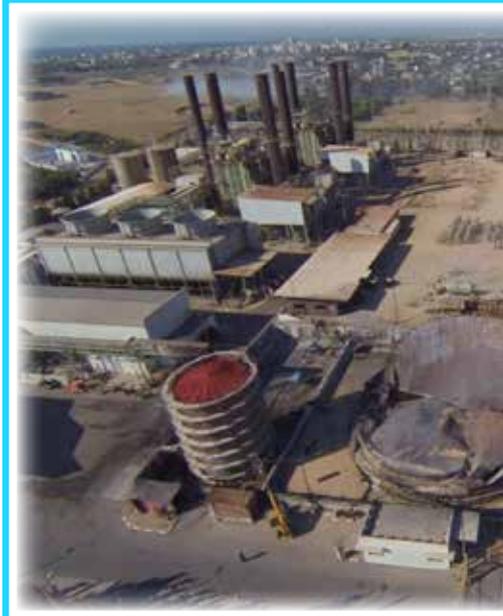
This destructive attack has raised our bar of challenges that the company administrative and technical staff must overcome for the sake of the Palestinian people in general and our shareholders and community.

Our staff worked to their full potential and exerted all efforts to re-operate the power plant units as quickly as possible, and to rehabilitate the damages that resulted from the attack. We have a strong technical team that was able to re-operate the power plant within six weeks, relying solely on our internal resources.

Despite all challenges, the power plant re-operated again with a total production capacity exceeding 92MW, which is a very significant achievement technically. This achievement will have a positive impact on the Company's fiscal results.

During 2014 we implemented distinctive developmental activities in several disciplines, including an application of a computerized system for the company in all its services. Our efforts are directed towards developing the methodology of institutional work, in addition to the update and activation of the health, safety and environmental regulations. Our slogan for the year 2014 was "Year of Safety".

9. In Pictures



Putting out the fire after the attack



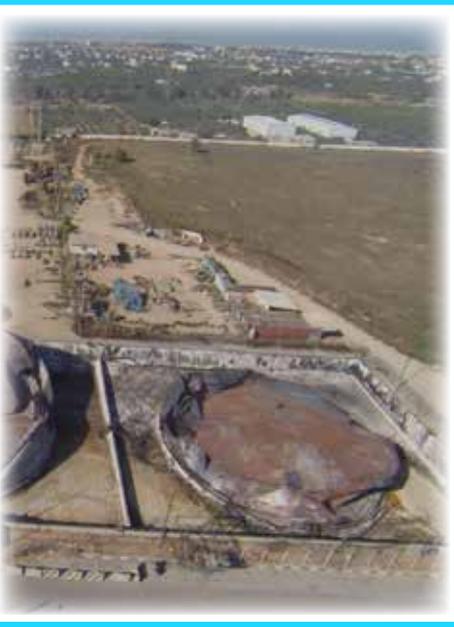
Damage to power plant machinery



Power plant attack as seen by google earth



Ariel view of the power plant post attack



Rehabilitation work



Fuel tanks destroyed



Post-attack rehabilitations



10. Operations & maintenance post attack

EXCEPTIONAL WORK TO OVERCOME DAMAGES

Giving up is never an option. This invaluable project is here to stay, nourished by a professional and motivated workforce, and a strong and visionary management.

Following our experience in this unique project we have learned how to quickly overcome pitfalls and uncontrollable situations that are a direct result of the unstable political and economic situation in the country.

Nonetheless we are always very well prepared and we have plans set to move forwards. Our current focus is primarily on rectifying all remaining damages to the power plant and ensuring the ability to operate at our full potential when needed. We are also constantly working with the ministry of energy and encouraging them to provide us with sufficient fuel to sustain our production and to meet a higher percentage of the demand for power in Gaza.



11. Information Mechanism

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-Al Nuseirat, 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.

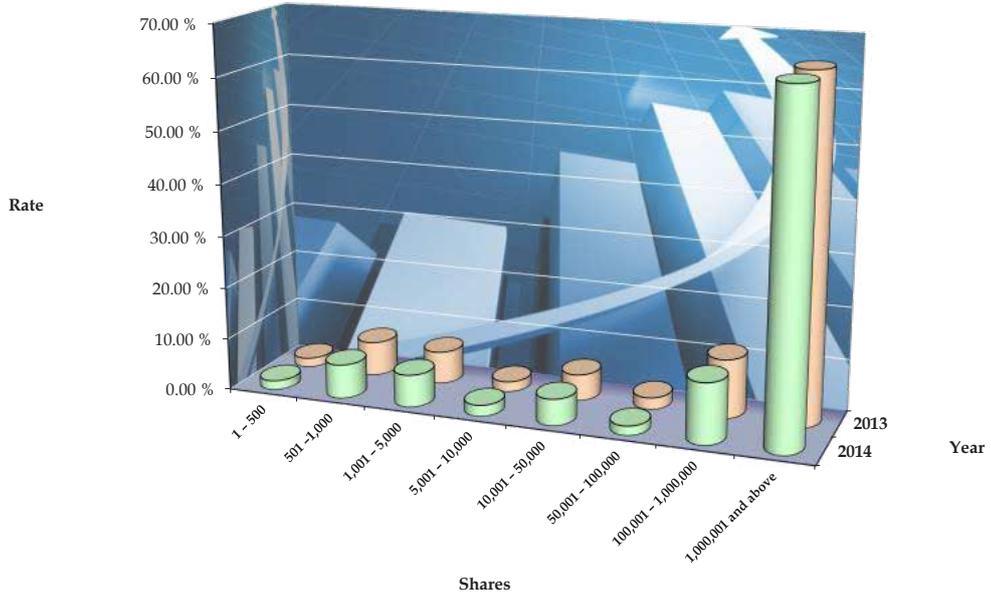
12. Shareholders

Shareholders Owning more than 5% of the PEC shares:

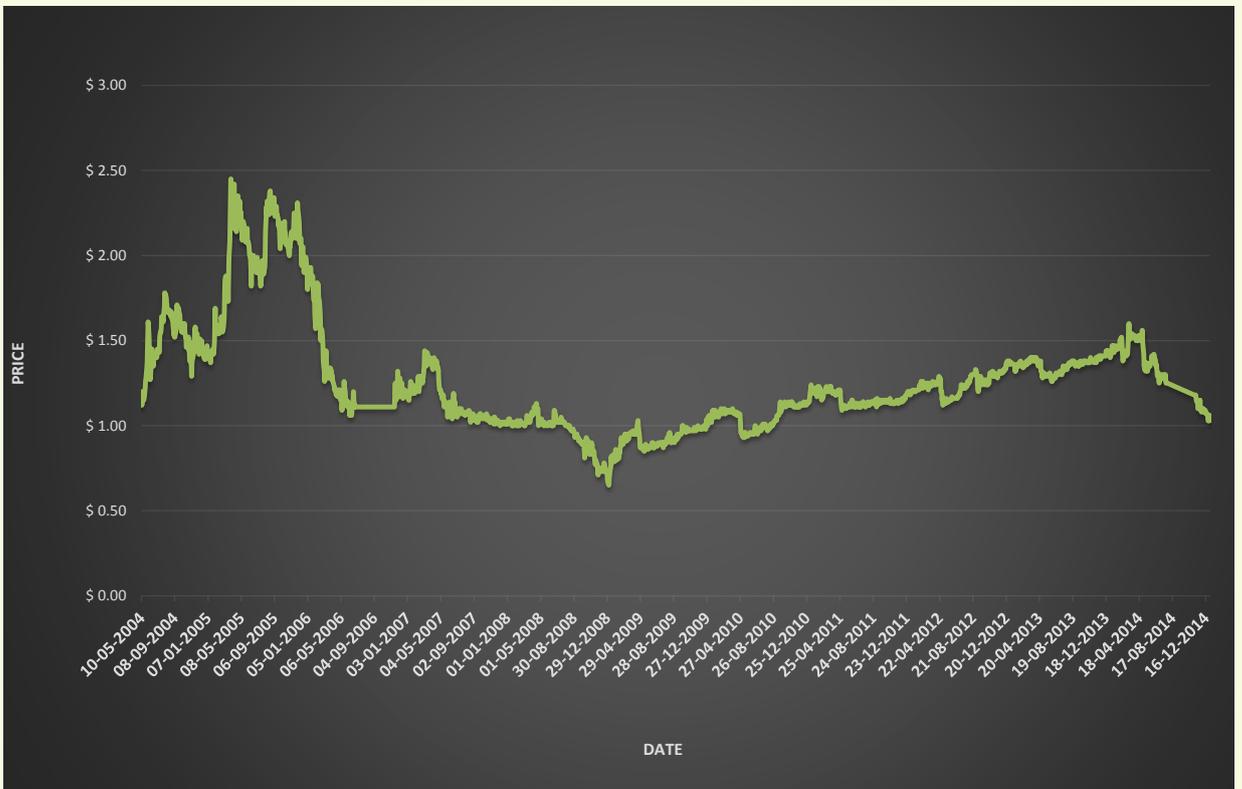
Name of Company	Number of Shares	Rate
Palestine Power Private Company L.T.D	38,999,600	65 %

Analysis of registered shareholdings for 2013-2014						
Distribution of shares by type of shareholder	Number of holdings		Shares		Rate	
Category	2013	2014	2013	2014	2013	2014
Institutional investors	5	5	40,200,000	40,200,000	67 %	67 %
Individuals	11,268	11,208	19,800,000	19,800,000	33 %	33 %
Total	11,273	11,213	60,000,000	60,000,000	100 %	100 %
Range analysis of register	Number of holdings		Shares		Rate	
Category	2013	2014	2013	2014	2013	2014
1 – 500	3,323	3,323	1,047,123	1,037,369	1.75 %	1.73 %
501 – 1,000	5,454	5,408	3,941,574	3,911,571	6.57 %	6.52 %
1,001 – 5,000	2,156	2,134	3,735,198	3,723,826	6.23 %	6.21 %
5,001 – 10,000	164	175	1,169,170	1,270,245	1.95 %	2.12 %
10,001 – 50,000	136	134	3,005,162	3,026,176	5.01 %	5.04 %
50,001 – 100,000	18	15	1,346,082	1,065,052	2.24 %	1.78 %
100,001 – 1,000,000	21	23	6,756,091	6,966,161	11.26 %	11.61 %
1,000,001 and above	1	1	38,999,600	38,999,600	65.00 %	65.00 %
Total	11,273	11,213	60,000,000	60,000,000	100 %	100 %

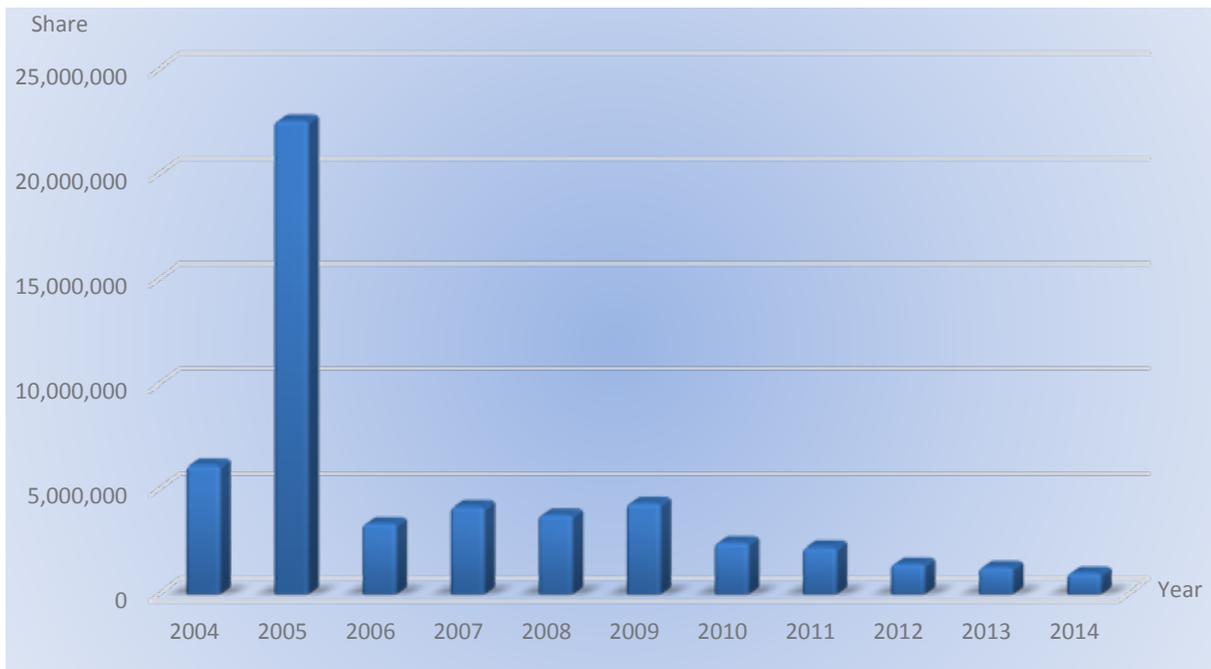
Shareholding Analysis 2013-2014



PEC Share price 2004-2014



PEC Trading Volume 2004-2014



2.45 US\$

• PEC Share all time high (2005)

1.63 US\$

• PEC Share 2014 High

1.03 US\$

• PEC Share Close Price 2014

-27.46%

• PEC Share Change Ratio on PEC Share Price in the end of 2014

PEC Share Statistics 2013-2014

Year	Opening Price	Closing Price	High	Low	Trading Value	Shares Traded	Number of Deals
2013	\$1.36	\$1.42	\$1.44	\$1.26	\$1,737,642	1,283,319 shares	1,164 deals
2014	\$1.42	\$1.03	\$1.63	\$1.03	\$1,410,910	1,003,779 shares	977 deals

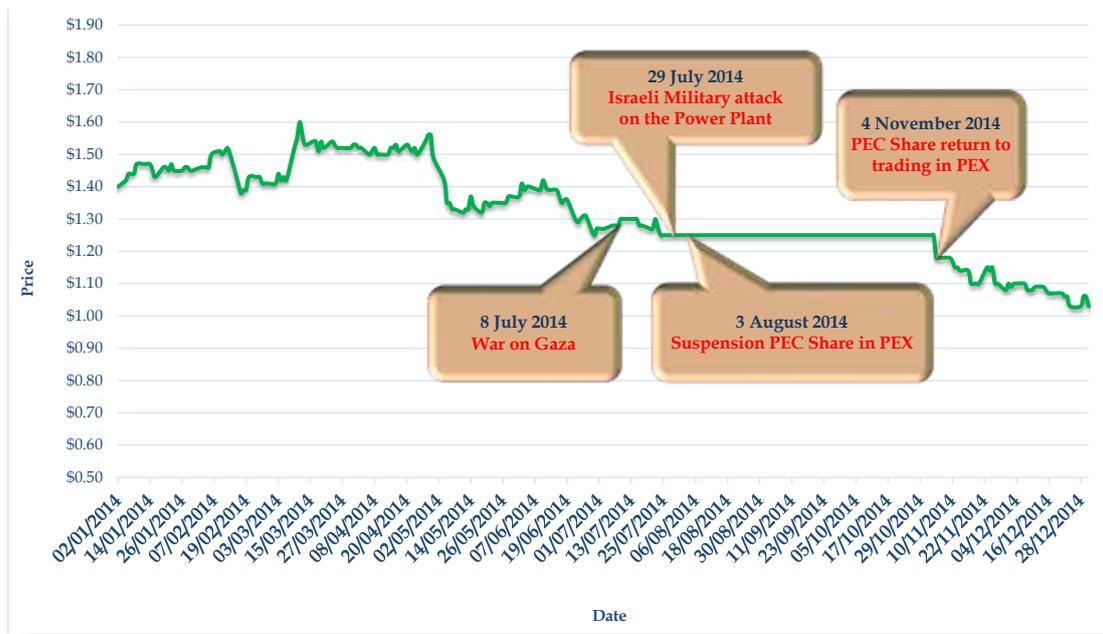
13. PEC shares Performance 2014

Following the strike on the plant, a management decision was taken to suspend the trading of the PEC stock on the PSE for the purpose of safeguarding the interests of our shareholders.

This strategy was welcomed by the shareholders and as of 4 November 2014, the PEC share was floated again with fairly stable pricing indicating the confidence of the shareholders in the company.

This year PEC shares traded at an average price of \$ 1.32 compared to \$ 1.36 the previous year. The closing price was \$ 1.03.

PEC share Price 2014



The past ten years have been marked with a potential growth of knowledge and experience for us and we have learned 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.

14. Results for 2014

During the last few days of July 2014, the Israeli Armed Air forces deliberately bombed the Gaza Power Plant, causing damage to the fuel system, fuel tank and main generator. As a result of this strike the power plant was forced to stop operations.

The management of the power plant overlooked and executed the repair of the daily fuel tank and fuel system, and this enabled the power plant to start generating again at 92.40 MW. The repair of the main generator and the building of new tanks is underway.

As a result of the attack on the power plant, the company declared a force majeure situation in accordance with the power purchase agreement due to the destruction of part of the plant's assets. This has led the power plant to stop generation leading to a reduction in capacity charge invoices in addition to the company having incurred unexpected repair costs due to the attack. This resulted in a decrease in the company profits for 2014 to US\$ 1.8 Million.

PEC in numbers

Details	2010	2011	2012	2013	2014
Net Profit	\$ 6,782,383	\$ 8,374,034	\$ 8,414,541	\$ 4,561,995	\$ 1,884,873
Total Equity	\$ 75,768,777	\$ 78,142,811	\$ 80,557,352	\$ 79,119,347	\$ 78,004,220
PEC Share Price	\$ 1.14	\$ 1.19	\$ 1.38	\$ 1.42	\$ 1.03
Dividends Distributions	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 3,000,000	-
Rate of Dividends Distributions	10%	10%	10%	5%	-

Difference between Preliminary Financial Results and Audited Financial Results for 2014

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

15. Cash Dividends

At Palestine Electric Company we are always on a mission to fulfill our promises to our shareholders and declare and pay out dividends despite of the unstable political and economic situation within the area.

The company's financial situation for 2014 is fundamentally stable but has suffered a drop due to the political situation and power plant attack. We continuously strive to increase the shareholders' profits by developing our abilities to achieve a balanced position during unstable political and economic situations.

16. Board of Directors Renumeration

The Board of Directors have agreed, during their meeting on 29 April 2014, to pay the following rewards and remunerations for the Board members for the year 2013.

#	BOD	Members Number	Value \$
1	Palestine Power Privat Company L.T.D	8	\$82,250
2	Palestine Electric Company Holding	3	\$35,250
3	Morganti Development LLC	2	\$ 28,200
4	Palestinian Pension Agency	1	\$ 14,100
5	Public Shareholder	1	\$ 14,100
	Total	15	\$ 173,900

17. Financial Ratios

Ratios of Financial Analyses of 2013-2014

Financial Ratios	2013	2014
Turnover Share	2.1 %	1.7 %
Earnings per Share	0.076	0.031
Book Value per Share	1.319	1.300
Market Value to Book Value (One Time)	1.077	0.792
Equity Ratio to Total Assets	0.670	0.753
Return on Equity	5.7 %	2.4 %



18. 2014 Audited Financial Statements

