

## Flash Result—1H 2010

## Palestine Telecommunications Company

## Company Overview

Ticker	Sector	Trading Currency	ISIN	Current Price	Market Capitalization (000)	52 Week High	52 Week Low
PALTEL	Services	Jordanian Dinar (JOD)	PS5002111951	5.22	687,082	5.88	5.00

Palestine Telecommunications has been established in 1995 as a public shareholding company and started its operations on January 1997 as an operator and provider of all telecommunications services; fixed line, cellular, internet, data transmission and leased lines. Palestine Telecommunications has become an essential basis of the Palestinian Economy that supports its development and constitutes an investment compass as it is the main contributor in the Palestinian economy, and it employs about 1600 employees. Palestine Telecommunications' capital reached JOD 131,625 million and its shareholders base as of August 07, 2010 reached 7,995: that consists of individuals, companies, institutions, Palestinian investment committees and legal bodies. The company has skilled unique accomplishments among the past years in various aspects of telecommunications and information technology, where the company introduced to the Palestinian Community all the services and instruments of telecommunications and internet, and the company' activities have expanded enormously to meet the high ambitions and the efforts have integrated during the year of 2005 to outcome PALTEL Group which includes; Paltel Corporation (Paltel), Palestine Cellular Communications (Jawwal), Hadara Technologies, PalMedia that is specialized in media and advertising, Reach, Paltel Academy, Paltel Group for development institute; to be an integrated weight unit with a unique new experience among the local and global levels to attain a beneficiary subscribers from Paltel Group companies of 2.50 million.

## Growth in subscribers base by 26.74%

PALTEL Group reported a growth by 26.74% in its overall subscribers base when reached 2.58 million in 1H 2010 compared to 2.03 million in 1H 2009, following a remarkable growth in the subscribers of wireless services by 30.34%, Fixed Line by 12.11% and ADSL by 21.40%.

Subscribers	30 June 2009	30 June 2010	Δ
Fixed Line	360,534	404,187	12.11%
Wireless	1,589,390	2,071,551	30.34%
ADSL	84,338	102,389	21.40%
Total	2,034,262	2,578,127	26.74%

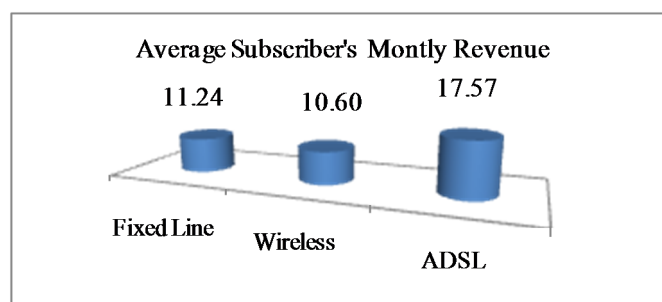
## Growth in Operating Income by 11.71%

- PALTEL's revenues increased by 8.54% to hit a figure of JOD 164.12 million in 1H 2010, due to a growth of 8.06% in wire communications (fixed line) revenues and 12 % in wireless communications revenues. Consequently, Gross profit grew by 7.10% in 1H 2010 to reach JOD 124.37 million recording a gross margin of 75.78%.
- Operating Income settled at JOD 55.45 million in 1H 2010 increasing by 11.71% compared to 1H 2009, attributed to the growth in the company's revenues in addition to the slight change in the general & administrative expenses; this supports the company's operating efficiency . Operating Margin stood at 33.79% registering an increase of 2.93% compared to 1H 2009.

Item (000 JOD)	30 June 2009	30 June 2010	Δ
Revenues	151,210	164,122	8.54%
Cost of Revenues	35,084	39,756	13.32%
Gross Profit	116,126	124,366	7.10%
Gross Margin	76.80%	75.78%	-1.33%
Operating Expenses	66,488	68,913	3.65%
Operating Income	49,638	55,453	11.71%
Operating Margin	32.83%	33.79%	2.93%
Net Income	47,146	40,836	-13.38%
Profit Margin	31.18%	24.88%	-20.20%
EPS	0.358	0.310	-13.38%

- PALTEL's stake in VTEL's losses which is expected to amount JOD 3.25 million; constituting 88.80% of total investment losses has led the net income to drop by 13.38% to attain JOD 40.84 million in 1H 2010; profit margin registered 24.88%.
- Net Income has been affected negatively by other expenses also, which in turn increased to reach JOD 8.93 million in 1H 2010 compared to JOD 0.86 million in 1H 2009, following the allowances that have been recorded to meet potential liabilities that may rise upon request of the Palestinian National Authority.
- In aggregate, Earnings Per share stood at JOD 0.310 in 1H 2010 compared to JOD 0.358 in 1H 2009.

- Average subscriber's monthly revenue for fixed line services rose to JOD 11.24 in 1H 2010 opposing to JOD 11.07 in 1H 2009.
- Average subscriber's monthly revenue for internet services (ADSL) increased from JOD 16.05 in 1H 2009 to JOD 17.75 in 1H 2010,
- While average subscriber's monthly revenue for wireless services declined from JOD 12.30 in 1H 2009 to JOD 10.60 in 1H 2010.



### Approximate stability in the balance sheet 's major components

- Total assets dropped slightly by 1.29% to settle at JOD 524.41 million in 1H 2010, affected by a decline in current assets of 13.50% which in turn amounted to JOD 159.25 million in 1H 2010 and was affected by major drop of 26.84% in cash & cash equivalents due to cash dividends distribution for the fiscal year of 2009. On the other hand, noncurrent assets grew by 5.19% in 1H 2010 compared to 2009 to reach JOD 365.17 million stimulated by the growth of investment in real estate & equipments, in addition to a rise in the value of investment in affiliates & securities available for sale.

- Total liabilities declined insignificantly by 1.03% to reach JOD 178.23 million in 1H 2010 compared to 2009, stirred by the descending in noncurrent liabilities which in turn amounted to JOD 66.00 million decreasing by 8.68% million compared to 2009 due to the reduction in the long term loans. On the other hand, current liabilities increased by 4.10% to record JOD 112.23 million in 1H 2010, affected by an increase of 44.69% in accounts payables, while other current liabilities had been reduced by 13.12%.

Item (000 JOD)	30 June 2010	Growth
Current Assets	159,246	-13.50%
Non-current assets	365,167	5.19%
Total Assets	524,413	-1.29%
Current Liabilities	112,227	4.10%
Non-current liabilities	66,002	-8.68%
Total Liabilities	178,229	-1.03%
Shareholders' Equity	346,184	-1.42%

- Total shareholders' equity dropped slightly by 1.42% in 1H 2010 compared to 2009 to settle at JOD 346.18 million, ascribed to the descending in retained earnings by 3.04% to amount JOD 166.90 million in 1H 2010.

### Financial Ratios

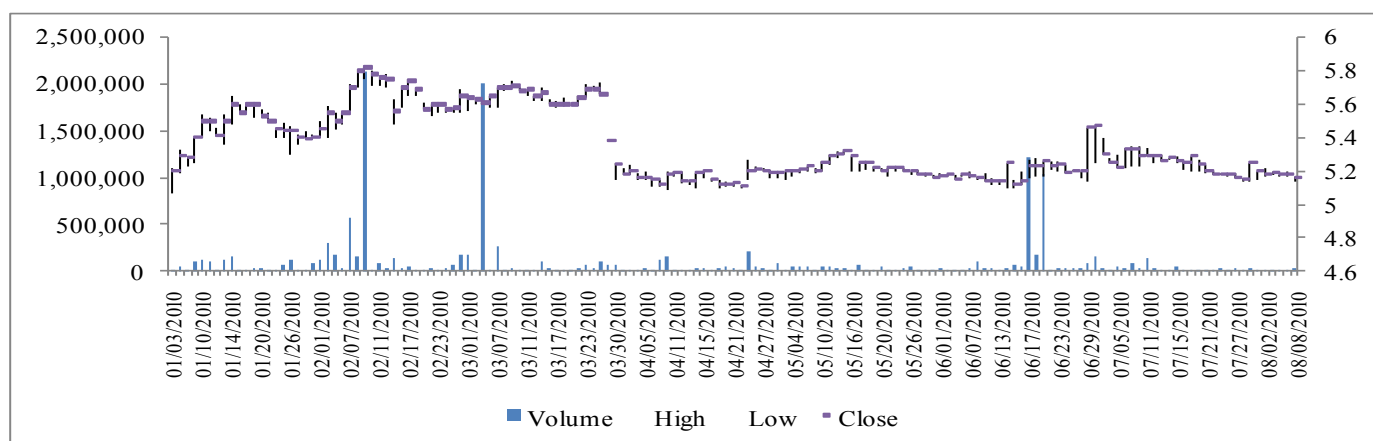
- PALTEL's book value reached JOD 2.63 according to the financial results of 1H 2010, decreasing by JOD 0.04 compared to the recorded book value at the end of 2009.
- Profitability ratios recorded acceptable levels of ROA & ROE compared to its peers and other leading companies in the Palestinian Stock Market, also PALTEL reported a growth in its operating margin by 2.93% in 1H 2010 compared to 1H 2009.
- PALTEL maintained a suitable leverage level along with the potential risks ; debt ratio stood at 33.99%.
- Assets turnover has increased compared to Q1 2010 due to the growth in revenues; this reflects the company's efficiency at using its assets in generating sales or revenue.

Item	30 June 2010
ROA	7.79%
ROE	11.80%
Current Ratio	1.42
Total assets turnover	31.30%
Working Capital	47,019
Book value	2.63
Net working ratio	8.97%
Debt Ratio	33.99%

## Market Indicators

- PALTEL's share is currently trading over its book value, and recording a low forward PE compared to the overall market's PE and relatively close to services sector's PE.
- The company's market cap stood at JOD 719.99 million at the end of 1H 2010 rising by 6.40% compared to the settled value at Dec 31, 2009.
- Trading volume of PALTEL reached 13.18 million shares for the period between Jan 1—June 30, 2010

Item	31 Dec 2009	30 June 2010
Price	5.14	5.47
Price/book value	192.51%	207.98%
PE	9.70	8.82
Market Capitalization	676,553	719,989
Turnover	14.91%	10.01%



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