

Flash Result- 2010

Palestine Telecommunications

Company Overview

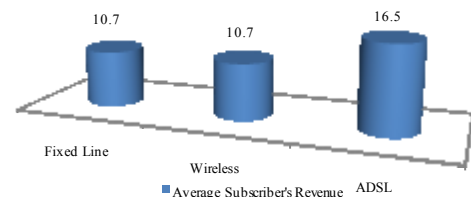
Ticker	Sector	Trading Currency	ISIN	Current Price	Market Capitalization	52 Week High	52 Week Low
PALTEL	Services	JD	PS5002111951	5.30	697,612,500	5.73	5.04

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 JD 131,625 million and its shareholders base as of March 14, 2011 reached 7,656: 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 2.73 million. PALTEL's share price is currently calculated in Al Quds Index formula and weighs around 50%. Also, its is the largest company in the PEX in term of market capitalization. According to PALTEL, "the restructuring of the Group companies created new strategic directions which led to a refocus on core business operations in the fixed, mobile and data services. In turn, the implementation of a new operational focus resulted in the steady growth of revenues and profits across all companies as a result of the Group's ability to adapt and adjust to evident market changes".

Shareholders (more than 5% of capital)	# of Shares	% of Ownership
Palestine Development & Investment	39,056,674	29.67%
Palestine Investment Fund	8,776,649	6.67%
Blakeney L.P.T	6,940,994	5.27%

Growth in Subscribers Base by 21.42%

- Palestine Telecommunications reported a growth in its total number of subscribers to reach 2.73 million in 2010 compared to 2.25 million in 2009 in fixed line, mobile and data services.
- Mobile services subscribers number increased by 26.58% to reach 2.26 million accounting for 82.77% of the total number of subscribers in 2010, while average monthly revenue for mobile's subscriber declined to JD10.70 in 2010 compared to JD12.8 in 2009; due to the low revenues from new subscribers and the granted discounts.
- Fixed line subscribers reached 0.36 million in 2010 declining slightly by 2.08% compared to 2009 ascribed to PALTEL's disconnection policy for the inactive lines, to drop the average monthly revenue per subscriber to JD 10.70 in 2010 compared to JD 11.3 in 2009.
- Data or ADSL subscribers reached 0.11 million in 2010, increasing by 16.12% compared to 2009. In consequence, average monthly revenue for data subscriber increased to amount JD 16.50 in 2010 compared to JD 16.10 in 2009.



Item	2009	2010	Δ
Fixed Line Subscribers	370,483	362,792	-2.08%
Mobile Subscribers	1,783,941	2,258,039	26.58%
ADSL subscribers	92,483	107,389	16.12%
Total	2,246,907	2,728,220	21.42%

Income Statement

- Palestine Telecommunications reported an increase in revenues by 7.88% to stand at JD339.93 million in 2010 compared to JD315.09 million in 2009, driven mainly by a growth of JD16.18 million in the revenues of wire line and wireless calls to settle at JD224.60 million in 2010 accounting for 66.07% from total operating revenues, also subscription fees revenue increased by JD8.87 million to amount JD51.08 million in 2010.
- In consequence, cost of sales which represents the interconnection cost, international roaming due to other telecommunication companies and the company's commitment to pay the PNA a license fee of 7% on all wire line and wireless operating revenues in addition to other costs, slightly increased by 4.01% standing at JD78.86 million, leading the gross income to amount at JD261.07 million in 2010; a growth of 9.11% compared to 2009 and recording a gross margin of 76.80%.
- Operating & administrative expenses aggregated at JD149.32 million in 2010 compared to JD134.92 million in 2009; an increase of 10.67% which was ascribed to an increase by 16.95% in payroll and related employees' expenses which in turn accounted for 46.67% from total administrative and operating expenses. In consequence, operating income settled at JD 111.75 million in 2010 rising by 7.09% compared to 2009; operating margin recorded 32.87%.
- Investment losses declined by 40.28% in 2010 to record a loss of JD9.72 million compared to a loss of JD16.28 million in 2009. This figure is characterized mainly by the company's stake of associates' results of operations which amounted to a loss of JD9.09 million and accounted for 93.50% of the total figure.
- Other expenses dropped significantly by 32.66% to reach JD9.30 million in 2010 compared to JD13.81 million in 2009. Provision for governmental fees which represents estimate of the possible claims for additional fees for previous years amounted to JD8.51 million in 2010 compared to JD14.18 million in 2009 accounting for 91.51% of the total provision.
- In aggregate, net income recorded a growth of 22.75% in 2010 to reach JD86.34 million compared to JD70.33 million; recording a net margin of 25.40% and an EPS of JD0.656 per share.

Item	2009	2010	Δ
Revenues	315,092,000	339,929,000	7.88%
Cost of Revenues	75,817,000	78,858,000	4.01%
Gross Profit	239,275,000	261,071,000	9.11%
Gross Margin	75.94%	76.80%	1.14%
Operating & Administrative Expenses	134,920,000	149,320,000	10.67%
Operating Income	104,355,000	111,751,000	7.09%
Operating Margin	33.12%	32.87%	-0.74%
Investment Loss	(16,280,000)	(9,723,000)	-40.28%
Other Expenses	13,807,000	9,297,000	-32.66%
Net Income	70,335,000	86,336,000	22.75%
Net Margin	22.32%	25.40%	13.78%
Comprehensive Income Items	712,000	-78,000	-110.96%
Comprehensive Income	71,047,000	86,258,000	21.41%

Balance Sheet

- Total assets in 2010 aggregated at JD551.26 million increasing by 3.76% compared to 2009, driven by a remarkable growth of 19.57% in current assets opposed to a drop in non current assets by 4.22%.
- Current assets soared to reach JD213.26 million in 2010 compared to JD178.36 million in 2009, ascribed to the positive change of 88.30% in the item of other current assets which in turn amounted to JD54.40 million in 2010 compared to JD28.89 million in 2009; this increase was characterized by the advance payment on account of JD25.94 million to the PNA as license fees that due within a year (the overall remaining balance of license fees in time of agreement with the PNA was JD49.63 million that due within two years starting from July 01, 2010). In addition, cash & cash equivalents increased by 10.09% to reach JD70.53 million in 2010 attributed to a growth in cash on hand by JD3.53 million and a growth in cash at banks & short term deposits by JD2.93 million, also accounts receivables witnessed an increase of 10% to settle at JD69.64 million in 2010, affected by an increase in the accounts receivables of wire line & wireless subscribers and the PNA by 28.26%. On the other hand, inventories dropped by 20.80% standing at JD8.93 million in 2010, also financial assets held for trading also reported a negative change of 9.80% to settle at JD9.76 million distributed among shares quoted in Palestine Exchange and regional markets.

Item	2009	2010	Δ
Current Assets	178,360,000	213,260,000	19.57%
Non Current Assets	352,910,000	338,001,000	-4.22%
Total Assets	531,270,000	551,261,000	3.76%
Current Liabilities	107,807,000	98,972,000	-8.20%
Non Current Liabilities	72,278,000	60,915,000	-15.72%
Total Liabilities	180,085,000	159,887,000	-11.22%
Paid Up Capital	131,625,000	131,625,000	0.00%
Retained Earnings	172,136,000	212,403,000	23.39%
Total Equity	351,185,000	391,374,000	11.44%

- Non current assets reported a drop of JD14.91 million to aggregate at JD338.00 million in 2010, attributed to the decline of 54.53% in the balance of prepayment account when reached JD 32.24 million in 2010 (the remaining “outstanding un due” balance of license fees to the PNA) compared to JD70.90 million in 2009. In the same context, investment in associates declined by 10.22% to reach JD42.02 million due to selling the associate “Holy Land for Marketing & Agriculture Investment” in addition to the negative change of JD 4.18 million in the carrying amount of investment in “VTel Holding Company” where PALTEL owns a stake of 25% as of 2010. Projects in progress stood at JD4.38 million decreasing by 69.05%; mainly in effect of completing the “Customer Relations Management Project” in addition to a decline in capitalizing direct labor costs incurred in other projects. On the other hand, property, plant & equipments grew by 16.56% to reach JD190.17 million in 2010, and available for sale financial assets also increased by 128.12%- an amount of JD10.81 million -to settle at JD19.24 million in 2010 compared to JD8.44 million in 2009.
- PALTEL reported a significant decline in total liabilities to stand at JD 159.89 million in 2010; a negative change of 11.22% compared to 2009, stimulated by a decline in both current and noncurrent liabilities.
- Current liabilities aggregated at JD98.97 million in 2010 declining by 8.20% compared to 2009, affected by a descending in the value of current portion of long term loans which amounted JD15.62 million in 2010 compared to JD19.68 million in 2009, in addition to settlement of non recurring expenses that had been reflected in a decline in the item of other current liabilities by 14.33%.
- Non current liabilities stood at JD 60.91 million in 2010 compared to JD72.28 million in 2009; a drop of 15.72% attributed to the significant decline in long term loans from local banks by 30.98% to amount JD35.45 million in 2010. On the other hand, provision for employees’ indemnity increased by JD4.55 million to settle at JD25.46 million in 2010.

Financial ratios

- In addition to the improvement in the profitability margins for PALTEL, it reported an increase in all its profitability indicators, based on the reported growth in net income. Between 2010 and 2009, ROEa recorded a growth by 13.07%, ROAa a growth by 12.57% and book value by 11.44%.
- Short term liquidity indicators increased significantly when current assets soared in 2010 and current liabilities reported a decline.
- Debts ratios recorded major negative changes, due to the reduction in loans; this has stimulated PALTEL’s debt ratios positively. Now it maintains a stronger equity position compared to 2009.
- The management’s effective usage of PALTEL’s assets has been showed positively in the significant change in assets turnover. On the other hand, working capital turnover dropped to 2.97x, according to the huge positive change in working capital.
- On the bottom line, PALTEL reported a growth of 22.75% in earning per share to stand at JD0.656 in 2010 compared to JD0.534 in 2009.

Item	2009	2010
EPS	0.534	0.656
Book Value	2.668	2.973
ROAa	14.17%	15.95%
ROEa	20.57%	23.25%
Current Ratio	1.65	2.15
Working Capital	70,553,000	114,288,000
Loans/ Assets	13.37%	9.26%
Loans/ Equity	20.23%	13.05%
Debt Ratio	33.90%	29.00%
Equity Ratio	66.10%	71.00%
Total Assets Turnover	59.31%	61.66%
Working Capital Turnover	4.47	2.97

Dividends Ratios

- The board of directors of PALTEL recommended to its General Assembly that will be held on 31/03/2011 to distribute cash dividends to the shareholders by 35% of the share’s par value (JD0.35 per share).
- According to this dividends proposition by the company’s board, dividend payout ratio will decline by 18.53% compared to 2009, while the dividend yield will approximately stay at the same level in correspondence to the slight change in the share’s price between 2009 and 2010.

Item	2009	2010
Price	5.14	5.28
EPS	0.534	0.656
Dividends Per Share	0.35	0.35
Dividend Payout Ratio	65.50%	53.36%
Dividend Yield	6.81%	6.63%

Future Outlook - Quoting PALTEL

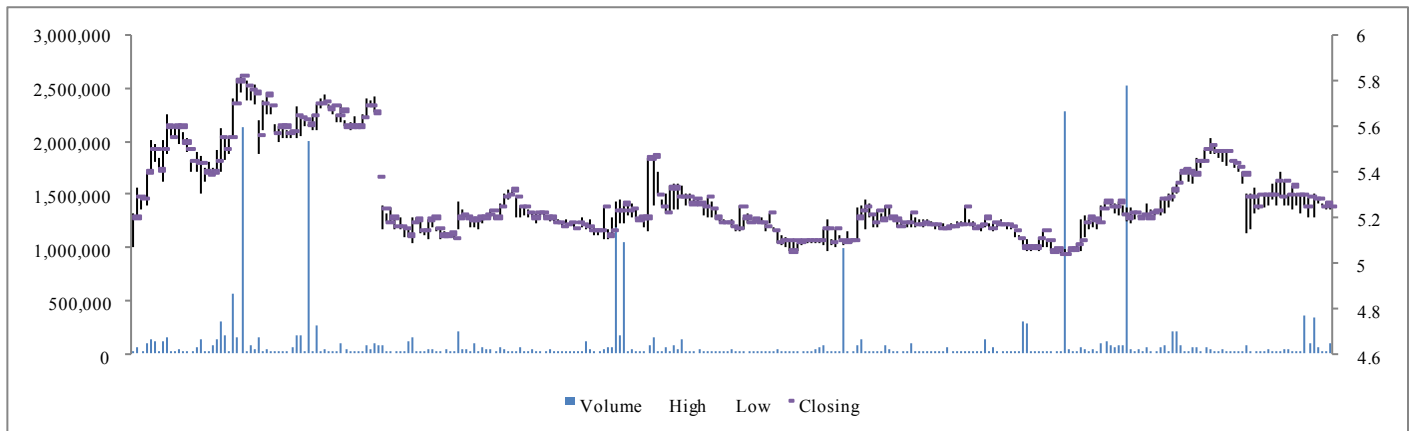
The company expects to achieve further growth by continuing to benefit from a sustained push for governmental reform in the telecommunication sector. The company will continue to place significant investment in the Group's network in ensuring that all core areas-Mobile, Fixed Line and Data services will expand to underserved areas in order to ensure that every Palestinian community is connected while improving customer care and offering added value services.

Market Indicators

- PALTEL’s share is currently trading above its book value, and recording an acceptable PE compared to the overall market’s PE and the services sector’s PE .
- The company’s market cap stood at JD694.98 million at the end of 2010 increasing slightly by 2.72% compared to the settled value at the end of 2009.
- Trading volume of PALTEL reached 23.51 million shares in 2010 increasing by 19.82%, leading its turnover to stand at 17.86%.

Item	2009	2010
Price	5.14	5.28
P/BV	192.65%	177.57%
PE	9.62	8.05
Trading Volume	19,622,320	23,510,626
Turnover	14.91%	17.86%

PALTEL’s Performance (January 2010 - February 2011)



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