

Results Brief - Q1 2012

Palestine Telecommunications (PALTEL)

Palestine Stock Exchange

Ticker	Sector	Trading Currency	ISIN	Free Float	Close 29/04/2012	YTD	Forward PE	Market Capitalization \$	52 Week High	52 Week Low	Trading Turnover Q1
PALTEL	Services	JOD	PS5002111951	54.85%	5.03	-4.91%	7.33	933,813,314	5.58	4.95	4.21%

Net income drops on a higher income tax expense despite the growth in revenues

- Palestine Telecommunications PALTEL reported lower bottom line figure in Q1 2012 compared to Q1 2011; down 10.39% to amount JD22.59 million, affected by the new adopted income tax law by the Palestinian National Authority to apply 20% rate on companies instead of 15%, in addition to start applying the board of directors' decision to postpone the 50% tax exemption for two years starting from 2012.
- Revenues recorded a growth of 4.74% to hit JD89.79 million in Q1 2012; attributed mainly to the good performance of the wireless services segment that was accompanied with a 5.57% increase in the wireless - mobile- subscribers, when reached 2.56 million and contributed by 82.47% to PALTEL's total subscribers base. In aggregate, total subscribers base grew by 4.65% standing at 3.10 million at the end of Q1 2012. Gross income amounted to JD69.64 million in Q1 2012; up by 6.24% and recording a higher margin to reach 77.55% amid controllable stability in cost of revenues.
- The higher investment in promotion in addition to incurring more depreciation expenses led to report lower operating income in Q1 2012 by 3.08%, to reach JD28.38 million and record a margin of 31.61% compared to 34.16% in Q1 2011.
- Investment losses which reflect the company's stake in associates' results of operations hit JD1.91 million in Q1 2012 compared to a loss of JD2.43 million in Q1 2011, while the other revenues item settled at JD1.94 million in Q1 2012, leading the EBIT to approximately equal the operating income at JD28.41 million in Q1 2012 compared to JD27.62 million in Q1 2011; up by 2.87%. In application of the new income tax law and the board's decision, tax expense stood at JD5.44 million in Q1 2012, leading the net income to settle at JD22.59 million. EPS recorded JD0.172.
- Total assets aggregated at JD596.21 million in Q1 2012 increasing by 3.72% compared to the end of 2011, driven mainly by a growth in the major contributor – noncurrent assets– following an increase in the investment in financial assets available for sale by 30.49% when reached JD65.00 million in Q1 2012. This can be partially attributed to PALTEL's subscription in \$5 million shares in Alrafah Microfinance bank. In addition, materials and projects in progress also reported increases. On the other hand, current assets increased with a lower rate despite the major reduction in cash & cash equivalents by 19.74% hitting JD50.71 million in Q1 2012 accompanied with operations expansion and investments financing, opposed by noticeable increase in other current assets item.
- Total liabilities stood at JD143.85 million in Q1 2012; down 1.55% compared to 2011, given no change in debt amounts when totaled at the end of both periods at JD35.45 million. On the other hand, income tax provision and the other liabilities item dropped opposing to an increase in the provision for employees' indemnity.
- PALTEL's shareholders equity grew by 5.51% to aggregate at JD452.36 million in Q1 2012 compared to JD428.73 million in 2011. This growth came due a significant advance of 9.02% in retained earnings that amounted to JD273.08 million. In consequence, book value per share soared by 24.79% in Q1 2012 compared to Q1 2011 and by 5.51% compared to the end of 2011 to stand at JD3.44.
- This consistent ascending in the book value is enhanced by the progressing growth in net profits along the period, despite the continuous policy of cash dividends distribution. PALTEL approved in its GA meeting that was held on 05/04/2012 the cash dividends of 40% for the fiscal year of 2011; therefore dividends payout recorded 58.06% and dividends yield settled at 7.23% at the distribution decision's date.

Key Financial Highlights

Item (JD)	Q1 2011	Q1 2012	Δ
Revenues	85,729,000	89,792,000	4.74%
Gross Profit	65,547,000	69,635,000	6.24%
Operating Profit	29,283,000	28,381,000	-3.08%
EBIT	27,618,000	28,411,000	2.87%
Net Income	25,205,000	22,587,000	-10.39%

Item (JD)	2011	Q1 2012	Δ
Property, Plant and equipment	207,508,000	204,676,000	-1.36%
Available-for-sale investments	49,818,000	65,007,000	30.49%
Cash and cash equivalents	63,179,000	50,709,000	-19.74%
Total assets	574,842,000	596,206,000	3.72%
Debt	35,450,000	35,450,000	0.00%
Total Liabilities	146,112,000	143,846,000	-1.55%
Paid in capital	131,625,000	131,625,000	0.00%
Retained earnings	250,497,000	273,084,000	9.02%
Shareholders' equity	428,730,000	452,360,000	5.51%

Key Financial Ratios

Item / Quarterly Data	Q1 2011	Q1 2012	Δ
Current Ratio	1.41	2.08	46.94%
Quick Ratio	0.94	1.47	56.51%
Cash Ratio	0.43	0.62	44.11%
Net Working Capital	0.10	0.17	71.74%
Deb to Equity Ratio	34.08%	31.80%	-6.69%
Equity Ratio	64.77%	75.87%	17.15%
Loans to equity	13.69%	7.84%	-42.76%
Loans to assets	8.87%	5.95%	-32.95%
Fixed Assets to Equity	54.44%	45.25%	-16.89%
Interest Coverage	57.66	74.18	28.66%
Accounts Receivables Turnover	122.54%	115.94%	-5.38%
Total Assets Turnover Ratio	15.43%	15.34%	-0.64%
Fixed Assets Turnover Ratio	44.24%	43.57%	-1.53%
Working Capital Turnover	149.68%	88.02%	-41.20%
Gross Margin	76.46%	77.55%	1.43%
Operating Margin	34.16%	31.61%	-7.47%
Net Margin	29.40%	25.15%	-14.44%
ROaA	4.54%	3.86%	-14.99%
ROaE	6.69%	5.13%	-23.33%

Key Market Ratios

Item/ Quarterly Data	Q1 2011	Q1 2012	Δ
EPS	0.191	0.172	-10.39%
BV	2.75	3.44	24.79%
Market / BV Ratio	1.96	1.61	-17.93%
Earnings Yield	3.55%	3.10%	-12.49%
Price to Sales – Annualized	2.07	2.03	-2.23%
Q Ratio	1.27	1.22	-3.86%
Cash to Market Cap	8.44%	8.11%	-3.81%

Major Shareholders

Major Shareholders as of Dec 31, 2011	%
Palestine Development & Investment PADICO	30.69%
Palestine Investment Fund	8.36%

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