A Palestinian Company with an International Vision

# Annual Report 2018

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# Contents



The electronic version of this report can be accessed through the company's website in the Investor Relations Section.
Date of this report: February 2019
**Ooredoo.ps**

# Our Vision

Enriching people's digital lives

# Our Values

## Caring

Always interested in providing its services to its customers, in accordance with the highest standards, because it cares about its customers and wants to provide the best internet and telecommunications experience in Palestine.

## Connecting

We connect with our customers with utmost care to place their priorities at the top of our priorities.

## Challenging

Since the first day of the launching of our commercial services in Palestine, we overcame the challenges one after the other to offer the best to our customers who have put their trust in us.

# Highlights of our achievements in 2018

**Unification of the brand name with the mother company Ooredoo Wataniya Mobile is now Ooredoo**

**Social Responsibility**

Sponsor of Palestinian football for the fourth consecutive season

**Launch of the fastest Palestinian 3G service**

**Ooredoo succeeds in Gaza**

**26.4 Million Dollars**

The Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

**Achieving Annual net profits**

**Reaching 1.3 Million Subscribers**

An increase of 27% compared to the previous year

**More than 100 Million Dollars the value of operational revenues**

Palestine, Tubas

# Chairman's Message

## Dear Investors,

"We have achieved profitability after the realization of long-awaited dreams and successes, after the spectrum pulsated with a Palestinian 3G, after the launch of our commercial services in the Gaza Strip and gaining the trust of investors and customers."

We at Ooredoo Palestine have followed the path towards the peak and made it a reality, refusing to be anywhere below the peak. We continue to ascend towards our goal with confident and steady steps, making accomplishments day after day, one success after another. Perhaps the highlight of our achievements last year has been the major expansion of the customer base in the Gaza Strip and the launch of the 3G services in the West Bank with great success.

### Gaza

We have realized a long-awaited dream that we used to see as beyond reach. We were able to achieve fully-deserved success in gaining the trust of the new customers and have acquired an excellent market share of the Strip's market and won the confidence of our customers. Still, our efforts to cover more areas and expand continue.

### Third Generation (3G)

Our investment in our employees and development of their skills has fully come to fruition. Our staff have been able to develop the network in order to launch 3G services with state-of-the-art technology with the Palestinian efforts of our staff, of which we are proud. This made the company gain the confidence of the customers and become the first and preferred choice for 3G services.

### Unification of the Brand Name with our Mother Company

After consecutive successes, it was imperative for us to crown them with a new achievement that takes our company to go international in order to benefit from the expertise of the mother company and its various experiences around the world. The harnessing of such expertise and experiences will serve our Palestinian customers as they deserve to enjoy the best mobile communications technology experience through mobile phones. The unification of the brand name of our company with the international Ooredoo Group was a crowning of these successes.

### Net Profits

The previously mentioned achievements were not the end of our journey in 2018, it is a year when the fruits of years of efforts and hard work yielded a net profits for us. As a result, 2018 was a profitable year for our company, something for which we congratulate ourselves and our investors. The company achieved net profits for three quarters in a row starting from the second quarter. These successes were capped with the realization of net profits for the year for the first time.

In the midst of the consecutive successes that the company enjoys today, we recall the challenges it went through since its first day. Today, however, we have steered the company to safe harbor and begun to accomplish better financial results that takes the company to sustainable profitability with an ever-increasing customer base and the largest capital registered in the Palestine Securities Exchange with a value of 293 million issued and paid stocks.

As we have pledged to our investors and customers, we proceed together to what is best, with the same confident steps and clear objectives, a direct vision towards achieving our ambitions, supported by the expertise of the international Ooredoo Group, and maintaining the touch of our Palestinian identity, in order for our customers to enjoy the best service, quality and price.

The great responsibility resting on the shoulders of our company is greater than what it was in the beginning, because the successes we have made require the doubling of our efforts in order to maintain them and invest in the best manner to realize the vision of the shareholders and investors. We go forward side by side with our founding investor, the Palestine Investment Fund, and our major investor, the Ooredoo Group, whose continuous efforts to support and develop our company and provide us with required expertise and knowledge are admirable.

The great efforts exerted throughout the past years for the company to get to where it is today are no secret. The advanced position in which our company finds itself today is the result of the efforts of a whole organization of executive management and staff to whom I direct my appreciation and respect for what they have exerted to advance our company.

In conclusion, we are fully confident and hope that 2019 will be a year rich with excellence, success and progress for our company in order for use to take our company to a prosperous, steady and leading position in the field of mobile information technology and Internet in Palestine.

**Muhammad Abu Ramadan**
**Chairman**

"The year 2018 has immersed us in its generosity and wrapped us with great and special achievements for our company Ooredoo Palestine. We are grateful for these past days through which we were able to achieve dreams that have been accompanying us for some time. Thanks to our investors and customers, we were able to make these dreams come true outstandingly, especially that after a period of implementing a strategic transformation, the company has been steered to safety and profitability."

# CEO's Message

## Soaring in the realm of success

The year 2018 was a busy year in which we exerted a great effort so that our company achieves advanced milestones of its journey. We welcomed the year by seeking a successful entry into the Gaza Strip in order to liberate the telecommunications market from monopoly, and put forward a new formula that offers benefits for our Gaza people, through the best campaigns and the strongest offers. Thus, we were able to attract customers, acquiring within a short period an excellent share of the Gaza market, which is due to the added value we give in order for customers to remain first.
We welcomed 2018 as well with, first, the launching of 3G services in the West Bank, which were long awaited by us as a company and by the customers as well, who were thirsty for living the Internet experience differently. Our company stood out here with the newest and strongest network with 3.75G technology and technologies that our staff developed with Palestinian colleagues in order for our customers to enjoy the best experience of Internet services through mobile, which had a positive impact on the smart applications market, creating new work opportunities in the Palestinian market.
The consecutive successes of our company were capped with the unification of our brand name with that of the mother company, the Ooredoo Group, keeping our company Palestinian with a global vision, while benefitting from the expertise of our mother company, in order to advance the level of services provided to our customers, which will reflect positively on our company's performance.
We have a deep faith that this step makes us stronger in confronting the challenges on one hand, and enhances our ability to contribute to consolidating the foundations of the Palestinian economy and achieve sustainable development in our beloved country on the other.



## Years of work to achieve strategic transformation

The company went through a strategic transformation process that affected all the commercial, financial and managerial administration of the company. This transformation process which yielded for us a year of major success involved many details that deserve to be dwelt on.
The essential pillar of this process involved putting customers first and aimed at satisfying them, through providing an added value in the best manner and at the best price. In truth, this process was not simple; it is based on intricate studies, criteria and parameters and involves several elements with a direct impact on a comprehensive policy. Despite all that, we succeeded in implementing this policy whose direct impact we felt in a number of major projects we engaged in last year.
Moreover, we have enhanced our financial procedures by rationalizing expenses and directing them towards channels of profitability with an aim of attaining the greatest benefit with the most suitable expenses. Benefiting from the expertise of our largest investor and mother company, the Ooredoo Group, we have also invested in our human resources, going forward to achieve our objectives with continuous support from our founding investor, the Palestine Investment Fund.
Concurrently with that, the rate of customer satisfaction about our services has risen, which we have detected through the customer satisfaction surveys that we carry out periodically with the help of an international impartial company. We have also detected that through the significant and successive drop in customer complaints that arrive at the customer service center, which we have worked to developed in accordance with the latest international specifications. We have also adopted policies for the center that takes it into the digital world to be closer to the customers at one click of a button away from them. We have also developed the smartphone application "Hisabi" (My Account) which enables the customers to manage all their services by themselves.
We have simultaneously worked to increase the presence of the network of our stores and distributors at city centers to offer sale and post-sale services and to answer any inquiries by our customers in particular and people in general, bringing us closer to the customers.

## Profitability Year

After a strategic transformation process lasting four years that have affected all aspects of work in the company, from the financial aspect to the commercial aspect, with a view to establish a customer-centric concept and putting customers first, we were able to cap this year with our achievement of profitability. Our company has realized net profits for three successive quarters starting from the second quarter. It succeeded in realizing positive profits at the general level in a major strategic transformation process.
All the main indicators of the company's results have showed an exceptional growth in 2018. The subscriber base has increased by 27% compared to 2017, with close to 1.3 million subscribers. Also, company revenues have risen to 100.4 million USD with an increase of 17% compared to last year. The value of operational profits before the deduction (EBITDA) for 2018 have reached 26.4 million USD with an increase of 40% in comparison with the same period last year. As for net profits, these have reached 0.5 million USD in the fourth quarter of the year.

## Ooredoo is an authentic part of its Palestinian society

Because our company is a Palestinian company working with a global vision within the system of the international Ooredoo Group with an aim of enriching people's lives in the communities in which it operates around the world, we have worked last year and will always work to benefit from the financial capability of our mother company, the Ooredoo Group, and harness it to serve our Palestinian society through a number of community contribution projects.
Through the mother company, our company has contributed to the rehabilitation of the old city of Hebron, the rehabilitation of the infrastructure and renovation of more than 40 buildings, in addition to the embellishment of commercial shops in the center of the old city. The company worked side by side with the Hebron Rehabilitation Committee to boost the steadfastness of the residents in the old city and empower its local economy at a cost estimated at 1.8 million USD.
Our company also supported several initiatives in the Gaza Strip chief among them was helping scores of children restore hearing through carrying out around 50 cochlear implant surgeries and the purchase of urgently-needed medical supplies needed by the health sector at a total cost of 1.5 million USD.
We have also renewed our sponsorship for the fourth consecutive season of the Palestinian football tournament at a total cost of over six million USD with full financing from the mother company Ooredoo, remaining as always sponsors of Palestinian sports, realizing the dreams of the youth and investing their energies towards having Palestine be represented at international sports fora.
Other projects supporting our Palestinian society include helping those with special needs through the provision of wheelchairs in Ramallah and contributing along with the Ministry of Health to the holding of a Marathon for diabetes patients. We also sponsored the Palestinian Heritage Day in cooperation with the Municipality of Gaza in order to protect our heritage from disfigurement attempts. We also participated in supporting and empowering Palestinian women through our partnership with the Asala organization in addition to our contributions with our partner the Ministry of Education to several activities. We contributed a lot to other areas so that our Palestinian society remains exceptional and at the forefront.

## Upcoming Years

The year 2019 represents another rung in the ladder of successes that we will climb confidently and steadily heading towards our supreme objective, continuing to provide the best services with the value expected by the customers who put their full confidence in us, benefitting from the expertise of the international Ooredoo Group with full support by our founding investor the Palestine Investment Fund to advance the Palestinian economy.
We also thank our founding investor the Palestinian Investment Fund and our mother company, Ooredoo Group. We also thank all of our investors and the board of directors for all the efforts they exert to advance the company. We also thank the employees and colleagues in the executive administration for their true belonging to the company which constitutes an essential driver of our consecutive successes.

**Dr. Durgham Maraee**
**CEO**

## Success capping a journey of successes

# Gaza: A Dream Come True

Celebration of the launching of our commercial services in the Gaza Strip

Continuous attempts, not giving up and exerting all efforts to challenge the crushing conditions must eventually yield the success of attaining the goal regardless of the length of time.

Gaza was the most difficult challenge. It was a story whose lines we were waiting to write successfully after a wait that lasted for years. During the course of our journey towards launching our commercial services in the Gaza Strip we faced many challenges which included the delay in receiving the frequencies and the entry of equipment to the Gaza Strip. We were deprived of our legitimate right to serve two million people who constitute an integral part of the Palestinian people. We overcame all these challenges year after year. We were looking to enter the Gaza Strip and break the monopoly in the telecommunications sector which lasted for long in order to do justice to the Gazan residents and create competitiveness primarily for the interest of the customers. As such, the customers now make the decision regarding their operator after a deprivation that lasted over 18 years.

After several years of struggling to confront the challenges and the obstacles, we achieved our goal and obtained all the approvals for work in 2017.

## Here we go...

### Working as a beehive

Our staff members, at all the sections and administrations, went through days, weeks and months of working day and night in order to meet the expectations of our people in the Gaza Strip. Eventually, we announced to them the start of a new era of exceptional mobile phone services through which they will enjoy the best network and the clearest sound while being served with sale and post-sale services and customer care by the most competent staff, something not seen by the Gaza market before.

The development of the network from scratch in top speed was done sooner than planned. This involved the construction of the towers, programming them with the frequencies and testing the network for readiness for the launch. Several innovative technological solutions were added to it to address a number of challenges in the Gaza Strip chief among them is the continuous electrical blackouts. Thus, the company succeeded in launching the network and operating in accordance to the latest international telecommunication technology systems. Our network in Gaza also stood out for covering all the geographic and residential areas.

Our company's staff have created exceptional innovative adaptations for handling the difficult conditions faced by the Gaza Strip, specifically in relation to the long hours during which the electricity services are out. Company staff developed transmission stations using practical and innovative means that guarantee the continuation of service round the clock within an integrated electronic system, based on our concern for providing the best experience to our clients.

Concurrently, we have developed an exceptional staff of young men and women in the Gaza Strip that combines the best expertise for the service of our customers. Our company has succeeded in creating an internal culture among its staff members that is in line with international experiences, as part of an intensive training processes to transfer expertise and internal culture to our colleagues working in the Strip. We have been able to disseminate and establish the company values that we believe in, which have become a reality and a fact that our colleagues live and transfer to our customers.

# Difficulties Capped with Success

One of the most important foundations of our success in the Gaza Strip was the pre-study of the market through which we put customers first. All that concerns the customers became our concern. Our design of any campaign or offer is now based on the priorities of the customers as they think of them themselves. This is in order for us to provide them with what they need and enrich the commercial aspect as well. Therefore, we also carried out precise studies of the of the market in Gaza and addressed the needs of the people of the Gaza Strip and their purchasing power, enabling us to design campaigns and offers that suit the nature of the market and people's needs. We equipped a robust network of stores, agents and distributors in order to be closer to our people and achieve the best presence throughout the Gaza Strip.

The people of the Gaza Strip have overwhelmed us with their pure love and generous welcome of us, our trade mark and staff. They have given us a great confidence that was our top instrument for confronting any challenge that develops before us. Thousands of people flocked to our showrooms from the first moment of their opening, thrilled for our ability to liberate the telecommunications sector for the Gazan customers and the creation of an alternative that offers them competitive offers and campaigns in terms of quality and prices.

This launch would not have been achieved without the strong and continuous support over long years from the founding partners of our company - the Palestine Investment Fund and the international Ooredoo Group who have invested hundreds of millions of dollars to found the company and build the network in the West Bank in the past and nowadays in Gaza, constituting the largest investment the Palestinian population has known in the past two decades.

## As for Today...

Today, after more than a year since the launching of our commercial services in the Gaza Strip, the size of success that Gaza has added to us through our commercial results is evident through our commercial results. Our subscriber base in Gaza has seen a significant increase in 2018. This would not have happened without the will of our staff members and as a result of the establishment of a state-of-the-art telecommunications network in the Strip and an integrated team of exceptional staff that is full of passion and love for change seeking to develop Gaza and providing the best offers and campaigns that place the customers at the center of its interest.

Setting up one of our network's towers

# The Palestinian Spectrum is pulsating with a Palestinian 3G

By launching 3G services, Ooredoo was not launching a purely commercial service, but realizing a Palestinian dream, even if long awaited.


The second millennium saw the beginning of the launch of third generation services globally. It did not take more than five years for the services to be used in 80% of the countries of the world. Palestinians, however, were not able to enjoy this service until the start of 2018.

The occupation's prevention of the Palestinians from enjoying third generation services like the rest of the world had negative implications on the economic environment. It placed limitations on the creation of new technology projects and access to a number of services that rely on the internet through mobile phones. It also allowed the intrusion of the Israeli telecommunications who sell and market their services in the Palestinian territories at a time when the Palestinians were in need of internet services through mobile phones.

Ooredoo has obtained the exclusivity of operating third generation services as part of its license since its establishment in 2006, which did not happen due to the occupation's prevention of the Palestinian from enjoying this service over a period of more than ten years.


## Solid base of success
## A state of the art Palestinian 3G network

With the aim of making a purpose in the digital life of our Palestinian people, we inaugurated the best network underpinned by the latest advanced technological equipment in order to provide the best offers and campaigns to the customers.

The company has invested in the latest 3G equipment and technologies and its specialized staff has offered all of its expertise and employed it in order to create new mechanisms that allow the users to obtain the strongest and best 3G Internet services using the 3.75G technology which is the release that is closest to the 4G network technology. The company has also enhanced its network with innovative elements such as the "6 sectors technology" and "4 ways diversity" technologies which in turn double the effectiveness, capacity and speed of the one station to be equivalent to more than one traditional station, offering with that services that rival 4G services. With that, the company has stood out from the competitor by providing the best service with the strongest and latest network and the best competitive price in Palestine.

أحد فروع شبكة معارضنا

## Our Motto: Customer First
## Real offers and Competitive Prices

Ooredoo has provided the Palestinian market with the richest experience from the first day of the release of the 3G services through its competitive campaigns and offers, meeting the ambition of the Palestinian customers. This is the best evidence that the company is in solidarity with the customer crowd and in tune with the pulse of the street, which was achieved by listening to and understanding the needs of the customers. Through this solid foundation of preparations for the release of 3G services, Ooredoo was able to roll out the best offers and campaigns at the most suitable price for the customers from the first moment. The campaigns were characterized with broad interest from the customers given the credibility of prices and offers presented by the company in comparison with the prices in neighboring areas.
In parallel, the company crews created an awareness and guidance campaign for the use of the Internet through mobile phone in the most optimal ways to ensure benefitting fully from 3G packages. The company established partnerships with some services applications and offered them to the customers for free, such as the Bank of Palestine smart application and the transportation application “Rukkab.” 3G services contribute to releasing the creativity of Palestinian innovators towards creating applications for the Palestinian society with an aim of providing added services and developing work in the start-up companies that are permanently underpinned by the Internet.

Following the launch of 3G services, Ooredoo celebrated with an official prestigious event that was attended by senior official and economic personalities in Palestine in addition to administration officers in the company, announcing with that a new era of competitiveness in the Palestinian market lead by our company as acknowledged by all. With that, it has become the top national choice for Internet services through mobile phones.

Now, our company places itself at the forefront through its leadership of the 3G services and communications and data services in Palestine. The company also views 2019 as the year in which it will expand the capacity of the network to cover all the geographic area as a result of the growth of the customer base.

We hope the dream of launching 3G services in the beloved Gaza Strip will be realized soon.

# Success capping a journey of successes... Unification of the brand name with the mother company, Ooredoo Group

> We at Ooredoo always place our customers at the top of our priorities and we make sure that they are at the heart of our business. We are more committed than ever to enriching their digital lives in order for them to benefit from the opportunities that mobile telecommunications technology offers them. We welcome today Ooredoo Palestine's joining of our group of companies that operate under the Ooredoo brand name around the world. We all look forward for the company to achieve a distinct and successful journey.

**H.E. Sheikh Abdulla Bin Mohammed Bin Saud Al Thani**
Chairman, Ooredoo Group

During the celebration of the unification of the brand name

After the major and consecutive successes that our company has achieved of the launching of our commercial services in the Gaza Strip and our standing out by launching the 3G services in the West Bank, which was the result of a strategic transformation process that the company has gone through throughout the past three years, we have gained the right to cap these successes with a new achievement that maintains the distinction of our Palestinian company and takes it to the global stage. Therefore, we unified the brand name with our mother company, Ooredoo Group.

The unification of the brand name was based on our belief that Palestinian customers always deserve to receive the best expertise ad services in the area of mobile telecommunications and data technology, as part of our constant quest to lead the best 3G services in the West Bank and our continuous attempts and the great efforts that we exert to launch 3G services in the Gaza Strip.

Unveiling of the Ooredoo brand name


> We have celebrated along with our people the unification of the brand name with our mother company, Ooredoo Group, with a huge official attendance. We were overwhelmed with the loving feelings of our customers and investors. Today, we are filled with pride for this new qualitative shift and the new success that is added to our company's accomplishments while we guide it towards the global stage and sustainable profitability in order to keep Ooredoo Palestine a Palestinian company with a global vision.

**Dr. Durgham Maraee**

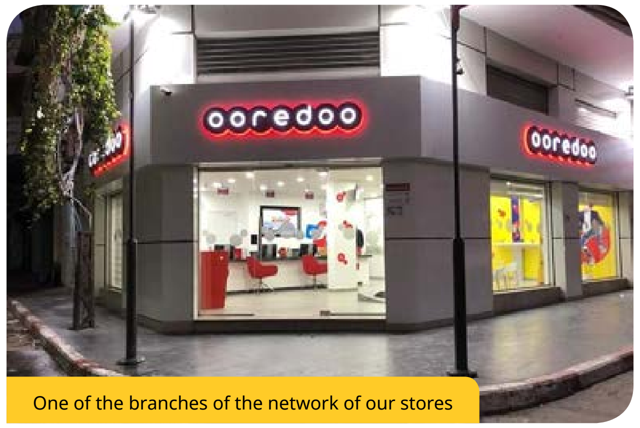
CEO of Ooredoo Palestine

Brand name unification celebration

It was not easy to plan to replace a brand name that has existed for more than 10 years in the Palestinian market with another brand name despite the connection between them.

We passed this test. We introduced the unification process smoothly and with ease and Ooredoo was welcomed by everyone in Palestine, which started with the introduction of the Ooredoo brand name to the Palestinian society in the best manner possible through social media channels, media and ads through the network of our stores, distributors and partners in parallel with the replacement of signs in all cities, towns, villages and camps in the West Bank and the Gaza Strip.

The expertise that has been translated, during the process of unifying the brand name, to skills in dealing with all development and variables and have been employed to develop successful and precise plans, are the conclusion of our acquisition of knowledge and replicating the experiences of our investors who have always extended every help we needed. Our largest investor, Ooredoo Group, has experience in the area of telecommunications in 12 countries around the world and our founding investor, the Palestine Investment Fund, constitutes the main pillar of the Palestinian national economy.




One of the branches of the network of our stores

The brand name of our company has been unified to contribute to boosting the Palestinian national economy and supporting its foundations in order to reflect the global nature of our company through the introduction of external investment and expertise in the area of digital life and technological development, which has become the theme of the future. This is where out our motto "Enjoy the Internet" derives from. The motto is a result of our understanding that the Internet today is more than a mere service, but exceeds that to be a need and an integral part of the life of all individuals that keeps them in touch with the world, through which they meet the demands of their daily life.

At a time when we work to be the first choice for consumers in Palestine, and in light of the unification of our brand name, we are always exerting efforts to achieve our vision of enriching people's digital lives. We are committed to our values and we work to translate them through all of our campaigns, offers and services in order for the customers to remain our top concern.

# Administrative and Operational Report

The Administrative and Operational Report section holds important information about our business and performance for the year ending on December 31, 2018. We advise reading this part of the annual report in a manner connected with the part related to the company's audited financial statements of 2018 and its notes, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

# About Ooredoo Palestine

Ooredoo company – formerly Wataniya Mobile – was founded in 2007 in partnership between the National-International Company - Free Zone, which is fully owned by the National Mobile Telecommunications Company (NMTC), the majority of which is owned by Ooredoo International Group, and the Palestine Investment (PIF). The launch of the company's commercial services in 2009 and its entry to the Palestinian telecommunication market is considered the start of the market's liberation, with the start being in the West Bank. After ten years of the deprivation of the company from the allocation of the required frequencies by the Israeli authorities, Ooredoo's family was complete with the launching of the company's services in the Gaza Strip at the end of 2017. The liberation of the Palestinian telecommunication market is an exceptional step towards boosting competition and giving the people the freedom to choose the network and service that suit them. It also pushes the telecommunications sector to innovate and provide the best services and offers. Ooredoo stood out since its launching for being the state-of-the-art telecommunications operator in Palestine.

In November 2018, the company announced officially the unification of its brand name with its mother company, Ooredoo Group, with the company carrying the name Ooredoo, as a successor of Wataniya Mobile. This transformation will boost its leadership position at the forefront of the Palestinian telecommunication market as one of the companies of the international Ooredoo Group which operates in 12 countries in the Middle East, North Africa and South East Asia. Ooredoo is a leading company in providing a distinct data use experience through broad content and advanced series through its developed fixed and mobile networks. The customer base of the Ooredoo Group included 115 million customers on December 31, 2018.

Ooredoo's (WATANIYA PALESTINE MOBILE TELECOMMUNICATIONS) shares were listed in the Palestine Securities Exchange in 2011. Ooredoo is the largest company in the Palestine Securities Exchange (PEX) in terms of paid capital which is 293 million USD, contributing indirectly to increasing the market value of the PEX. Ooredoo has contributed 97% of the total value of trading sessions in the PEX in 2018.



# Competitive Analysis

Ooredoo's entry to the Palestinian cellular telecommunications market constituted a qualitative leap for the telecommunications sector, which led to opening the door to real competition in the Palestinian market and the ensuing competition in offers, campaigns, prices and the quality of presented services.

The Palestinian telecommunications market is considered small one with cellular phone services being provided through two licensed companies. The Palestinian market was monopolized for over a decade until Ooredoo launched its commercial services in 2009. Competition is not limited to the two licensed companies due to the illegal competition from the Israeli cellular telecommunications companies in the market through the coverage available in the Israeli settlements that are built on the lands of the West Bank, let alone the Israeli control of the frequencies and limitations on the import of devices and equipment. Despite these challenges, Ooredoo was able to occupy a place at the forefront of the Palestinian telecommunications companies in terms of increasing its market share of the subscriber base which reached 30% by the end of 2018 and maintaining its advanced position in the local market. Ooredoo is now able to reach 97% of the Palestinians and offer its services to close to 1.3 million subscribers in the West Bank and the Gaza Strip through adopting competitive and advanced marketing strategies to attract new subscribers and maintain existing ones.

Ooredoo stands out for its great competitive ability as one of the companies of the Ooredoo Group that has a long experience in the telecommunications sector around the world. This provides the company with the highest standards of mobile phone services and the best international agreements in this regard through the exchange of expertise with Ooredoo Group companies, which benefits subscribers through offering the best local and international prices and the highest quality standards of services and network. In 2018, the company introduced several outstanding packages and offers of third generation services for the prepaid and postpaid subscribers in line with the needs and requirements of the various segments of the society.

The success the company achieved in the Gaza Strip is due to the successful sales and marketing strategies that the company has implemented throughout the year to attract Customers and keep them. According to several studies carried out throughout 2018 to measure the customers satisfaction in the Palestinian telecommunications market, Ooredoo has achieved high and advanced scores placing at the forefront in terms of customer satisfaction about the company services and products, let alone the company's employment of a network of distributors, showrooms and dealers that are capable of meeting the needs of the customers in terms of place and time. There is also a customer service center that is fully ready to serve our subscribers through social media channels and direct communications, according to the best international criteria.

Ooredoo has enhanced its competitive position through launching third generation services in the West Bank which provides an opportunity for the company customers to enjoy better quality high-speed internet services. Also, the company's launch of its outstanding services in the Gaza Strip in 2017 has contributed to the increase of the base of customers benefitting from the services Ooredoo provides through 267 authorized dealers and close to 2,000 sales points in the West Bank and the Gaza Strip.

On this basis, Ooredoo has proven its ability to compete in the Palestinian market as it has succeeded in blending high quality calling services and introduce the latest products to the Palestinian market and advance towards creating positive change and development in the Palestinian economy.

# Our Strategy… Advancing Our Business

**The company's strategy was built on three basic pillars aimed at achieving our vision and driving the company's growth towards leadership of the telecommunications market and enrichment of digital life.**

## Subscribers First

We continue to study the needs of the subscribers and translate them to competitive campaigns and offers. This stems from our listening to the requirements of the subscribers and the purchasing power in order to move forward towards offering the best services in addition to enhancing the direct and indirect sales network.

## Best Network

We maintain our position as the best network in terms of quality and we will proceed to enhance the network and to expand using the latest international technologies in order to be the leaders in offers and services presented to the customers with a view to providing the best experience for Palestinian customers.

## Rapid Growth

We build on our previous financial and commercial successes to go forward towards achieving an increase in revenues and expanding the customer base and increasing profits to achieve a good return for investors.

# Summary of Financial Performance:

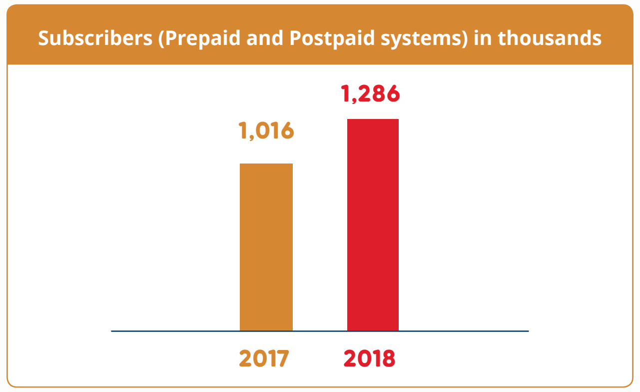
“Significant growth in operational revenues”

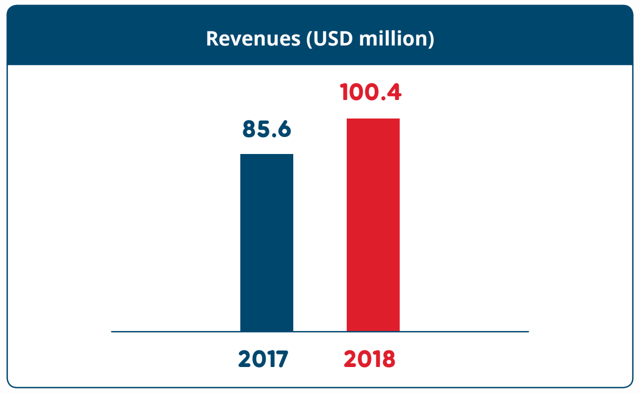
This year was an exceptional one for Ooredoo company as the commercial launch in Gaza Strip and the introduction of 3G services have yielded an outstanding financial performance, achieving an increase in revenues and profits.

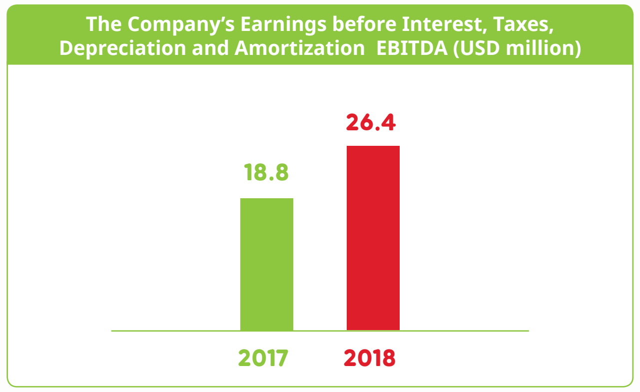
The year 2018 saw a remarkable growth in revenues by 17% in comparison with 2017 as the value of the revenues reached USD 100.4 million in 2018 following the resounding success of both the launching of company services in Gaza Strip and the 3G services in the West Bank, resulting in the increase of the total Ooredoo subscriber base by a percentage of 27% bringing the number of subscribers close to 1.3 million in 2018.

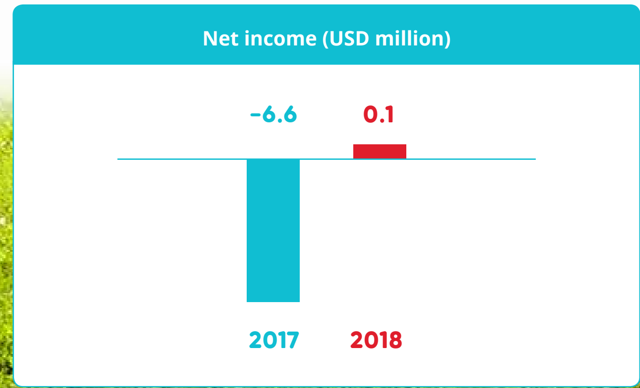
The Company’s Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) saw a significant growth by a percentage of 40% reaching USD 26.4 million compared to 2017. In 2018 the company achieved the equilibrium point as the net profits of the company reached USD 0.1 million, in comparison with net profits (loss) of USD 6.6 million in 2017. The company made over USD 0.5 million in the last quarter of 2018.

**The following graphs demonstrate the positive development in the company performance in the (2017-2018):**




Ooredoo Palestine Family

# Family of Ooredoo Palestine

> "We progress in accordance to a basic rule of attracting the best and brightest employees and keeping them".

## Our Employees: Our Asset and Pride

The honorable and excellent accomplishments that Ooredoo has achieved this year was the reason behind the staff's feelings of pride and belonging to the company. It is what pushed them to take well-thought and diligent steps at the same time in order to reach the peaks of success in the Palestinian market.

Ooredoo had dedicated in the recent period an ample share of its efforts to deepen the employee's faith in the value of their work and their recognition of the importance of self-development due to the latter's great impact on their competency and growth at all levels. We can say that the successful spreading and dissemination of this culture came through the holding of a set of training courses and academic programs aiming at incentivizing the spirit of success and development.

The company does not exclude any chance or occasion to stress the impossibility of its advancement without the team spirit that abounds in it and which it sought to enhance given its belief that its staff energetically strive to achieve one objective with singular resolve.

The Ooredoo Palestine family includes 678 employees working in the West Bank and Gaza Strip providing the core of their professional and academic expertise to serve the company and advance the work always towards the best. At the same time, the company seeks to attract qualified human resources through creating equal work opportunities that are accessible to all within the one parameter of competency. A clear indication of that are the recruitment campaigns that the company conducts with Palestinian universities.

## A Star in the Sky of Excellence


Talent Management Award

The performance of Ooredoo Palestine, its work method and the management of its staff and their talents are exceptional regionally and globally, not just locally. The company has recently achieved first place in the specialized competition of the Human Capital Forum Middle East and North Africa in the area of Excellence in Talent Management that was held in Dubai.

Competent Work Team and Incentivizing Policies

Ooredoo has plenty of qualified staff members with local and international expertise in the field of telecommunications services. In order for Ooredoo to achieve its objectives, it relies on goal-based management through incentivizing and directing performance, bringing together its strategic objectives and the professional personal objectives of its staff. The company implements incentivizing polices to develop staff that are capable of leading the company. Some of the examples we are proud of include the implementation of the Young Leaders Program, which is a program that develops the capacities and skills of a group of our company staff; the Job Development Program, which is a program that develops job skills to empower our employees to move to new positions and make a difference in them; and the CEO Award for Innovation, which is an award that the CEO has dedicated for employees who have pioneering ideas that could develop the work environment.

A group of young leaders from the Ooredoo Palestine Family

# Our Programs and Campaigns

In 2018, Ooredoo launched a set of campaigns and services through which it presented exceptional offers at competitive rates that contributed to boosting the subscriber base. The foremost among the campaigns and services were the campaigns and offers of the 3G services which came about to meet the needs and wishes of the all the segments of the Palestinian society including individuals, youth, families, companies and the government sector while offering these services competently, qualitatively and innovatively, exceeding expectations. The following are the notable programs through which Ooredoo excelled in 2018.

- Super 3G Bill and Mix Program – companies
- Super Comprehensive Bill Program
- New Rewards Program "Stars"

**Most Important Campaigns and Offers Provided by the Company**

The company has provided several very exceptional campaigns and offers, especially the monthly charge 3G packages for the bill and pre-paid subscribers which include several gifts and additional packages. The most notable of these campaigns in the West Bank include:

- "Collect the letters of your reward"
- "The savings packages now include more minutes and messages"
- "As you like them" 3G packages for bill subscribers
- "As you like them" monthly charge packages for prepaid customers
- "Enjoy monthly charge Internet plans and receive your calls for free during roaming"
- "Monthly charge 3G packages for youth give you more Internet at the same price"
- "Hisabi application from Wataniya mobile"
- "*780#: Your gateway to a world of offers"
- New Rewards Program "Stars" for all subscribers
- "Call OM Al- Donia at the best prices"
- "Reassure and keep in touch with your family during Umrah (
- "For you, more for less: call internationally at local-call prices"
- "Unlimited calls to Jordan"
- "Travel and roam with the Ooredoo Passport packages for the Ooredoo networks"

As for the Gaza Strip, our subscribers have enjoyed distinguished campaigns and offers. They include:

- "tsunami takser saves you a lot"
- "takser Internet"
- "Collect the letters of your reward"
- "For Gazans: Get double the tax as a gift"
- "*780#: Your gateway to a world of offers"

## Methods of Distribution and Main Sales Channels

The year 2018 saw a wide spread of Ooredoo's presence through a broad network of distributors, dealers, sales points and showrooms in realization of the company's policy and strategy of delivering its services to everyone in the Palestinian market at every place and at any time.

| | Ooredoo showrooms | Distributors | Authorized Agents Network | Points of Sale Network |
|---|---|---|---|---|
| West Bank | 11 | 2 | 125 | 1410 |
| Gaza Strip | 6 | 3 | 142 | 581 |



# Research and Development

Since its launch, Ooredoo's care for keeping up with market changes and subscriber requirements in order to be able to introduce the best products and services is what makes it stand out. The company's interest is manifested in its recent launch of several interactive campaigns and distinct programs for which it relied on the specialized marketing studies it carries out continuously throughout the year. The company takes into consideration the best international standards and practices in addition to adopting professional indicators through which the company's performance is compared with its counterparts locally and internationally, on the basis of which performance and services are developed.

Also, Ooredoo relies on several tools to measure the quality of the services provided to the subscribers through obtaining their feedback about the services or staff performance. The company employs the VOCE tool that allows each subscriber to evaluate the quality of the services offered to them from all aspects. The company relies on this tool to develop performance, correct errors and increase customer satisfaction. Ooredoo also relies on market needs and requirements analysis studies to launch new services and programs based on the results of these studies. The company takes into consideration the developments taking place in the telecommunications sector and the Internet regionally and internationally to develop its business and products through building strategic relationships with partners from the various specializations around the world.

# Our Future Prospects

Since caring for the subscribers is our top objective and the uppermost value, we at Ooredoo always pay attention to keeping up with the latest technological developments in the world, which have the potential of providing facilities to the subscribers and supporting their rights. Towards this end, we aspire for the approval of regulations and laws required for the application of the mobile number portability service in the Palestinian telecommunications market, especially that it gives the subscribers the freedom to choose the best and most suitable network while keeping their numbers. This service allows the subscribers to move between networks without changing their numbers, especially business owners, merchants and holders of old numbers.

Based on our belief in the importance of the customers and to ensure their satisfaction continuously, Ooredoo proceeds with steady steps in implementing and improving the strategy of customers experience through the work of all the communication points with the subscribers to create the suitable platform for continuously listening to all their feedback and opinions. This is in addition to providing the best offers and 3G services and several other services at prices that are suitable to all while maintaining the highest level of quality.

As part of continuous development, Ooredoo Palestine proceeds within an integrated strategy towards digital transformation in line with the global vision of the Ooredoo Group, which aims at giving the customers the opportunity to try all the services electronically, without the need for an employee or being restricted to a specific time, by receiving the various services through the company Website or a mobile phone application. This strategy also seeks to reduce the use of paper as part of the paperless policy which is concerned with moving transactions to advanced phases. With that, Ooredoo Palestine becomes the top choice for customers in the area of providing digital services that could improve work mechanisms, making them faster and easier and therefore less costly.

# Sustainable Development

Since the start, we were committed to the advancement of our society and to sharing our successes with it and contributing to building our economy, taking into consideration the preservation of our environment. We also always seek to offer our utmost to driving sustainable development forward, which could advance the economy, the society and individuals. At Ooredoo, we believe in our effective participation in advancement and development, therefore we constantly care about our contribution, which has a significant impact on supporting the society, preserving the environment and building the capacities of individuals. This comes as part of our absolute conviction that we are part and parcel of the communities in which we work, influencing them and being influenced by them. In this chapter, we present social responsibility, our economy and our environment.

# Social Responsibility

Because we at Ooredoo believe in the motto we carry “Enriching the lives of people”, we continue to proceed on the path of community contributions, attempting to generate a better value for our Palestinian society and create a real effect full of diversity that contributes to making a difference in people’s lives. Towards that end, we rely on our relationship with the partners we trust and we proceed with them to achieve our common objectives.

# Community Activities: Ooredoo among the People

Ooredoo attaches importance to taking part in several national and community occasions and events in all areas and sectors.

Orphaned children’s Happiness at the Eid El-Fitr


Saturday of Light and Easter celebrations

Award ceremony for outstanding students, Birzeit University

A feature of Ramadan evenings

Honoring workers during International Labor Day

Honoring Women during International Women’s Day

Contribution to putting a smile on children’s faces during Summer Camps

Christmas and New Year’s Celebrations

Provision of wheelchairs for those with special needs in cooperation with the Ramallah and Al-Bireh Governorate


One of the matches of the Professional Football League

# Sponsoring Palestinian Football

**6**

**USD Million**

**Ooredoo Palestine won the title of sponsor of Palestinian football after a partnership spanning four seasons with the Palestinian Football Association at a value of over of more than USD 6 million, financed fully by the mother company, Ooredoo Group.**

**The top football activities sponsored by Ooredoo throughout the past years include:**

1. Professional League: The Professional League was organized with the participation of 12 teams and clubs in the West bank and has been outstandingly successful throughout the past period.


Crowning of the Palestine Cup Champion for the 2017/2018 Season

2. Premier League: The Premier League included 12 teams and clubs in Gaza Strip. The Khan Younes Youth Club was crowned with the League's title.

3. Martyr Abu Ammar (Yasser Arafat) Cup: The Martyr Abu Ammar Cup football competitions are considered the most important sports championships bringing together professional and semi-professional teams.

4. Palestine Cup: The Palestine Cup was held in Gaza Strip and West Bank in addition to the holding of the Palestine Cup final with the Hilal Al-Quds Club crowned as the cup champion.

5. Super Cup: The championship involved a challenge between the champion of the Professional League and the champion of the Premier League. The Hilal Al-Quds Club was also crowned Palestine Cup champion.

6. Support to a number of sports clubs and teams: Football sponsorship provided support to 24 teams and clubs, which contributed to the development of technical and administrative performance and the training of the members of these teams, impacting the field performance in the best manner.

Perhaps the most indelible moment for football fans, Palestinian youth and the crowds of this sport was when the Chairman of the Board of Directors for Ooredoo Group, His Excellency Sheikh Abdullah Al Thani, stood on the stage at the celebration event for the unification of our trademark and declared that Ooredoo will continue to stand next to the Palestinian youth and the Palestinian football crowd.


Abdel-Latif Al-Bahdari – Balata Youth Club

# Renovation of the Old City of Hebron

**1.8**
**USD Million**

**In 2016, Ooredoo Group gave USD 1.8 million in support to the Hebron Rehabilitation Committee in a spirit of sustainable community responsibility.**

## Renovation of 49 buildings in the area of Khozq El-Far and up to the Murabaat Al-Souq

The buildings include some houses, a glass factory and a services center.

**Project Summary:**
With a view to reviving the old city of Hebron and keeping its residents living there, several houses were renovated and residents were returned to their homes. A services center was renovated for the purpose of providing all services to residents. A glass factory was renovated to maintain Palestinian cultural heritage in the old city and create new work opportunities.

**Renovation of Commercial Storefronts**

Before Renovation

After Renovation

**Public Services Center**

Before Renovation

After Renovation



## Infrastructure Rehabilitation Project

In the Al-Qasaba Neighborhood Street and the area of Khozq El-Far

**Project Summary:**
This project is distinct as it contributes primarily to solving the problem of sewage overflow due to rain which causes suffering for the residents of the old town of Hebron annually and results in flooding a large number of commercial stores and house entrances with the water level reaching more than 1.5 meters during winter.

Renovation of the Old City Markets

Rehabilitation of the Infrastructure and Rainwater Drainage Networks

## Building Facades Beautification Project

At the Al-Qasaba Neighborhood Area

**Project Summary:**
This project involves beautifying the facades of the historical buildings by replacing the worn-out mortar with a new one, removal of all infringements against the facades in the said street and finding a solution for removal of the cables and lines of the electricity and telecommunications networks from the arches. The work involved using plastic pipes underneath the tiles to run these cables through, working to install mounted metal enclosures to supply electricity to homes and commercial stores, working to install metal awnings for commercial stores that are in line with the architectural fabric, and adopting a color scheme through which the architectural elements are highlighted in order to limit the interventions of the residents and merchants. Work has been carried out to develop the required architectural and construction plans after the approval of designs for all the works that will be carried out within this project to solve the problems in order to encourage the merchants to open their closed stores, promote the commercial and tourist movement and highlight all the architectural elements within the architectural fabric.

**ترميم مصنع الزجاج**

Before Renovation

After Renovation

His Excellency Sheikh Hamad bin Khalifa Al Thani Hospital

## Financing Cochlear Implant Surgeries for Gaza's Children

Because our company is part of an international group of companies that attaches great importance to people as individuals and is active in the area of humanitarian services in the countries in which it operates, our mother company took into consideration the difficult situation in the Gaza Strip as a result of the occupation and the siege. Therefore, the company decided to assist tens of children regain their sense of hearing through conducting cochlear implant surgeries for them. The company also purchased necessary medicines and medical supplies for some of the Gaza Strip hospitals. The value of this healthcare relief was about USD 1.5 million.



Chevening Award Sponsorship Signing Ceremony

## Our Contribution to the Education Sector

Ooredoo views the education sector as the most fertile for investment towards creating real change in the society. Thus, the company took on the Ministry of Education as a strategic partner to achieve sustainable development in this sector. The contribution that our company made to the education sector have been varied. They include signing a partnership agreement with the British Consulate-General to support the Chevening Award, sponsoring the honoring of outstanding students in Jerusalem high schools and sponsoring the honoring of outstanding students in the Gaza Strip.

# Our Environment

Corporate responsibility towards the environment has become one of the important issues that managements take into consideration all over the world. Because we at Ooredoo are keen to maintain and adhere to our responsibilities towards the environment, we have introduced this culture into our daily work and activities.
The Corporate Environmental Responsibility (CER) strategy, which refers to the environmental responsibility of companies, is parallel in importance to community responsibility. We at Ooredoo work through all available and possible means to enhance our environment-friendly practices. For example, we follow at our company a policy to reduce the paper used daily as part of the company strategy. We are also keen to rationalize the consumption of water and electricity and we educate our staff of the importance of doing so. Meanwhile, we do not refrain from exploiting any opportunity in which we can recycle resources.
As part of that approach, and to maintain a clean and healthy environment, Ooredoo has persistently addressed the environmental impact that might result from the operation of its network in Palestine through the application of a scientific methodology based on three main focus areas:

## First: Dealing with the Effect of Radio-Frequency Radiation

When installing base transceiver stations (transmission towers), Ooredoo adheres to following and applying local and international standards in the implementation by applying the recommendations of the Palestinian Environment Quality Authority and the Palestinian Ministry of Telecommunications and Information Technology, as well as taking a number of measures commensurate with meeting the standards of the International Commission on Non-Ionizing Radiation Protection (ICNIRP).
The most important measures Ooredoo took to observe local and international standards include:

- Ooredoo uses European Swedish equipment that conforms to European standards recommended in Europe to maintain a healthy and safe environment.
- Ooredoo' s transmission stations are significantly designed with great care through the selection of heights and the proper types of the used antennas in accordance with the geographical nature of the coverage area.
- Insulation fences are set up around all Wataniya Mobile's stations, in compliance with the relevant local and European standards, to ensure the safety of citizens.
- Ooredoo adheres to all the requirements of the Palestinian Ministry of Telecommunications and Information Technology and the local requirements of the Palestinian Environment Quality Authority and obtains the required approvals from them.
- Adherence to this methodology by Ooredoo contributes directly to producing radiation below the world standard adopted by the International Commission on Non-Ionizing Radiation Protection (ICNIRP). The value of this variable at Ooredoo's transceiver stations is 0.0005 mw/cm2, which is a low value if compared to the globally permitted limit of 0.45 mw/cm2.

## Second: Dealing with the Effect of Emissions

- The operation and maintenance team of the Ooredoo network follows standard procedures and practical measures for the purpose of reducing the emission of environment pollutants, including smoke and gas emissions. These measures, inter alia, include:
- Installing Hybrid Energy Systems in all transmission stations that are not connected to the electricity grid to feed the stations with electricity. This system comprises a diesel generator and batteries to store energy, which reduced the hours required to operate the generator by a percentage of over 50%. Therefore, it cuts fuel consumption and protects the environment as it limits the emission of smoke and gases that harm the environment.
- The Network Maintenance Team performs preventive maintenance on all the generators and cooling equipment at the transmission stations and company buildings to ensure their safety and efficiency. This also contributes to reducing energy consumption, limiting fuel emissions and reducing generator oil consumption and leakage. It also prevents the leakage of refrigerant gas (Freon) from cooling equipment.

## Third: Handling and Recycling Solid Materials

- The management of solid waste materials resulting from the operation of the Ooredoo network in Palestine, comprises the collection and sorting all the components of this waste and then working to disposing them in accordance with global best practices. The process adopted by Ooredoo can be summarized as follows: Wherever possible, Ooredoo recycles this waste by dismantling these materials for recovering their primary components and reusing them.
- Ooredoo obliges all its contractors to adhere to safety and security laws as they have to supply trained engineers and technicians to carry out the work. The contractors are also obliged to obtain the insurances required at sites and during work.
- Ooredoo also gives used liquid batteries to a specialized company that recycles them in a licensed and environment-friendly manner.

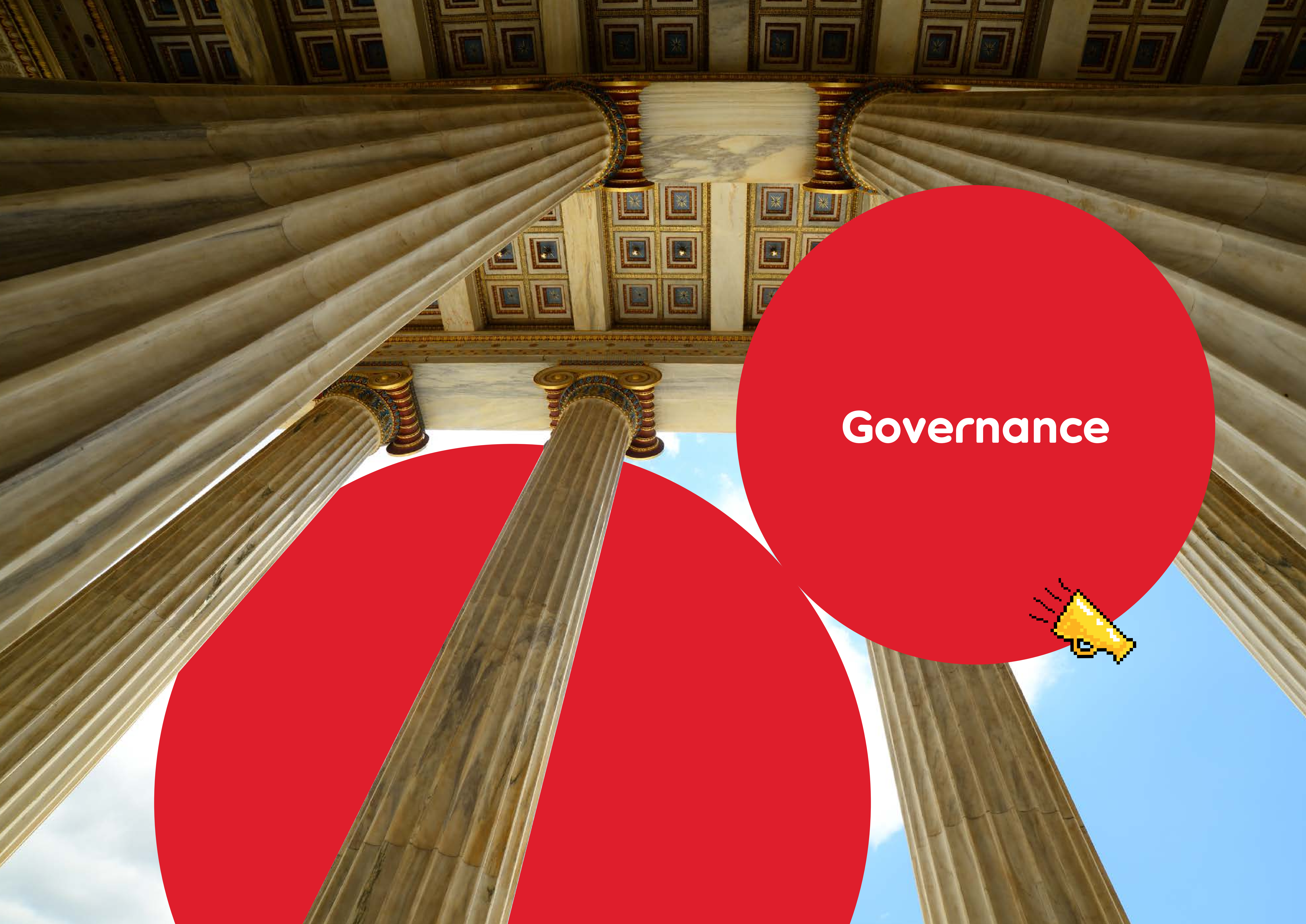
# Our Economy

In an open world dominated by speed, communication becomes so important that the highest level of quality cannot be compromised. At Ooredoo, we seek to ensure that our telecommunication services offer the required quality to all sectors. Our participation has even extended to contributing to economic development through the direct investment that we made to enter the Palestinian market. This involved the construction of a modern infrastructure and the provision of the technical and IT equipment and qualified human resources as happened recently with the company's entry to the Gaza Strip. Ooredoo's Palestinian market entry has also positively affected individual and company consumers through creating a competitive environment in the Palestinian telecommunications market.

Ooredoo has been able to play a constructive and pioneering role in boosting the Palestinian economy since the first moment of our entry to the Palestinian telecommunications market. In 2018, the company created more than four thousand direct and indirect job opportunities, which was reflected at the income level of the employees and their families.

Ooredoo makes up the largest company in the Palestine Securities Exchange (PEX) in terms of paid-up capital of USD 293 million especially after raising the company capital during 2018 by USD 35 million, which contributed indirectly to increasing the market value of PEX at the end of 2018 by 6.43%. Furthermore, Ooredoo has contributed 97% to PEX's total trading sessions in 2018. Ooredoo has been able to boost adherence to the application of the principles of transparency and governance as required by PEX and the Palestine Capital Market Authority in accordance with the law. Such adherence contributes to the attractiveness of the Palestinian market to foreign investors and places the Palestinian telecommunications sector on the map of international investment as the sector is considered one of the most attractive for investment and the creation of new job opportunities.

# Governance



# Governance

Ooredoo company continues its efforts to apply the highest company governance standards that aim at ensuring the achievement of sustainability for its business and activities. At Ooredoo, we are aware of the responsibility of the board of directors to ensure the application of the highest good governance standards. The board reconciles the interests of the investors and all segments of stakeholders, such as employees, providers, and local community. It sets work rules and mechanisms, monitors and controls performance, and manages and identifies risk towards achieving the desired goals.
As part of Ooredoo's quest to adhere to the standards of public shareholding companies in line with the regulations of corporate governance., the company adopted in 2010 a governance manual that is consistent with the provisions of the company governance rules issued by the Palestinian Capital Market Authority.

## Commitment to Disclosure

Ooredoo is committed to the highest standards of governance. This is evidenced by the company's adherence to the principles of transparency and integrity and its commitment to following administrative procedures as accurately as possible to ensure the timely and appropriate completion of disclosure processes. As proof of this commitment, the Palestine Capital Market Authority have never asked for clarification or disclosure from the company for vague or incomplete information, or penalized the company as a result since its listing in the Palestine Securities Exchange on 9 January 2011. Furthermore, the company regularly updates its website (www.ooredoo.ps) and uploads its annual reports, highlighting its compliance with the principles of disclosure of applied governance, also providing information on the latest activities of the company.

## Responsibilities of the Board of Directors and its Committees

The board of directors consists of seven members whose membership extends for four years. The Ooredoo board of directors ensures the application of the rules and standards of proper governance and their consideration as an integral part of company culture to protect the interests and rights of the investors. This application of good governance has been carried out through the board of directors' endorsement and adoption of internal policies, such as the policy of authorities, the policy of company management, and the policy of human resources, in addition to its role relating to oversight over the actions of the executive management through the board of directors' meetings in which the company activities are reviewed in detail. The composition of the board of directors was changed in 2018 in the following manner:

- Departure of Mr. Bertrand Alexis
- Departure of Mr. Abdullah Al-Zaman
- Appointment of Mr. Ahmed Al-Muhannadi
- Appointment of Mr. Bassam Yousef Al-Ibrahim

Two main committees support Ooredoo's board of directors in the performance of its tasks and duties:

**The Executive Committee was formed on 10 December 2014.**
Its members are:
- Mr. Mohammed Abu Ramadan, Chairman
- Mr. Khalid Al Mahmoud, Member
- Mr. Ahmed Al-Muhannadi, Member
- Mr. Rami Al-Barghouthi was named committee secretary

Responsibilities and tasks of the Executive Committee:
• Review draft regulations and new company policies and make recommendations concerning these to the board of directors.
• Oversee the process of job evaluation and develop the company's compensation structure.
• Approve the process of performance evaluation and any amendment thereto.
• Submit strategic recommendations to the board of directors with regard to the priorities and risks related to financial and strategic investment.

**The Audit Committee, formed on 10 December 2014.**
Its members are:
- Mr. Mr. Bassam Yousef Al-Ibrahim, Chairman
- Mr. Faisal Al-Shawwa, Member
- Mr. Eisa Al Mohannadi, Member
- Mr. Mahmoud Othman was named committee secretary

Responsibilities of the Audit Committee:
• Review annual audited financial statements and interim (quarterly) financial statements, related reports and accounting matters in order for the executive management to carry out required procedures, before submission to the board of directors for adoption.
• Set objectives and internal auditing policies and determine their scope.
• Select the external and internal auditors for the company and recommend appointment.
• Evaluate the performance of internal and external audit annually, according to predetermined performance indicators.

## Meetings of the Board of Directors

The board of directors held six meetings during 2018, the dates and minutes of which were disclosed in accordance with the disclosure system applicable in Palestine. In its meetings, the board discussed and approved a number of important issues related to the company's performance and present accomplishments, in addition to approving annual strategic plans and any issues that require the board's approval.

# General Assembly Meetings

In 2018, the company held two general assembly meetings: the ordinary general assembly meeting and the extraordinary general assembly meeting:

Stakeholders voted during the ordinary general assembly meeting which was held on April 22 to endorse the report of the board of directors and the auditor's report and financial statements for the fiscal year ended December 31, 2017, to relieve the members of the board of directors from liability for the fiscal year ended December 31, 2017, and to elect a company auditor for the fiscal year 2018. PricewaterhouseCoopers Palestine (PWC) was elected as the Company's auditor for the financial year 2018.

The general assembly extraordinary meeting was held on December 23, 2018. Shareholders voted to endorsed the increase of the company share capital from USD 258,000,000 to USD 293,000,000 by 35,000,000 shares through secondary public offering to company shareholders in proportion to their existing shareholding at par value of USD 1.

The shareholders also voted to authorize the board of directors to take all the necessary actions and steps in regard to the unsubscribed shares after the end of the secondary public offering, in any way which the Board deems appropriate, after obtaining the approval of the Palestine Capital Market Authority (PCMA) and other oversight authorities, in line with the Securities Law and the share issuance instructions issued by the PCMA, the Company Law, and the legislation currently in force.

# Responsibility of the Executive Management for Establishing Internal Control and Internal Monitoring Systems

Ooredoo's executive management has established a comprehensive and effective internal oversight system that guarantees the accuracy and transparency of financial disclosures consistently with international criteria and best practices:

- Developed a set of financial policies and procedures in line with IFRS and financial disclosure criteria of the Palestinian financial market and valid laws and regulations. Adopted a computerized global financial system to ensure the accuracy of financial statements and compliance with the international standards and requirements.
- The financial statements and internal monitoring regulations of Ooredoo are inspected and reviewed by an independent external auditor and the Company's internal auditor. In order to ensure independence in accordance to good governance requirements, the audit committee meets regularly with the auditors and the executive management to review audit reports and ensure the accuracy of the annual financial statements of the company.
- Therefore, based on the results of continuous inspection and periodic review, the company management considers the control and internal monitoring system are efficient, and guaranteeing the accuracy and validity of the annual financial statements of the company.

# Members of the Board of Directors

## Mr. Mohammed Abu Ramadan,

### Chairman, Representative of the Palestine Investment Fund

Mr. Mohammed Abu Ramadan joined the Board of Directors of Ooredoo Palestine in December 2014. Previously, Mr. Abu Ramadan served as the Palestinian Minister of Planning and Administrative Development in two consecutive Palestinian governments in the period of 2012-2014. In addition to being a board member of the Palestine Investment Fund since 2006. During his career, he served in a number of public positions, including member of the board of directors for the Palestine Monetary Authority and vice-chairman of the board of directors of the Palestinian Trade Center (Paltrade). He is also a board member of many companies and economic institutions, as well as other leading community institutions. Mr. Abu Ramadan is a leading Palestinian businessman and currently serves as the Chairman of the Board of Directors for Abu Ramadan Investment Group and the chairman of the board for the Gaza Buses company. Mr. Abu Ramadan holds a Bachelor's degree in Business Administration from Syracuse University in the United States of America.

## Mr. Khalid Al Mahmoud,

### Vice Chairman of the Board of Directors as representative of Ooredoo Group

Mr. Khalid Al Mahmoud joined the board of directors of Ooredoo Palestine in June 2012. Mr. Al Mahmoud serves as Group Chief Officer of Ooredoo Group's small & medium companies. In addition, Mr. Al Mahmoud is the chairman of the board of directors of Ooredoo Maldives. He also served in several positions such as: chairman of the board of directors of Ooredoo Algeria, Vice-Chairman of Ooredoo Oman, chairman of the board of directors of PTC-Bravo in the Kingdom of Saudi Arabia and the chairman of the board of directors of Wi-Tribe in Pakistan.

Since joining Ooredoo Group in 1989, Mr. Al Mahmoud served at several important positions in Qatar and abroad. The positions include Chief Operating Officer of Ooredoo Oman, General Manager of the Data and Internet Services Unit (ISP) and the head of the IT Divisional Manager at Ooredoo Qatar. Mr. Al Mahmoud holds a Bachelor's degree in computer engineering from University of Pittsburg in the United States of America.

## Mr. Bassam Yousef Al-Ibrahim,

### Member, Representative of Ooredoo Group

Mr. Bassam Yousef Al-Ibrahim joined the board of directors of Ooredoo Palestine in April 2018. Mr. Al-Ibrahim currently serves as Senior Director - Sourcing Capabilities, Performance & Partnerships at Ooredoo Group, where he has held a number of positions since 2013. Mr. Al–Ibrahim, was also in charge of multiple senior positions in the field of telecoms, information technology, project management and procurement. Mr. Al–Ibrahim holds a Bachelor's degree in telecommunications engineering from the University of Essex, UK, and a Master's degree in Digital Transformation from HEC Paris.

## Mr. Faisal Al-Shawwa,

### Member, Representative of the Palestine Investment Fund

Mr. Faisal Al-Shawwa joined the board of directors of Ooredoo Palestine in January 2011. He was the General Manager of Al-Shawwa General Trading and Contracting Company, and is its chairman of board of directors. In addition, Mr. Al-Shawwa is the vice chairman of the board of directors of the Middle East Pharmaceutical Company, the vice chairman of the board of directors of Al-Amal Asphalt Company, a member of the board of directors of the Bank of Palestine, a member of the board of directors of the Palestinian Electricity Company, and the vice chairman of the board of directors of the Palestinian Trade Center (Paltrade). He is a member of the American Engineering Association, the Contractors' Union, the Union of Engineers and the Palestinian Businessmen's Association. Mr. Al-Shawwa has a Master's degree in business administration from North Virginia State University and a Bachelor's degree in Civil Engineering from Memphis State University. Both universities are in the United States.

## Mr. Eisa Mohammed Al-Mohannadi,

### Member, Representative of the Ooredoo Group

Mr. Eisa Mohammed Al-Mohannadi joined the board of directors of Ooredoo Palestine in February 2016. Mr. Al-Mohannadi currently serves as Director-General of Revenue Assurance & Compliance of Ooredoo Qatar, where he has held a number of positions since 2012. Mr. Al- Mohannadi was also in charge of multiple senior positions in the field of banking services, risk management, revenue assurance and public administration. Mr. Al-Mohannadi holds a Bachelor's degree in business administration from Marymount University in the United States of America.

## Mr. Ahmed Ali Al-Mohannadi,

### Member, Representative of the Ooredoo Group

Ahmed Al-Mohannadi joined the board of directors of Ooredoo Palestine in April 2018. He joined Ooredoo Group in 2009 as customer experience director, then as director of customer value management in marketing and now works as a senior director of innovation & business development. He holds a mechanical engineering degree.

## Mr. Shadi Alkhatib,

### Member, Representative of the Palestine Investment Fund

Mr. Shadi Alkhatib joined the board of directors of Ooredoo Palestine in May 2016. Mr. Alkhatib currently serves as the CEO of Aswaq, a PIF company. Previously, Mr. Alkhatib served as a portfolio manager at PIF. In addition, he serves in other positions that include board member of Palestine Industrial Investment Company, board member of Convention Palace Company, and board member of National Aluminum and Profiles Company. Mr. Khatib holds a Bachelor's degree in finance from the University of Arab Academy for Science and Technology in Egypt, and a Master's degree in finance and investments from the University of Western Sydney in Australia.

# Members of the Executive Management

## Dr. Durgham Maraee,
CEO

Dr. Durgham Maraee is the CEO of Ooredoo Palestine. Dr. Maraee has extensive experience in telecommunications and in business management and investment. Prior to his appointment to the position of CEO of Ooredoo, Dr. Maraee served as the Deputy Chief Investment Officer of PIF, where he managed PIF's investment portfolio and developed new investment programs that aim to promote economic growth in Palestine. Prior to joining PIF, Dr. Maraee worked as a consultant at the Boston Consulting Group (BCG), where he focused on providing strategy and investment advice to leading American and multinational corporations in several sectors. Dr. Maraee holds a Master's and PhD degrees from Harvard University in International Law.



## Mr. Fadi Abdellatif,
Chief Financial Officer

Fadi Abdellatif assumed his current position as the Chief Financial Officer in September 2012. Mr. Abdellatif joined Ooredoo Palestine at an early stage in 2007 and has served in a number of positions in financial management and administration. He has a diverse experience in management, auditing, accounting, information systems and consulting in various sectors such as banks, industries, projects, trade and telecommunications in particular. In addition, he is a board member in the Arab Hotels Company. He previously served as a board member in several Palestinian institutions. He had worked previously for Andersen, ATS and Hulul. Mr. Abdellatif holds a Master of Business Administration Degree from University of Haifa and also has a Certified Public Accountant (CPA) certificate from the United States.

## Mr. Haitham Abu Shaaban,
Chief Commercial Officer

Haitham Abu Shaaban assumed his current position as Chief Commercial Officer at Ooredoo Palestine in December 2017. He first joined Ooredoo as a general manager of company operation in the Gaza Strip in 2011. Mr. Abu Shaaban has extensive experience in project management, entrepreneurship, business development and strategic marketing management. Mr. Abu Shaaban has an achievement-laden career with reputable domestic and international companies, in the field of development projects, telecommunications, information technology and the private sector in Palestine in general and in the Gaza Strip in particular. He has made several achievements with unions and NGOs on a voluntarily basis in his capacity as an elected board member. Mr. Abu Shaaban has a bachelor's degree in International Business Administration from the California State University in the United States.

## Mr. Osama Qawasma,
Regulatory & Public Affairs Director

Osama Qawasma assumed his current position as Regulatory & Public Affairs Director at Ooredoo Palestine in January 2013. Mr. Qawasma joined the Ooredoo family in 2008 and served in several senior positions in government and institutional relations management before assuming his current position. He has broad experience in the telecommunications sector and is considered as an expert in the regulatory aspects of the industry. Mr. Qawasma has served as a Director General in the Ministry of Telecommunications for more than 11 years. He has taken part in numerous international conferences on related issues, prior to joining Ooredoo as government and institutional relations manager. Mr. Qawasma holds a Bachelor's and Master degrees in electronic engineering, with a telecommunications concentration, from Stettin University in Poland.

## Mr. Naim Nazzal,
Network and IT Director

Mr. Naim assumed his current position as Network Director and IT at Ooredoo Palestine in May 2015. He first joined the Ooredoo family in 2007 and was responsible for managing the network and made a significant development in the company's technical management. Mr. Nazzal enjoys an extensive experience in the field of telecommunications, frequency management, project planning and management, and business development. He accumulated a broad expertise working for various domestic and international renowned companies in the field of telecommunications and information technology. Mr. Nazzal holds a Bachelor's degree in telecommunications engineering from Birzeit University, and a Master's degree in Business Administration with a concentration in entrepreneurship from the same university, in addition to a number of international certifications in the areas of planning, operations and managing telecommunications systems. He also holds international specialized certificates in the area of business administration from the Swiss business school IMD.

## Mr. Tareq Soufan,

### General Director of Human Resources & Administration

Mr. Tareq Soufan assumed his current position as General Director of Human Resources & Administration since August 2015. Mr. Soufan first joined the company in 2007 and assumed a number of managerial positions the most important was senior manager of incentives, compensation and employee relations. He led an important transformation process of the internal and administrative culture to create a distinct work environment. Mr. Soufan has years of extensive experience in the human resources field as he has managed different functions in the HR Division at Ooredoo Palestine. Mr. Soufan holds a Bachelor of Arts degree in business administration from An-Najah University in Palestine, and a Master's degree in business administration from Indiana University of Pennsylvania in the USA. In addition, Mr. Soufan holds several international certificates, the most important of which are the information systems analysis & design certificate from McGill University in Canada, the HR Management certificate from Concordia University in Canada and a certificate from the Ooredoo Group Business Leaders Program, conducted by the IMD business school in Switzerland in 2015 and 2018.

## Mr. Ahmed Eid

### Director General of the Institutional Development Division

Mr. Ahmed Eid assumed his current position of Director General of the Institutional Development Division at Ooredoo Palestine in April of 2018. He joined the Ooredoo family in 2007 and served in several positions in the IT Division and the Project Management and Marketing Division. He also served as the Information Technology Director for three years before assuming his current position. Mr. Eid has extensive experience in the field of mobile telecommunications in several sectors including information technology, large-scale projects, marketing, production management and quality management. Mr. Eid holds a Bachelor's degree in computers from the Al-Quds University.

## Mr. Ziad Nimer,

### Customer Care Director

Mr. Nimer assumed his present position as Customer Care Director at Ooredoo Palestine in February 2018. Mr. Nimer dedicated his experience to the development of the communication and customer service center since 2007. Prior to joining Ooredoo, he served in a number of positions at several banks and private companies where he acquired a broad experience in the area of strategy and operational plan development in subscriber and sales services management. Mr. Nimer has a Bachelor's degree in Accounting and a Master's degree in Business Administration from Birzeit University.



## Mr. Murad Al-Haroun,

### Director General of Marketing

Mr. Murad Al-Haroun assumed his current position as Director General of Marketing at Ooredoo Palestine in November 2017. He has an extensive professional and technical experience in the area of strategic planning, marketing, consultation and strategic projects management. He held important posts at international, regional and local telecommunications and IT companies prior to joining Ooredoo. Mr. Al-Haroun holds a Bachelor's degree in business administration and management information systems from the Arab Academy for Sciences and Technology in Egypt. He also holds renowned professional certificates in related fields of work.

## Mr. Shadi Qawasmi,

### General Director of Sales

Mr. Shadi Qawasmi assumed his current position as General Director of Sales at Ooredoo Palestine in October 2018. Mr. Qawasmi joined the company staff in February 2015 and assumed then the position of General Director of Marketing Communications and Public Relations. He was instrumental in making a tremendous change in the marketing strategy and enhancing the market position of the Ooredoo trademark in a competitive and well-thought-out manner. Mr. Qawasmi is considered one of the key strategic consultants in trademark development and has a record of designing and managing marketing campaigns for many private companies in Palestine and beyond. Mr. Qawasmi holds a Bachelor's degree in advertising management from Brigham Young University in the United States and a Master's degree in marketing and brand management from the University of EDHEC in France.

## Mr. Rami Barghouthi,

### Legal Counsel

Mr. Rami Barghouthi assumed his position as a Legal Counsel for Ooredoo Palestine in August 2013. He was appointed as the Secretary of the board at the start of 2014. Prior to joining Ooredoo Palestine, Mr. Barghouthi worked as a lecturer at Birzeit University. While practicing law, he provided several legal consultations locally and internationally. He has a distinctive experience in the field of telecommunications and corporate laws, labor laws and business management in addition to a broad experience in corporate governance. Mr. Barghouthi holds a bachelor's degree in law from Birzeit University, a master's degree in commercial law from the University of Central Lancashire in the United Kingdom and an Executive MBA from Northwestern University-Kellogg School of Management in the United States of America.

# Investor Relations

### Communication Channels and Means with Shareholders and Investors:

The company website has a comprehensive section for investor relations where shareholders can view quarterly and annual financial information, company information, governance, stock movement information, all press statements and frequently asked questions.

**Shareholders can contact us using the following contact details:**
**Tel: +970 (0)56 800 3000**
**Fax: +970 (0)56 800 2999**
**Email: ir@ooredoo.ps**
**Website: www.ooredoo.ps**

**Copies of our annual reports and other information concerning investors are available on our website – Investor Relations section.**

# Legal Disclosures

### Legal procedures and lawsuits brought against Ooredoo
There are no major lawsuits brought against Ooredoo as of the date of this report that might affect fundamentally the financial position of the company.

### External auditors
Ooredoo has worked with PricewaterhouseCoopers Palestine as external auditors for the year 2018.

### External legal counsel
The office of Sharp and Beyond for Legal and Investment Consulting Services in the West Bank and the Legal Consultative Office in the Gaza Strip both worked as external legal counsels for the company for the year 2018.

### Lineage and matrimonial relationships among members of the board of directors and members of the executive management
There is no lineage or matrimonial relationships among members of the board of directors and the executive management team of Ooredoo. Furthermore, none of them has a business interest with the company.



### Major agreements concluded by the company with related parties
Ooredoo did not undertake any major transaction during the previous two fiscal years with a related parties who has a serious interest, whether directly or indirectly. No related parties are indebted to Ooredoo, nor have they received a benefit from any guarantee whose value exceeded five thousand (5,000) Jordanian Dinars or equivalent currency in circulation legally from the beginning of the 2018 fiscal year.

### Bankruptcy
None of the members of the board of directors or the executive management has declared bankruptcy, and none was the subject of any claim, judgment or conviction against him/her, or any decision to prevent him/her from performing management responsibilities or undertaking certain activities, during the past five years.

### Board of directors' remunerations
According to the company policy, members of the board of directors do not receive any bonuses or remunerations until the company earns a positive income. Hence, members of the board of directors of Ooredoo did not receive any bonuses or remunerations during 2018. Ooredoo, however, covers all travel expenses of the board members to attend meetings of the board of directors. The members of the board of directors, however, did not receive any reimbursement for such travel during 2018. There were no in-kind benefits received by the members of the board during 2018.

### Executive management team members' remunerations
Total remunerations of members of the executive management team amounted to USD 2,886,515 including those of the current executive management members and those whose contracts ended during 2018. There are no indirect remunerations such as guarantees or loans.

### Executive management contracts
Executive management contracts are permanent contracts and are not different than those of other employees and comply fully with the Palestinian Labor Law.

### Intellectual property, franchises and patents
Ooredoo owns the right to provide the 3G services. In addition, Ooredoo owns a number of trademarks (part of intellectual property) covering the majority of the activities it carries out. It must be noted here that the company's main trademark logos are:

### Investment policy and risks
Ooredoo has not made any major investments - beyond the scope of its work - over the past two fiscal years. By the time of the development of this report, the company was not subject to any investment risks.

### Sponsorships and donations
Ooredoo attaches importance and provides care to all the segments of the Palestinian people. Serving the local community is part and parcel of the strategic company policy of staying ahead and assuming a leading role in shouldering its social responsibilities. The total contribution of Ooredoo in community programs in terms of grants and sponsorships reached USD 599,169 in 2018 while the total community contributions by Ooredoo Group was USD 3 million.

## Shareholders owning 5% or more as of 31 December 2018

| Name of Shareholder | Number of Shares Owned | Percentage of Shares Owned |
|---|---|---|
| Wataniya International FZ LLC | 144,339,191 | %49.26 |
| Palestine Investment Fund (PIF) | 101,500,996 | %34.64 |

As of 31 December 2018, there were no shareholders owning more than 5% among the free trading shareholders (the public).

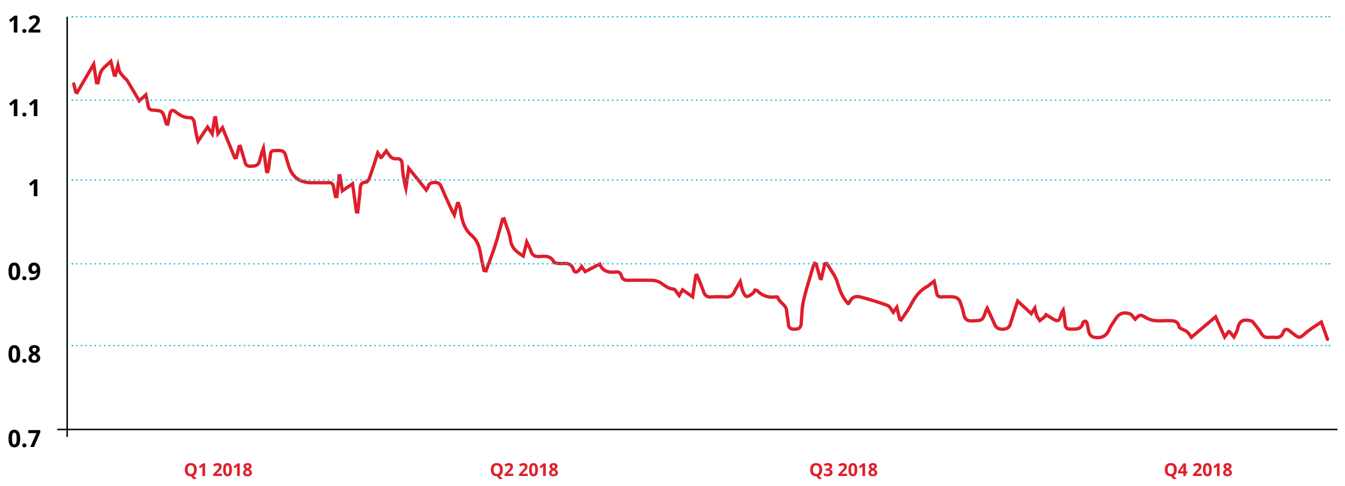
## Summary of Ooredoo shares trading activity during 2018

| Trade variable | Value 2018 | Ranking in the Palestine Securities Exchange |
|---|---|---|
| Number of shares traded | 7,218,525 | 9 |
| Value of shares traded (USD) | 6,943,435 | 8 |
| Number of deals concluded | 3,115 | 4 |
| Number of trading sessions in which company share was traded | 236 | 3 |
| Company market capitalization as of yearend (USD) | 240,260,000 | 4 |
| Number of shareholders | 10,693 | 3 |

## The highest and lowest price of Ooredoo shares per quarter in 2017 and in 2018:

| (USD) 2018 | Q1 | Q2 | Q3 | Q4 |
|---|---|---|---|---|
| Highest price | 1.17 | 1.04 | 0.91 | 0.88 |
| Lowest price | 0.95 | 0.85 | 0.81 | 0.80 |
| Closing price | 1.00 | 0.87 | 0.82 | 0.82 |
| **(USD) 2017** | **Q1** | **Q2** | **Q3** | **Q4** |
| Highest price | 0.87 | 1.06 | 1.06 | 1.37 |
| Lowest price | 0.82 | 0.83 | 0.93 | 0.95 |
| Closing price | 0.83 | 0.94 | 1.04 | 1.04 |

## The following is Ooredoo's stock movement during 2018:




## Other Disclosures

Disclosure Regulation - Article 18-2: Ooredoo has submitted its 2018 preliminary financial statements to the company's board of directors for approval and there are no discrepancies with the audited final financial statements.

Disclosure Regulation - Article 20-1-A: In general, there has been no change that has impacted Ooredoo's business in the past two consecutive fiscal years, such as declaration of bankruptcy, merger or disposition of any of its core assets. It continued to offer new services during this year.

Disclosure Regulation - Article 20-4: Most of Ooredoo's services are permanent, non-seasonal, with the exception of some value-added services related to providing special seasonal information content.

Disclosure Regulation - Article 20-8: There has been no interruption in the flow of Ooredoo's business during the previous period that might have had a material impact on the financial position of the company.

Disclosure Regulation - Article 21-1: With respect to Ooredoo's vision of its future business development, the company is in a constant state of developing its services to suit the needs of its bill and pre-pay subscribers locally and internationally. The mechanism of research and development has been referred to in page 37.

Disclosure Regulation - Articles 21-3: Ooredoo does not invest or hold equity in any other company, inside or outside of Palestine.

Disclosure Regulation - Article 21-4: Ooredoo does not carry out any operational activities outside of Palestine.

Disclosure Regulation - Article 24: With respect to the properties, the following table contains the location, size and characteristics of each major asset of the Ooredoo company:

| Property and equipment | Location | Size and features |
|---|---|---|
| Network equipment | North, middle and south of the West Bank & Gaza | Switches, transmission, radio base station, and power equipment |
| Network infrastructure | North, middle and south of the West Bank & Gaza | Civil and infrastructure works, towers and fences |
| IT systems & Computers | Headquarter & Branches & Ooredoo showrooms | Information systems |
| Office equipment | Headquarter & Branches & Ooredoo showrooms | Office supplies and accessories |
| Furniture and fixtures | Headquarter & Branches & Ooredoo showrooms | Furniture & fixtures at headquarter and showrooms |
| Leasehold improvements | Headquarter & Branches & Ooredoo showrooms | Civil, electrical & mechanical works in headquarter and showrooms |
| Others | Headquarter & Branches & Ooredoo showrooms | Fire extinguishers and water tanks |

Disclosure Regulation - Article 29-H: Ooredoo looks forward to listing its shares in the first market at the Palestine Securities Exchange, noting that its shares are currently listed in the second market.

Disclosure Regulation - Article 30-2: with regards to the company's earnings per share, the amount is stated in note number 21 pursuant to the audited financial statements of 2018.

Disclosure Regulation - Article 31-2: Financial transactions made during 2018 in currencies other than the U.S. Dollar were converted to U.S. Dollar according to the exchange rates prevailing on the transaction date. Monetary assets and liabilities were revaluated at the end of 2018 to the U.S. Dollar according to the New Israeli Shekel - U.S. Dollar exchange rate of 3.765. The Bank of Palestine was the source of the exchange rates.

Disclosure Regulation - Articles 31-3-A+B: A- The abundance of working capital, its internal sources, sources of unused cash, and the factors that led to its increase have been referred to in the cash flow statement in the year 2018 audited financial statements.
B- Sources of capital have been referred to in note 1 and note 11 of the year 2018 audited financial statements, and projected changes in capital structure have been noted under the heading Change of Control.

Disclosure Regulation – Article 39: The listed company adheres to disclosing material issues to the Palestine Securities Exchange. The Ooredoo company has disclosed the change of the trademark in accordance to the legal period.

# Financial Statements

# WATANIYA PALESTINE MOBILE TELECOMMUNICATION PUBLIC SHAREHOLDING COMPANY
# (Ooredoo Palestine)

## FINANCIAL STATEMENTS

For the year ended December 31, 2018
**AND INDEPENDENT AUDITORS' REPORT**

**(Translated from the Original Arabic Version)**



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**Independent auditor's report to the shareholders of Wataniya Palestine Mobile Telecommunication - Public Shareholding Company**

## Report on the audit of the financial statements

### Our opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of Wataniya Palestine Mobile Telecommunication - Public Shareholding Company (the "Company") as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### What we have audited

The Company's financial statements comprise:

- the statement of financial position as at December 31, 2018;
- the statement of profit or loss for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our ethical responsibilities in accordance with the IESBA Code.

*PricewaterhouseCoopers "Palestine", Amaar Tower, Level 7, Al-Irsal, Ramallah, Palestine*
*T: +970 (02) 242 0230, F: +970 (02) 242 0231, P.O Box 1317 (Ramallah), www.pwc.com/middle-east*



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### Our audit approach

Overview

| | |
|---|---|
| Key Audit Matters | • Revenue Recognition<br>• Impairment of accounts receivable |

As part of designing our audit, we determined materiality and assessed the risks of material misstatements in the financial statements. In particular, we considered where the directors made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatements due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

**Key Audit Matters**
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Revenue recognition**<br>As referred to the accompanying financial statements, the Company's revenues for the year ended December 31, 2018 amounted to USD 100,419,675. Usage-based airtime revenue and interconnect revenue is the largest revenue stream of the business, which represents more than 66% of total revenues.<br>Usage-based airtime revenue and interconnect revenue is highly dependent on the reliability of its IT environment to support processing of operations. We focused on this matter because a significant risk exists in respect of both occurrence and accuracy of Usage-based airtime revenue and interconnect revenue due to the complexity of billing systems and the high volume of transactions. | We have audited the revenues through a combination of controls testing, data analytics and substantive audit procedures covering, in particular:<br>• Understanding and evaluating the significant revenue processes and identifying the relevant controls (Including information technology systems, interfaces systems and reports);<br>• Tested IT general controls, covering pervasive IT risks around access security, change management, data center, network operations and rate changes in the billing system<br>• We performed risk assessment analytical procedures after developing an expectation of revenues based upon usage data and subscribers' numbers, which are the |

**Independent auditor's report to the shareholders of Wataniya Palestine Mobile Telecommunication - Public Shareholding Company (continued)**

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| | key drivers of each airtime revenue stream;<br>• We have also tested the accuracy of revenues by agreeing a sample of revenues transactions back to the customer contracts and published or agreed tariffs;<br>• Performed automated and manuals controls, and substantive tests to ascertain accuracy and completeness of the revenues;<br>• Review the reconciliations between the billing systems and the accounting system;<br>• Ensure revenues are reconciled between billing systems and prepaid system with what has been recorded in the accounting system through samples covering the entire period;<br>• Test adoption of IFRS 15 "Revenue from Contracts with Customers" and the use of five key steps model for recognizing revenue in accordance with this new revenue standard;<br>• We also assessed the adequacy and presentation of disclosures relating to revenues in the accompanying financial statements. |
| **Impairment of accounts receivable**<br>As referred to in note (2) to the accompanying financial statements, the Company's policy on impairment allowance is to estimate impairment when collection of the full or part of the amount is no longer probable which involves judgment and the use of estimate. Estimates, based on the estimated credit loss, are used in determining the level of debts that the Company believes will not be collected.<br>The Company provides services to broad based clients, mainly on credit terms.<br>We focused on this matter due to the high judgment and the use of estimate involved in calculating the impairment allowance, particularly regarding the estimation of future cash collection.<br>As referred to in note (9) to the | We have done the following procedures to assess the reasonableness of the management's estimate of the impairment allowance:<br>• Assessed the Company's accounting policies and process, methods and assumptions used to develop the estimate of the allowance for doubtful accounts in accordance with the new standard IFRS 9 "Financial Instruments";<br>• Assessed key assumptions used by management based on our understanding of the Company;<br>• Assessed the allowance for doubtful accounts by examining reports aged by customer (accounts receivable sub ledger or other |





| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| accompanying financial statements, the Company's outstanding gross accounts receivable as at December 31, 2018 amounted to USD 19,163,592 and the respective impairment allowance amounted to USD 6,010,892. | detailed listing) for amounts that have been outstanding for a long period of time to verify that the allowance for doubtful accounts is appropriate at period end;<br>• We tested the key controls relating to data used in the impairment allowance computation;<br>• Tested the management procedures used to determine the amount of the provision as of December 31, 2018;<br>• Use an internal expert in our team to evaluate the methodology and assumptions used by management to calculate provision for doubtful receivables as required by IFRS 9;<br>• Assess the adequacy and presentation of disclosures related to IFRS 9 in the accompanying financial statements. |

## Other information

The directors are responsible for the other information. The other information comprises the Company's complete Annual report, which is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Independent auditor's report to the shareholders of Wataniya Palestine Mobile Telecommunication - Public Shareholding Company (continued)**

**Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and with the applicable laws in the State of Palestine and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



**Independent auditor's report to the shareholders of Wataniya Palestine Mobile Telecommunication - Public Shareholding Company (continued)**

**Auditor's responsibilities for the audit of the financial statements (continued)**

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For and on behalf of PricewaterhouseCoopers Palestine

Hazem Sababa
License number 115/2003
Ramallah, Palestine

February 18, 2019

### STATEMENT OF FINANCIAL POSITION
(All amounts are in US Dollar)

| | Note | As at December 31, 2018 | December 31, 2017 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property and equipment | (3) | 77,605,905 | 56,981,253 |
| Intangible assets | (4) | 121,189,166 | 131,316,610 |
| Projects in progress | (5) | 3,659,553 | 30,534,192 |
| **Total non-current assets** | | **202,454,624** | **218,832,055** |
| **Current assets** | | | |
| Advances to suppliers | | 505,686 | 447,520 |
| Restricted cash | (6) | 2,260,522 | 6,041,514 |
| Other current assets | (7) | 2,561,309 | 4,046,513 |
| Inventory | (8) | 2,688,938 | 4,230,008 |
| Accounts receivable | (9) | 13,152,700 | 12,272,509 |
| Cash in hand and at banks | (10) | 27,937,624 | 33,758,276 |
| **Total current assets** | | **49,106,779** | **60,796,340** |
| **Total assets** | | **251,561,403** | **279,628,395** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | (11) | 293,000,000 | 258,000,000 |
| Share premium | | 11,610,000 | 11,610,000 |
| Advance payments on capital | (12) | - | 8,000,000 |
| Accumulated losses | | (208,470,697) | (208,090,504) |
| **Net equity** | | **96,139,303** | **69,519,496** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Provision for employees' indemnity | (13) | 6,723,380 | 6,395,159 |
| Interest-bearing loans and borrowings | (14) | 47,500,000 | 74,038,352 |
| Other non-current liability | (4) | 44,871,337 | 54,346,654 |
| **Total non-current liabilities** | | **99,094,717** | **134,780,165** |
| **Current liabilities** | | | |
| Accounts payable | | 21,189,650 | 6,222,226 |
| Current portion of interest-bearing loans and borrowings | (14) | 2,500,000 | 10,620,000 |
| Due to related parties | (15) | 145,755 | 252,856 |
| Deferred revenues | | 4,591,660 | 3,684,628 |
| Other current liabilities | (16) | 17,188,930 | 17,766,226 |
| Accrued project costs | (17) | 10,711,388 | 36,782,798 |
| **Total current liabilities** | | **56,327,383** | **75,328,734** |
| **Total liabilities** | | **155,422,100** | **210,108,899** |
| **Total equity and liabilities** | | **251,561,403** | **279,628,395** |

- Notes to the financial statements from page 13 to 37 form an integral part thereof.
- The financial statements on page 8 to 37 were authorized for issue by Wataniya Palestine Mobile Telecommunication Public Shareholding Company's Board of Directors on February 3, 2019 and were signed on its behalf.





### STATEMENT OF PROFIT OR LOSS
(All amounts are in US Dollar)

| | Note | For the period ended December 31, 2018 | 2017 |
|---|---|---|---|
| Revenue | | 100,419,675 | 85,642,733 |
| Cost of services | | (40,741,473) | (35,969,598) |
| **Gross Profit** | | **59,678,202** | **49,673,135** |
| Finance revenue | | 1,287,687 | 390,172 |
| Currency exchange (loss) gain | | (21,585) | 34,008 |
| General and administrative expenses | (19) | (33,724,591) | (31,256,041) |
| Depreciation and amortization | (3,4) | (24,294,746) | (21,447,079) |
| Finance costs | (20) | (2,947,767) | (4,334,445) |
| Recovery of impairment of accounts receivable | (9) | 123,274 | 294,630 |
| | | **(59,577,728)** | **(56,318,755)** |
| **Profit (Loss) for the period** | | **100,474** | **(6,645,620)** |
| **Basic and diluted profit (loss) per share** | (21) | **0.0004** | **(0.0258)** |

- Notes to the financial statements from page 13 to 37 form an integral part thereof.

**WATANIYA PALESTINE MOBILE TELECOMMUNICATION PUBLIC SHAREHOLDING COMPANY (Ooredoo Palestine)**

Financial Statements for the year ended December 31, 2018

**STATEMENT OF COMPREHENSIVE INCOME**

(All amounts are in US Dollar)

| | For the year ended December 31, 2018 | For the year ended December 31, 2017 |
|---|---|---|
| Profit (Loss) for the period | 100,474 | (6,645,620) |
| Other comprehensive income for the year | - | - |
| **Total comprehensive income (loss) for the year** | **100,474** | **(6,645,620)** |

- Notes to the financial statements from page 13 to 37 form an integral part thereof.

**WATANIYA PALESTINE MOBILE TELECOMMUNICATION PUBLIC SHAREHOLDING COMPANY (Ooredoo Palestine)**

Financial Statements for the year ended December 31, 2018

**STATEMENT OF CHANGES IN EQUITY**

(All amounts are in US Dollar)

| | share capital | Share premium | Advance payments on capital | Accumulated losses | Net Equity |
|---|---|---|---|---|---|
| **Balance at January 1, 2017** | 258,000,000 | 11,610,000 | - | (201,444,884) | 68,165,116 |
| Total comprehensive loss for the year | - | - | - | (6,645,620) | (6,645,620) |
| Advance payments on capital | - | - | 8,000,000 | - | 8,000,000 |
| **Balance at December 31, 2017** | **258,000,000** | **11,610,000** | **8,000,000** | **(208,090,504)** | **69,519,496** |
| | | | | | |
| **Balance at January 1, 2018 as originally stated** | **258, 000,000** | **11,610,000** | **8,000,000** | **(208,090,504)** | **69,519,496** |
| Change in accounting policy (see note 28) | - | - | - | (480,667) | (480,667) |
| **Restated total equity as at January 1, 2018** | **258,000,000** | **11,610,000** | **8,000,000** | **(208,571,171)** | **69,038,829** |
| Increase in capital | 35,000,000 | - | (8,000,000) | - | 27,000,000 |
| Profit for the period | - | - | - | 100,474 | 100,474 |
| **Balance at December 31, 2018** | **293,000,000** | **11,610,000** | **-** | **(208,470,697)** | **96,139,303** |

- Notes to the financial statements from 13 to 37 form an integral part thereof

## STATEMENT OF CASH FLOWS
(All amounts are in US Dollar)

| | Note | For the year ended December 31, 2018 | 2017 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit (Loss) for the period | | 100,474 | (6,645,620) |
| **Adjustments:** | | | |
| Depreciation | (3) | 13,590,066 | 10,313,421 |
| Provision for employees' indemnity | (13) | 1,783,053 | 1,865,991 |
| Recovery of impairment of accounts receivable | (9) | (123,274) | (294,630) |
| Loss (Gain) on disposal of property and equipment and intangible assets | | 2,877 | (1,170) |
| Finance revenues | | (1,287,687) | (390,172) |
| Finance costs | (20) | 2,947,767 | 4,334,445 |
| Amortization | (4) | 10,704,680 | 11,133,658 |
| Non-cash Items | | (480,667) | 784,757 |
| | | **27,237,289** | **21,100,680** |
| **Changes in operational assets and liabilities:** | | | |
| Accounts receivable | | (756,917) | (701,172) |
| Inventory | | 1,541,070 | (766,473) |
| Other current assets | | 1,484,178 | (2,200,666) |
| Accounts payable | | 14,967,424 | (2,906,312) |
| Due to related parties | | (107,101) | 75,097 |
| Deferred revenue | | 907,032 | 37,553 |
| Other current liabilities | | (577,296) | 713,405 |
| Transfers to provident fund | (13) | (930,469) | (1,391,491) |
| Employees' indemnity paid | (13) | (524,363) | (384,415) |
| **Net cash flows from operating activities** | | **43,240,847** | **13,576,206** |
| **Investing activities** | | | |
| Purchase of property and equipment | (3) | (36,725,811) | (39,874,975) |
| Proceeds from disposal of property and equipment | | 3,343,083 | 51,004 |
| Purchase of intangible assets | (4) | (1,412,103) | (3,339,068) |
| Increase in projects in progress | | 803,229 | 23,324,592 |
| Advances to contractors | | (58,166) | 4,970,354 |
| Interest received | | 1,288,713 | 353,304 |
| **Net cash flows used in investing activities** | | **(32,761,055)** | **(14,514,789)** |
| **Financing activities** | | | |
| Repayment of loans | | (90,000,000) | (19,500,000) |
| Long term loans received | | 50,000,000 | 40,000,000 |
| Loan transaction costs paid | | (21,377) | (623,175) |
| Interest paid | | (7,060,059) | (3,353,270) |
| Increase in capital | | 27,000,000 | - |
| Advance payments on capital | (12) | - | 8,000,000 |
| Restricted cash | | 3,780,992 | (2,090,279) |
| **Net cash flows (used in) from financing activities** | | **(16,300,444)** | **22,433,276** |
| **(Decrease) Increase in cash and cash equivalents** | | **(5,820,652)** | **21,494,693** |
| Cash and cash equivalents, beginning of the year | | 33,758,276 | 12,263,583 |
| **Cash and cash equivalents, end of the year** | (10) | **27,937,624** | **33,758,276** |

- Notes to the financial statements from 13 to 37 form an integral part thereof



**WATANIYA PALESTINE MOBILE TELECOMMUNICATION PUBLIC SHAREHOLDING COMPANY**
**(Ooredoo Palestine)**
Financial Statements for the year ended December 31, 2018

**NOTES TO THE FINANCIAL STATEMENTS**
(All amounts are in US Dollar)

**NOTE (1) GENERAL**

Wataniya Palestine Mobile Telecommunication Company (the Company), located in Ramallah, was registered and incorporated in Palestine on January 27, 2007 as a Private Limited Shareholding Company under registration No. 562499541. On October 25, 2010, the legal form of the Company was changed to a Public Shareholding Company under registration No. 562601328.

The Company was formed with an authorized share capital of 5,000,000 shares with USD 1 par value each. During 2008, the Company's authorized and paid-in share capital was increased to 170,000,000 shares with USD 1 par value each. The Company's General Assembly in its extraordinary meeting held on October 25, 2010 resolved to increase the Company's authorized share capital to 258,000,000 shares with USD 1 par value each. The existing shareholders Wataniya International FZ - LLC (WIL) and Palestine Investment Fund, PLC (PIF) subscribed for 49,300,000 shares through capitalizing a portion of the shareholders' loans and the related accrued interest. The remaining 38,700,000 shares were offered to the public at an offer price of USD 1.3 per share, resulting in a share premium of USD 11,610,000. The public offering took place during the period from November 7, 2010 to December 2, 2010. On January 23, 2018 and during the extraordinary meeting of the General Assembly of the Company, the shareholders approved increasing the capital of Wataniya Palestine Mobile Telecommunication Limited Company through offering 35,000,000 more shares for public subscription to increase the capital from USD 258,000,000 to USD 293,000,000 with USD 1 par value each.

On March 14, 2007, the Company entered into a license agreement (the License) with the Ministry of Telecommunications and Information Technology (the MTIT) to provide 2G and 3G mobile services in the West Bank and Gaza. The term of the License is for fifteen years from the effective date being the date on which the MTIT makes the frequencies available to the Company. The effective date was originally set on August 6, 2008. On December 16, 2009, the MTIT approved the Company's request to determine September 10, 2009 as the effective date, instead of August 6, 2008, since it represents the date on which only 2G frequencies were allocated. On March 16, 2015, the MTIT approved to extend the terms of the license useful life for additional five years.

The Company started its operations on November 1, 2009.

The Company is a subsidiary of National Mobile Telecommunications Company K.S.C.P. ("the Parent company"), which in turn is a subsidiary of Ooredoo Q.P.S.C. ("the Ultimate Parent Company"), a Qatari Shareholding company whose shares are listed on the Qatar Exchange.

On November 27, 2018, the Company has officially rebranded as Ooredoo Palestine The rebrand of Wataniya Mobile is part of Ooredoo Group's strategy.

The Company's main activities are offering, managing, and selling wireless telecommunication services, as well as constructing and operating wireless telecommunication stations and telephone networks.

The financial statements of the Company as of December 31, 2018 were authorized for issue in accordance with the Board of Directors resolution on February 3, 2019.

**NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set below. These policies have been consistently applied to all years presented, unless otherwise stated.

**2.1 Basis of preparation**

The financial statements are presented in United States Dollar, which is the functional currency of the Company.

**2.1 (a) Compliance with IFRS**

The financial statements of Wataniya Palestine Mobile Telecommunication Public Shareholding Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

**2.1 (b) Historical cost convention**

The financial statements have been prepared under the historical cost basis.

**2.2 Changes in accounting policies and disclosures**

**A- New and amended standards adopted by the company:**
The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

The Company also elected to adopt the following amendments early:

- Annual Improvements to IFRS Standards 2015-2017 Cycle.

The Company had to change its accounting policies and make certain retrospective adjustments following the adoption of IFRS 9 and IFRS 15. This is disclosed in note 28. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

**B- New standards and interpretations not yet adopted**
Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

| **Title of standard** | **IFRS 16 Leases** |
|---|---|
| Nature of change | IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. |
| Impact | The Company has set up a project team which has reviewed all of the Company's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Company's operating leases.<br><br>As at the reporting date, the Company has non-cancellable operating lease commitments of USD 1,302,343, see note 22. Of these commitments, approximately USD 386,053 relate to short-term leases and USD 916,290 to long term leases which will both be recognized on a straight-line basis as expense in profit or loss.<br><br>Management is assessing the effects of applying the new standard on the Company's financial statements and has identified the following<br><br>• For the remaining lease commitments the Company expects to recognize right-of-use assets on 1 January 2019 and lease liabilities (after adjustments for prepayments and accrued lease payments recognized as at 31 December 2018).<br><br>• The Company expects that net profit will decrease for 2019 as a result of adopting the new rules. Adjusted EBITDA used to measure segment results is expected to increase as the operating lease payments were included in EBITDA, but the amortization of the right-of-use assets and interest on the lease liability are excluded from this measure. |



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| | |
|---|---|
| Date of adoption by the Company | The Company will apply the standard from its mandatory adoption date of 1 January 2019. The Company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). |

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

**2.3 Significant accounting judgments, estimates and assumptions**

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates and assumptions. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The Company's management continually evaluates its estimates, assumptions and judgments based on available information and experience. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates. The areas involving a higher degree of judgment or complexity are described below:

Useful lives of tangible and intangible assets

The Company's management reassesses the useful lives of tangible and intangible assets, and adjusts if applicable, at each financial year end.

Impairment of accounts receivable

The Company provides services to broad based clients, mainly on credit terms. Estimates, based on the estimated credit loss, are used in determining the level of debts that the Company believes will not be collected. For further details see note 25 "credit risk".

**2.4 Revenue recognition**
Revenue is recognized when a customer obtains control of the goods or service. Determining the timing of transfer of control at the point in time or over time requires judgement. The following specific recognition criteria must also be met before revenue is recognized:

*Telecommunication services*
Includes communication services, data and messaging services for postpaid subscribers and prepaid subscribers. Revenues from telecommunication services are recognized when the services are rendered (i.e., when used by the subscribers).

*Revenue from transit services*
The Company has determined that it will be acting as Principle on these types of arrangements and Revenue is therefore accounted for on a gross basis.

*Connection fees*
The Company has determined that connection fee charged for the activation of services will be recognized over the contract period .However, revenue from connection fees which relates at or near contract inception to fulfil that contract, will be recognized when services are provided (i.e. as the identified performance obligations are satisfied).

*Multi elements arrangements (Mobile contract plus handset)*
The Company has determined to recognize contract asset on these types of arrangements since its identified performance obligation are satisfied over time (i.e. a receivable arising from the customer contract that has not yet legally come into existence).

(All amounts are in US Dollar)

*<u>Commissions to third party dealers, marketing expenses</u>*
The Company has determined that above expenses are incremental in nature while obtaining the contract will be capitalized and amortized as per IFRS 15. Recognized contract assets will be subject to impairment assessment under IFRS 9 requirements.

**2.5 Expenses recognition**

Expenses are recognized when incurred based on the accrual basis of accounting.

**2.6 Income tax**

According to the Palestinian Investment Promotion Agency certificate issued on October 27, 2009, the Company was granted the right to benefit from the Palestinian Law for Encouragement of Investment. Accordingly, the Company is granted full exemption from income tax for a period of five years starting from the year in which the Company commenced its operations. In addition, the Company's taxable income will be subject to 50% of the nominal tax rate until December 31, 2030. During 2012, the Company agreed at the request of Palestinian Ministry of Finance to voluntary defer the full income tax exemption for the years 2012 and 2013. Therefore, the full income tax exemption is extended until 2016.

**2.7 Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

| | Useful Lives (years) |
|---|---|
| Network equipment | 3-10 |
| Network infrastructure | 15 |
| Computers | 3-6 |
| Office equipment | 4-10 |
| Furniture and fixtures | 2-10 |
| Leasehold improvements | 3-8 |
| Others | 2-10 |

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately is capitalized, and the carrying amount of the component that is replaced is written off. Other subsequent expenditures are capitalized only when they increase future economic benefits of the related item of property and equipment. All other expenditures are recognized in the statement of profit or loss as the expense is incurred.

The residual values, useful lives and methods of depreciation of property, and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.





**2.8 Projects in progress**

Projects in progress comprise costs of direct labor, direct materials, equipment, and contractors' costs. After completion, projects in progress are transferred to property and equipment and intangible assets.

The carrying values of projects in progress are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the projects are written down to their recoverable amount.

**2.9 Inventories**

Inventories are stated at the lower of cost and net realizable value; cost is determined using the weighted average method. Costs are those amounts incurred in bringing each product to its present location and condition.

**2.10 Financial instruments**

Financial assets and liabilities are recognized on the Company's statement of financial position when the Company becomes a part of the contractual provision of the instruments.

**(a) Financial assets**

<u>Classification</u>
The Company classifies its financial assets in accordance with IFRS 9. The company financial assets consist of account receivables, other current assets less prepayments, and cash and cash equivalents. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The Company's financial assets are classified as financial assets at amortized costs.

- *Account receivables*

Account receivables are amounts due from subscribers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Account receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Company holds the account receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method.

- *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, current accounts and bank deposits with original maturities of three months less from the date of acquisition and are repayable with 24 hours' notice with no loss of interest.

<u>Recognition and measurement</u>
Financial assets are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less loss allowance.

<u>Impairment of financial assets</u>

- Account receivables

Details about the Company's impairment policy and the calculation of the loss allowance are provided in note 25 "credit risk".

- Cash and cash equivalents

Cash and cash equivalents are also subject to the impairment requirements of IFRS 9. See details in note 25 "credit risk".

Derecognition of financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

**(b) Financial liabilities**

Financial liabilities mainly comprise Interest bearing loans and borrowings, other non-current liability, Accounts payable, Due to related parties, other current liabilities, accrued project cost. Financial liabilities are initially measured at fair value and subsequently carried at amortized cost using the effective interest method. The Company's financial liabilities are classified as financial liabilities at amortized costs.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortized costs
After initial recognition, interest bearing loans and borrowings and amounts due to a related party are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

Derecognition of financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a Derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of profit or loss.

**2.11 Offsetting of financial instruments**
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**2.12 Leases**

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit or loss on a straight-line basis over the lease term.

**2.13 Provisions**

Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

**2.14 Loans and borrowings**

Loans and borrowings are initially recognized at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method.

Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the amortization process.





**2.15 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**2.16 Intangible assets**

The Company's main intangible asset is the license agreement with the Ministry of Telecommunications and Information Technology. The term of the license is fifteen years from the effective date of September 10, 2009, being the date on which the frequencies to launch operations in the West Bank were made available to the Company.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category consistent with the function of the intangible asset. On March 16, 2015, the MTIT approved to extend the terms of the license useful life for additional five years.

License

License cost is amortized using the straight-line method over the license period of 20 years. Amortization expense is recognized in the income statement.

Software

Software cost is amortized using the straight-line method over the useful lives of the assets. The software's useful lives ranged from 3 to 6 years. Amortization expense is recognized in the income statement.

**2.17 Foreign currencies**

Transactions denominated in currencies other than USD, occurring during the period, are translated to USD using the exchange rate at the date of the transaction. Monetary assets and liabilities, which are denominated in foreign currencies are translated into USD using the rate of exchange at the statement of financial position date. Gains or losses arising from exchange differences are reflected in the statement of profit or loss.

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### 3. PROPERTY AND EQUIPMENT

| | Network equipment | Network infrastructure | Computers | Office equipment | Furniture and fixtures | Leasehold improvements | Others | Total |
|---|---|---|---|---|---|---|---|---|
| **2018** | | | | | | | | |
| **Cost** | | | | | | | | |
| **At January 1, 2018** | **74,730,949** | **39,269,843** | **18,672,963** | **3,055,825** | **2,605,273** | **8,615,017** | **51,493** | **147,001,363** |
| Additions | 32,336,282 | 1,569,105 | 1,613,651 | 609,231 | 190,638 | 406,631 | 273 | **36,725,811** |
| Disposals | (34,660,981) | (272,497) | (6,611,495) | (986,450) | (102,138) | (201,038) | (856) | **(42,835,455)** |
| **At December 31, 2018** | **72,406,250** | **40,566,451** | **13,675,119** | **2,678,606** | **2,693,773** | **8,820,610** | **50,910** | **140,891,719** |
| **Accumulated depreciation** | | | | | | | | |
| **At January 1, 2018** | **49,269,637** | **15,698,329** | **15,218,301** | **1,949,358** | **1,659,990** | **6,190,218** | **34,277** | **90,020,110** |
| Depreciation charge for the | 8,240,950 | 2,411,711 | 1,385,099 | 615,470 | 248,208 | 686,331 | 2,297 | **13,590,066** |
| Disposals | (32,347,193) | (264,665) | (6,603,057) | (827,114) | (81,656) | (199,821) | (856) | **(40,324,362)** |
| **At December 31, 2018** | **25,163,394** | **17,845,375** | **10,000,343** | **1,737,714** | **1,826,542** | **6,676,728** | **35,718** | **63,285,814** |
| **Net carrying amount** | | | | | | | | |
| **At December 31, 2018** | **47,242,856** | **22,721,076** | **3,674,776** | **940,892** | **867,231** | **2,143,882** | **15,192** | **77,605,905** |

* Property and equipment included USD 16,753,514 of fully depreciated assets that are still operational as of December 31, 2018.

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| | Network equipment | Network infrastructure | Computers | Office equipment | Furniture and fixtures | Leasehold improvements | Others | Total |
|---|---|---|---|---|---|---|---|---|
| **2017** | | | | | | | | |
| **Cost** | | | | | | | | |
| **At January 1, 2017** | **57,614,789** | **22,182,433** | **17,398,250** | **2,187,916** | **2,034,416** | **6,852,362** | **34,924** | **108,305,090** |
| Additions | 17,815,308 | 17,410,748 | 1,405,201 | 893,637 | 570,857 | 1,762,655 | 16,569 | **39,874,975** |
| Disposals | (699,148) | (323,338) | (130,488) | (25,728) | - | - | - | **(1,178,702)** |
| **At December 31, 2017** | **74,730,949** | **39,269,843** | **18,672,963** | **3,055,825** | **2,605,273** | **8,615,017** | **51,493** | **147,001,363** |
| **Accumulated depreciation** | | | | | | | | |
| **At January 1, 2017** | **42,902,293** | **14,753,535** | **14,204,539** | **1,733,674** | **1,500,523** | **5,707,749** | **33,244** | **80,835,557** |
| Depreciation charge for the year | 7,028,445 | 1,257,685 | 1,142,910 | 241,412 | 159,467 | 482,469 | 1,033 | **10,313,421** |
| Disposals | (661,101) | (312,891) | (129,148) | (25,728) | - | - | - | **(1,128,868)** |
| **At December 31, 2017** | **49,269,637** | **15,698,329** | **15,218,301** | **1,949,358** | **1,659,990** | **6,190,218** | **34,277** | **90,020,110** |
| **Net carrying amount** | | | | | | | | |
| **At December 31, 2017** | **25,461,312** | **23,571,514** | **3,454,662** | **1,106,467** | **945,283** | **2,424,799** | **17,216** | **56,981,253** |

* Property and equipment included USD 44,556,820 of fully depreciated assets that are still operational as of December 31, 2017.

(All amounts are in US Dollar)

## 4. INTANGIBLE ASSETS

The movement on intangible assets is as follows:

| | License * | Software | Total |
|---|---|---|---|
| **Cost** | | | |
| **At January 1, 2018** | **184,871,337** | **36,616,456** | **221,487,793** |
| Additions during the year | - | 1,412,103 | 1,412,103 |
| Disposals during the period | - | (7,554,229) | (7,554,229) |
| **At December 31, 2018** | **184,871,337** | **30,474,330** | **215,345,667** |
| **Accumulated Amortization** | | | |
| **At January 1, 2018** | **69,315,087** | **20,856,096** | **90,171,183** |
| Amortization for the year | 6,042,153 | 4,662,527 | 10,704,680 |
| Disposals during the period | - | (6,719,362) | (6,719,362) |
| **At December 31, 2018** | **75,357,240** | **18,799,261** | **94,156,501** |
| **Net carrying amount** | | | |
| **At December 31, 2018** | **109,514,097** | **11,675,069** | **121,189,166** |
| **At December 31, 2017** | **115,556,250** | **15,760,360** | **131,316,610** |

Intangible assets included USD 2,799,553 and USD 7,020,102 of fully depreciated assets that are still operational as of December 31, 2018 and December 31, 2017 respectively.

* On March 14, 2007, the Company entered into a license agreement (the license) with the Ministry of Telecommunications and information Technology (the MTIT) to provide 2G and 3G mobile services in West Bank and Gaza for a total price of U.S $354,000,000. The term of the license is twenty years from September 10, 2009 being the date on which the frequencies to enable launch of operations in West Bank were allocated to the Company.

The license amount recorded in the Financial Statement represents the best estimate by the company made in 2008 based on expected dates of the Gaza operations and 3G launch. The portion of the license price relating to West Bank was estimated at U.S $212,400,000, of which U.S $140,000,000 was paid on August 6, 2008. The remaining amount of U.S $72,400,000 was deferred. The portion of the license price of U.S $141,600,000 relating to Gaza was not recognized in the financial statements as the Company was not granted access to launch services in Gaza within the expected timeframe. The deferred portion was initially recorded as other non- current liability at its fair value of U.S $44,871,337 calculated by discounting the U.S $72,400,000 to its present value using an interest rate of 8%, which approximated the company's borrowing interest rate. The deferred portion of the price was subsequently measured at amortized cost using the effective interest method. Accordingly, the intangible asset was initially recorded at U.S $184,871,337 being the total of the payment made on the effective date of U.S $140,000,000 and the present value of the deferred portion of U.S $44,871,337.

However, the Company was unable to launch its services as originally anticipated due to MTIT's inability to meet its obligation under the license by allocating the needed frequencies and securing the necessary approvals for equipment entry, which resulted in a delay of the 2G services by 3 years in West Bank and by 10 years in Gaza in addition to a delay of more than 10 years for 3G services in the West Bank while the permissions and frequency needed to launch 3G services in Gaza are still pending.

Accordingly, the Company started to amortize only the paid amount of the license less the accumulated amortization as of December 31, 2010 over the remaining useful life of the license and stopped calculating interest on the deferred portion of the license as of December 31, 2010 which amounted to USD 54,346,654 as of December 31, 2010. Though the Company's best estimate shows that it will not be obliged to pay any additional amounts for the license since it was unable to utilize all the benefits granted in the license agreement, it considered the deferred portion of the liability as a provision until it reaches an agreement with MTIT concerning the final value of the license. During the second quarter of 2018, The Company revised it estimates for the provision and reversed to the statement of profit or loss interest amounted to USD 9,475,317 which represent the interest that has been accumulated on the deferred portion during the period from inception until the Company stopped accruing interest on that deferred portion on December 31 2010.





On October 23, 2017 the MTIT requested a second payment for the license for an amount of USD 60,000,000. However, due to the MTIT delay in fulfilling its obligations in relation with launching 2G in Gaza and 3G in West Bank and not fulfilling its obligations yet in relation with launching 3G in Gaza which resulted in accumulated losses incurred by the Company, the Company's management believes that it is not obliged to pay this amount. The Company is still in discussion with the Government in this regard.

## 5. PROJECTS IN PROGRESS

| | 2018 | 2017 |
|---|---|---|
| Network equipment | 1,214,646 | 27,052,168 |
| IT systems | 759,985 | 1,540,929 |
| Network infrastructure | 701,093 | 967,877 |
| Renovations | 150,710 | 70,601 |
| Sites electricity | - | 176,845 |
| Others | 833,119 | 725,772 |
| | **3,659,553** | **30,534,192** |

The movement on projects in progress is as follows:

| | 2018 | 2017 |
|---|---|---|
| **Beginning balance** | **30,534,192** | **18,883,868** |
| Additions | 3,076,681 | 35,749,489 |
| Transferred to property and equipment and intangible assets | (29,951,320) | (23,689,660) |
| Cost adjustments | - | (409,505) |
| **Ending Balance** | **3,659,553** | **30,534,192** |

The estimated cost to complete the above projects as of December 31, 2018 is USD 1,225,478 (2017: USD 5,469,917).

## 6. RESTRICTED CASH

This balance represents as of December 31, 2018 an amount of USD 100,000 restricted in relation to the loan received from a local bank (2017: USD 3,960,989 restricted in relation to the syndicated loan agreement) (Note 14) and an amount of USD 2,160,522 (2017: USD 2,080,525) in relation to letter of credits granted from local banks to the Company.

## 7. OTHER CURRENT ASSETS

| | 2018 | 2017 |
|---|---|---|
| Prepaid sites' rent | 1,341,535 | 1,237,625 |
| Prepaid warranty | 807,437 | 608,467 |
| Prepaid rent expense | 191,398 | 234,244 |
| Due from employees | 49,285 | 50,404 |
| Prepaid advertisement | 3,426 | 67,423 |
| Due from VAT | - | 1,570,286 |
| Other | 168,228 | 278,064 |
| | **2,561,309** | **4,046,513** |

## 8. INVENTORY

| | 2018 | 2017 |
|---|---|---|
| Spare parts | 418,308 | 1,012,331 |
| SIM cards | 154,921 | 737,784 |
| Accessories and other consumables | 1,328,221 | 1,949,729 |
| Scratch cards | 294,370 | 171,957 |
| Handsets | 493,118 | 358,207 |
| | **2,688,938** | **4,230,008** |

## 9. ACCOUNTS RECEIVABLE

| | 2018 | 2017 |
|---|---|---|
| Receivables from subscribers | 14,765,111 | 15,068,204 |
| Interconnection partners | 3,899,606 | 2,927,984 |
| Roaming partners and other receivables | 498,875 | 711,393 |
| | **19,163,592** | **18,707,581** |
| Impairment of accounts receivable (see note 28.C) | (6,010,892) | (6,435,072) |
| | **13,152,700** | **12,272,509** |

Following is a summary of the movement on the loss allowance of accounts receivables account during the year:

| | 2018 | 2017 |
|---|---|---|
| **Beginning Balance** | **6,435,072** | **6,093,871** |
| Amounts restated through opening accumulated losses (note 28.c) | **205,220** | - |
| **Opening loss allowance as at January 1, 2018- calculated under IFRS 9** | **6,640,292** | **6,093,871** |
| Recoveries | (123,274) | (294,630) |
| Currency exchange | (506,126) | 635,831 |
| **Ending Balance** | **6,010,892** | **6,435,072** |

On January 1, 2018, the Company's management adopted IFRS 9. This adoption resulted in USD 205,220 increase in impairment of accounts receivables. For further details see note (28.c).



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## 10. CASH IN HAND AND AT BANKS

| | 2018 | 2017 |
|---|---|---|
| Cash in hand | 207,557 | 230,340 |
| Cash at banks and short term deposits | 27,730,067 | 33,527,936 |
| | **27,937,624** | **33,758,276** |

As of December 31, 2018, the Company had twenty one short term deposits amounting to USD 24,253,218 (2017: USD 25,313,254) at local banks with an average interest rate of 3.55 % (2017: 3.12%).

## 11. PAID-IN SHARE CAPITAL

| | 2018 | 2017 |
|---|---|---|
| Wataniya International FZ – LLC (WIL) | 144,339,191 | 125,001,000 |
| Palestine Investment Fund, PLC (PIF) | 101,500,996 | 87,794,885 |
| Public shareholders | 47,159,813 | 45,204,115 |
| | **293,000,000** | **258,000,000** |

During the second quarter of 2018 the Company increased its' capital by additional 35,000,000 share in accordance to the extraordinary meeting of the General Assembly of the Company held on January 23, 2018, in which the shareholders approved increasing the capital of Wataniya Palestine Mobile Telecommunication Limited Company through offering 35,000,000 more shares for public subscription to increase the capital from USD 258,000,000 to USD 293,000,000 with USD 1 par value each

## 12. ADVANCE PAYMENTS ON CAPITAL

This amount represents the advance payments from the main shareholders to increase capital.

| | 2017 |
|---|---|
| Wataniya International FZ – LLC (WIL) | 4,560,000 |
| Palestine Investment Fund, PLC (PIF) | 3,440,000 |
| | **8,000,000** |

The amount represents advance payments received from WIL on June 8, 2017 and PIF on July 17, 2017 upon the decision to increase the Company's capital by 35,000,000 share with a USD 1 par value each. The advance payments were reclassified into share capital during the second quarter of 2018 (being the period of the 35,000,000 share subscription) and accordingly Company's capital increased from USD 258,000,000 to USD 293,000,000. For further details see note 1.

### 13. PROVISION FOR EMPLOYEES' INDEMNITY

| | Severance pay | Due to provident fund | Total |
|---|---|---|---|
| **2018** | | | |
| **Balance, beginning of year** | **6,342,894** | **52,265** | **6,395,159** |
| Additions | 1,173,796 | 895,887 | **2,069,683** |
| Payments during the year | (524,363) | - | **(524,363)** |
| Transfer to provident fund account* | - | (930,469) | **(930,469)** |
| Currency exchange | (423,234) | 136,604 | **(286,630)** |
| **Balance, end of year** | **6,569,093** | **154,287** | **6,723,380** |
| **2017** | | | |
| **Balance, beginning of year** | **4,991,727** | **528,590** | **5,520,317** |
| Additions | 1,190,337 | 675,654 | **1,865,991** |
| Payments during the year | (384,415) | - | **(384,415)** |
| Transfer to Provident fund account* | - | (1,391,491) | **(1,391,491)** |
| Currency exchange | 545,245 | 239,512 | **784,757** |
| **Balance, end of year** | **6,342,894** | **52,265** | **6,395,159** |

* The company transferred the balance to the provident fund account which is separately administered.

### 14. INTEREST – BEARING LOANS AND BORROWINGS

| | 2018 | 2017 |
|---|---|---|
| **Shareholders' loans *** | - | 7,298,649 |
| | **-** | **7,298,649** |
| **Third parties' loans** | | |
| Local banks' loans ** | 50,000,000 | 43,347,200 |
| IFC loan** | - | 41,652,800 |
| | **50,000,000** | **85,000,000** |
| **Less:** transaction costs directly attributable to third parties' loans***(see note 20) | - | (7,640,297) |
| | **50,000,000** | **84,658,352** |
| Non-current portion | 47,500,000 | 74,038,352 |
| Current portion | 2,500,000 | 10,620,000 |
| | **50,000,000** | **84,658,352** |

* On June 22, 2010, the Company entered into a loan agreement with its shareholders for a total amount of USD 30,000,000. The loan includes an unsubordinated portion of USD 5,000,000 and a subordinated portion of USD 25,000,000. The loan bears annual interest rate of 5.85%. The loan and the interest of the subordinated portion had been converted to equity during the year 2010. The repayment of the loan and interest of the unsubordinated portion is to be made when the Company has the financial ability to make payment. On September 3, 2014, the Company amended the agreement and increased the unutilized loan balance to become U.S. $ 35,000,000. The loan was fully settled in December 2018 to the shareholders.



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** On May 31, 2012, the Company signed a new syndicated loan (the Loan) agreements with various lenders for a total amount of USD 125,000,000 to finance the expansion of the existing network in West Bank, the launch and development of the network in Gaza and its operations and to repay the old syndicated loan. The loan was divided to three phases, the first phase amounting to USD 75,000,000 is related to refinancing and West bank operations, the second phase amounting to USD 40,000,000 is related to Gaza operations and will not be utilized until the approval is obtained to release the network equipment to Gaza, and the third phase amounting to USD 10,000,000 will be utilized when the 3G frequencies will be obtained. During December 2012, the Company received USD 75,000,000 and repaid the utilized balance of the old syndicated loan and related interest. On January 30, 2014, the Company waived the third phase with total amount of USD 10,000,000 with the approval of the various lenders. The Loan bears annual interest rate of 3 months LIBOR plus 5% and repayable in quarterly installments commencing September 15, 2014 and ending June 15, 2019. The Company will be subject to 2% as commitment fees on the non-utilized portion of the loan. During 2016, the Company extended the repayment schedule date till June 15, 2021 and the lenders granted a waiver to the Company to reduce the commitment fees to 1% on the non-utilized portion of the loan. Due to the fact the company released the network equipment to Gaza on October 24, 2017, the company became eligible to the second phase on the syndicated loan and accordingly in December 14, 2017 the company received the USD 40,000,000 representing the second phase of the syndicated loan. Second phase of the loan is repayable in quarterly installments commencing December 15, 2019 and ending June 15, 2024.

During the second quarter of 2018 the Company signed a new loan agreement with Bank of Palestine for a total amount of USD 70,000,000 to refinance the syndicated loan. On July 30, 2018 the Company fully settled the syndicated loan with a total amount of USD 85,000,000 and recognized the liability from the utilized portion of the loan received from bank of Palestine with an amount of USD 50,000,000 on July 29, 2018. The Loan bears annual interest rate of 3 months LIBOR plus 2.5% and repayable in quarterly installments commencing August 1, 2019 and ending May 1, 2024. The Company will be subject to 0.5% as charges on the outstanding balance of the utilized loan.

Following is the new loan principal maturities for the utilized balance:

| | | |
|---|---|---|
| Matures during 2019 | | **2,500,000** |
| Matures during | 2020 | 6,250,000 |
| | 2021 | 8,750,000 |
| | 2022 | 11,250,000 |
| | 2023 | 13,750,000 |
| | 2024 | 7,500,000 |
| | | **50,000,000** |

*** This item represents legal and other fees directly attributable to loans and borrowings that were incurred in relation to the loan agreements with the respective financial institutions.

### 15. DUE TO RELATED PARTIES

| | 2018 | 2017 |
|---|---|---|
| Ooredoo Group LLC | **145,755** | **252,856** |

## 16. OTHER CURRENT LIABILITIES

| | 2018 | 2017 |
|---|---|---|
| Accrued interconnection and roaming cost | 1,903,867 | 2,502,330 |
| Accrued bonus | 4,557,785 | 3,826,883 |
| Accrued sales commission | 1,819,005 | 2,648,866 |
| Accrued payroll | 728,809 | 1,181,901 |
| Marketing costs | 895,023 | 842,325 |
| Due to VAT | 643,459 | - |
| Employees vacations provision | 573,778 | 676,090 |
| Accrued interest | 455,426 | 307,832 |
| Network electricity | 362,270 | 354,940 |
| Accrued content | 627,028 | 223,808 |
| Other | 4,622,480 | 5,201,251 |
| | **17,188,930** | **17,766,226** |

## 17. ACCRUED PROJECT COST

This account represents the accrued cost for the projects in progress (Note 5).

## 18. INCOME TAX

According to the Palestinian Investment Promotion Agency certificate issued on October 27, 2009, the Company was granted the right to benefit from the Palestinian Law for Encouragement of Investment. Accordingly, the Company is granted full exemption from income tax for a period of five years starting from the year in which the Company commenced its operations. In addition, the Company's taxable income will be subject to 50% of the nominal tax rate until December 31, 2030. During 2012, the Company agreed on the request of Palestinian Ministry of Finance regarding voluntary deferral of exemption for the years 2012 and 2013. Therefore, the exemption is extended until 2016. The Company did not record income tax provision for the years from inception to the date of financial statements due to increase in taxable expenses over taxable revenues. During 2017 the Company reached a settlement with the Palestinian Tax Department for the years 2009 to 2016. The Company has not yet reached a settlement with income tax department for the years 2017 and 2018.

## 19. GENERAL AND ADMINISTRATIVE EXPENSES

| | 2018 | 2017 |
|---|---|---|
| Salaries and related expenses | 17,268,107 | 15,656,571 |
| Marketing expenses | 6,542,572 | 5,483,140 |
| Maintenance | 2,954,844 | 2,971,615 |
| Rent | 2,677,412 | 2,553,469 |
| Accommodation, travel and transportation | 873,848 | 997,967 |
| Warehousing and logistics | 408,000 | 408,000 |
| Water, electricity and fuel | 563,580 | 470,884 |
| Professional and consulting fees | 217,769 | 879,673 |
| Insurance | 291,138 | 326,670 |
| Security services | 320,053 | 266,316 |
| Software license expense | 178,229 | 170,446 |
| Telephone, fax and mail | 39,365 | 70,171 |
| Subscription fees | 129,979 | 137,791 |
| Bank charges | 203,875 | 181,911 |
| Stationery and supplies | 17,826 | 23,074 |
| Cleaning expense | 261,870 | 226,264 |
| Other | 776,124 | 432,079 |
| | **33,724,591** | **31,256,041** |



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## 20. FINANCE COSTS

| | 2018 | 2017 |
|---|---|---|
| Interest on loans and borrowings | 4,761,410 | 3,649,833 |
| Amortization of transaction costs * | 7,661,674 | 684,612 |
| Recovery of provision** | (9,475,317) | - |
| | **2,947,767** | **4,334,445** |

(*) During the second quarter of 2018 the Company signed a new loan agreement with a local bank to refinance the existing syndicated loan and accordingly transaction costs related to the old syndicated loan accumulated as of June 28, 2018 (being the date of signature of the loan) amounting to USD 7,661,674 were fully amortized.

(**) During the second quarter of 2018, The Company revised it estimates for the provision and reversed to the statement of profit or loss interest amounted to USD 9,475,317 which represent the interest that has been accumulated on the deferred portion during the period from inception until the Company stopped accruing interest on that deferred portion on December 31 2010.

## 21. BASIC AND DILUTED EARNINGS PER SHARE

| | 2018 | 2017 |
|---|---|---|
| Profit (Loss) for the year | 100,474 | (6,645,620) |
| Weighted average number of shares (Share) | 280,145,190 | 258,000,000 |
| Basic and diluted earnings (loss) per share | **0.0004** | **(0.0258)** |

## 22. COMMITMENTS AND CONTINGENCIES

As of the financial statements date, the Company has outstanding contractual commitments resulting from purchases, services and construction contracts, as well as its license.

Following is a summary of the outstanding commitments:

| | 2018 | 2017 |
|---|---|---|
| Contracts and purchase orders | 10,144,932 | 35,294,055 |
| License* | 169,128,663 | 159,653,346 |

(*) As disclosed in (Note 4) to the financial statements, The Company entered into a license agreement with MTIT for a total amount of USD 354,000,000. The unpaid portion of the license cost, net of the related non-current liability, of USD 169,128,663 represents the unrecognized liability in the financial statements resulting from MTIT not fulfilling its obligations in relation with granting the Company access to Gaza and 3G frequencies amongst other things

The Company entered into an agreement to lease the office building on January 27, 2007. During 2012, the Company renewed the contract for additional 5 years for a total amount of USD 2,633,046 with an option to renew the contract. The Company has renewed the contract for additional five years during February 2017.

Following is the future minimum rentals payable under non-cancellable operating lease:

| | USD |
|---|---|
| Within one year | 386,053 |
| After one year but not more than five years | 916,290 |
| | **1,302,343** |

## 23. RELATED PARTY TRANSACTIONS

Related parties represent associated companies, shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Balances with related parties included in the statement of financial position were as follows:

| | Nature of relationship | 2018 | 2017 |
|---|---|---|---|
| Shareholders' loans (note 14) | Shareholders | - | 7,298,649 |
| Due to related parties (note 15) | Shareholders | 145,755 | 252,856 |
| Accrued key management personnel compensation | Key management | 3,527,849 | 3,215,951 |
| Advance payment on capital | Shareholders | - | 8,000,000 |

Transactions with related parties included in the statement of profit or loss were as follows:

| | 2018 | 2017 |
|---|---|---|
| Finance costs | 221,491 | 296,563 |
| Key management personnel compensation | 1,221,484 | 1,070,484 |
| Revenue from shareholders | 21,323 | 24,953 |

## 24. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

| | Carrying Value | Fair Value |
|---|---|---|
| Financial assets | | |
| Accounts receivable | 13,152,700 | 13,152,700 |
| Other current assets | 116,564 | 116,564 |
| | **13,269,264** | **13,269,264** |
| Financial liabilities | | |
| Interest-bearing loans and borrowings | 50,000,000 | 50,000,000 |
| Other non-current liability | 44,871,337 | 44,871,337 |
| Accounts payable | 21,189,650 | 21,189,650 |
| Due to related parties | 145,755 | 145,755 |
| Other current liabilities | 16,456,480 | 16,456,480 |
| Accrued project cost | 10,711,388 | 10,711,388 |
| | **143,374,610** | **143,374,610** |

Financial assets other than cash on hand and cash at banks consist of, accounts receivable and some other current assets. Financial liabilities consist of interest-bearing loans and borrowings, other non-current liability, accounts payable, due to related parties, other current liabilities, and accrued project cost. The fair values of financial assets and financial liabilities approximate their carrying amounts.

## 25. RISK MANAGEMENT

### Interest rate risk

The Company is exposed to interest rate risk on its interest-bearing assets and liabilities (short term bank deposits and Interest bearing loan and borrowings). The following table demonstrates the sensitivity of the statement of profit or loss to reasonably possible changes in interest rates, with all other variables held constant.



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The sensitivity of the statement of profit or loss is the effect of the assumed changes in interest rates on the Company's profit for one year, based on the floating rate financial assets and financial liabilities held at December 31, 2018. There is no direct impact on the Company's equity.

| | Increase/ decrease in basis points | Effect on statement of profit or loss for the year |
|---|---|---|
| | % | USD |
| **2018** | | |
| USD | +15 | (37,752) |
| USD | -10 | 25,747 |
| **2017** | | |
| USD | +15 | (81,755) |
| USD | -10 | 54,503 |

### Foreign currency risk

The analysis calculates the effect of a reasonably possible movement of the U.S. $ currency rate against the Israeli Shekel (ILS), with all other variables held constant, on the statement of profit or loss.

| | Increase/ decrease in ILS rate to U.S. $ | Effect on Statement of profit or loss for the year |
|---|---|---|
| | % | U.S. $ |
| **2018** | | |
| USD | +5% | (4,647) |
| USD | -5% | 4,647 |
| **2017** | | |
| USD | +5% | 97,468 |
| USD | -5% | (97,468) |

### Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to post paid subscribers, including outstanding receivables.

**i. Risk management**

Credit risk is managed on a Company basis. For banks and financial institutions, only independently rated parties with good reputation are accepted.

Sales to prepaid subscribers (prepaid sales represents majority of the Company sales) are required to be settled in cash or using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual subscribers, specific industry sectors and/or regions. For postpaid subscribers the Company obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

**ii. Security**

For some account receivables the Company may obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

**iii. Impairment of financial assets**

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Account receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all account receivables.

To measure the expected credit losses, account receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 60 month before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the subscribers to settle the receivables.

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) was determined as follows:

| January 1, 2018 | Not Due | 1_30 days past due | 31_60 days past due | 61_90 days past due | 91-120 days past due | 121-360 days past due | More than 361 days past due | Total |
|---|---|---|---|---|---|---|---|---|
| Expected loss rate | **5.55%** | **2.31%** | **17.15%** | **22.12%** | **28.24%** | **35.08%** | **97.95%** | |
| Gross carrying amount | 1,903,217 | 8,641,386 | 565,943 | 423,267 | 269,675 | 1,424,262 | 5,685,050 | **18,912,800** |
| Loss allowance | 105,591 | 199,808 | 97,044 | 93,633 | 76,143 | 499,566 | 5,568,507 | **6,640,292** |

| December 31, 2018 | Not Due | 1_30 days past due | 31_60 days past due | 61_90 days past due | 91-120 days past due | 121-360 days past due | More than 361 days past due | Total |
|---|---|---|---|---|---|---|---|---|
| Expected loss rate | **3.84%** | **2.02%** | **13.01%** | **18.41%** | **26.26%** | **36.90%** | **99.65%** | |
| Gross carrying amount | 2,029,094 | 9,541,370 | 591,871 | 390,058 | 344,693 | 1,185,459 | 5,081,048 | **19,163,593** |
| Loss allowance | 77,956 | 193,103 | 76,981 | 71,829 | 90,504 | 437,424 | 5,063,095 | **6,010,892** |

The closing loss allowances for trade receivables as at 31 December 2018 reconcile to the opening loss allowances as shown in note 28.b.1.

Accounts receivable are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 360 days past due.

Impairment losses on accounts receivable are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

*Previous accounting policy for impairment of account receivables:*

In the prior year, the impairment of account receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet was been identified. For these receivables the estimated impairment losses were recognized in a separate provision for impairment. The Company considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganization, and
- default or late payments (more than 30 days overdue).

Receivables for which an impairment provision was recognized were written off against the provision when there was no expectation of recovering additional cash.



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**Liquidity risk**

The Company limits its liquidity risk by securing bank loans and funding from shareholders.

The table below summarizes the maturities of the Company's undiscounted financial liabilities at December 31, 2018 and 2017 based on contractual payment dates and current market interest rates.

| | Less than 3 months | 3 to 12 months | 1- 5 years | Total |
|---|---|---|---|---|
| **December 31, 2018** | | | | |
| Interest-bearing loans and borrowings | 725,135 | 4,725,542 | 55,403,632 | **60,854,309** |
| Accounts payable | 12,620,862 | 8,568,788 | - | **21,189,650** |
| Due to related parties | - | 145,755 | - | **145,755** |
| Other current liabilities | - | 17,188,930 | - | **17,188,930** |
| Other noncurrent liabilities | - | - | 44,871,337 | **44,871,337** |
| **Total liabilities** | **13,345,997** | **30,629,015** | **100,274,969** | **144,249,981** |

| | Less than 3 months | 3 to 12 months | 1- 5 years | Total |
|---|---|---|---|---|
| **December 31, 2017** | | | | |
| Interest-bearing loans and borrowings | 3,348,805 | 13,022,631 | 89,034,701 | **105,406,137** |
| Accounts payable | 6,222,226 | - | - | **6,222,226** |
| Due to related parties | - | 252,856 | - | **252,856** |
| Other current liabilities | - | 17,766,226 | - | **17,766,226** |
| Other non-current liabilities | - | - | 54,346,654 | **54,346,654** |
| **Total liabilities** | **9,571,031** | **31,041,713** | **143,381,355** | **183,994,099** |

## 26. CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. During the second quarter of 2018 the company increased its' capital by additional 35,000,000 share in accordance to the extraordinary meeting of the General Assembly of the Company held on January 23, 2018, in which the shareholders approved increasing the capital of Wataniya Palestine Mobile Telecommunication Limited Company through offering 35,000,000 more shares for public subscription to increase the capital from USD 258,000,000 to USD 293,000,000 with USD 1 par value each. Capital comprises paid-in share capital, share premium and accumulated losses, and is measured at USD 96,139,303 as at December 31, 2018 (2017: USD 69,519,496).

## 27. CONCENTRATION OF RISK IN GEOGRAPHIC AREA

The Company is carrying out the majority of its activities in Palestine. The political and economic situation in the area increases the risk of carrying out business and may adversely affect the performance.

**28. CHANGES IN ACCOUNTING POLICIES**

This note explains the impact of the adoption of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" on the Company's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

**(28. a) IMPACT ON THE FINANCIAL STATAMENTS**

As a result of the changes in the entity's accounting policies, prior year financial statements had not to be restated. As explained in note 28.b.1 and 28.b.2 below, IFRS 9 and IFRS 15 was generally adopted without restating comparative information. The adjustments arising from the new rules are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening statement of financial position on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail by standard below.

| | **December 31, 2017 As originally presented (Audited)** | **IFRS 9** | **IFRS 15** | **January 1, 2018 (Audited)** |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Accounts receivable | **12,272,509** | (205,220) | - | **12,067,289** |
| **Equity** | | | | |
| Accumulated losses | **(208,090,504)** | (205,220) | (275,447) | **(208,571,171)** |
| **Current liabilities** | | | | |
| Deferred revenues | **3,684,628** | - | 275,447 | **3,960,075** |

**(28. b) IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers – Impact of adoption**

***IFRS 9 "Financial Instruments"***

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 "Financial Instruments" from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 28 (c) below. In accordance with the transitional provisions in IFRS 9 comparative figures have not been restated.

There is no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed. Regarding financial assets, the only type that was impacted by IFRS 9 was accounts receivable, taking into consideration that other types of financial assets are also subject to the impairment requirements of IFRS 9. However, the identified impairment loss was immaterial.



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***IFRS 15 "Revenue from Contracts with Customers"***

IFRS 15 replaces IAS 18 which covers goods and services contracts and IAS 11 which covers construction contracts. Based on the new standard, revenues are recognised upon the transfer of control of the goods or services to the customer - thus the idea of control replaces the idea of risks and returns.

The adoption of IFRS 15 from January 1, 2018 resulted in changes in accounting policies adjustments to the amounts recognized in the financial statements. The new accounting policies are set out in note 28 (d). In accordance with the transitional provisions in IFRS 15 comparative figures have not been restated.

The only revenue stream that was impacted by IFRS 15 was multi elements arrangements revenues, taking into consideration that other revenue streams such as connection fees and any other revenue recognised over period of time, are also subject to the requirements of IFRS 15. However, the identified change was immaterial.

**The total impact of IFRS 9 and IFRS 15 of the company's accumulated losses as at January 1, 2018 is as follows:**

| | **Sub-Notes** | |
|---|---|---|
| **Closing accumulated losses as of December 31, 2017** | | **(208,090,504)** |
| **Adjustments** | | |
| Increase in provision for accounts receivable from adoption of IFRS 9 | **28 b 1** | (205,220) |
| Increase in deferred revenue from adoption of IFRS 15 | **28 b 2** | (275,447) |
| **Total adjustments from adoption of IFRS 9 and IFRS 15** | | **(480,667)** |
| **Opening accumulated losses as of January 1, 2018** | | **(208,571,171)** |

***28. b.1 IFRS 9 IMPACT OF ADOPTION – Impairment of financial assets***

The only type of financial assets that was subject to IFRS 9's new expected credit loss model was Accounts receivable. The Company was required to revise its impairment methodology under IFRS 9 for accounts receivable. The impact of the change in impairment methodology on the company's accumulated losses and equity is disclosed in the note above. While other types of financial assets are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all accounts receivable.

To measure the expected credit losses, accounts receivable have been grouped based on share credit risk characteristics and the days past due.

The loss allowance for accounts receivable as at December 31, 2017 reconcile to the opening loss allowances on January 1, 2018 as follows:

| | |
|---|---|
| **As at December 31, 2017-calculated under IAS 39** | **6,435,072** |
| Amounts restated through opening accumulated losses | 205,220 |
| **Opening loss allowance as at January 1, 2018- calculated under IFRS 9** | **6,640,292** |

The loss allowance for accounts receivable increased by a further USD 205,220. The loss allowance would have been USD 205,220 lower under the incurred loss model of IAS 39.

Accounts receivable are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and failure to make contractual payments for a period of greater than 360 days past due.

***28. b.2 IFRS 15 IMPACT OF ADOPTION***

The Company adopted IFRS 15 "Revenue from Contracts with Customers" from January 1, 2018 which resulted in changes in accounting policies and adjustments to the amount recognized in the financial statements. In accordance with the transition provision in IFRS 15, the Company has adopted the modified retrospective approach which means that the cumulative impact of the adoption is recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated. The only revenue stream that was impacted by IFRS 15 was multi elements arrangements revenues, taking into consideration that other revenue streams such as connection fees and any other revenue recognised over period of time, are also subject to the requirements of IFRS 15. However, the identified change was immaterial. In summary, the following adjustment was made to the amounts recognised in the balance sheet at the date of initial application January 1, 2018:

| Particulars | Accumulated losses |
|---|---|
| Closing balance under IAS 18 (31 December 2017) | **(208,090,504)** |
| **Impact on revenue recognition** | |
| - Multi elements arrangements | (275,447) |
| - Transit services & value added services | - |
| - Customer loyalty programme | - |
| - Connection fees | - |
| - Any other revenue recognised over period of time | - |
| **Impact on cost recognition** | |
| - Installation cost, commission to third party dealers, marketing expense | - |
| - Any other cost recognised over period of time | - |
| **Impact on other recognition** | |
| - Royalties & fees on net impact | - |
| - Related tax impact on net impact | - |
| **Opening balance under IFRS 15 on date of initial application of 1 January 2018** | **(208,365,951)** |

The deferred revenue increased by a further USD 275,447. The revenues would have been USD 275,447 higher under IAS 18.

**(28. c) IFRS 9 "Financial Instruments" –Accounting policies applied from January 1, 2018**

***Financial Assets***

*Classification*

From January 1, 2018, the company classifies its financial assets as those to be measured at amortised cost

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

*Measurement*

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

*Impairment*

From 1 January 2018 and for accounts receivable, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.



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**(28. d) IFRS 15 Revenue from Contracts with Customers –Accounting policies applied from January 1, 2018**

Under IFRS 15, revenue is recognized when a customer obtains control of the goods or service. Determining the timing of transfer of control at the point in time or over time requires judgement. Any other revenue and cost which did not have significant impact on financial statements have not been narrated below as a key changes in accounting policies of the Company.

*Connection fees*

The Company has determined that connection fee charged for the activation of services will be recognized over the contract period .However, revenue from connection fees which relates at or near contract inception to fulfil that contract, will be recognized when services are provided (i.e. as the identified performance obligations are satisfied). The identified change was immaterial.

*Multi elements arrangements (Mobile contract plus handset)*

The Company has determined to recognize contract asset on these types of arrangements since its identified performance obligation are satisfied over time (i.e. a receivable arising from the customer contract that has not yet legally come into existence).

*Commissions to third party dealers, marketing expenses*

The Company has determined that above expenses are incremental in nature while obtaining the contract will be capitalized and amortized as per IFRS 15. Recognized contract assets will be subject to impairment assessment under IFRS 9 requirements. The identified change was immaterial.