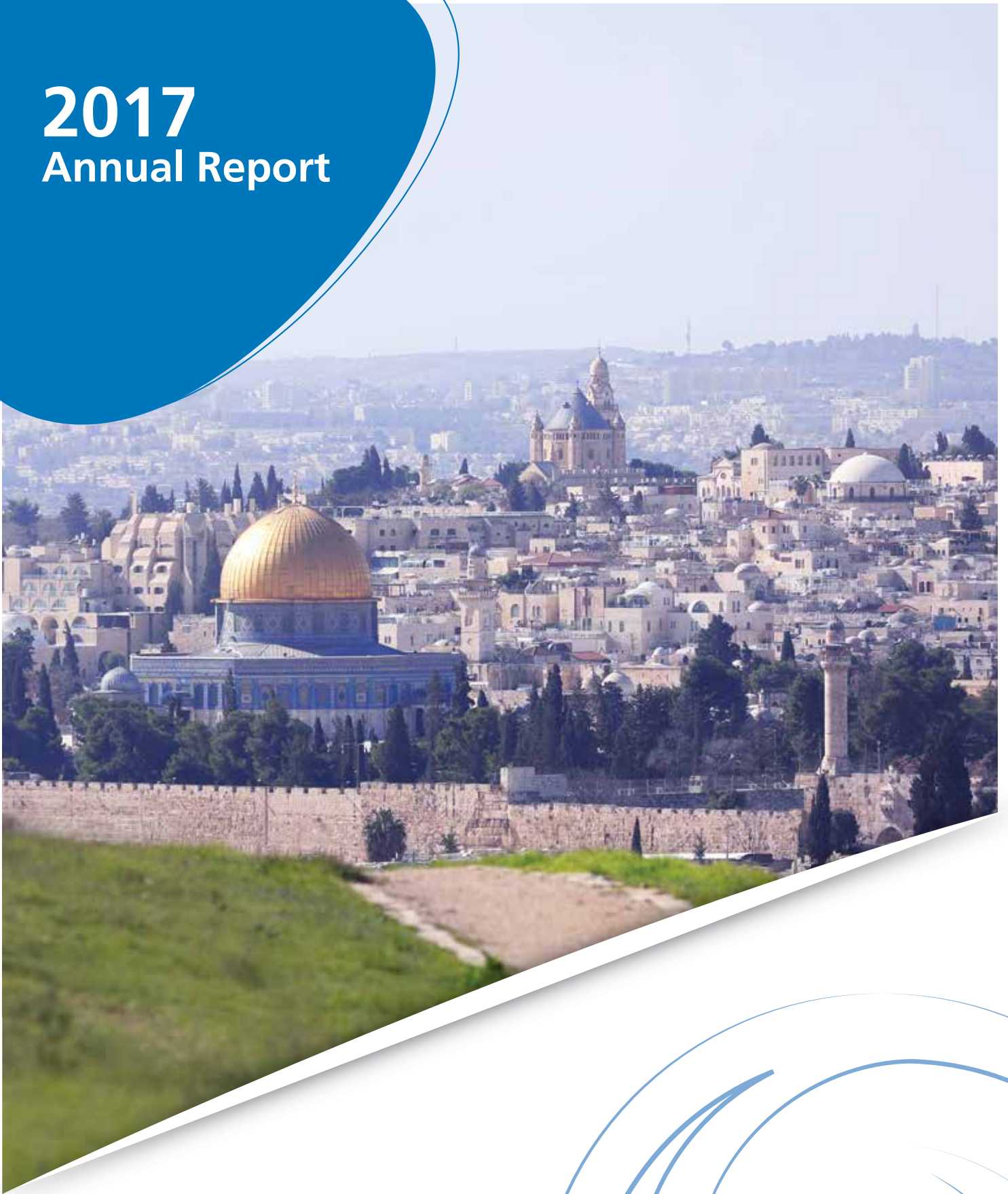


2017 Annual Report



**Our Success Story
Continues**



مجموعة الاتصالات الفلسطينية
PALTEL GROUP



مجموعة الاتصالات الفلسطينية
PALT E L G R O U P

Annual Report
2017

Our Success Story Continues

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2017 in Brief



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About Paltel Group

Vision

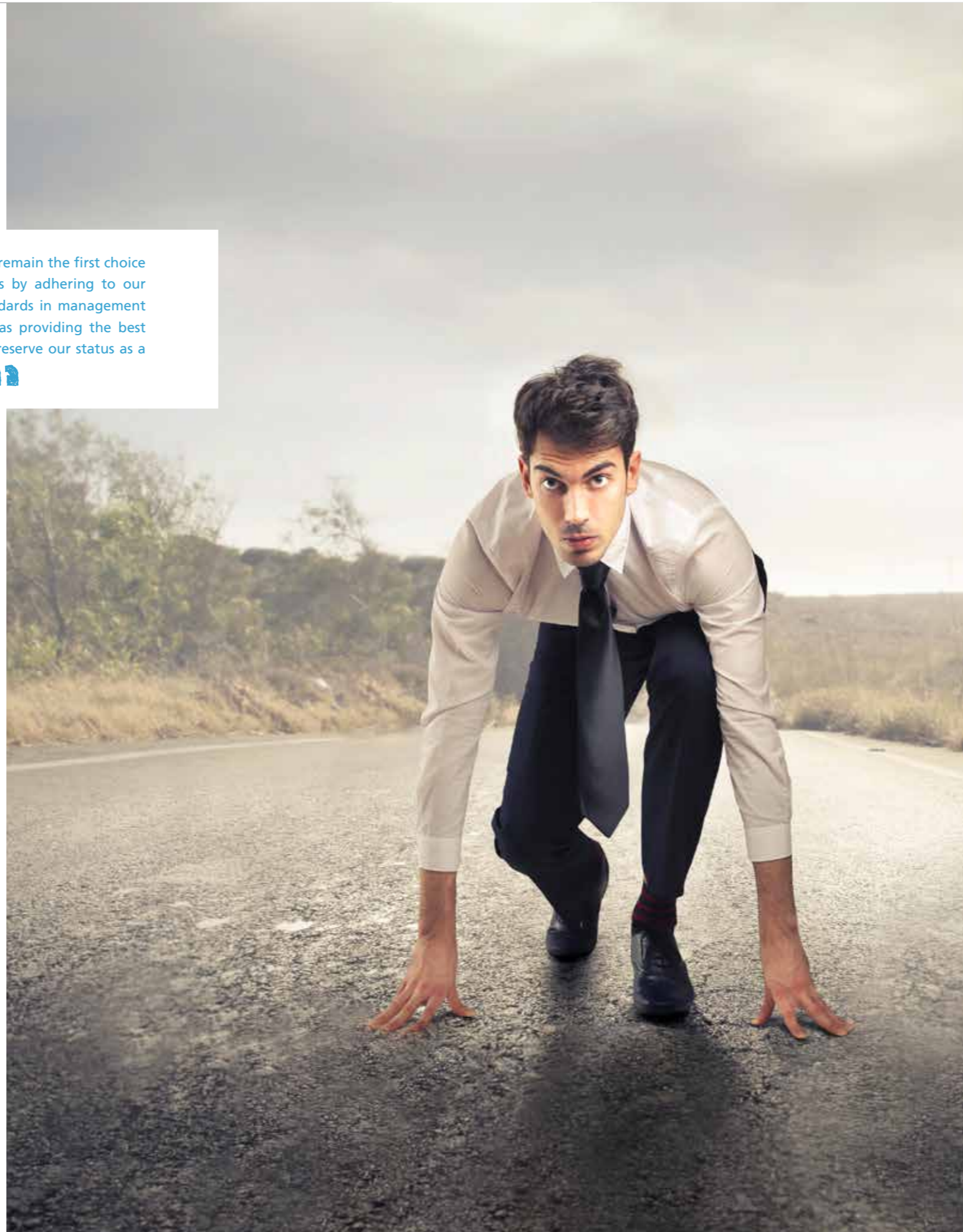
As a market leader in Palestine, we are committed to remain the first choice for our customers in the telecommunication services by adhering to our values and principles and following the highest standards in management practices and taking care of our customers as well as providing the best telecommunication services in Palestine in order to preserve our status as a leading telecommunications Group in the region.

Since its establishment and start of operations, as a public shareholding company in 1995, the Palestine Telecommunication (Paltel) Group continuously evolves itself around the digital culture, strategically providing the latest technology trends in order to build the information and communications sector in Palestine. The Group is dedicated to providing the best services, quality, and value to meet our customer and shareholder needs.

In spite of local and regional challenges, Paltel Group has been able to accomplish many achievements in terms of financial and operational performance and maintain a strong financial base that enabled it to achieve further development and growth. In the past two decades, Paltel Group has played an important and pivotal role in the development of the Palestinian economy, and the creation of many job opportunities, establishing itself as the largest employer in Palestine.

With the continuous upgrading of the company's networks, Paltel Group views digital services as one of the important areas to drive business growth. The Group has made the necessary and required investment in the infrastructure to ensure the support and development of the network and provide wider coverage and higher speeds of the services it provides.

One of the most vital milestones that Paltel Group has achieved throughout the years, via its mobile operator, Jawwal, is the launch of 3G services in the West Bank in January 2018. It was a decade of ongoing work for Israel to approve 3G and lift its ban, however, until this date, 3G services are only available in the West Bank, as it was not granted to be available in Gaza; it is the Group's priority to obtain the needed frequencies from the Israeli authority to launch 3G services in Gaza in the near future.



In response to the growing needs of the Palestinian society, Paltel Group has established itself as a socially responsible company, implementing a variety of CSR initiatives, and developing the first of its kind in Palestine, a CSR foundation, known as Paltel Group Foundation for Community Development, that is aligned with the Group's vision and long term strategies.

69.5
Million Jordanian Dinar

Total expenditures of the Group in social responsibility from 2005 until the end of 2017

PALTEL stock was listed in the Palestine Exchange (PEX) during the first half of 1997 under the symbol of "PALTEL" as it is one of the leading and best performance stocks in Palestine Exchange.

21.8%

The total market value of Paltel's shares to the total market value of PEX as of the end of 2017

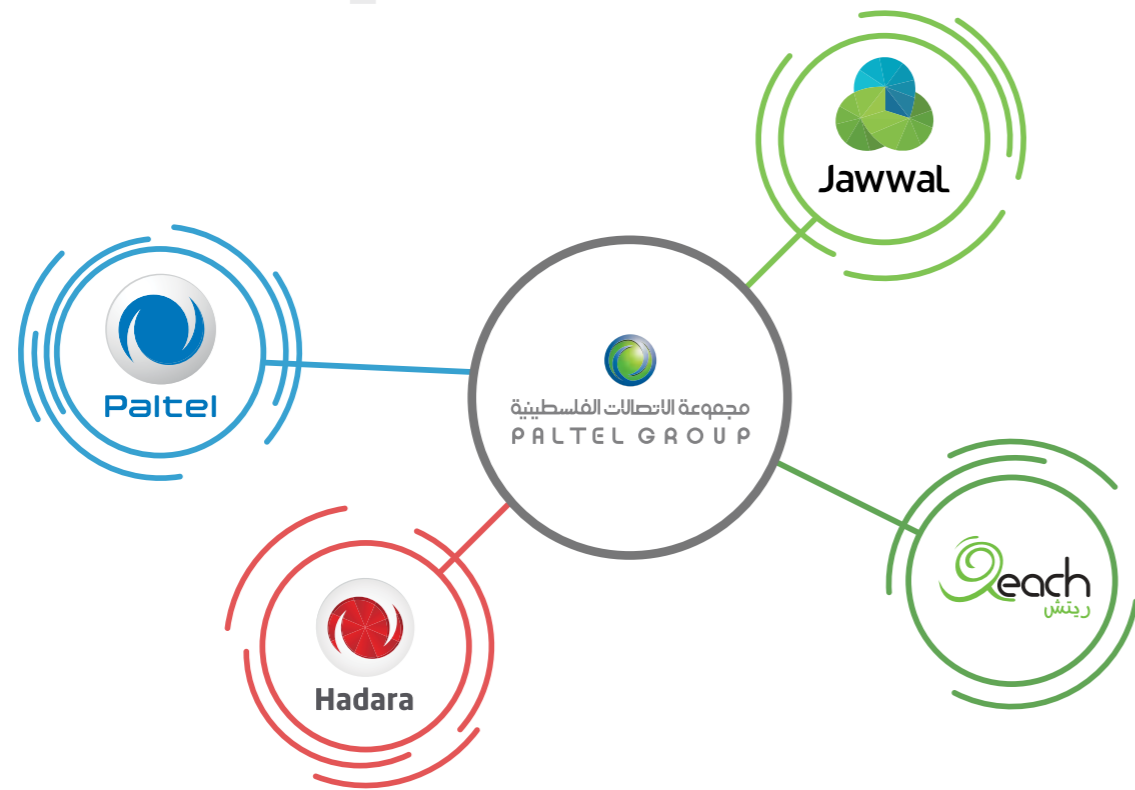
PALTEL stock has attracted many investors over the past two decades, as a result of the company's dividend policy which has been instrumental in achieving rewarding returns for shareholders compared to the local and regional markets.

8.3%

Dividend yield return during the last five years

A total of JOD **663.1** million was distributed as cash dividends since the date of listing, representing **almost five times** the current capital of the company.

Group Companies



Paltel - Palestine Telecommunications Company (Paltel), the nation's fixed line operator and the leader of the information and communications technology sector in Palestine.

Jawwal - Palestine Cellular Communications Company (Jawwal), the first mobile operator and 3G services provider in Palestine.

Reach - Reach Communication Services Company (Reach), the first specialized communication center in Palestine.

Hadara - Hadara Technology Investment Company (Hadara), the largest internet service provider in Palestine.



Development Arm

PalTel Group Foundation for Community Development, a local developmental, non-profit organization.

Following the developments in the year 2017 related to the closure of a variety of Palestinian media offices by the Israeli occupation forces, including Palmedia Company, the Board of Directors of Paltel Group made the strategic decision to close the company's offices.

Values

Transparency and Sustainability We apply the standards of transparency, accountability and governance in conducting all our businesses and projects, in order to achieve our vision and strategy in accordance with best standards, and to ensure sustainability in our services and community trends.

Integrity and Honesty We preserve confidence between our company and our shareholders and partners, through considering the values of honesty and integrity to support our plans and move forward with confidence towards growth to preserve our shareholders' rights as well as our employees and customers' rights.

Strengthening Internal Capacities We develop the professional skills of all the Group's employees in order to contribute to the building process for serving our customers, shareholders and community through investing in our youth.

Quality and Excellence in our Services We always strive to learn, benefiting from our local and international expertise to provide high quality services, and we create pioneering solutions based on a comprehensive approach and sound reading of the future of technology, with flexibility that is capable to constantly adapt to the Palestinian reality.

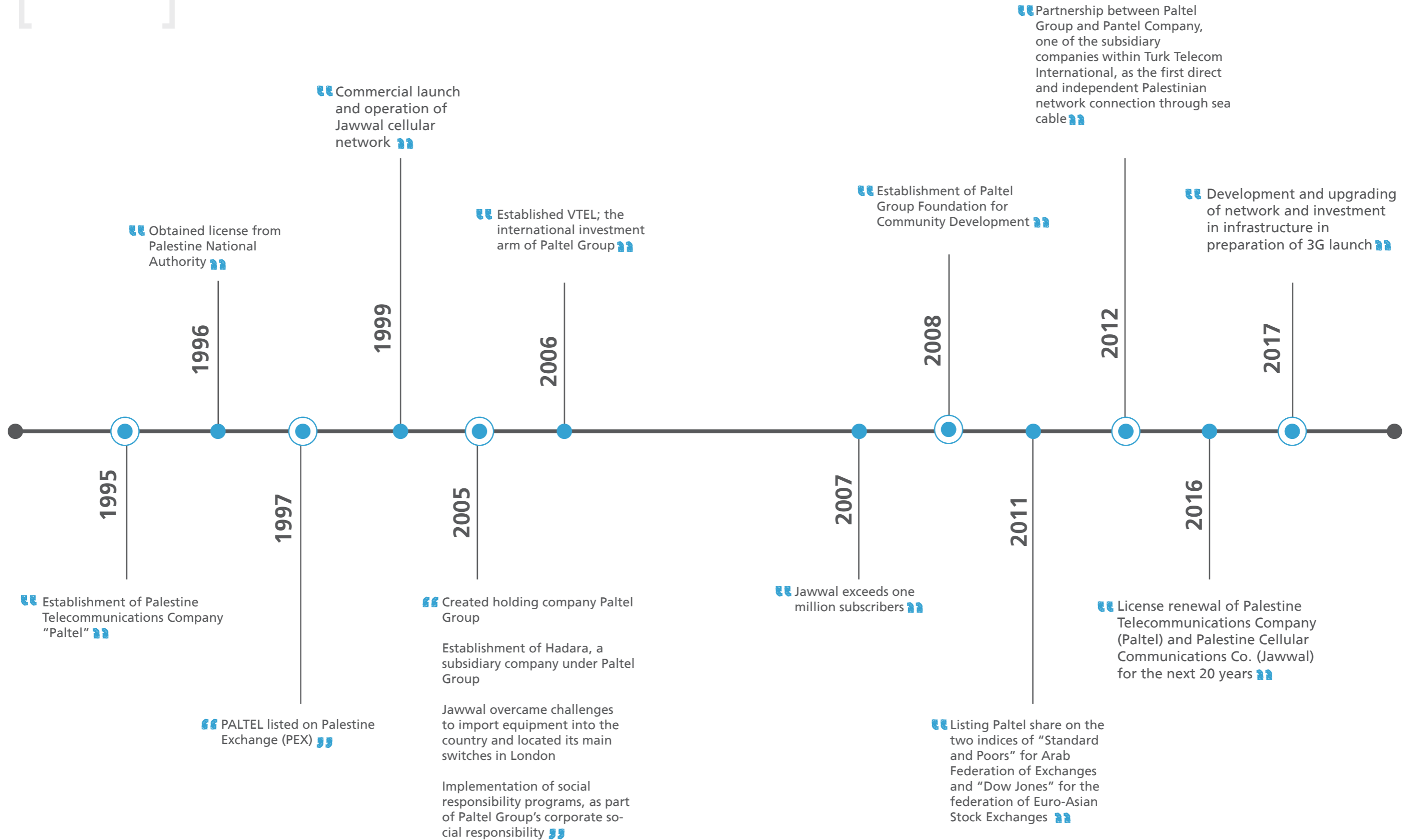
Customer Satisfaction We understand the needs of our customers and pay all possible efforts to preserve their trust through focusing on the quality of our services and paying further efforts to achieve distinction to meet their expectations and respond to their technical and economic needs.

Our Ethics and Principles We are committed to work ethics and professional principles, and we adopt our principles from the ethics of our Palestinian society that represents the basis of our work and a minaret for our future approaches.

Commitment to Social Responsibility We are committed to our social responsibility to achieve sustainable development and we are committed to our national responsibility towards building a flourished technological future through strengthening the information and communication technology (ICT) sector in Palestine.

Building towards a Digital World We aspire to work, as partners, with every citizen and institution in Palestine, with joint efforts to build a digital future in Palestine.

Milestones



Key Performance Indicators 2017

Operating Revenues

334.7

JOD Million



Fixed Lines

472

Thousand Lines



Gross Profit

281.4

JOD Million



Mobile Subscribers

2.98

Million Lines



EBITDA

122.1

JOD Million



Super-Fast Internet Lines

357

Thousand Lines



Net Profit

70.5

JOD Million



Total Subscribers Base

3.809

Million Subscribers



Earnings Per Share (EPS)

0.536

JOD



Growth Rate in Total Number of Subscribers

3.3%

Compared to end of 2016



“ The main reason for the decrease in profits is the amortization of new operating licenses fees ”



Message from the Chairman

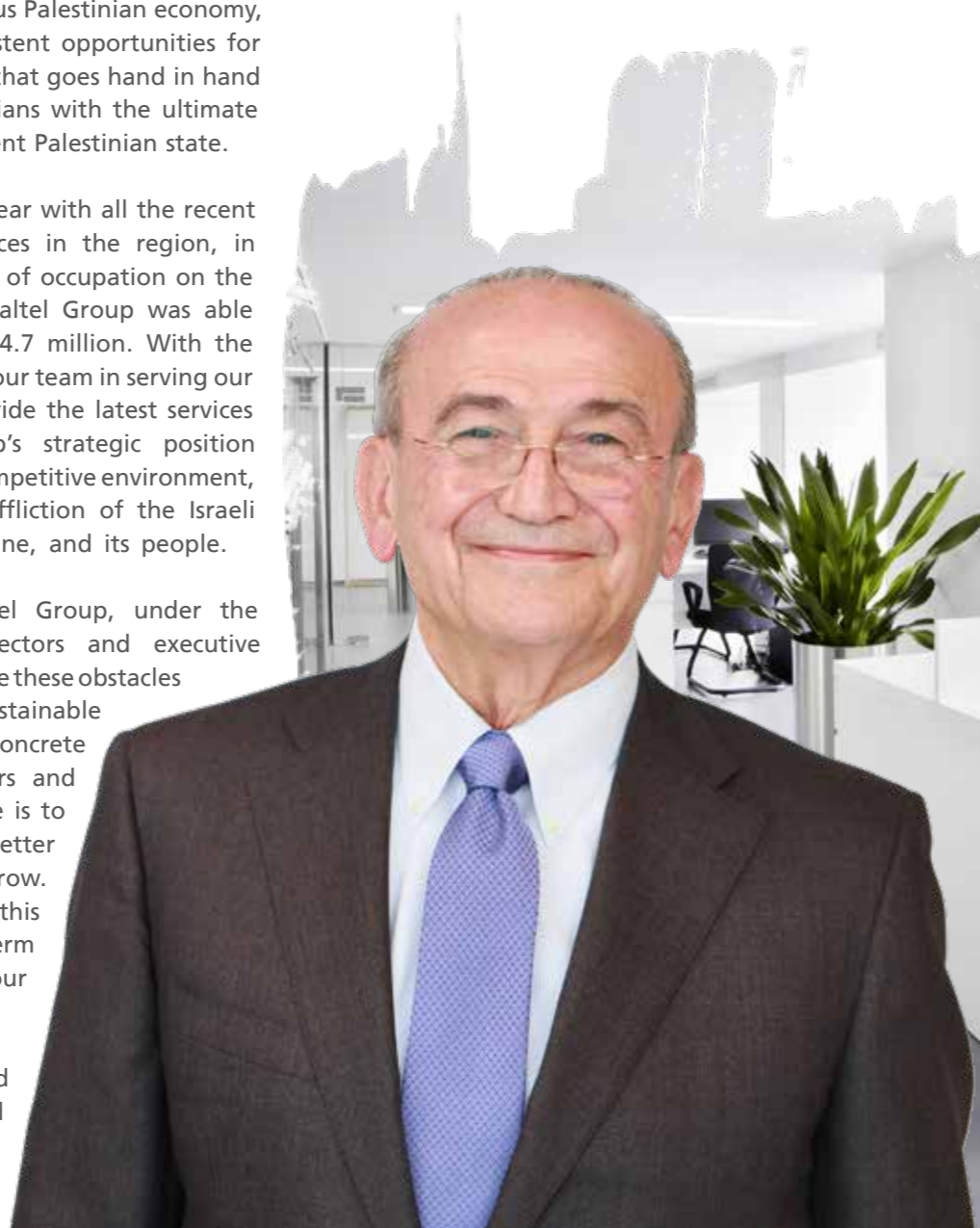
Dear Fellow Shareholders,
I begin this letter with a sense of gratitude and pride about Paltel Group that has only grown stronger over the last two decades. It is an exceptional company with an extraordinary heritage and a promising future.

It has been twenty-two years since we laid the first building stone for the foundation of this Palestinian company. Our success story and sustainable future establishes Paltel Group as a thriving Palestinian company, which has continuously accomplished viable achievements that overcome the obstacles imposed by the Israeli occupation. We have created thousands of jobs for our skillful Palestinian youth and people, as this is the essence of establishing a strong, prosperous Palestinian economy, which will in turn produce consistent opportunities for generations to come. It is a story that goes hand in hand with the struggle of the Palestinians with the ultimate goal of establishing an independent Palestinian state.

2017 was such an extraordinary year with all the recent political and economic turbulences in the region, in addition to the continued impact of occupation on the operations of our subsidiaries, Paltel Group was able to generate revenues of JOD 334.7 million. With the capabilities and endless efforts of our team in serving our customers and the ability to provide the latest services and technologies, Paltel Group's strategic position encompasses a challenging and competitive environment, which entails the burden and affliction of the Israeli occupation on the Group, Palestine, and its people.

Despite these fluctuations, Paltel Group, under the direction of its board of directors and executive management, was able to overcome these obstacles and grow, demonstrating a sustainable decision-making process and concrete added value to our shareholders and customers. Paltel Group's purpose is to connect each Palestinian to live a better today and build a better tomorrow. We believe that by implementing this strategy, we will create long-term value for the Group, society, and our shareholders.

Being a company that is committed to helping its people and community, many years ago, Paltel Group took a major step in playing an active role in corporate social



responsibility. Since then, we have taken a variety of actions to fulfill this role, starting with an approach focused on giving back to society, such as providing scholarships to university students and funding of income-generating projects to needy Palestinian families throughout the West Bank and Gaza.

Furthermore, with a leading position in the competitive market in which we operate, I see endless opportunities for Paltel Group companies to grow and prosper, thus empowering future generations and stimulating technology initiatives. We embraced change and thrived and I believe we are on the right track having a solid board and management team with a vision and strategy that is both applicable and achievable.

We continue to seek out new opportunities and accomplish vital milestones in fulfilling our mission in giving the Palestinian people the ability to do more. Throughout a period of profound obstacles, Paltel Group has been steadfast in its dedication to its people, communities, and shareholders as we will continue to contribute to building the Palestinian economy. As such, I would like to thank you for your trust and congratulate you for what Paltel Group has accomplished in 2017 and look forward to more success and achievements in the coming year.

Sabih T. Masri
Chairman

Message from the CEO

Dear Shareholders,
Sustainability is an integral part of Paltel Group's identity, an essential function of its operations and strategy. A sustainable company such as Paltel Group has proven to be the pioneer of the telecommunications sector in Palestine.

It is an ultimate joy and honor to announce that Paltel Group, through its leading mobile operator, Jawwal, was the first to primarily launch 3G services in the West Bank. The company is also determined to continue its leading role in the market to launch 3G services in Gaza, depending on the release of needed frequencies by the Israeli side. With around 3 million subscribers, Jawwal continuously provides its subscribers with the best offers and services, which has made the company so successful over the years.

The launch of 3G services was a long overdue accomplishment, which took over a decade to obtain, due to the ban and delayed approval by the Israel authorities for the 3G services in Palestine. Without the direction of Paltel Group's Board of Directors, executive management, and employees, along with the efforts of the Palestinian government and our international partners, we would not have been able to achieve this groundbreaking milestone and reach the goal of connecting every Palestinian to the rest of the world.

The string of challenges exacerbated by the Israeli occupation is inevitable, which directly affect the company's operations in the West Bank and Gaza. Despite this, we are always committed to continue fighting all kinds of external operational impediments, such as access restrictions to Area C and the constant fuel and electricity cut off in Gaza; the Group continues to advance its performance and provide new services in the fields of fixed lines, cellular services, and internet speed.

Despite the illegal competition by Israeli companies that violates the Palestinian market, Jawwal has proven to be prosperous in its services. However, there needs to be a unified, strategic front to make more efforts, to create an ongoing awareness of the serious impact of the illegal Israeli competition on the Palestinian economy.

In 2017 Paltel Group served as the largest incubator for youth and their initiatives, and the Palestinian society as a whole. The Group has given priority to social responsibility and proved to be a role model for other companies in Palestine to follow suit. For that reason, Paltel Group established its own independent corporate



social responsibility foundation, known as Paltel Group Foundation for Community Development, which focuses on various forms of youth empowerment by providing equal opportunities to all segments of society in education by promoting a knowledge-based society through encouraging entrepreneurship and identifying role models to inspire future generations of Palestinians.

As part of our ongoing CSR initiatives, Paltel Group has provided endless scholarships to thousands of college students of different majors in Palestinian universities, with the ultimate goal of providing educational opportunities for students of special financial circumstances. Furthermore, one of the many educational impacts we have implemented is the ongoing "Abjad Net" program that has connected thousands of schools to the internet, which have benefited over 765,000 students and 22,000 teachers.

We have provided a variety of programs that benefit marginalized groups in the West Bank and Gaza. We pursued opportunities that have helped charitable associations, women organizations, rehabilitation centers, and health programs. Our social responsibility went far beyond the expected to become a leading example both locally and regionally. We are proud of our continued leadership as a responsible and successful company, bringing together our people, passions, and technology to support social priorities.

Paltel Group is always ready to reach its target and vision and for this I would like to thank our employees and shareholders for their valuable contribution throughout the years. To our shareholders, we appreciate you choosing our company to engage in and we thank you for your continuous support as we will continue to focus on both economic growth and sustainable development. We have set an ambitious and clear path for the years ahead. We strengthened Paltel Group in 2017 and I am confident that 2018 will be another year of progress in building a modern digital Palestine.

Ammar A. Aker
Chief Executive Officer

Our Group

- Our Success Story Continues
- Members of the Board of Directors
- Executive Management Team

Our Success Story Continuous



Paltel Group is the pioneer of technological development in Palestine. Through its relentless efforts to enhance the ICT sector and its role in enriching the lives of the Palestinian people, the Group uses a strategic approach of dealing with the constant changes that occur within the sector.

This pioneering position established by Paltel Group is a clear reflection of the strong and strategic vision of the chairman of the board, the members of the board, the executive management, and the employees that are aligned with the Group's vision establishing more than two decades of success.

Our story of success began with the launch of fixed line telecommunications, which was the first building block in forming the Palestinian economic infrastructure and the development of the telecom sector in Palestine. Our story then moved onto launching the first mobile operator in Palestine, which were followed by two additional successful companies, Hadara and Reach. In January 2018, Paltel Group was able to finally celebrate the launch of 3G services in Palestine, despite the ongoing obstacles the Israeli occupation imposes in regards to our frequencies and Palestinian areas.

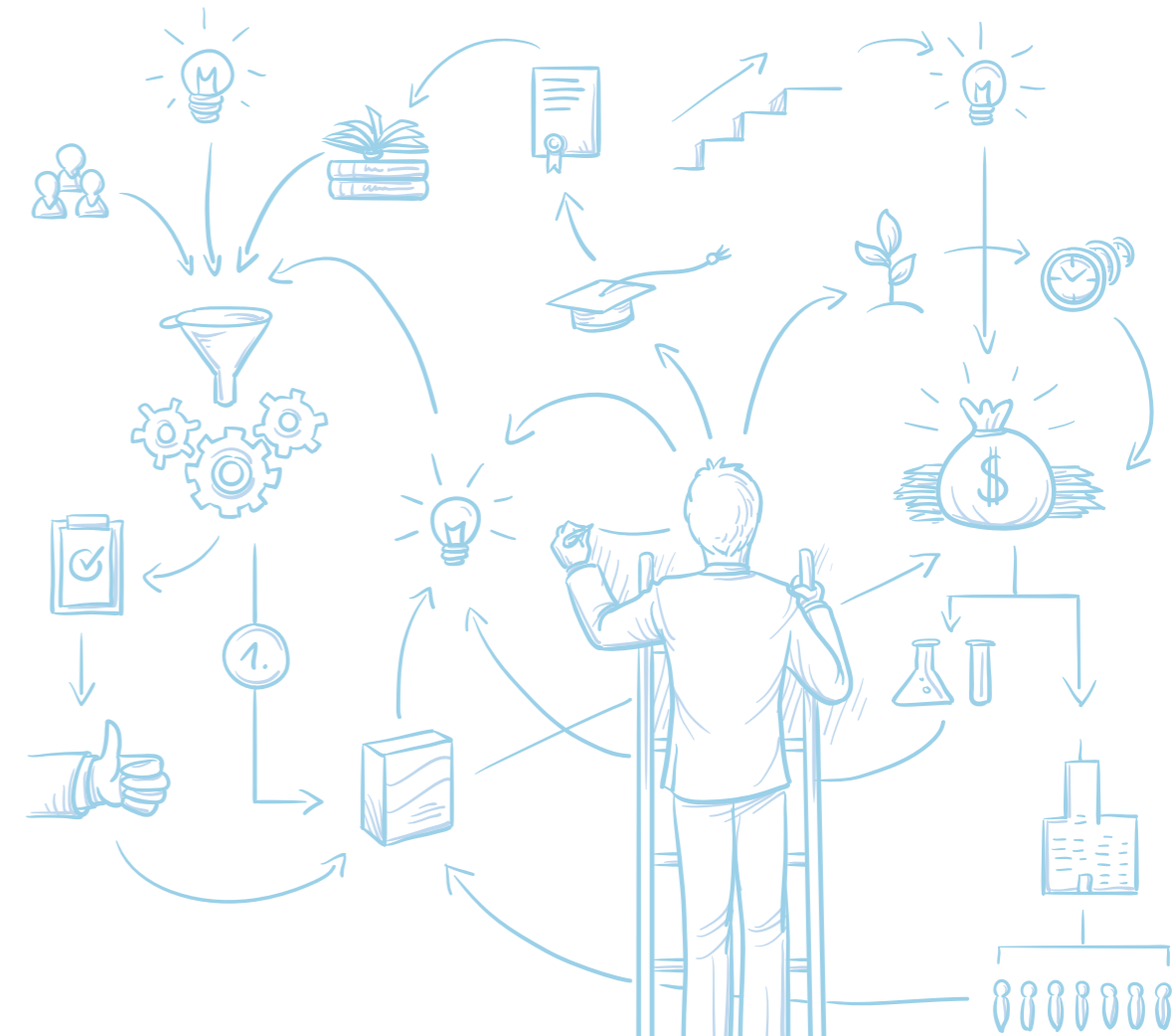
Considering the multi-dimension investment policy in Palestine, it was necessary to fortify the national economy, create economic growth, and strengthen the ICT sector. Therefore, Paltel Group was established with a vastly responsible mission towards social responsibility and to extend a helping hand to our Palestinian people everywhere.

Paltel Group's Executive Management Team has been confidently articulating prudent and rational financial policy lines that preserve the rights of shareholders and enhance their returns by adopting the most suitable financial practices and sound investment planning despite political and economic fluctuations within Palestine and the region.

In order to achieve this, the Group's Executive Management, under the direction of the Chairman of the Board, Sabih Masri, uses a strategic thought processes followed by advanced management methods and prepared alternative plans capable of dealing with a variety of developments.

Today, after years of continuous achievements and successes, Paltel Group's strategy is to continue to be the telecommunications leader in Palestine with the aim to advance the technological

development for each and every Palestinian. This goes in line with the ambitions and aspirations of our investors and shareholders, who firmly believe that their investments are in safe hands, their rights are preserved, and their investments are greatly rewarded.



Members of the Board of Directors



Mr. Sabih Masri - Chairman of the Board

Mr. Sabih Masri is the founder and chairman of the Arab Supply and Trading Co. (ASTRA Group) since 1966, which is a corporation that works in multiple fields in Saudi Arabia, Jordan and United Arab Emirates. The activities of the Group cover agriculture, commercial, contracting and construction, health, manufacturing, plastic, telecommunications, hotels and banking sectors.

Mr. Masri is the Chairman for the following companies: Arab Bank, Astra Industrial Group, Zara Investment Holding Co., Sikon Construction Company, and Paltel Group, which he joined its Board of Directors in 1999. In addition, he is the Chairman of Al-Najah University's Board of Trustees in Nablus – Palestine and a member in the Board of Directors of Palestine Development and Investment Company (PADICO) and Fahad Bin Sultan University.

Mr. Masri graduated with a Bachelor's Degree in Chemical Engineering from the University of Texas at Austin, USA.

Mr. Ghiath Sukhtian – Representative of GMS Holdings

Mr. Ghiath Sukhtian is the Chairman of GMS Holdings, an investment company that manages its investments in various geographical areas and economic sectors, including pharmaceuticals, telecommunications, construction, oilfield services, and agriculture.

In regards to the pharmaceutical industry, Mr. Sukhtian is the Founder and Chairman of MS Pharma Inc. Mr. Sukhtian is the chairman of several pharmaceutical companies, such as, Tabuk Pharmaceutical Industries in Saudi Arabia, Stelis Pharmaceuticals in the United States, and Stelis Company in India.

In addition, he is a founding member of Paltel Group, Astra Industrial Group in Saudi Arabia and Ogier Electronics. In addition, he is also the chairman of the Microfund for Women in Jordan. Mr. Sukhtian received his education the American University in Beirut and University of Houston, USA with a degree in Economics.



Mr. Laith Masri - Representative of Palestine Development & Investment Co. (PADICO)

Mr. Laith Masri is a Founding Partner of Foursan Group, a leading Middle Eastern investment firm which was established in 2000 and manages private equity funds that take significant equity positions in accelerated growth companies in the Levant and North Africa. Previously, Mr. Masri was with the Blackstone Group in New York, a global private equity house specialized in alternative asset investing.

Mr. Masri is the Chairman of Estarta Solutions (a pioneering firm in the MENA IT sector), besides being a Director of Foursan Capital Partners I and Edgo Group (a leading regional oilfield services company), and Paltel Group which he joined its board of directors in 2001, as well as being a Trustee of Medical Aid for Palestinians.

Mr. Masri is an attorney admitted to the New York Bar. He received his Juris Doctorate in Law and Masters of Business Administration from Stanford University, and a Bachelors of Arts in Economics from Harvard University.

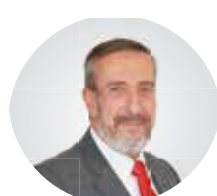
Mr. Talal Nasereddin, Representative of Birzeit Pharmaceutical Co.

Mr. Talal Nasereddin is the Chairman and Chief Executive Officer of Birzeit Pharmaceutical Co., he is also one of the founders and the Chairman of The National Bank (Al Rafah Microfinance Bank previously) established in 2005.

Mr. Nasereddin is the Chairman of Abraj Real Estate Investment Company, Petropal for Mineral Oils Company and Lotus for Financial Investments. In addition, Mr. Nasereddin is a member of Paltel Group's Board of Directors since 2004. He is also a member of the Palestinian Electricity Company Board and a member of Mar Yousef Hospital Board.

Mr. Nasereddin was a member of Palestine Investment Fund Board of Directors (PIF) between the years 2002 - 2006, and was the head of the Conflict Resolution Committee, besides being a member of the Investment and Nomination Committees. Additionally, he was a board member of the Palestinian Monetary Authority (PMA) between the years 2002 - 2006. Mr. Nasereddin has also established the Palestinian Federation of Industries (PFI) and was its President until 2003; he also contributed to the establishment of Palestine Trade Center (Paltrade) in 1997 as well as the Palestinian Businessmen Association (PBA) in 1998.

Mr. Nasereddin obtained a Master's Degree in Chemistry from the American University of Beirut (AUB) in 1974.



Mr. Sharhabil Al-Zaim, Representative of Palestine Development and Investment Co. (PADICO)

Mr. Sharhabil Al-Zaim assumed various managerial positions in several countries, during which he acquired extensive experience in various fields, most importantly law, political and commercial negotiations and conflict resolution.

Mr. Al-Zaim is currently the Chairman of "Atfaluna Association" for children with hearing disabilities, and Development Association of Al-Rimal Northern Neighborhood, besides being the Vice Chairman of Women's Affairs Center, and a board member of Gaza Sports and Community Club.

Mr. Al-Zaim is also the founder and the President of AlZaem & Associates Firm for Law & Legal Consultancy. He is a member of Paltel Group's Board of Directors since 2004. In addition, he is a member in the Board of Directors of Palestine Electric Company, Palestine Power Generation Shareholding Ltd Company, and Palestine Industrial Estate Development & Management (PIEDCO).

Mr. Al-Zaim holds two Master Degrees, Masters of Law from Al-Azhar University in Gaza in 2007, and Masters of American Studies from Al-Quds University, Abu Dees in 2008. Mr. Al-Zaim had received his Bachelor's Degree in Law from Alexandria University in 1982, and had studied Alternative Conflict Resolutions in the International Center for Arbitration in Texas in 1997.

Dr. Farouq Zuaiter* - Representative of Cairo Amman Bank

Dr. Farouq Zuaiter acquired his experience as an Executive Investment Manager with distinctive high qualifications as a result of his major managerial and technical positions in the fields of direct and indirect investment in many European, American, and Arab countries.

Dr. Zuaiter was a member of the Board of Directors of the Paltel Group and chairman of its investment committee. He was a Board member since 2002. He was also the Chairman of the Board of Directors of the Palestine Securities Exchange (Palestine Stock Market) and the Vice-Chairman of the Board of Trustees of An-Najah National University in Nablus, Palestine, which he served as the Deputy Chairman of Cairo Amman Bank in Jordan. Additionally, he had previously served as the Chief Executive Officer of Palestine Development and Investment Company - PADICO, and worked as a financial and economic advisor for the Arab Fund, and an economic advisor for the Kuwait Fund for Development in Kuwait. Moreover, Dr. Zuaiter was the Deputy General Manager and Investment Manager for Coast Investment & Development Company in Kuwait.

Dr. Zuaiter obtained his PhD in Accounting, Economics and Statistics from Texas Tech University in 1974, and his MBA in Accounting from the same university.



Mr. Samir Hulileh- Representative of Palestine Development and Investment Co. (PADICO)

Mr. Samir Hulileh is a partner of Nassar International in Dubai and was the CEO of Palestine Investment and Development and Investment Company (PADICO) from 2008 until 2017.

Mr. Hulileh has held various management positions in the public and private sectors including Cabinet Secretary General of the Palestinian government during 20052006- and Assistant Undersecretary for the Ministry of Economy and Trade (19941997-). He is the General Manager of Portland Trust office in Palestine, Marketing Manager for Nassar Global Companies Group. He also worked as a lecturer and Dean of Student Affairs at Birzeit University in the 1980s.

He is an active member of many economic and academic establishments. He was the Chairman of Palestine Trade Center (Paltrade) between 2004 and 2005. He is the Chairman of Palestine Economic Policy Research Institute (MAS), Palestinian Development Fund, a member of the Board of Directors of the International Chamber of Commerce/Palestine Branch and a member of the Board of Directors of the Putin Center for Economics and Culture. Mr. Hulileh has been an active Paltel Group board member since 2008.

Mr. Hulileh graduated from the American University of Beirut with a Master's Degree in Economics in 1983.

Mr. Basil Abdel Nabi – Representative of Arab Bank PLC

Mr. Basil Abdel Nabi is the Director of Information Systems (EVP) at the Arab Bank since 2007, in addition to holding managerial positions in information systems management at the bank since 2002.

Mr. Abdel Nabi assumed several managerial positions in the past, including the position of Senior Manager at Andersen Business Consulting at which he worked as a Certified Information Systems Auditor, in addition to business consulting, Implementation of digital solutions, designing data and technical strategies for banks and other sectors. Mr. Abdel Nabi also worked as a Manager of Technology and Information Systems Group at the Saudi Standards and Equipment Company, and Manager of the Computer center at the Pacific Medical Laboratories in California, USA. In addition, Mr. Abdel Nabi is a board member of Arab Gulf for Technique in United Arab Emirates, and Paltel Group which he joined since 2008 as well as Arab Islamic International Bank which he joined its Board since 2016.

Mr. Abdel Nabi holds a Master's Degree in Business Administration from Leicester University in the United Kingdom, and a Bachelor's Degree in Engineering from (CSUF) University in California, USA; and he graduated from high school in Paris, France.



Mr. Zahi Khouri – Representative of Al-Maseera International Company

Mr. Zahi Khouri, is the Founder, Chairman and Chief Executive Officer of The National Beverage Company (the Coca-Cola/Cappy) in Palestine.

Mr. Khouri holds a number of executive positions and Board Memberships of many economic institutions, including: the Chairman of Jerusalem Development and Investment Co (Jedico), member of Board of Directors of Jericho Gate for Real Estate Investment Co., Chairman of Board of Directors of Al-Quds for Tourist Investment (JIT). Mr. Khouri was an Executive Board Member of the Olayan Group and CEO of the Olayan Saudi Holding Co. in Saudi-Arabia and USA for more than 20 years. Moreover, Mr. Khouri was the Chairman of the Executive Committee of the Palestine Telecommunications Company – Paltel from 12001/ until 52004/ and the Chairman of Jawwal Co. Board of Directors from 252001/3/ until 92005/3/.

Mr. Khouri is an active member in many civic local and international organizations. He is a Board member of Rasmala Holding Co. for Investment in Dubai and he is the founder of the Innovation Fund in Palestine.

Mr. Khouri holds his M.Sc. in Engineering from the Technische Hochschule in Stuttgart, Germany an M.B.A. from the European Institute of Business Administration (INSEAD), Fontainebleau, France and a. He ended his high school in Beirut, Lebanon.

Mr. Basem Abdel Halim – Representative of Aswaq for Investment Portfolio (Palestine Investment Fund)

Mr. Basem Abdel Halim has an extensive experience for more than 20 years in the field of investment, financing and development of the private sector, which he acquired through his work with a range of local and international investment, financial and development institutions.

Mr. Abdel Halim is the CEO of Palestine Power Generation Company and became a member of Paltel Group since 2012. Mr. Abdel Halim holds a Master's Degree in Finance and Management from Cranfield University in the UK and a Master's Degree in Business Administration from Maastricht University in Netherlands, in addition to a Bachelor's Degree in Industrial Engineering from The University of Jordan.



Mr. Ammar Aker – Representative of the Arab Supply and Trading Co. (ASTRA)

Mr. Ammar Aker is the Chief Executive Officer of Palestine Telecom Group since 2010 and a member of Paltel Group's Board of Directors since 2012. Prior to assuming his current position as the Group CEO, he was the CEO of Palestine Cellular Communications Company, Jawwal; the first leading cellular operator in Palestine and subsidiary company of Paltel Group. Mr. Aker is currently the Chairman of the Board of Directors of VTEL Middle East and Africa (MEA), which is one of Paltel Group investments outside Palestine. He is also a board member of PADICO Holding and a number of its subsidiaries, the largest investment holding company in the country, and is on the board of trustees for An-Najah National University since 2014.

Mr. Aker is an active board member in a number of international, regional and local initiatives, such as; Palestine for a New Beginning (PNB); the Palestine International Award for Excellence and Creativity; and the Amideast Advisory Board in Palestine. He is also an active member of the Young Presidents' Organization (YPO) Palestine Branch and the Palestinian Businessmen Association (PBA).

Mr. Aker holds a Bachelor of Science degree in Accounting from Edinboro University of Pennsylvania and an MSc degree in Accounting from Kent State University, Ohio.

*Dr. Farouq Ahmad Zuaiter passed away on 16/02/2018

Management Team

Paltel Group

Ammar Aker	Chief Executive Officer
Salameh Khalil	Chief Financial Officer
Kamal Ratrouf	Chief Technical Officer
Khalil Hamad	Board of Directors Secretary
Basel Amer	Chief Internal Auditor
Imad Lahham*	Public Relations Senior Director
Waleed Fteiha	Supply Chain Senior Director
Hatem Natsheh	Regulatory Affairs Director
Michael Hajal	Financial Controller

*Mr. Imad Lahham last day of work was on 31.12.2017

Paltel Group Foundation for Community Development

Samah Abu Oun	General Manager
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Palestine Telecommunications Company (Paltel)

Maen Melhem	General Manager
Khalil Abu Salim	Gaza Regional Manager
Ali Abdellatif*	Chief Technical Officer
Khaled Sayeh	Strategic Planning and Development Director
Yaser Touqan	Supply Services Director
Mahmoud Jallad	Customer Care Director
Luay Abu Shkhaidem	Sales Director
Ihab Salous	Wholesale Director
Zahi Kanaan	Finance Director
Ibrahim Kharman	Marketing Director
Sulaiman Abu Hejleh	Human Resources Director
Basem Atrash	Technical Operation Director
Nezar Shana'a	Information Techniques Director
Jamal Taweel	Core Operations & Development Director

*Mr. Ali Abdellatif last day of work was on 31.12.2017

Palestine Cellular Communications Company (Jawwal)

Abdulmajeed Melhem	General Manager
Omar Shamali	Gaza Regional Manager
Maher Barrouk	Human Resources Director
Amjad Al-Bishtawi	Network Operations Director
Nadia Mansour	Corporate Supply Chain Director
Malak Ziadni	Information Technology Director
Alaa Hijazi	Marketing Director
Mamoon Fares	Customer Care Director
Fayez Emter	Sales Director
Hatem Turabi	Finance Director

Hadara Technology Investment Company (Hadara)

Rami Quttaineh	General Manager
Iman Shaka'a	Technical Director
Rami Abu Rub	Finance Director

Reach Communication Services Company (Reach)

Hisham Ziad (Instead of Rami Shamshoum*)	General Manager
Yousef Jaber	Information Technology Director
Mahmoud Khatib	Operations Director
Iyad Habbash	Supply Chain & Human Resources Director
Fadi Barrouq	Commercial Director

*Mr. Rami Shamshoum last day of work was on 31.12.2017

External Auditor

Ernst & Young- Middle East

Legal Advisor

Al- Zubi Law Firm

Financial and Management Report



- Business Sectors
- Competitive Analysis
- Financial & Operational Outcomes
- Group Family

Business Sectors



Palestine Telecommunications Company (Paltel)

Paltel is rolling out a new slogan, «Change Tomorrow» to highlight the services and activities its internet and telephony enables. Paltel's new tagline is to encourage an innovative culture, to inspire young people to be innovative through the use technology to make a better tomorrow.

Scope of Business

Paltel is the main telecommunication and infrastructure network of the ICT sector in Palestine. It is also the main provider of high-speed Internet, fixed telephone, connectivity services, data transmission, and wholesale services for major telecom operators throughout the Middle East.

Key achievements in 2017

Quality Data Centers- First of its kind in Palestine

In 2017, Paltel implemented one its largest investments of the year, the establishment of quality data centers in both Al-Bireh and Nablus. Currently, Paltel is finalizing the data center project in Al-Bireh, while have already completed the data center in Nablus at its headquarters, with the highest standards of data centers worldwide, and by using the latest technology, in order for subscribers to benefit from the highest level of hosting and connectivity services that guarantees a customer's safety and privacy.

Technological Revolution in Applications

Paltel recognizes the importance of internet in all aspects of our daily lives. Therefore, Paltel launched its application «Paltel NetGuard» to enable subscribers to manage internet network in their homes and control all connected devices from anywhere and at any time.

14 Mbps Speed Rate in Palestine

Throughout the years, Paltel has invested in the ongoing development of its network, to allow its subscribers to enjoy the highest internet speed. Today, average internet speed in Palestine exceeds 14 Mbps, bringing Palestine to the third rank in terms of speed rate compared to neighboring countries. In 2017, Paltel also launched new internet line speed up to 100 Mbps as well as new fiber internet speed to 200 Mbps.

Strategic Partnerships for Advanced Services

Paltel signed various agreements in 2017, the most important of which was the signing of an agreement with «GENBAND» to adopt «NGN» network which convert phone switches into electronic switches, in order to save time, effort, and cost, and increase the quality of services provided to subscribers of both internet line and business sector. To date, over 25,000 telephone lines were transferred to «NGN» network. Locally, Paltel signed partnerships with most

of the large banks and institutions in Palestine to provide it with interconnection and internet services and link their branches to the main headquarters.

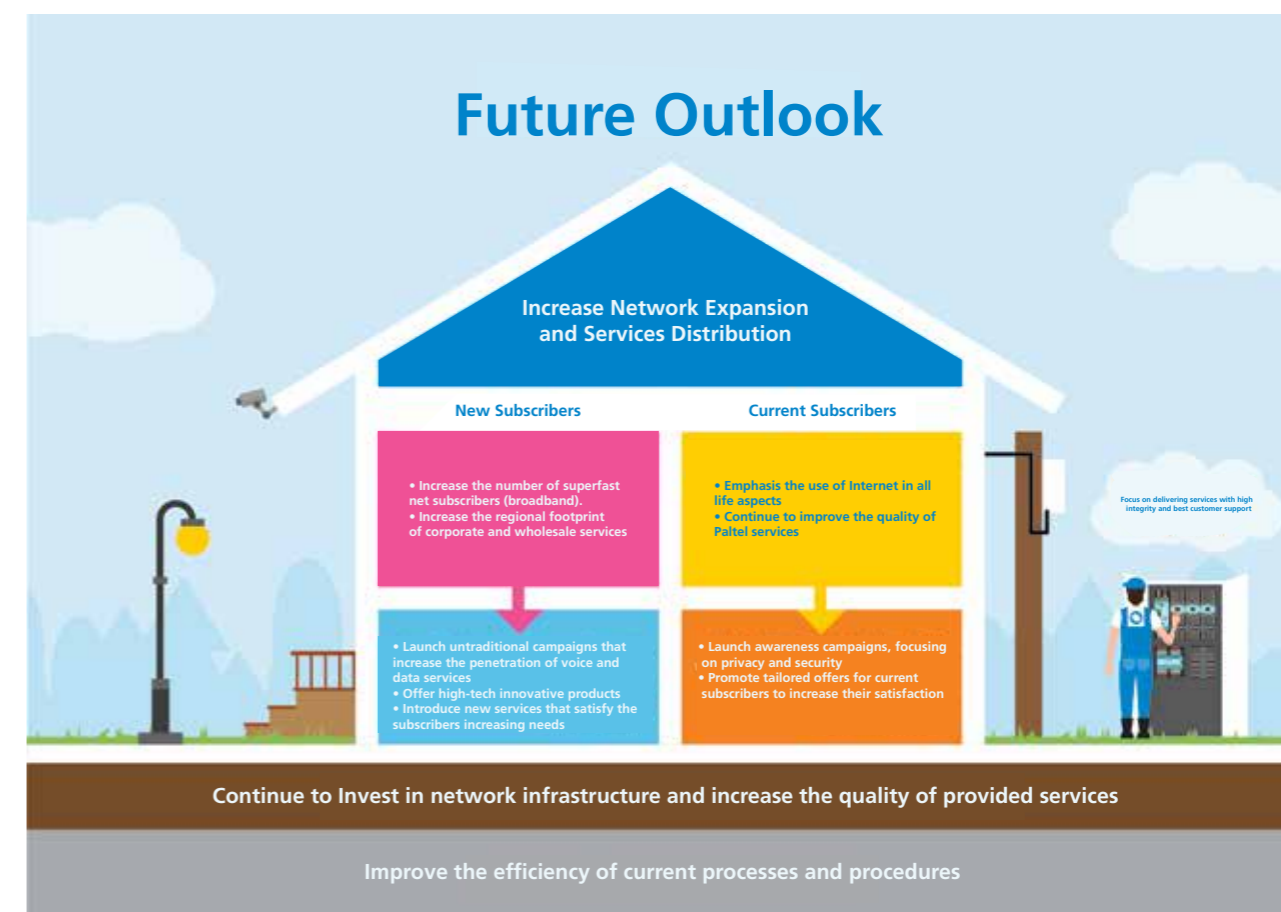
Networking, Interaction, Involvement, and More on the Social Media

Paltel hosted the social media expert, Khaled Al-Ahmad, to provide specialized workshops on the latest developments in the social media and the proper management of these sites. The workshops were organized in a number of Palestinian universities.

Challenges in 2017

Paltel faced many challenges in 2017 including the illegal competition by the non-licensed Israeli operators, which included the resale of Wi-Fi services and placing illegal cables in Palestinian areas, which has led to the oversharing of the same internet line that violates the the privacy of subscribers. Also, the hassle and delay of entering materials into Gaza Strip in order to expand the network and serve all subscribers of the sector.

Future Outlook



Key operational and financial indicators of 2017

472K (Fixed lines)
+9.3% increase compared to 2016

357K (Super-fast internet lines)
+11.4% increase compared to 2016

10.1%
Fixed line penetration rate
(excluding residents of Jerusalem)

75.6%
Spread of super-fast internet lines compared to fixed lines

14 (Mbps)
Average speed provided by Paltel

Top campaigns in 2017



Business Sectors



Palestine Cellular Communications Company (Jawwal)

Vision

Jawwal seeks to remain the mobile forefront leader in Palestine by providing top-notch services to the Palestinian end user. Jawwal consistently overcomes any obstacles that come its way by establishing a united, connected society, to guarantee the ongoing growth of the national economy

Scope of Business

Despite the difficult political and economic circumstances, Jawwal has been able to achieve continuous and concrete success since its establishment in 1999. Jawwal has succeeded to overcome those obstacles and establish itself as the first mobile operator and 3G services provider in Palestine. It achieved a Palestinian dream aimed at excellence and creativity, through the restless and continuous work to provide up-to-date mobile telecommunications services and applications in the Palestinian market with the highest standards of efficiency and quality in a dynamic and fast changing sector. Jawwal has built and developed a strong and secure communications network throughout the country.

Key Achievements in 2017

The year 2017 represented a qualitative leap in Jawwal's journey as it witnessed many historical achievements that put Jawwal on the threshold of a new phase of development and technology.

One of Jawwal's key achievements for the past year is maintaining the pioneering position and market share in the Gaza Strip despite Wataniya Mobile launching its services in the sector. This achievement reflected the loyalty and trust of Jawwal's subscribers as the most distinguished network with its programs, offers, prices, and quality of services.

Commercially, Jawwal maintained its continuous efforts to improve the level of services provided to its subscribers, through strengthening its leadership position in the Palestinian market in line with its strategy focusing on excellence and innovation. Jawwal guarantees to provide the most diversified and best-priced services in order to meet the needs of each Palestinian subscriber.

This year, Jawwal was active on all social media networks in regards to its customer care services, as it is the first company to offer such services, which resulted in the improvement of its services, speed, and quality. This in addition to its continued sponsorship of various Palestinian sports, and signing of many local and international agreements with sporting and educational bodies, ministries, private and public companies, and others.

In terms of technical and managerial achievements, Jawwal worked intensively in 2017 to be ready to provide the

most advanced 3G services in Palestine, by investing in the latest 3G network. As a result of the continuous work and strategic planning, our teams completed the preparations of the network, installed stations, and carried out civil works required to operate the 3G service in a timely manner. To achieve this, Jawwal built a strong network of more than 1000 towers covering all cities and villages in the West Bank, and announced to launch the 3G services at Expo 2017.

In addition, Jawwal implemented various projects aiming to provide the best service to its customers, by completion of 85% of the new billing and subscriber service management system (CRM&Billing). In order to overcome the problems of continuous power outage in Gaza Strip, Jawwal completed the second phase of the solar cells project to provide power to their stations. It also implemented an electronic financial transfer system with banks and other development projects.

Challenges in 2017

One of the most important challenges facing Jawwal is the instability of the economic and political situation, especially in the Gaza Strip, which affects the possibility of implementing the required equipment and devices throughout the Palestinian territories. The increasing illegal penetration of Israeli telecom operators in the Palestinian territories, and their attempt to benefit commercially and economically from the market represent a major challenge for Jawwal, especially as they offer modern technologies that Palestinian companies were deprived of for many years. The denial of 3G services to the Gaza Strip continues to be a challenge and obstacle facing Jawwal, which, however, will seek all available means to obtain the necessary approvals for the provision of 3G services in Gaza.

Future Outlook

Jawwal plans to upgrade the quality of services offered to its subscribers, and increase customer satisfaction, by expanding its investments in network and system optimization. It is mainly focusing on commercially launching 3G services in the West Bank in the beginning of 2018 and later in the Gaza Strip, pending Israeli approval.

The company will also deploy and develop 3G services throughout the country at the highest possible level in order to keep pace with the services provided globally and regionally, thus providing a competitive advantage over the illegal services provided by Israeli telecom operators. In addition, Jawwal seeks to claim its right to provide 4G and 5G services to its subscribers.

Key operational and financial indicators of 2017



Top campaigns in 2017



Business Sectors



Hadara

Hadara Technology Investment Company (Hadara)

Vision

«Hadara, a new world» Hadara's vision is to provide the most advanced and high quality technologies with new improvements in communication and information technology, and upholding creativity in all aspects of our products and services in order to enrich the lives of our subscribers in Palestine.

Scope of Business

Hadara provides Internet services for the Palestinian market in an innovative, reliable and high quality manner. It seeks to continue to be the best and largest internet service provider in Palestine by offering new trends in entertainment through its various products, such as Hadara TV and SuperBox-V router.

Key Achievements in 2017

- In the first quarter, we launched «Men Hal'aen» campaign to new subscribers and at very special prices.
- In the second quarter, we launched «Mesh Ma'aool» campaign to new subscribers and at very special prices.
- In the third quarter, we launched «Sura'atak A'alyna wa Se'arak ma Gh'lyna», speed was increased to all current subscribers.
- Launch of «Wala Ashal men Hek» to new subscribers and at very special prices.

In terms of products, Hadara launched the following campaigns:

- «Elfarha Plus» campaign which allowed the current and new subscribers to obtain the product (Hadara TV), rich of many free applications, most important of which is «icflix» which is the largest library of movies and TV series at special and competitive prices.
- «Always together in Ramadan», which offered «Hadara TV» to the current and new subscribers at competitive prices and enabled TV users to benefit from «Shahid Plus» service. Hadara also offered its current users a two-month subscription free of charge when they buy its router, as well as a two-year warranty in the West Bank.

Challenges in 2017

Hadara faces many challenges in terms of illegal competition by the Israeli Internet companies by providing «4G» services, in addition to high competition in the Palestinian market as a result of the increasing number of licensed or unlicensed Internet companies offering Wi-Fi

Future Outlook

Hadara seeks to maintain its pioneering position in the IT sector to meet the needs of its subscribers. It provides the most advanced Internet services and the best home entertainment experience, by launching competitive campaigns at special prices, offering special plans to the current subscribers with many easy and interesting features, and continuously upgrading its services and products. The company provides the best customer care services to ensure the best technical support and after-sales services.

Key operational and financial indicators of 2017

10%

Growth in number of subscribers compared to 2016

13%

Growth in net revenues compared to 2016

11%

Growth in gross profit compared to 2016

Top campaigns in 2017



Business Sectors



Reach Communication Services Company (Reach)

Vision

Reach aspires to remain the leading company in providing communication and customer care services of highest quality standards locally, regionally and globally through using communication services in providing creative solutions that meet various needs in this field.

Scope of Business

Reach, as the first call center specialized in providing customer care services in Palestine, seeks to activate the role of information center and make it a key tool for each company as per its work nature and needs, to help them to achieve the best customer satisfaction levels, through providing innovative and non-traditional solutions using distinct mechanisms to communicate with its customers and allow them express their needs in a systematic and documented manner.

Key Achievements in 2017

Reach's management team worked tirelessly to strengthen the company's leading position in the local and international markets by signing new business agreements with local and regional companies and institutions, including banking sector, finance companies, consulting firms, non-profit organizations, UN institutions, municipalities, and various companies specializing in products and food, though providing them with unified call center services for incoming and/or outgoing calls.

Additionally, Reach added new services to manage and monitor social networking sites to target new customers in the local and international markets. In terms of technical and administrative achievements, efforts were made to strengthen the relationship with Palestinian universities in order to attract graduates. It is worth mentioning that a new incentive policy was adopted for employees of the Information Center in order to increase quality and improve performance, as well as to invest in training of approximately 53% of employees to develop their skills and abilities. A virtual environment has also been built to transport the company's servers, invest in open sources «Elastix System», and upgrade the infrastructure using «Fiber Link». We also launched new services including «CLI, Post Call Survey» as well as upgrading selling services and automation of the interactive reply service. The company has also shifted its strategy to objectives in various departments of the company, which are then translated into performance indicators at the level of management, department, and the employees of different job levels. The annual increase and rewards are linked to the results of the financial performance evaluation of the company and the employee's performance related to achieving the desired objectives.

The company entered into several agreements and strategic partnerships with foreign parties in 2017, the most important of which were Unipal, Philip Morris, and a number of insurance companies such as Global United Insurance and National Insurance, as well as the Municipality of Ramallah and Nablus. Internationally, we are following up inquiries from incoming calls and outgoing calls, and implementing management services of Philip Morris's social media accounts.

Challenges in 2017

One of the most important challenges faced by Reach in 2017 is the lack of sufficient awareness of the importance of having a unified call center which in turn enhances the company's position among its customers, maintains a high level of customer's satisfaction, and improves the company's cost bases. The company therefore cancelled some projects that are not feasible or that carry costs exceeding their revenues. This is addition to the challenges of entering the international market, which we overcome by developing a plan to strengthen the presence of Reach regionally and internationally by contracting with related companies looking for international cooperation opportunities.

Future Outlook

Reach aspires to increase local and global revenues and profits, reach new markets, and increase customer base. It also aims to create new and quality services with the highest international standards, seeks to manage and follow up the social media pages of customers, and provides live chatting services on customer's web pages.

Key operational and financial indicators of 2017

40K

Average number of incoming daily calls

1,600

Average number of outgoing daily calls

4%

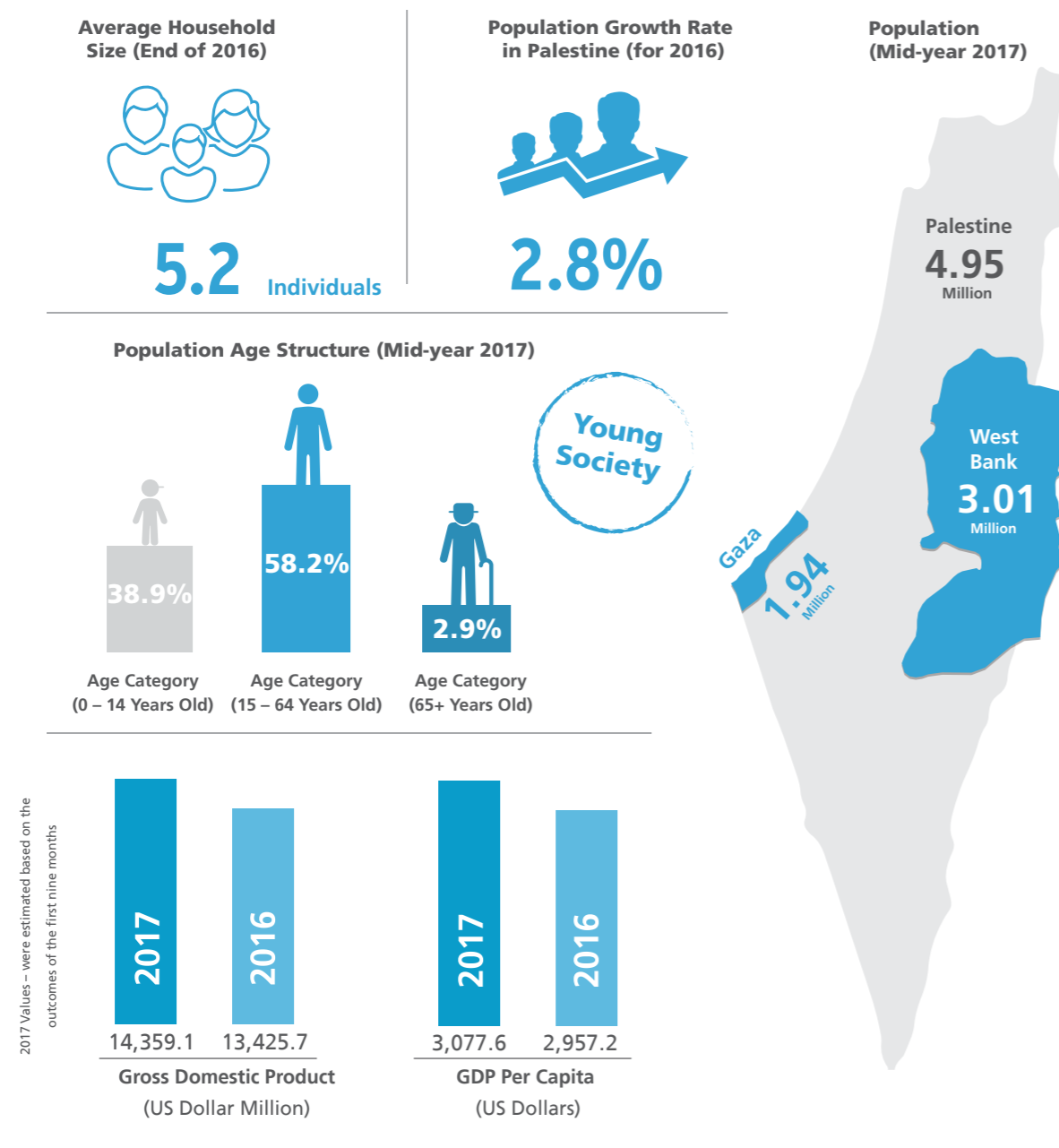
growth in revenues compared to 2016

86%

growth in net profit compared to 2016

Competitive Analysis

Palestinian Society and Economy at a Glance



739.5 (US Dollar Million)
Added value of ICT sector to GDP
(Year 2016)



5.5%
ICT sector contribution to GDP
(Year 2016)

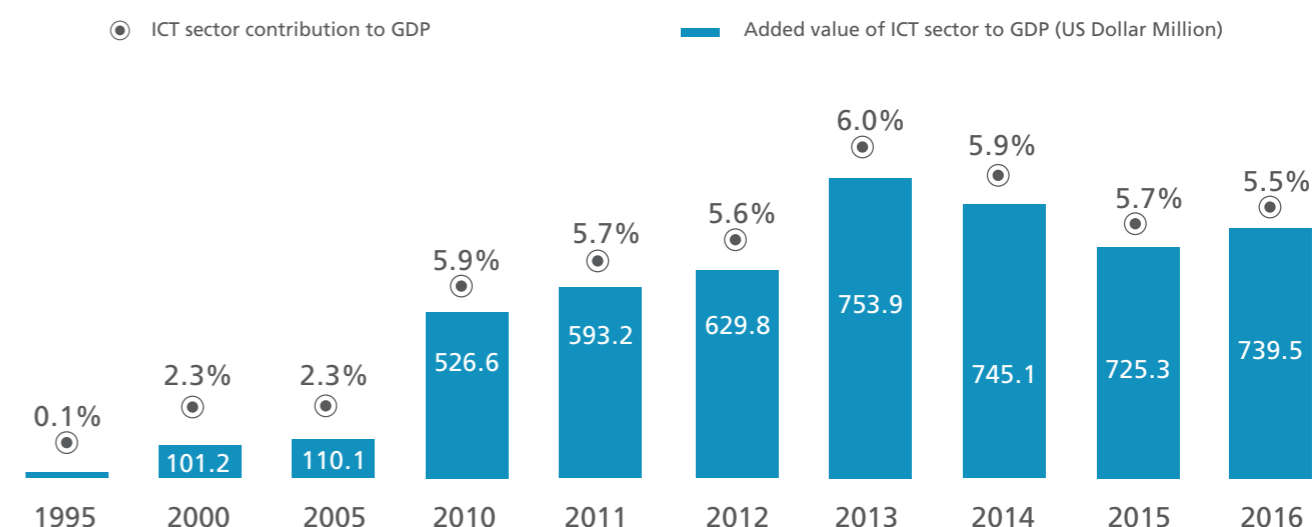
Source: Palestine Monetary Authority and Palestine Central Bureau of Statistics

Information and Communications Technology (ICT) Sector in Palestine

The Information and Communications Technology (ICT) sector is considered one of fastest-growing economic sectors in Palestine. It is one of the most important contributors to the development of the Palestinian economy, along with contributing to the structural change of social and economic advancement. This sector's added value amounted to USD 739.5 Million during 2016, with a contribution percentage that amounted to 5.5% of the Gross Domestic Product (GDP) in Palestine.

Added value of the ICT sector in Palestine for the years 1995 – 2016 at current prices

(Recent data available from Palestine Monetary Authority)



The Information and Communications Technology Sector in Palestine has undergone a series of milestones over the last few years. It encountered many challenges and obstacles that were imposed by the Israeli occupation, which has prevented the ICT sector from advancing. For many years, the Israeli authority has imposed restrictions on the establishment of Palestinian networks and the import of equipment and devices that employ the latest state-of-the-art technologies in Palestine, as well as the illegal competition of Israeli operator's within the Palestinian market. Most importantly, the Israeli authority controls the radio spectrum and has deprived the ICT sector from implementing 3G and 4G services.

Despite the challenges that were imposed on the ICT sector in Palestine, it continues to play a vital role in promoting the scientific, educational and economic level of the Palestinian society. Paltel Group is one of the leading companies in developing the ICT sector through its continuous work of developing the infrastructure of communication networks with the latest technologies available. Furthermore, it treats customers' satisfaction as a priority to ensure subscribers and end-users are provided with the best services and packages at competitive prices.

Digital Services Sector

Digital Services sector is one of the promising sectors in the Palestinian market. The Israeli authority has played a major role in delaying and hindering the development and growth of this sector over the last few years due to its control over radio spectrums. However, Paltel Group and its companies make sure to be the frontier of development of the sector in order to impact the Palestinian economic growth as a whole.

Competitive Factors Analysis

In regards to fixed line, internet, data transmission services field and other added services, Paltel has worked for more than 20 years in providing high quality and affordable services that stimulate and meet the needs of its subscribers as well as leading them to new horizons in communications technology.

Paltel is considered the main infrastructure of the ICT sector in Palestine. It is the main provider of high-speed internet and fixed telephone services, as well as data connectivity and data transmission services. Paltel strives to promote its partnership with the Palestinian business sector, as it believes in the importance of internet and data transmission services that became an important part of Companies' needs. Additionally, Paltel has established itself as a successful company and choice for the Palestinian end user, despite the many challenges it faces due to the illegal competition by Israeli operators. Despite these challenges, Paltel has been able to maintain its network in areas classified as "Area C" and sustain its market share and provide subscribers with the best services.

In regards to our mobile operator, Jawwal has continued to provide high quality services and latest cellular services and applications. Since its establishment, the company has strived to diversify all segments of society, which has established itself as one of the leading companies in the Palestinian market. Jawwal is a detail oriented company that pays close attention to its customers through its continuous effort to improve its services and quality of performance. Despite the many challenges it endures, it is one of the leading companies in Palestine. One of the many challenges is the illegal competition by Israeli providers within the Palestinian market. Israeli companies illegally provide 3G and 4G services throughout the West Bank, as it possess the capabilities to offer more developed services than Palestinian mobile operators. In January 2018, after a decade of delay, the Israeli authority finally lifted its ban and allowed Palestinian mobile operators to launch 3G services in the West Bank.

In the field of providing internet services, Hadara Company succeeded through its staff and distinguished employees to continue the innovation and excellence in offering the latest technology and technological services. The Company continued to be the biggest internet service provider in Palestine. It succeeded in meeting various needs in the Palestinian society, such as providing latest services and programs that have a major role in facilitating the business of commercial sector and meeting the needs and aspirations of companies in various activities. As for individuals sector, it provided the subscribers with high quality and affordable internet services.

Reach Company is the first call center specializing in customer care service in Palestine. It aims to provide top notch services with the highest quality standards every step of the way. The Company has built a high level of customer satisfaction over the years. It has signed agreements with many local and regional companies in order to increase its market share.

Palestinian Information Technology Association "PITA"

Palestinian Information Systems Association (PITA) represents more than 150 companies working in the telecommunication and information technology sector, which is considered as one of the most important emerging and founded companies in Palestine. This Association was established in 1999 as a non-profit organization concerned with the interests of the Palestinian ICT sector and aims to highlight the positive social impact achieved by this sector, hoping that the Palestinian people would contribute to foster innovation and participate in building the global knowledge.

Relationship with the Palestinian Ministry of Telecom & IT

Out of its vision and awareness that the development of any country depends on keeping pace with all technological developments, quality, and diversity of the services and applications being provided, The Palestinian Ministry of Telecom & IT has worked to achieve continuous developments and enhance the performance of the ICT sector in Palestine, which has played a major role in raising the national economy and establishment of an sustainable information society. Furthermore, as the regulatory authority for Palestinian telecom sector, the Ministry achieved impressive outcomes in providing a fair regulatory environment to promote competition and transparency between companies operating in the sector, and enact policies and legislations that protect the end user.

The Palestinian Ministry of Telecom & IT developed several strategies aimed at enhancing information security and implementing the highest international standards that will improve the quality of e-services and increasing the satisfaction of different types of consumers and beneficiaries; individuals, organizations or companies. The Ministry accords the highest importance to the Communication and Information Technology Sector through providing all means necessary for the success of the e-government project and to promote the electronic transformation of government institutions, government departments and private sector companies.

Paltel Group worked closely with the Palestinian Ministry of Telecom & IT to provide modern infrastructure, as well as providing the necessary capabilities and needs for the advancement of the Communication and Information Technology sector, which mainly contributed in the development and advancement of the Palestinian Society in various digital knowledge fields and boost the performance of the national economy as a whole. This cooperation includes the provision of advanced technical equipment and qualified human resources for the use and manufacture of technology in various forms in the purpose of bridging the digital gap and keeping pace with the technological development in developed countries, in addition to the provision of services and applications for subscribers in Palestinian market. Furthermore, Paltel Group works with and supports the Ministry in achieving the full membership of the International Telecommunication Union (ITU), which has a major role in obtaining additional frequencies for 3G and 4G services and other benefits of Communication and Information Technology sector enjoyed by sovereign countries.

The year 2017 witnessed many challenges and important events, most notably the initiation of the experimental operation of Jawwal's 3G services in the West Bank after the allocation and granting of frequencies and construction of the network necessary for the operation of this service. This comes after the renewal of the licenses of Paltel for the establishment, management and operation of fixed line network, and license of Jawwal for the establishment, management and operation of cellular network, data communication and other telecommunications services for the next twenty years starting from 16/11/2016 with a total value of USD 290 Million for both licenses in agreement with the Palestinian Government represented by the Ministry of Telecom & IT and the Ministry of Finance.

Research and Development

Paltel Group accords significant and highest importance in designing and leading research and development operations in purpose of enhancing and increasing the efficiency of current services, as well as inventing new services that aim at responding to the local and regional competition and meeting the needs and changing needs of the subscribers. Group's development activities aimed at improving the level of thought, creativity and production in all fields. Such activities contribute to the development of many practical applications that promote the smooth transition of what is new in the world of knowledge and technology. The Group currently employs part of its revenues in many development activities to improve its efficiency. Hence, increasing the future revenues of the Group. This falls within the future vision of the Group to remain as a leading Company in the ICT sector in Palestine. Group's activities in research and development fields focus on the continuous update of the infrastructure and communication networks to provide its best services and highest quality in line with the international and global standards. Furthermore, the Group works on developing its cadres continuously and attracts the best talents in the local and neighboring markets.

International Quality Standards

Paltel Group and its companies work on implementing and approving the highest quality standards in the world through:

- Motivating the development and enhancement of services and application provided by the Group and its companies, as well as developing employees' awareness of the concept of quality and standards to be followed.
- Evaluation and control of service provision centers, and ensuring the provision of services according to the approved standards in accordance with Company's policies, in addition to maintain copies of records and calls for reference when necessary.
- Hold training courses and workshops for employees and different departments, in order to promote their concept of quality standards, which reflect positively on the performance and qualifications in providing different services for subscribers in the local market or regional and global markets.
- Provision of tools and means required for the cadres operating in the Group and its companies to improve the quality and efficiency of the provided services in line with the aspirations and needs of the subscribers.

Additionally, Jawwal, as the first and leading cellular communications company, recognized regionally and internationally, has obtained the ISO 14001 Certificate, establishing itself as the leading company in this sector. MAK Company performed auditing visits during 2017 and the certificate was renewed. Furthermore, Reach maintained the ISO 27001 Certificate that is used as Quality Assurance System and Policy Certification Integration.

Intellectual Property & Patent Rights

Paltel Group accords the highest importance and interest in Intellectual Property & Patent Rights, through the following:

- Protection of the products and services provided by the Group and its companies against theft, copying, and commercial imitation.
- Protection of the subscribers from fraud, misrepresentation, spread of counterfeit and copied products and services to the local market, which may cause losses and damage to subscribers, whether individuals or companies operating in the private sector or governmental and semi-governmental organizations.
- Protection of the Intellectual Property & Patent Rights, and registration all that is produced by the Group and its companies with the competent legal authorities to ensure the protection of these properties and patents from theft and imitation.

- Protection of the trademark of the Group and its companies, including the names of companies and the logos of Jawwal, Paltel, Hadara and Reach.

Branches and Exhibitions of Paltel



Sustainability

Paltel Group aims to achieve sustainable growth in its productivity and provision of the necessary capabilities and resources to achieve the financial and operational objectives of the Group, through the following:

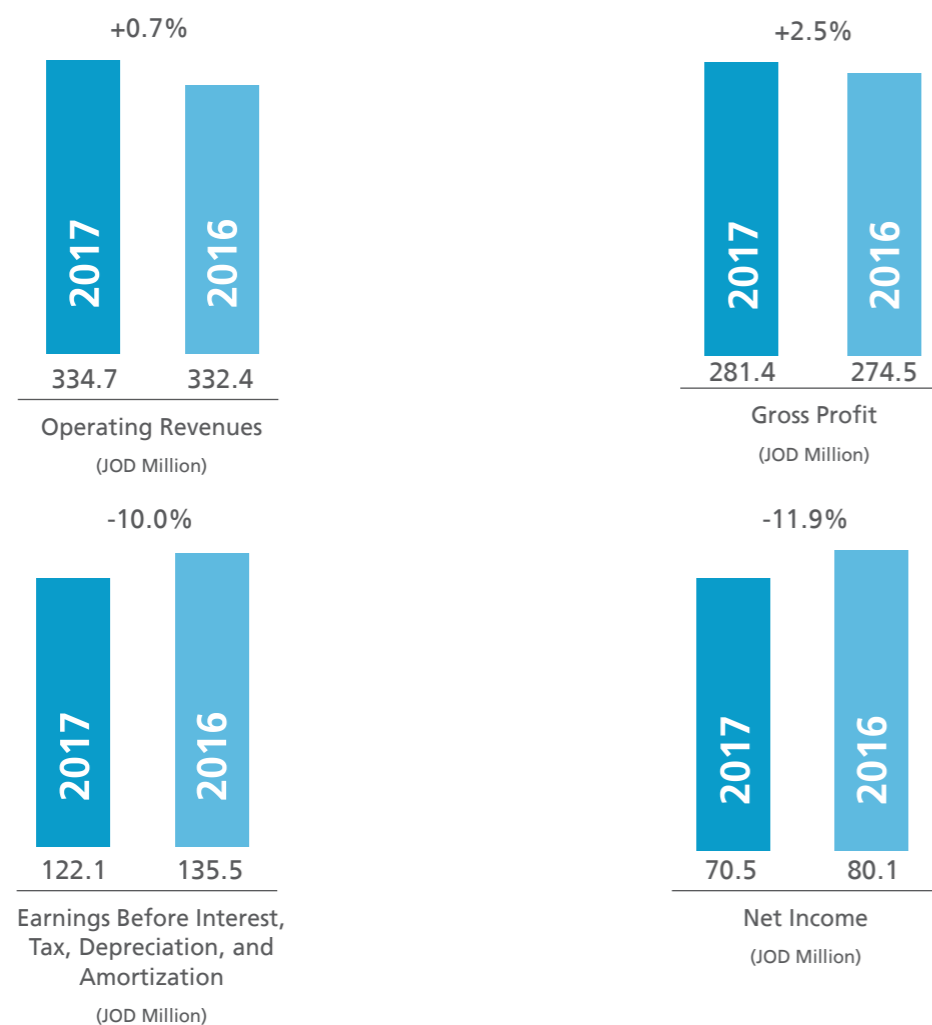
- Set out the objectives and outcomes desired from the concept of sustainability, which is to enhance the competitiveness of the Company, increase profitability margins, expand and enter new markets to take advantage of the available investment and operational opportunities.
- Determination of the parties that affect and influence Company's activity, as well as involving such parties in the process of decision making and provision of the necessary information to enable these parties to know and determine their expectations regarding the financial performance and future opportunities that the Group may achieve in the future.
- Translation of Group's vision and objectives into an executive plan that the management will adopt and consolidate with the employees, suppliers and shareholders.
- Allocation of part of the annual budget to develop the cadres of the Group and its companies, which ensures the creation of an internal environment that embraces the concept of sustainability and applies it in various stages of production and service delivery.
- Adoption of standards and objectives that measure the extent to which the sustainability issue is applied in the Group and its companies, which greatly help to evaluate the performance and take correct actions when needed.

Financial & Operational Outcomes

Financial Indicators

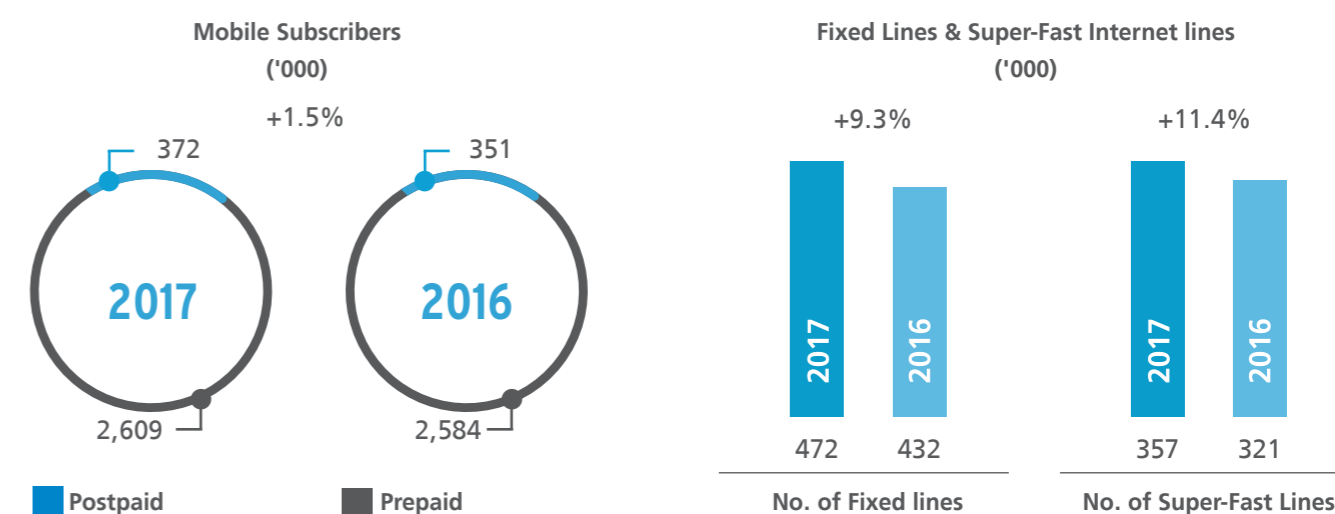
Paltel Group has been able over the years to achieve sustainable growth and maintain the stability of the results and financial performance of the Group and its companies, making it one of the leading companies in the Palestinian market. The consolidated net profit reached JOD 70.5M in 2017 compared with JOD 80.1M in previous year. Accordingly, the earnings per share amounted to JOD 0.536 compared to JOD 0.608 in 2016. The results of the of the current period were directly affected by the renewal of Jawwal and Paltel licenses at the end of the year 2016, which resulted in a higher amortization expense during the period in addition to the cancelation of Jawwal 50% income tax exemption and the expiry of Paltel's 50% tax exemption starting the year 2017.

The consolidated operating revenues increased by 0.7% to reach JOD 334.7M by end of 2017 compared with JOD 332.4M in 2016. Moreover, the revenues from external customers generated by fixed and mobile operating segments have decreased by 0.1% and 2.9%, respectively, while revenues generated from data segment increased by 10.6% compared to 2016. Net profit margin, gross profit margin, operating profit margin and EBITDA margin reached to 21.1%, 84.1%, 20.9% and 36.5%, respectively.



Operational Indicators

Operational indicators associated with number of subscribers witnessed a remarkable growth and improvement over the years. This growth continued through the year 2017 as well, where total number of subscribers (mobile, fixed and ADSL) grew by 3.3% versus end of year 2016 to reach 3.809 million subscribers, which resulted from a growth in the subscribers' base of all segments.



Given the increase in total number of subscribers, the Monthly Average Revenue Per User (ARPU) of the mobile and fixed operating segments declined in the year 2017 compared to 2016 by 5.0% and 7.7% to reach JOD 6.14 and JOD 8.11, respectively, while the ARPU of data operating segment increased by 4.7% to reach JOD 9.51.

The Group's Debt

With regard to the levels of debt and financial obligations, the balance of the utilized overdraft accounts reached JOD 36.8M as of December 31, 2017 out of the total overdraft ceiling of USD 60M (equivalent to JOD 42.5M). During the year 2016, the Group signed a new loan agreement for an amount of USD 100M (equivalent to JOD 70.9M) with a regional bank. By the end of 2017, the loan's balance amounted to JOD 60.3M, out of which JOD 14.2M is due in 2018, and the remaining part will be paid until March 2022.

Analysis of the Financial Position

Paltel Group uses and relies on several internationally recognized standards and principles in the financial analysis process, evaluating and identifying the financial performance indicators of the Group and its companies. This is part of the Group's strategic plans aimed at achieving sound financial planning and operational balance in the near and long term. The Group continuously analyzes the financial statements and determining different financial ratios that help to identify the strengths and weaknesses of the financial policies followed and the financial position of the Group and its companies, which plays an important role in achieving the financial stability of the Group. The financial analysis also helps the Group to discover the best solutions and methods to improve future financial performance and achieve rewarding financial returns to shareholders.

Profitability Ratios	2017	2016
EBITDA Margin	36.5%	40.8%
Operating Profit Margin	20.9%	26.8%
Net Profit Margin	21.1%	24.1%
ROaA (Return on Average Assets) ¹	8.2%	10.0%
ROaE (Return on Average Equity) ²	12.7%	13.9%

Liquidity Ratios	2017	2016
Current Ratio (times)	0.7	0.9
Quick Ratio (times)	0.7	0.9
Operating Cash Flows to Finance Expenses Ratio	24.4	125.1
Operating Cash Flows to Capital Expenditures Ratio ³	2.2	5.3

Financial Leverage Ratios	2017	2016
Total Liabilities to Total Assets	39.5%	45.7%
Total Liabilities to Total Equity	65.2%	84.1%
Interest Bearing Loans and Borrowings to Total Assets	10.4%	8.9%
Interest Bearing Loans and Borrowings to Total Equity	17.1%	16.5%
Long Term Loans to Sum of Equity and Total Long-Term Loans	7.5%	9.8%

¹ Return on average assets is calculated using operating profit plus the results of the investment activities, and the Group's share of associates' results.

² Return on average equity is calculated using net profit excluding net other revenues (expenses).

³ Capital expenditures do not include the investment in intangible assets.

Investments

Palestine Telecommunications Co. (PALTEL Group) marketable portfolio consists of available for sale investments and held for trading investments except for TNB investment which is classified as investment in associates. The split of those securities between the local market and regional markets is as follows:

Investment Classification (Thousand JOD)	Local	Regional	Total
Financial Assets Held For Trading	4,344	4,071	8,415
Available For Sale Investments	49,456	111,493	160,949
Total	53,800	115,564	169,364

The International Financial Reporting Standards (IFRS) are being followed in Palestine Telecommunications Co. (PALTEL Group) to present financial statements with different investment items. IFRS requires presenting the trading and AFS securities at fair market value for each reporting period and to recognize the unrealized gains/losses on trading securities in the income statement, whereas the unrealized gains/losses on AFS securities are recognized in the equity section of the balance sheet. Available for sale investments are stated at cost less accumulated impairment when the fair value cannot be reliably determined due to the unpredictable nature of future cash flows.

Investment Policy

Paltel Group is constantly working on devising a clear investment policy aims at strengthening the financial position of the company and achieving balance in distributing investments geographically and on various economic sectors. The key objective of the Group is to increase and grow current and future profits to provide adequate capabilities to meet the various development needs, such as upgrading the infrastructure, adopting the latest means in communications and information technology. More importantly, the Group is keen to seize promising investment opportunities that will increase capital and maintain good returns to its shareholders through investing their money in the most appropriate manner and at the lowest degree of risk. The Group invests in many feasible economic sectors, the most important of which are the ICT sector, the banking sector, the real estate sector, and other vital sectors. In 2017, the Group took a number of strategic investment decisions, the most important of which was the increase in the ownership of the Group in the Arab Bank PSC to reach 2.5% of the total capital of the Bank. The balance of financial assets available for sale and financial assets held for trading at the end of 2017 amounted to JOD 169.4 million compared to JOD 151.9 million at the end of 2016. On the other hand, cash dividends received from all investments in 2017 amounted to JOD 8.7 million compared to JOD 6.6 million in 2016.

Investment in Companies and Other Activities

Paltel Group aspires continuously to expand its investments and invest its funds in a number of vital and developmental investments and projects, in line with the Group's investment objectives aiming at achieving balance between risks and returns through the distribution of the assets of the investment portfolio geographically and in various economic sectors. Under the guidance of the Board of Directors and its Investment Committee, the Group's Executive Management has worked during previous periods to develop investment plans and strategies aimed at expanding investments and benefiting from the available financial resources in an optimal way. In line with the strategic objectives of maintaining adequate liquidity ratios, our focus was on investing in public listed companies, and the following table shows the most important investments.

		No. of Shares		Ownership Percentage		Market Value (JOD)	
Company	Country	2017	2016	2017	2016	2017	2016
Arab Bank	Jordan	15,795,666	11,999,988	2.5%	1.9%	88,455,730	74,039,926
Cairo Amman Bank	Jordan	10,579,282	10,579,282	5.9%	5.9%	15,868,923	19,571,672
PADICO	Palestine	42,279,573	41,930,573	16.9%	16.8%	44,964,326	34,485,380
The National Bank	Palestine	12,603,318	12,603,318	16.8%	16.8%	16,441,785	16,997,130

In addition to above major investments, the Group has other major investments in companies that are not listed in the financial markets, including Jericho Gate Company (50% ownership), and VTEL (26.3% ownership).

Paltel Group's Operations and Activities outside Palestine

The majority of the Group's operations and activities are concentrated in Palestine, including the provision of the telecom services in the country: fixed line, mobile, data, and media services. On the other hand, the Group manages activities outside Palestine to protect the rights of its shareholders and inspect new promising opportunities for investments that produce rewarding returns with acceptable risk levels. Among these investments is the investment in VTEL Company, which enables the Group to enter into major regional and international partnerships in the telecommunications sector, and thus allowing the Group to expand on a larger regional scale.

Moreover, the Group's activities outside Palestine include direct investment in companies listed in regional active financial markets, noting that the Group's management does not believe that its investments outside Palestine will affect its financial position and solvency, as these investments constitute 13.2% of the overall assets of the Group. These activities are characterized by a wide range of investments, which makes the probability of impairment of all investments at the same time materially low. Furthermore, the results of the Group's business and its strong financial position enable it to bear any losses that may result from the impairment of value of any of its long term investments.

Management Evaluation of the Financial Situation

Paltel Group is continuously working to carry out detailed financial analysis to study and evaluate the financial performance of the Group and its subsidiaries, through the use of a variety of financial methods and ratios applied globally, to identify the challenges that may face the Group or effect the operational activity of any of its subsidiaries. This helps the management in making the necessary corrective decisions to achieve financial balance and stability. The Group's major success in implementing its financial and asset management policies is to maintain a borrowing ratio of 10.4% of total assets at the end of 2017, which is below the regional average for many telecom companies. On the other hand, the Group has been able to expand its financial base with total assets reaching JOD 934.9 million at the end of 2017, while total equity reached JOD 565.8 million.

The Group's working capital reached JOD -84 million by the end of 2017 compared to JOD -26 million at the end of 2016. On the other hand, the current ratio (current assets over current liabilities) reached 0.7 times compared to 0.9 times in 2016. Despite this decrease, the Group is sufficiently able to meet its short-term liabilities and achieve its short-term financial balance. It is also worth mentioning that the Group's future objectives include the possibility of bringing liquidity to its previous levels, coinciding with the completion of the payments obligations in the coming periods, most importantly, the payment of the obligations of the renewal of the licenses of Paltel and Jawwal.

With regard to the abundance of cash and the ability to borrow, Paltel Group enjoys a strong financial base and a stable financial position, which helps it to meet its obligations. The Group managed to maintain a cash balance of about JOD 40 million by the end of 2017, subsequent to paying JOD 129 million to the Palestinian National Authority as part of the total license fees to be paid for the renewal of the operational licenses. The total balance of the short-term credit facilities stood at 5.4% of the Group's total assets while the total balance of long-term credit facilities scored 8.1% of the total equity at the end of 2017. These ratios are reasonable if we consider the regional rates of the telecommunication sector, which enables the Group to get further funding if needed for any future operational or investment activities.

Risks

Paltel Group adopts many procedures and systems that help identify and assess risks that may affect its ability to achieve its financial and operational objectives. The Group also reviews the procedures and policies of risk management and business continuity on a regular basis to ensure that it is appropriate and effective in avoiding risks and minimizing the impact of these risks, which may adversely affect the financial performance of the Group and its companies. According to the management's assessment of the current situation, the Group faces a number of challenges and risks, the most important of which is the fluctuation of the Israeli shekel exchange rate against the US Dollar and the Jordanian Dinar, through the conversion of revenues from the Israeli shekel (operational currency) to the Jordanian Dinar (financial statements currency), which is sometimes reflected negatively on the financial statements. To mitigate this, the Group continuously reduces the impact of risks associated with the fluctuation of exchange rates on its financial statements by resorting to innovative means, including dealing with future contracts and hedging strategies to reduce the impact of fluctuations in currency prices. Additionally, the Group is continuously monitoring foreign currency balances, and following up the latest developments on the economic and political scene that could have an impact on currency exchange rates. Moreover, there are some risks associated with losses resulting from the revaluation of certain financial items in the balance sheet at the end of each financial period, which negatively affects the profitability of the Group and its companies. On the other hand, the Group faces some risks that fall within the fluctuations in the expected yield of some of its existing investments due to several factors, most notably the economic and political instability of some countries in which the Group invested in.

Moreover, there are some other risks and challenges permanently facing the Group, namely, the instability of the political situation in the Palestinian territories, and the continued Israeli control of frequencies. It should also be noted that the second cellular operator started operating in Gaza Strip in the last quarter of 2017, which will have an impact on competition and market share. However, to avoid this, the Group has worked long prior to entering the market by the competitor, through a precise and long-term strategy and action plan aiming at reducing the impact of competitor's presence on the company's results.

Group Family

Human Resources Achievements in 2017

Paltel Group and its companies recorded many achievements in human resources management in 2017, which greatly helped in the advancement of human resources, to ensure the high efficiency and effectiveness of the Group's performance. Key achievements were:

- Developed and updated employee shift management system.
- Upgraded the internal infrastructure and social media.
- Signed cooperation agreements with Palestinian universities for training and development purposes.
- Reach hosted An-Najah University students to partake in a training program.
- Jawwal obtained the ISO 14001 certification, and became one of the leading companies in this field. Audit visits were carried out by MAK, and the certification was renewed.
- Update of labor policies.
- Organized many events and activities to enhance communication with staff.
- Developed mechanisms of interview, recruitment, and selection to attract the first and distinguished candidates to hold our vacancies within clear foundations and standards including recruitment tests, and evaluation of candidates electronically through an evaluation system.
- Provided the largest number of opportunities to train university students and give them the opportunity to discover the practical side and facilitate their entry to the labor market.
- Worked on updating the structure of departments in some companies to better serve the interests of the company.
- Adoption of information security products and implementation of awareness-raising programs on the procedures aiming at protecting the company's data.

Training and Qualification Programs in 2017

Paltel Group and its companies seek to provide its employees with all the necessary courses and consultations to improve their technical skills and develop new developments in their field of work. It also holds training courses on behavioral competencies and participates in international and regional conferences in information technology.

With regard to the difficulties of our staff transportation in the Gaza Strip, we provided Internet-connected distance training. Both Jawwal and Paltel continued to attract new graduates to its training programs (Go Professional in Jawwal) and (Step in Paltel) aiming at enhancing graduate skills in a real work environment.

Additionally, Jawwal signed a collaboration agreement with Al-Quds University within the Dual Education Program, that combines theoretical study with practical application.

Human Resources' Key Policies in Paltel Group

Employment Policy

Paltel Group seeks to provide the best services to its subscribers, therefore, it has adopted the highest standards of transparency and quality as well as clear rules in the procedures of appointment and interviews, based on the availability of a specific job vacancy. For this purpose, we examine the applications submitted by candidates on our website, and give the qualified applicants the opportunity to be with us. The committee interviews a Group of candidates, and then selects the appropriate candidate for the job vacancy based on the recommendations of committee to ensure that the employee who meets his or her technical and behavioral skills required for the position is selected.

Training Policy

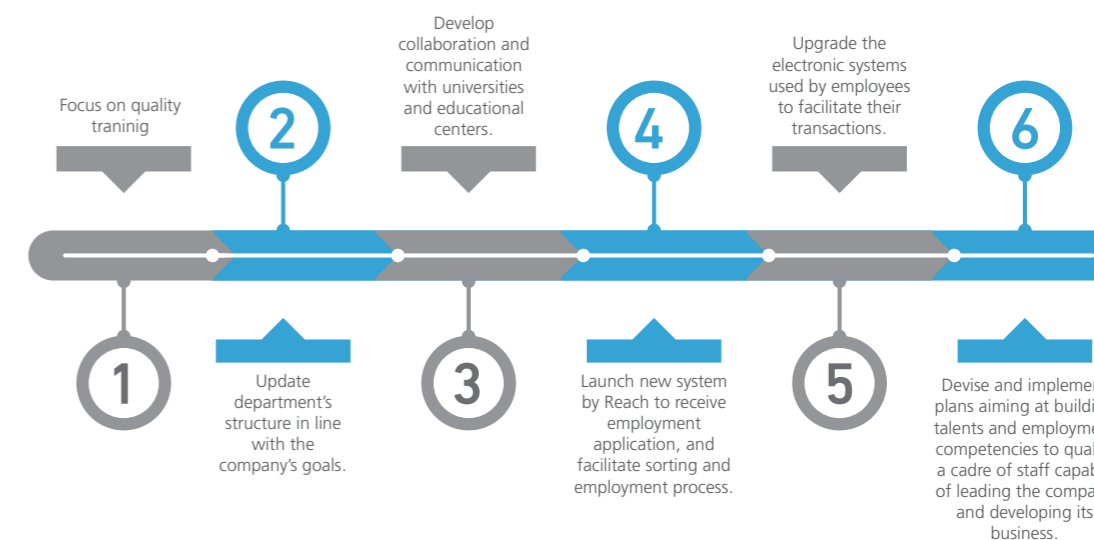
The Department of Human Resources seeks to continuously develop and keep pace with everything that is new in the telecommunications sector to maintain its leadership. The training needs are determined in coordination with the department managers regarding the technical courses or the courses related to the behavioral competencies. Accordingly, the training plan is adopted according to the priorities of the training programs and at the approved budget, and then, we start the programs by selecting the best training centers based on the trainer's resume, the training content, and the pricing offer. Training programs are evaluated by the participants after the completion of the course.

In terms of training for students, we always seek to provide the largest number of opportunities to train university students in order to give them the opportunity to discover the practical side and facilitate their entry into the labor market. We provide a trained and specialized staff to transfer their scientific and practical experience to the students.

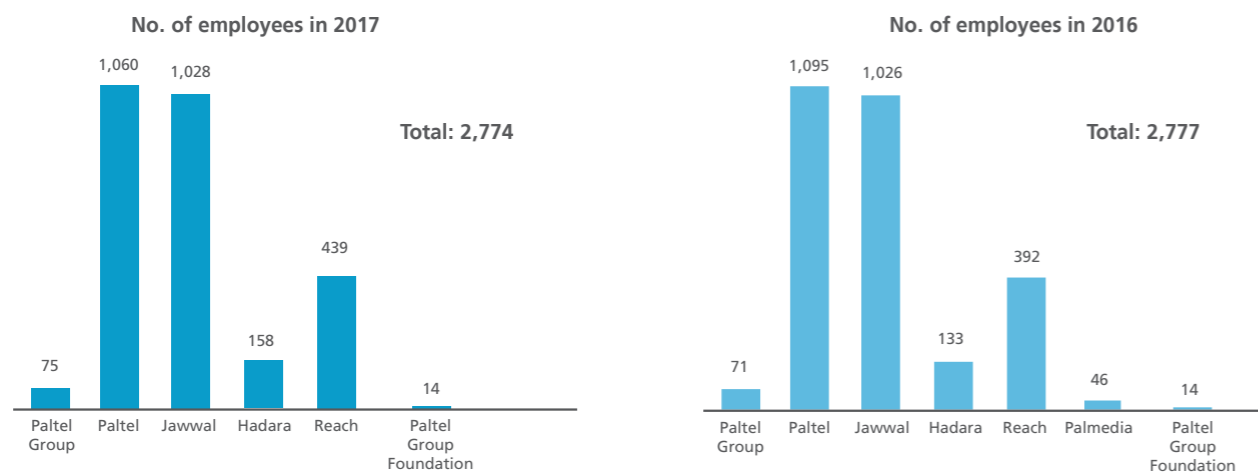
Incentives Policy

Paltel Group, in cooperation with its companies, offers many benefits to its employees, such as the provident fund, the social solidarity fund, health insurance for employees and his/her families, the medical care fund, the social welfare fund, university/college grants to the children of employees, post graduate policy, bachelor's degree and vocational certificates policy, as this is done in order to encourage and support employees to enroll in universities, in addition to annual bonuses and other incentives.

Future Outlook of Human Resources of the Group for 2018

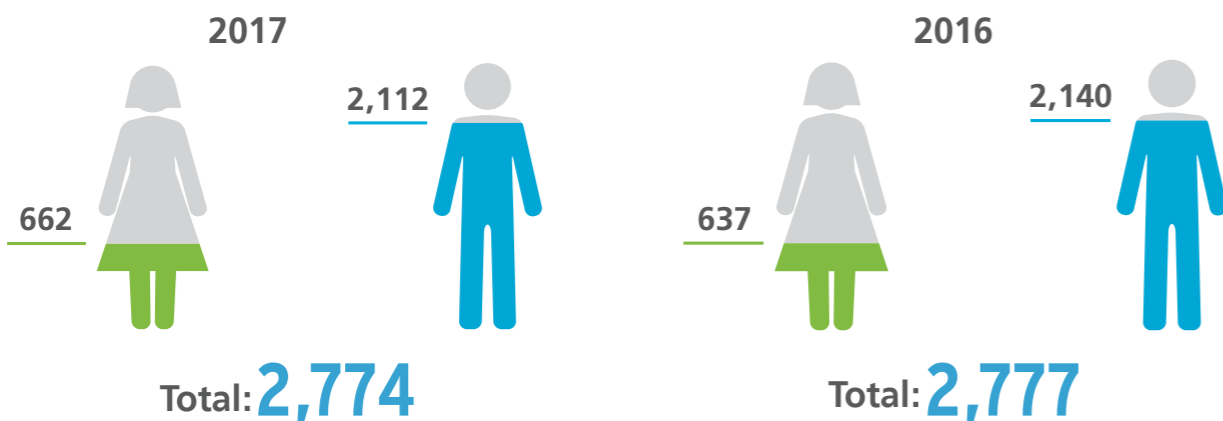


Numbers of employees in Paltel Group and its companies (2016-2017)

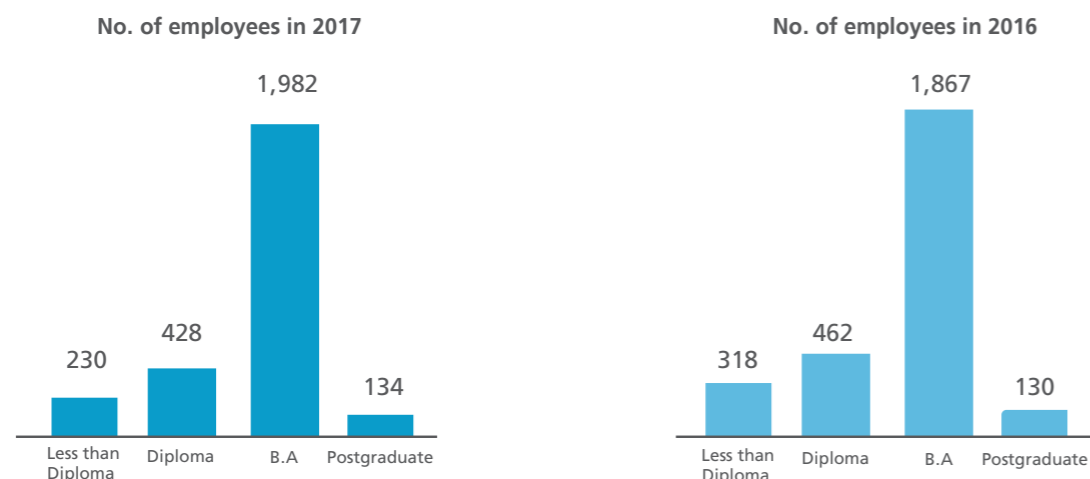


Part-time contract employees were not included in Hadara's total number of employees in annual report 2016

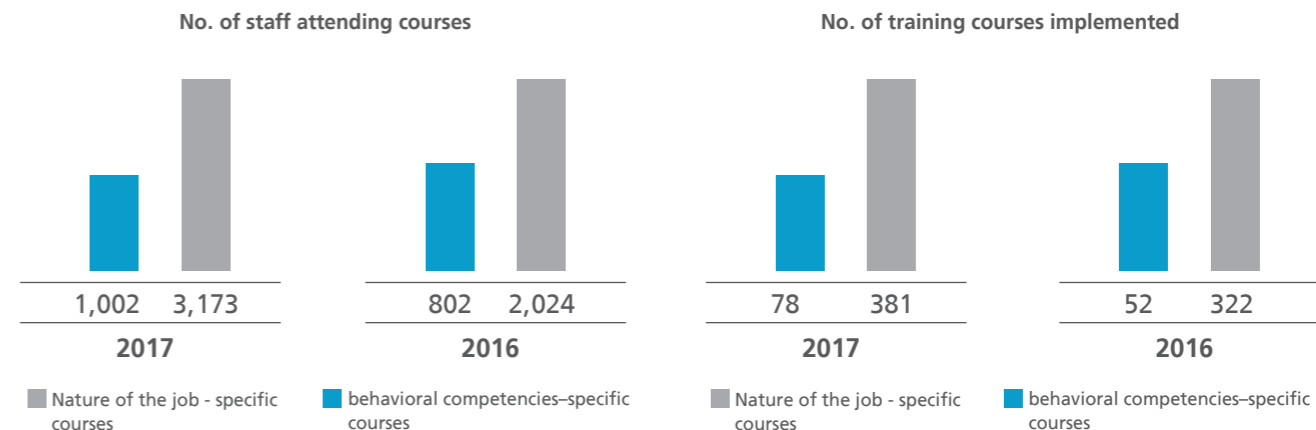
Classification of Paltel Group and its companies in terms of Gender (2016-2017)



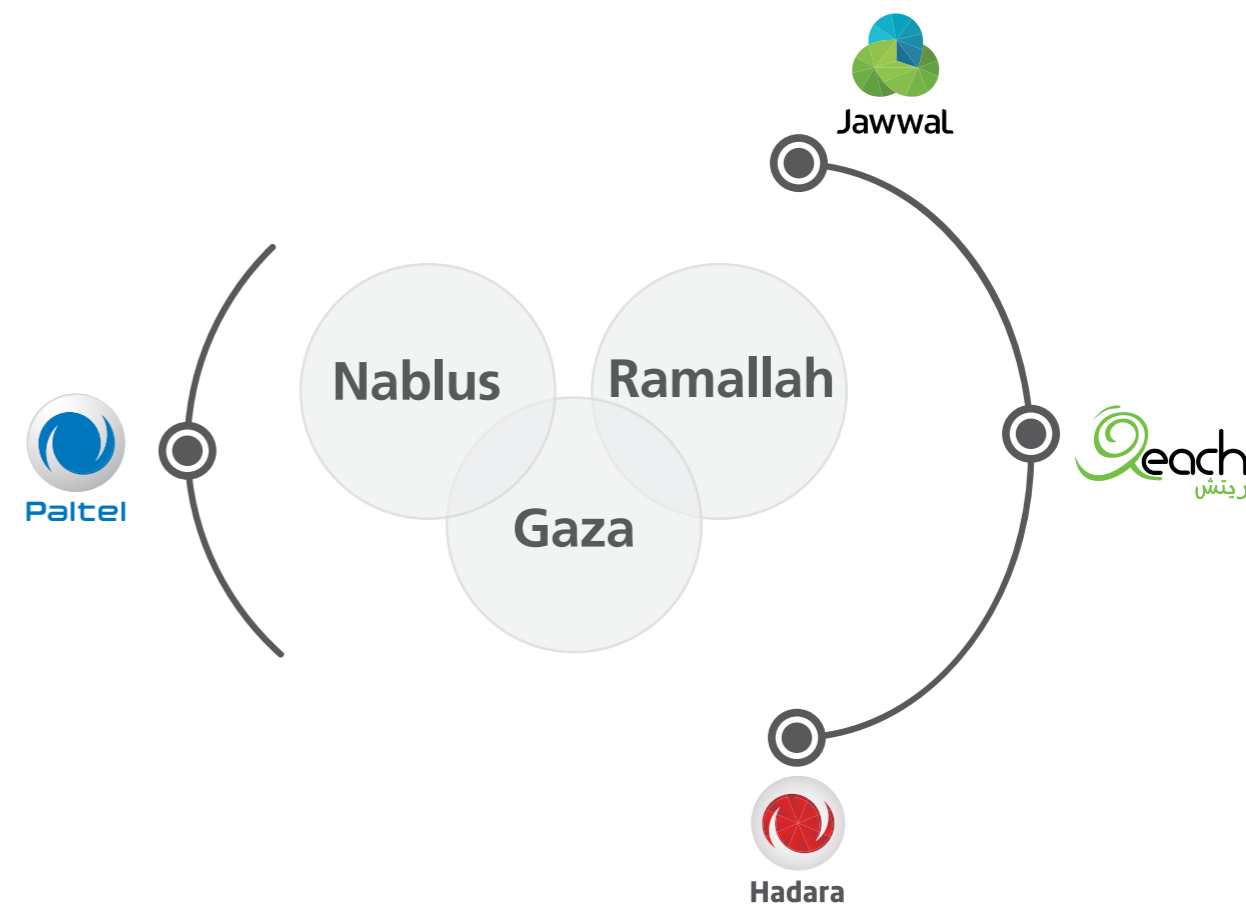
Classification of Paltel Group and its companies in terms of Academic Education (2016-2017)



Summary of training courses (2016-2017)



Locations of the main offices of Paltel Group and its companies



Governance

- Compliance with Corporate Governance
- Legal Disclosures
- Board of Directors
- Internal Monitoring & Control Systems
- Shareholders & Paltel Stock

Compliance with Corporate Governance

Paltel Group aspires to strengthen and establish the principles of governance and include these principles within its internal policies and applicable laws and regulations, in order to enhance quality and performance. The Group is committed to developing privacy policies, managing data, strengthening institutional oversight, defining responsibilities, and regulating relationships between the Board of Directors, the Executive Management, shareholders, stakeholders and related parties, which in one way or another affect the business process. On the other hand, the Group is committed to and significantly contributes to the development of its role in social and environmental responsibility in the Palestinian society. The Board of Directors is continuously making efforts to devise and set objectives and policies for the Group and its companies that are in line with the interests of shareholders, including protection of their rights, fair treatment with them, and compliance with the disclosure of financial statements or any material matters that may affect the Group's financial or operational position. Paltel Group has been committed to working within the framework of the internal regulations and resolutions, whether in the memorandum of association, the by-laws, the resolutions of the Board's meetings, and the laws, circulations, and the provisions applicable by the regulators in Palestine.

Palestine Capital Market Authority

هيئة سوق رأس المال الفلسطينية
Palestine Capital Market Authority



Palestine Capital Market Authority was established pursuant to Article (2) of the Capital Market Authority Law No. (13) of 2004 to regulate, supervise and control performance of securities, insurance, mortgage, and financial leasing sectors in Palestine, through issuing resolutions, circulars and legislation necessary to regulate the market and protect the interests of dealers. With regard to the regulation of the securities sector in particular, the Authority monitors and supervises the issuance, disclosure, licensing, determining exchange commissions, going public, secondary offering, listing, or capital increase, to ensure regulation of Palestine Stock Exchange, listed companies, member companies, and investment funds operating in Palestine.

Palestine Exchange

PALESTINE EXCHANGE
فلسطين بورصة
Palestine of Opportunities
فلسطين الفرص

Palestine Exchange was established in 1995 as a private shareholding company, to regulate trading in securities and provide fair, transparent, and efficient investment environment consistent with the best international practices. PEX operates under the supervision of Palestine Capital Market Authority, pursuant to the Securities Law No. (12) of 2004. PEX aims at placing Palestine on the global investment map, providing a safe trading environment to serve investors and maintain their interests, raising the local community awareness of investment, strengthening relationship with local and regional financial institutions, developing local investments, and attracting Palestinians of diaspora and foreign capital.

Compliance with Disclosure

Paltel Group is committed to comply with all laws, regulations and instructions of disclosing all matters related to the performance of the Group and its companies. Our commitment of disclosure is not limited to the financial statements, but includes the dates and decisions of the board's meetings, insider trading, mandatory items in financial statements, and any information to be disclosed quarterly, semi-annually, or annually, or non-periodic disclosures of material matters that are likely to affect the stock price, whether financial, management or future expectations, so as to allow external stakeholders, including shareholders and creditors, to make any decisions based on any new events and results, which contributes to maintaining the image of the Group and its relationship with all the parties dealing with it. According to the law, PCMA and PEX receive these disclosures and publish them on their websites, while some of these disclosures are also published in local newspapers.



Legal Disclosures

Primary Legal Procedures or Cases in which the Company is Involved

Until 31/12/2017, there are no expected material cases that will result in substantial financial obligations to the company. It should be noted that there are some cases filed by or against the company but without any material financial values.

Stakeholders who are the Group's Debtors or Beneficiaries for any guarantee worth more than five thousand Jordanian Dinar since the beginning of 2017

There are transactions with stakeholders that are outlined in the audited financial statements through Note 35.

Control Over of the Company

There is no specific entity that owns the majority of Paltel stocks, or has the majority of the voting rights or the ability to appoint board members who would represent the majority during the Board of Directors' meetings, taking into consideration the shares of Palestine Development and Investment Ltd. (PADICO) and Palestine Investment Fund, as indicated in the section that illustrates the shareholders ownership percentage of more than 5% from the outstanding Paltel's shares.

Contracts and Deals with Related Parties

Paltel Group did not conclude any contracts, projects or commitments during 2017 as in the sense of what stated above taking into consideration the technical and operations related commitments among the Group companies and affiliated companies which were disclosed in the audited financial statements.

Ownership by the relatives of the Board of Directors and the Executive Management

Paltel Group is committed to disclose any trading that is performed by insiders through its Investor Relations and through brokerage firms that manage the trading process, according to the applied disclosure law.

Affinity or Kinship Relationships between the Board of Directors and the Executive Management

There is no affinity or kinship on the first degree between any members of the board of directors and the executive management staff.

Declaration of Bankruptcy of any Member of the Board of Directors or the Executive Management Staff

No declaration of bankruptcy of any of the current BoD members or executive management employees has been issued, and no legal action or judgment of conviction has been taken against any of the aforementioned including any decision to forbid them from practicing any administrative affairs or certain activities for the past five years.

Salaries and Benefits of the Board of Directors and Executive Management Staff

The salaries and benefits of the senior management for 2017 was in total of JOD 2.05M as short-term benefits and JOD 229 thousand as long-term benefits; in addition to JOD 412 thousand as benefits for the Company's BoD.

Contracts of the BoD Members and Executive Management Staff

No contracts were signed between the Group and the BoD members, while the contracts signed with the employees of the Executive Management are of unlimited duration and do not refer to dismissal or delimitation of responsibilities taking into consideration that the Chief Executive Officer is a member of the current Board of Directors.

Leading positions that members of the Executive Management occupy at any other company listed in Palestine Exchange

Name	Admin position	Location of work	Names of listed companies
Ammar Aker	CEO	Paltel Group	Palestine Telecommunications Co. (PALTEL) Palestine Development & Investment Co. (PADICO Holding) Palestine Real Estate Investment Co. (PRICO)
Salameh Khalil	CFO	Paltel Group	The National Bank (TNB)
Maen Melhem	General Manager	Paltel	The National Bank (TNB) Golden Wheat Mills Co. (GMC)
Abdul Majeed Melhem	General Manager	Jawwal	Palestine Industrial Investment Co. (PIIC)

Discrepancies between the Preliminary and Final Audited Financial Statements

There are no variations or discrepancies between the preliminary and final audited financial statements for the year 2017.



Board of Directors

Role and Duties of the Board of Directors

Paltel Group's Board of Directors is combining efforts with the Executive Management in setting the company's vision, objectives and mission. The Board of Directors also strives to determine the strategic direction of the Group and its companies and set up pillars of financial and operational performance out of its responsibility being the trustee and agent of the other partners and shareholders in accordance with the applicable provisions locally and internationally. On the other hand, the Board of Directors plays an important and fundamental role in enhancing the standards of governance, transparency and control over the Group's financial activities, to ensure the protection of the rights of shareholders and the equal treatment of all parties involved in our businesses. The following duties fall under the Board of Directors' main functions:

- Identify the mission of the Group and its companies, and develop strategies and laws to achieve and implement the objectives and results in various forms, thus contributing to serving the local community and providing rewarding returns to shareholders and other stakeholders. The Board of Directors is also responsible for carrying out a periodic review of the mission and objectives to ensure its effectiveness, relevance and credibility.
- Determine the tasks and authorities of the executive management, follow up and evaluate its performance in achieving the financial and operational objectives of the Group, and verify the applicability of policies, plans and strategies developed.
- Approve the system of granting incentives, bonuses and benefits to members of the Board of Directors, the executive management, and employees of the Group's companies.
- Provide the necessary resources and devise realistic objectives that can be achieved in this regard, in order to strengthen the ability of the executive management to perform its tasks and achieve the desired results.
- Study and evaluate the surrounding business environment, and search for investment opportunities and projects that benefit the Group and its shareholders.
- Review and approve the financial statements and reports, in addition to approval of budget and the Group's results achieved during the fiscal year.
- Review transactions with related parties and ensure their compliance with standards of integrity and independence.
- Carry out many other tasks that ensure transparency and fairness to all parties dealing with the Group and its companies.

Membership of the Board of Directors

The Memorandum of Association and the internal regulations and policies of Paltel Group provide that the number of members of the BoD shall not be less than five members and no more than eleven members, in order to harmonize the composition of the board with the total capital value. Whereas, with regards to the minimum limit of owning shares, a candidate member of the board of directors should own no less than 30,000 shares of Paltel throughout the period of membership; membership is revoked immediately for any member whose shares drop below the minimum limit during his/her membership. Members of the board shall have the skills and competencies necessary to enable them to perform their duties in a distinctive and effective manner, which contributes to the realization of the current vision and the Group's future strategic objectives. Members shall apply good governance, manage and supervise the Group, and be compliant with financial laws and the ICT sector, in which the Group and its companies operate. It's worth mentioning that members are selected subject to fulfillment of the requirements of independence and experience to the extent required by laws, regulations, and local and global governance rules. In addition, members of the Board of Directors shall enjoy a high level of integrity, which contributes to strengthening the foundations of governance and transparency, to provide protection for shareholders and other stakeholders. Moreover, members of the Board of Directors shall be able to devote time and effort to fully and distinctly carry out their duties to the best interests of the Group and its shareholders.

Confidentiality of the Board of Directors

Paltel Group's Board of Directors and its Executive Management are keen to develop mechanisms and systems for maintaining confidentiality of all information related to the current conditions and future directions of the Group and its companies, which may affect in one way or another the prices and trading on the stock in the financial market. On the other hand, the Board of Directors works to establish clear policies and regulations that ensure identifying confidential information that should not be disclosed, and take the necessary steps and measures that help to protect internal information and prevent exploitation by any entity for material or moral gain.

Board of Directors' Committees

Paltel Group's Board of Directors assumes the main responsibility for the Group's business, and supervises the conduct of its business and affairs. The committees of the Board of Directors are appointed to carry out on behalf of the Board of Directors, specific tasks and to submit periodic reports to the Board of Directors. Forming of Board of Directors' efficient and effective consultative committees is an objective the Group seeks to achieve due to its positive impact in taking decisions with absolute transparency and efficiency. The Board of Directors carries out its duties supported by two main committees, and determines their responsibilities. These committees include:

Investment Committee

Members of the committee: Farouq Zuaiter, Zahi Khoury, Samir Hulileh, and Ammar Aker.

Chairman: Farouq Zuaiter

Tasks of the committee:

- Prepare and develop the investment strategies for the Group, and monitor and follow up its implementation.
- Submit recommendations to the Board of Directors regarding the investment opportunities.
- Identify the proper investment policies.
- Submit reports regarding the Group's investments to the Board of Directors and the General Assembly.

It should be noted that Mr. Farouk Zuaiter passed away on 16/2/2018 and his position still vacant up to the date of printing this report.

Internal Audit Committee

Members of the committee: Talal Nasereddin, Basil Abdel Nabi, and Basem Abdel Halim.

Head of the committee: Talal Nasereddin

Tasks of the committee:

- Act as a liaison between the Paltel Group's Internal Audit Department and the Board of Directors.
- Supervise the application of policies, accounting and operational standards.
- Guarantee risk reduction related to revenues.
- Monitor the internal auditing within the Group according to the approved standards.
- Preserve the independence and objectivity of internal audit within the Group.

Meetings of the Board of Directors

Paltel Group's Board of Directors holds periodical meetings at the invitation of chairman, or at the request of at least one quarter of its members, with a minimum of six meetings per year. The Board of Directors shall hold its meetings in the place designated by the chairman, to discuss all the Group's activities, develop policies and procedures and monitor their implementation by the executive management and employees of the Group and its companies. The Board of Directors shall prepare minutes of its meetings in accordance with the requirements and updates of each period, and with the mechanism that ensures the achievement of the purposes of such meetings. The Group is obliged to disclose and notify Palestine Exchange and Palestine Capital Market Authority of the date of the Board of Directors' meeting and the agenda before its scheduled time in accordance with the current disclosure system. It shall, then, disclose the decisions resulting from these meetings to ensure transparency and fair communication with the shareholders of the company. It should be noted that the Board of Directors didn't call for other urgent meetings in 2017.



Ordinary General Assembly Meeting

Paltel Group's Board of Directors hold the ordinary general assembly meeting at least once a year, by serving a written invitation to each shareholder in the company to attend the meeting. Details of such meetings are published in the official local newspapers at least one week prior to the meeting. The twentieth ordinary general assembly meeting was held in April 2017 in Ramallah, Palestine, using visual meetings systems to communicate with the shareholders in the Gaza Strip. The meeting started with the Controller of Companies announcing the valid quorum and requesting the Chairman to preside the meeting. The meeting issued significant decisions including shareholders' votes to approve the board of directors' report, auditors' report, and financial statements as of the end of 2017, as well as discharging

the members of the board for the exercise of their mandates for the financial year 2017. In addition, Ernst & Young was elected as an external auditor for the year 2017. Furthermore, the BoD's recommendation regarding the distribution of cash dividends of 40% of the par value of the share for the financial year 2017 (share par value = 1 JOD) was approved at the meeting.

Extraordinary General Assembly Meeting

Paltel Group did not hold any extraordinary general assembly meeting since 2009.

Election of Board Members

The company's articles of association and bylaws dictate the cycle of the board of directors not to exceed four years, ending with the election of a new board of directors, where the current board shall continue to conduct the affairs and operations of the Group until the new board is elected during the meeting of the general assembly, which shall hold its meeting within a period not exceeding three months from the date of the end of the previous board of directors' cycle, and elect the members of the new board through a secret ballot. Paltel's bylaws sets the minimum number of shares a candidate must hold to qualify for membership of the board of directors, namely thirty thousand shares, as it is not allowed to vote for any membership candidate who does not own this number of shares. The membership of any member is automatically revoked if his/her shares decrease during their membership period. It should be noted that no one who is less than twenty-one years may be nominated to the membership of Paltel Group's board of directors. No person holding a public office may combine that position with the membership of the Group's board of directors.

Board of Directors' Performance Evaluation

Pursuant to the regulations, laws, and good governance principles that Paltel Group aspires to implement, the Group carries out a periodic and independent evaluation of the Board of Directors, with a main objective to ensure that the Board of Directors performs its functions effectively using the necessary competencies and skills to enrich and enhance performance and ensure maximum benefit. The Group follows a number of effective ways and means of evaluating the performance of the Board of Directors, which will protect the interests of shareholders and ensure sound and wise decisions to be taken. This helps in clarifying and defining the role and authority of the Board of Directors and its priorities towards all parties, and defining the Group's values, mission and strategic plans, to be discussed in the periodic meetings held by the Board of Directors. The evaluation process also aims at ensuring that the Board of Directors has the tools necessary to monitor the operational and financial performance of the Group and its subsidiaries, as well as ensuring that it has the required capacity to ensure meeting the needs of the Group and its shareholders. The evaluation process also includes ensuring the effective cooperation between the members of the Board of Directors with each other, and the cooperation of the committees of the Board of Directors with the members and the chairman of the Board of Directors to ensure the provision of appropriate ways and means to control and develop the Group's strategy and performance.

The evaluation is carried out by a specific committee, a specific person, or the Chairman himself. The evaluation may be done by distributing a questionnaire to the members of the Board of Directors so that they can anonymously complete it. The results will then be summarized and submitted to the concerned authorities, which in turn will discuss and apply any corrective actions required.

Internal Monitoring & Control Systems

Due to the expansion and multiple operational and administrative processes, Paltel Group seeks to adopt and implement the up-to-date monitoring and control systems to ensure the improvement of operational performance and the protection of resources from exploitation, in addition to ensuring the reliability and adequacy of information provided to all parties involved in the activities of the Group and its businesses in the administrative, commercial and financial fields.

Paltel Group has established the board of directors' internal audit committee to oversee the internal audit department. The Group's internal audit department follows the International Professional Practices Framework (IPPF) of Institute of Internal Auditors (IIA), which provides mandatory guidance governs the auditing process and helps in providing standards of application and rules of professional conduct to be followed. In 2017, the Internal Audit Department has developed a new internal audit methodology that ensures compliance with the principles of modern auditing and internal audit standards. In addition, it has endeavored to apply best practices in auditing the telecommunications sector through various training courses and active participation with internal audit communities both inside and outside Palestine. The main achievements of the Internal Audit Department in 2017 are as follows:

- Updating the Internal Audit Department in line with the best practices applied globally by restructuring the management to serve this objective and forming a specialized department in auditing the technical aspects.
- Developing a comprehensive and modern methodology for internal auditing and approving it by the Audit Committee.
- Conducting a comprehensive risk assessment for all Group companies and departments. The strategic internal audit plan was prepared for a period of three years based on the results of the risk assessment.
- Developing the program for reporting violations and approving it by the Executive Management.
- Contributing to strengthening governance and internal control frameworks through the development of a conflict of interest policy.
- Conducting the internal audit in accordance with the approved internal audit plan. Key auditing tasks carried out in 2017 was:
 - Revenue Assurance
 - Hedging
 - Optimization of Paltel's networks
 - Corporate contracts
 - Implementation of various consulting services according to the requirements of the Executive Management

The Internal Audit Department adopted an approved methodology based on international internal auditing standards to assess the effectiveness of internal control systems through a comprehensive risk assessment, and identification and prioritization of high risks. Paltel Group carried out an in-depth study and understanding of the operations associated with these risks in addition to an understanding of the control measures applied to control these risks, The audit procedures and the work program are then determined based on the characteristics of the control procedure and the severity of the risk. The examination is done through various tools and means of auditing (detailed examination of a sample of transactions, self-evaluation questionnaires, comprehensive analysis of information, and benchmarking with global

best practices). Limitations, improvements, recommendations proposed by Internal Audit Department are then determined and a timetable is prepared for the implementation of these recommendations by the Management.

In terms of evaluating the internal audit of the internal control systems, no significant impact was identified in the audited activities, nor was there any significant deficiencies in the internal monitoring and control systems of the audited activities. There were also recommendations by the Internal Audit Department to enhance the control systems over audited activities, in which the the Group has taken steps in implementing such recommendations.



Shareholding and Paltel Stock

Investor Relations Department

Paltel Group's Investor Relations Department seeks to enhance channels of communication and encourage exchange of information with current and potential investors by providing information services aimed at making investors more aware of the Group's activities, results, and future plans, thus contributing effectively to improving the Group's position and providing a clear vision of its strengths. The Investor Relations Department pursues a number of strategies to achieve the Group's integrated vision and create effective communication with the investor community, thus contributing in attracting local and foreign capital, and increasing investor confidence. This will positively affect trading volumes on Paltel stock and increase its liquidity in the financial market. Investor Relations Department aims at bringing the investors' expectations closer together with the results and actual achievements of the Group, which helps in achieving fair valuation of the stock in a transparent and honest manner.

The Investor Relations Department assumes a number of functions and tasks that aim at adding a competitive advantage to the Group, locally, regionally, internationally, including the commitment to communicate with shareholders and raise their awareness about the company's strategy and activities, in addition to increasing the efficiency and effectiveness of dialogue with investors, through using various types of audio-visual means. The Department is also keen to clarify the dividend policy adopted by the Group, report the dividends per share approved by the General Assembly meeting held annually, and follow up the distribution of dividends and receipt of them by the shareholders. The Department also publishes the annual report that highlights the Group's financial statements and reviews the results and achievements done throughout the year.

As for the records and information of shareholders, a special automated system is used by the Department's employees to maintain and organize these records, to provide any information related to the shareholders when needed. In order to keep shareholders and related parties informed of latest updates, Investor Relations Department's staff cooperates with other departments to communicate directly and receive all inquiries and questions raised by any party in order to enhance shareholder confidence. On the other hand, the Department is complying with the securities laws and the regulations issued by the regulatory bodies, to ensure that all instructions and laws are implemented in relation to shares ownership and deliberation by the members of the Board of Directors and the Executive Management. The department is committed to adhere to the highest standards of transparency and reliability in the legal disclosure process and provide an overview of the financial performance of the Group and its companies through reports and periodicals published on several platforms.

Forms and Means of Communication with Shareholders

Paltel Group is making great efforts to enhance communication with the existing and potential investors by adopting various means of communication that will enhance the Group's position and deliver its mission and objectives. The Investor Relations Department has been able to dictate and use various means of communication to submit information and presentations to all categories of investors and to the business community as a whole. The website of the Group is continuously updated to include data, financial reports, and information illustrates Paltel stock performance. This will be in addition to various periodic disclosures providing shareholders with adequate and sufficient information in a timely manner, to helps them in making their informed investment decisions.

During the previous period, the Investor Relations Department created an updated database of all shareholders' data that facilitates the mechanism of communication with them through requesting shareholders to fill out an integrated form developed to include basic information, banking information, and contacts of the shareholders, which contributed to facilitating transferring cash profits to the bank account of each shareholder annually and automatically upon distribution of profits. On the other hand, the Department works tirelessly to call for shareholders who have

accumulated profits from previous years and have not yet received them. These efforts resulted in the actual arrival of a large percentage of these shareholders and the distribution of a large part of the accumulated profits.

Paltel Group respects its shareholders' rights and constantly seeks to provide them with the necessary means to participate effectively in making key decisions related to business of Paltel Group and its companies. This is done by enhancing the role of the general assembly's meetings to serve as a platform for communication and sharing of objectives and concerns. The Group exerts huge efforts to ensure smooth agenda of the general assembly's meetings and use of modern means of communication to increase the number of shareholders attending the meetings. In addition, the Group set up appropriate systems allowing increased communication by shareholders to effectively participate and vote in the General Assembly's meetings.

Reports and Disclosures to Shareholders

Paltel Group is committed to fully adhere to the principles of transparency and credibility, apply the best accounting standards when in preparing reports and financial statements published, and add the necessary notes that will deliver the information to any party in a clear and smooth manner. Reports issued to shareholders include quarterly, semi-annual, annual financial statements, and the annual report. The Group is also disclosing these statements and reports within the legal period, and makes enormous efforts to publish information to all parties at the same time in order to ensure equality and equitable access to information.

Moreover, Paltel Group issues and publishes presentations and analytical bulletins to clarify the financial results and operational performance, taking into account that the information shall be presented in a correct and appropriate manner in line with the legal disclosures, in order to help shareholders to make decisions and understand the policies and strategies adopted by the Group, aiming at maximizing shareholder's interests and promoting the mutual exchange of concepts related to the objectives and risks associated with the operational and commercial activities of the Group and its companies. On the other hand, the Group discloses all material matters that may affect the Group's results and continuity of its operating activities. Paltel Group also discloses the results of Board of Directors' meetings and resolutions discussed and adopted by Board of Directors' members that may directly or indirectly affect the price and trading volumes of the security in the financial market.

Collaboration with the Supervisory Authorities and Brokerage Companies

Paltel Group collaborates with various supervisory and regulatory authorities to effectively implement the principles of governance and transparency in accordance with international standards and best practices in order to establish the necessary transparency and disclosure rules. It works to comply with and implement all decisions and judgments issued by regulatory authorities such as Palestine Capital Market Authority, Palestine Exchange, Information and Communication Technology "ICT" regulators, and other local and international regulators that contribute to raising the level and efficiency of the investment environment and the quality of services provided. In addition, the Investor Relations Department is committed to meeting the highest standards and practices applied globally. It also strives to constantly strengthen relations with the international supervisory bodies concerned with the management of shareholder affairs, benefit from their expertise in improving the quality of reports and disclosures published, and identify the most important strategies and mechanisms that can be applied to attract different segments of local and foreign shareholders. The Group is keen to update its employees with the latest developments in the financial markets and the economic arena through attending training courses and conferences that raise awareness and knowledge of the role and role of the Investor Relations Department in communicating information correctly and effectively to shareholders. As for brokerage companies listed in the Palestine Exchange or operating in the neighboring regional

markets, the Group attaches great importance to strengthening relations and enhancing channels of communication between them and these companies, in order to achieve the best interests of shareholders in different regions and provide them with all information which ensures that they make informed investment decisions. It is worth mentioning that during the previous periods, Paltel Group held a number of meetings and hosted brokerage companies, to discuss the main current financial and operational conditions and the future opportunities that the Group intends to take in addition to the obstacles and challenges facing the Group.

Strategy for Investor Relations' Management

Paltel Group adopts an effective and prudent strategy in managing and enhancing the role of the Investor Relations Department to increase communication with shareholders, gain their trust, and improve the relationship with different parties involved in the stock market, aiming at delivering strategic plans and actual results that reflect the outstanding performance of the Group and its companies. The strategy of the Department focuses on providing investors with disclosure and transparency, stabilizing the market value of the stock, maintaining constant liaison with financial institutions, and establishing good relations with fund managers and financial analysts. This aims at promoting the company, attracting investors by addressing existing shareholders and prospective investors, providing reports on the performance of the Group at the specified times, and publishing information related to the dividends, the results of the company, and the expected changes in the set budget.

"Paltel Group is a member of Investor Relations Association – Middle East"



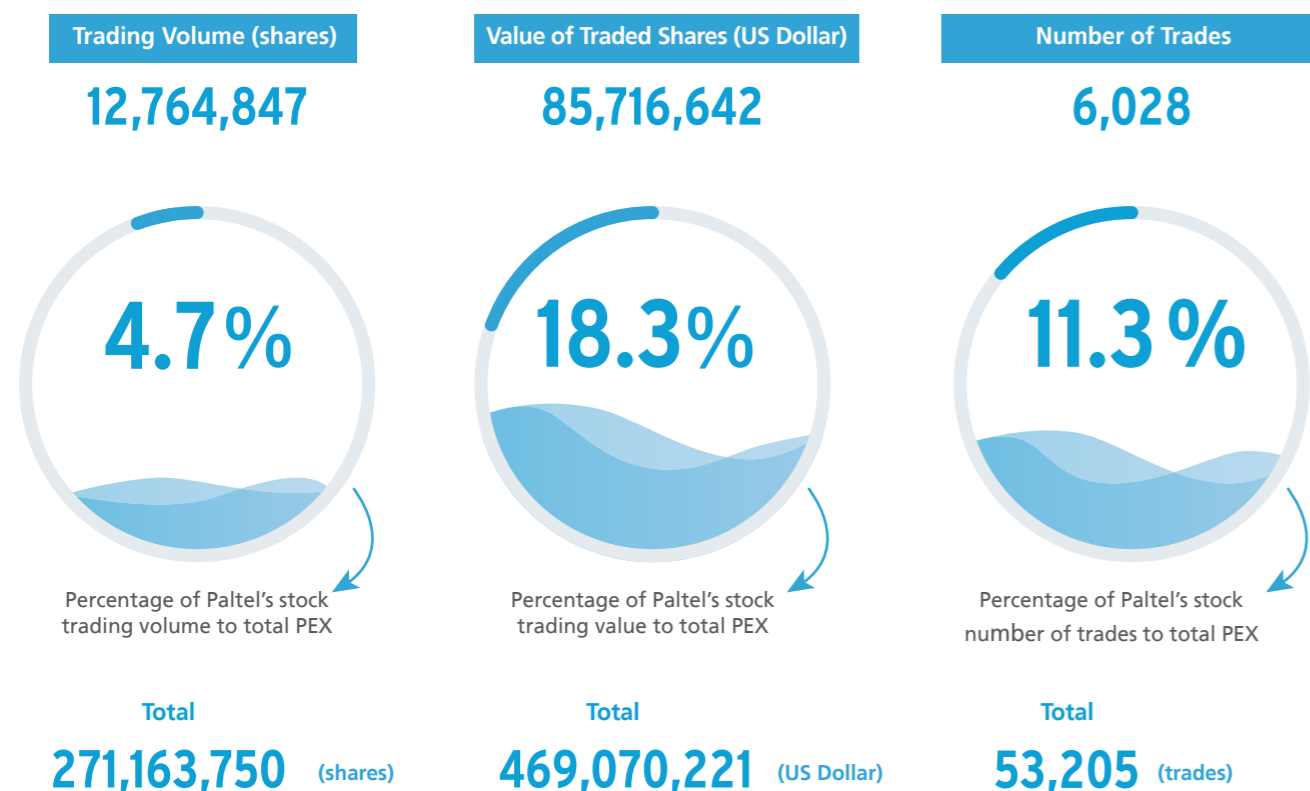
Paltel Stock

Paltel stock was listed in Palestine Exchange in 1997 with a capital of JOD 33 million. The capital was increased in 1998 to JOD 45 million, and in 1999, the company's management increased the authorized capital by 50% with a par value of one Jordanian Dinar per share, raising the capital to JOD 67.5 million. This increase was allocated to the shareholders of the company each according to its capital share. In 2005, the company's management distributed stock dividends to investors with percentage of 50% bringing the capital to JOD 101.25 million. In 2006, stock dividends was amounted to 30%, resulting in capital increase reaching JOD 131.625 million, noting that there has been no change in the value of the capital ever since.

Palestine Exchange classifies Paltel stock as part of the first market in application of the listing system, where companies are listed under this market based on several criteria and standards, the most important of which is the company's capital, its free float percentage, and the percentage of the net equity of investors to the paid-in capital, in addition to its trading activity. It is worth mentioning that stocks listed in the first market have higher price fluctuation during the trading session (Limit up and limit down of 7.5% compared to previous closing price).

Stock Performance Indicators

Performance of Paltel Stock compared to PEX during 2017



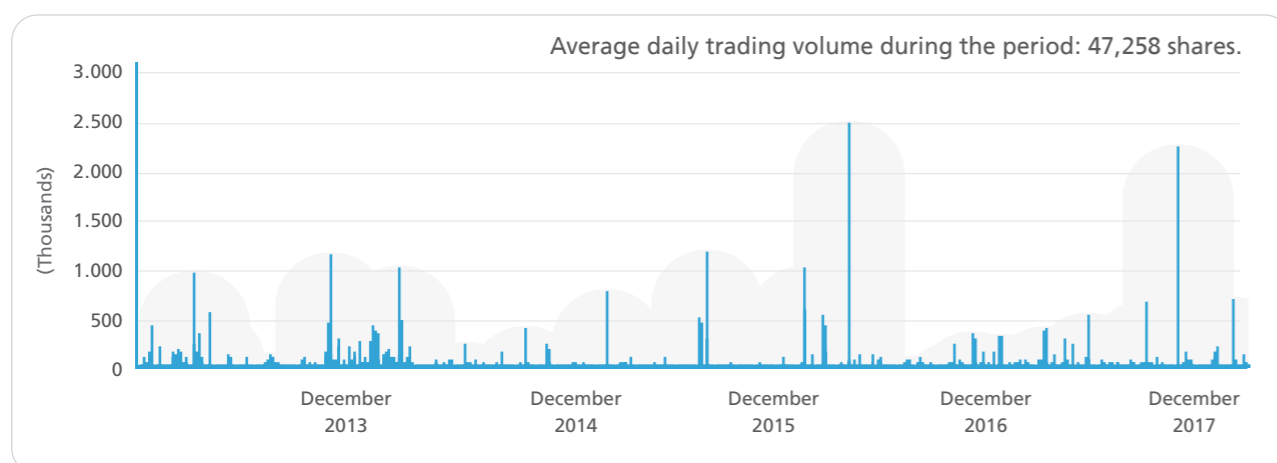
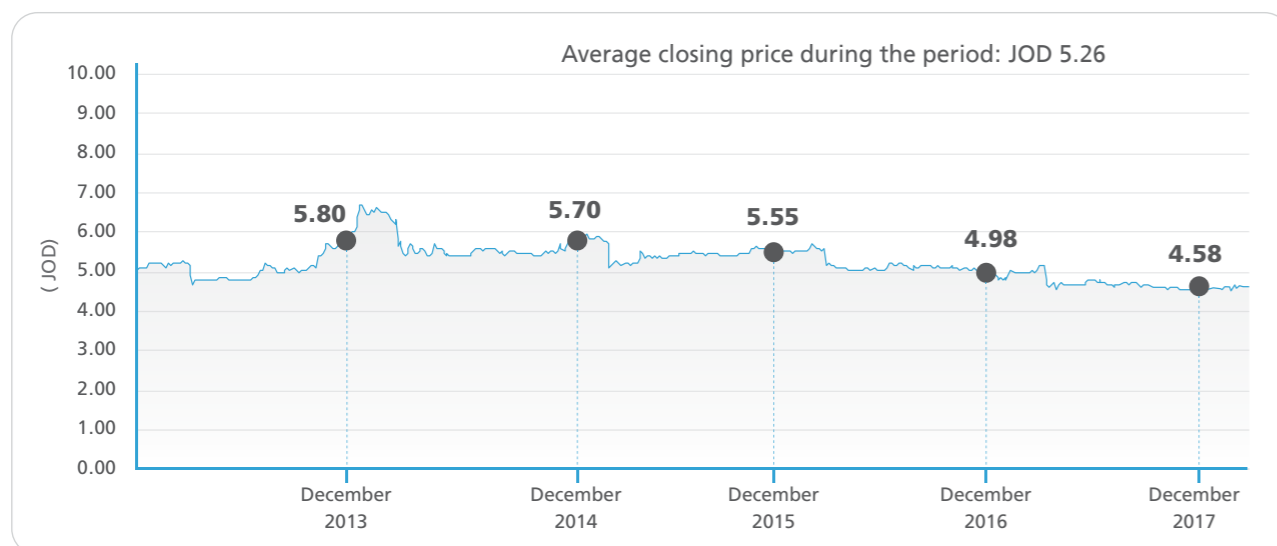
Trading Activity of Paltel Stock

2017	Trading Summary of Paltel Stock	2016
12,764,847	Number of traded shares (share)	11,765,557
85,716,642	Value of traded shares (USD)	87,762,554
6,028	Number of executed trades (deal)	6,626
9.70%	Stock turnover ratio	8.94%
242	No. of sessions in which Paltel's stock was traded	243
850,271,367	Market Cap of Paltel (USD)	924,530,875
47.62%	Free float percentage	48.61%
8,300	Total number of shareholders	8,233
52,747	Average daily trading volume	48,418

Summary of Paltel Stock Price



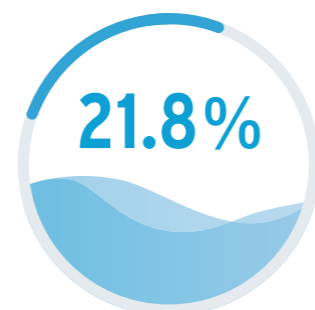
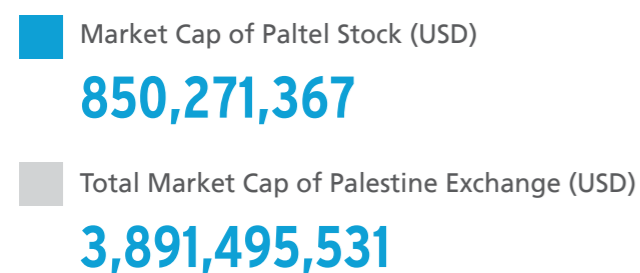
Closing Prices and Trading Volumes for the Last Five Years



Paltel's Share Market Cap

By the end of 2017, the market cap of Paltel stock reached 21.8% of the total market cap of PEX, preserving by that the highest percentage among all other listed companies in the market.

Market Cap of Paltel Stock as of 31/12/2017



Paltel Stock Market Value Multiples as of 31/12/2017



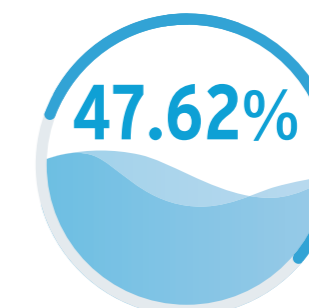
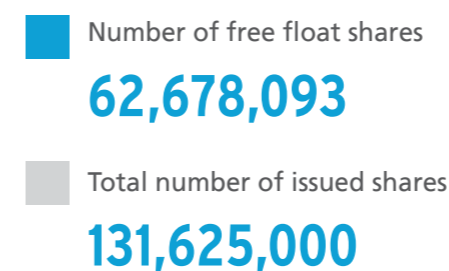
Investors and Shareholders

The ownership of Paltel issued shares, which reached to 131,625,000 shares, belong to 8,300 shareholders as shown by the end of 2017. Paltel's shareholders constitute 8.1% of the total number of investors and shareholders of the listed companies in PEX. It is worth mentioning that approximately 48% of Paltel shares are float free shares. As for Paltel's shareholders who own more than 5% of total issued shares, there are two investors: Palestine Development and Investment Company Ltd. (PADICO) which was one of the founders of Paltel in 1995, and Palestine Investment Fund (PIF).

Shareholders who hold more than 5% of the company's capital

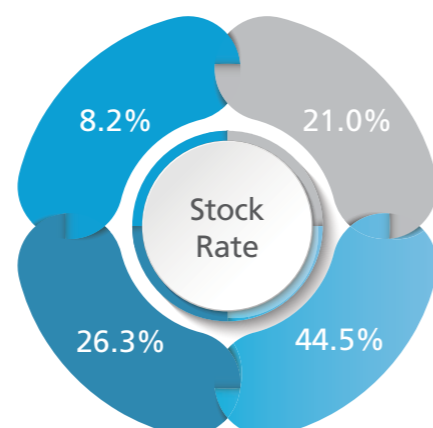
Name of Shareholder	Number of owned shares		Percentage of ownership	
	As of 31/12/2017	As of 31/12/2016	As of 31/12/2017	As of 31/12/2016
Palestine Development and Investment Company Ltd. (PADICO)	40,321,343	40,321,343	30.63%	30.63%
Palestine Investment Fund (PIF)	10,550,209	11,297,941	8.02%	8.58%

Free Float Shares as of 31/12/2017



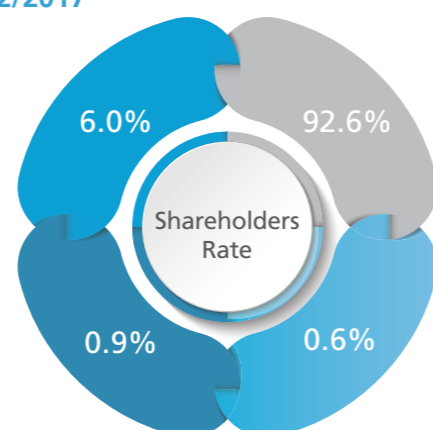
Numbers and Percentages of Paltel Shares According to shareholders classification as of 31/12/2017

● Local individuals	27,609,204
● Foreign individuals	10,741,650
● Local companies	34,643,865
● Foreign companies	58,630,281



Number of Paltel shareholders per classification of 31/12/2017

● Local individuals	7,686
● Foreign individuals	495
● Local companies	73
● Foreign companies	46



Number of Paltel Shares According to the Depositing Entity as of 31/12/2017

Shares controlled by brokers	116,678,542
Percentage of shares under brokers' control	88.6%
Shares outside the control of brokers	14,946,458
Percentage of shares outside the control of brokers	11.4%

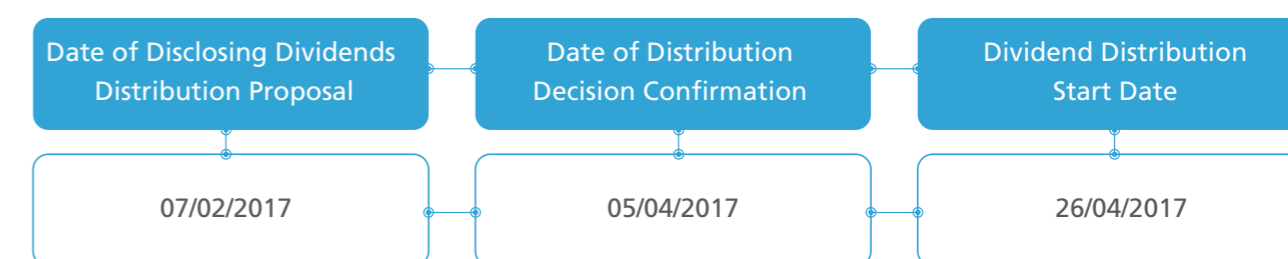
Total number of shares 131,625,000

Distributed Dividends

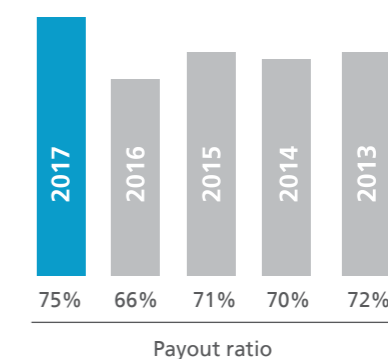
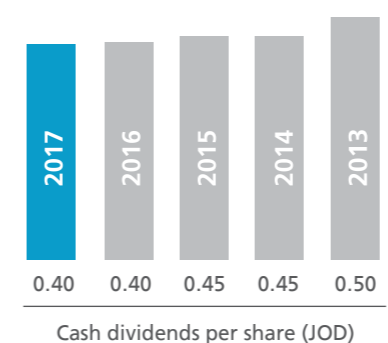
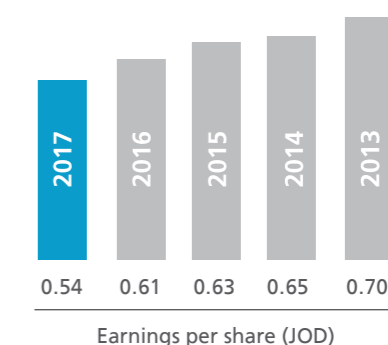
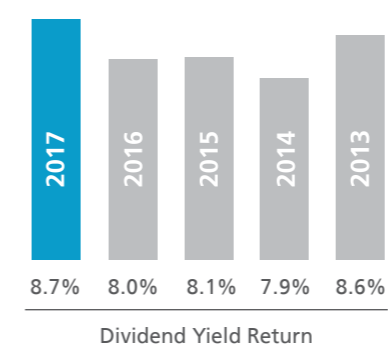
Based on the Company's twentieth ordinary general assembly meeting which was held on 05/04/2017, the general assembly with the attending shareholders approved the recommendation of the Board of Directors to distribute cash dividends of JOD 0.40 per share (40% of the par value) totaling around JOD 52.65M. Paltel Group started the distribution of dividends from 27/04/2017.

Moreover, the Board of Directors proposed at its meeting on 14/02/2018 to the General Assembly (GAM will be held on 26/03/2018) the distribution of JOD 0.40 cash dividends per share (40% of par value) for the financial year 2017.

Twentieth Meeting of the General Assembly in 2017

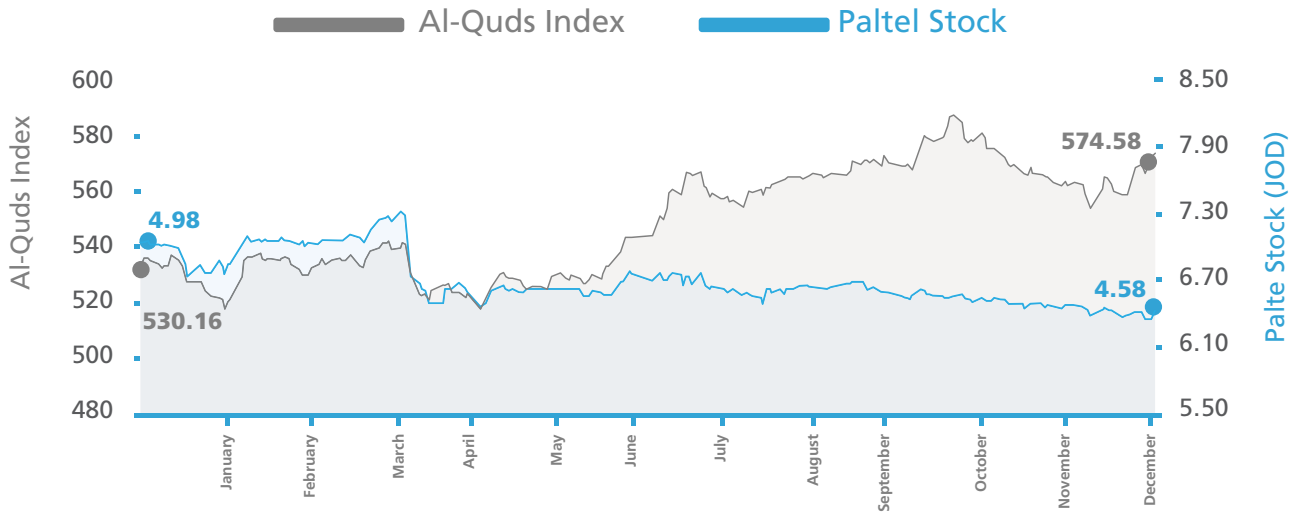


Percentages related to the share



* Dividend figure for the year 2017 represents the amount recommended by the board of directors.

Performance of Paltel Stock and Al- Quds Index during 2017



Paltel share in comparison to other companies listed on Palestine Exchange

#1

Ranking in terms of market capitalization as end of 2017

#1

Ranking in terms of cash dividends distributed for the year 2016

#2

Ranking in terms of trading value in 2017

#5

Ranking in terms of number of shareholders as end of 2017

In the fourth quarter of 2017, an independent equity research provider (Alpha Mena) has published a financial research report on Palestine Telecommunications Company (Paltel). The report covered and analyzed the status of the company’s operations, financial performance, as well as the company’s financial projections. In addition to that, Alpha Mena provided an assessment of the fair value of Paltel’s share price by using many valuation techniques and methods. To view the full report, please go to Paltel Group’s website (www.paltelGroup.ps). The report is also published on Alpha Mena’s website, in addition to renowned platforms such as Bloomberg, Thomson Reuters and Capital IQ.





PaTel Group Foundation
مؤسسة مجموعة الاتصالات للتنمية

Social Responsibility

Technology



- Code for Palestine
- Refugee Code Week
- Global Entrepreneurship Week
- Code & Design Bootcamp
- Hour of Code
- AbjadNet Program
- Other Technology Events










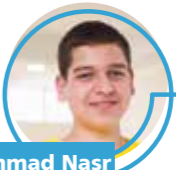








Code for Palestine

Another successful year for Code for Palestine program that was launched in 2015 as one of the most vital and significant programs in technology education and entrepreneurship in Palestine. The program focuses on distinguished student's, with a passion for coding and computer science, that are aged between 14-15 years old from Palestinian secondary schools.

The three-year Code for Palestine program aims to encourage young people to find their purpose in the fields of computer science, technology, engineering, and mathematics. The program builds critical and design thinking skills as a complement to programming skills. It also enhances students' thinking skills by encouraging their entrepreneurial capabilities.

Students are enrolled in the program for more than 60 hours, which consists of periodic meetings throughout the year, along with 92 hours of training for a two-week intensive training camp during the summer months. Students are trained by a group of students from Stanford University, keeping in mind that the annual summer camp is held in the West Bank and Gaza simultaneously, where students receive training in design thinking, project management and entrepreneurship, as well as tutorials on programming basics such as Python, HTML, CSS.

This year, the program was an exceptional one, as it consisted of the first cohort of students to graduate from the 3-year program. **The graduation ceremony consisted of six projects: three in Jericho and the remaining three in Gaza. Due to the advancement of the program, the following students were able to receive scholarships from international universities and institutions.**

 Akram Sobeh	 Stanford University  USA	 Batool Slebi	 Koç University  Turkey
 Hatem Sa'dallah	 United World College  Japan	 Mohammad Nasr	 United World College  Germany
 Khalid shehada	 MIT University  USA	 Khalid Zaqoot	 Amideast  USA

Code for Palestine Students

2015

2016

2017



Students benefited from Code for Palestine

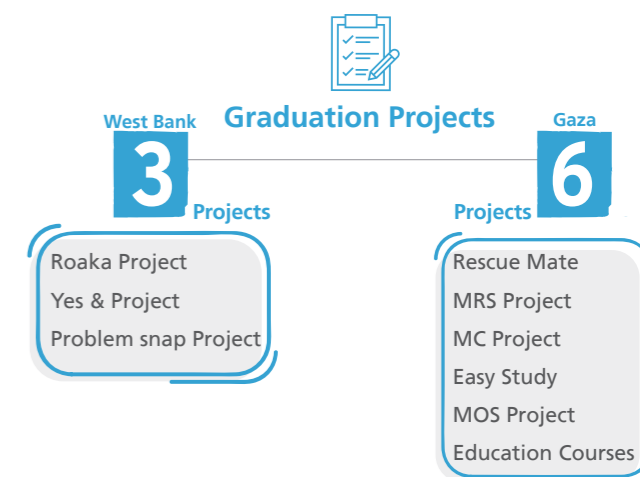
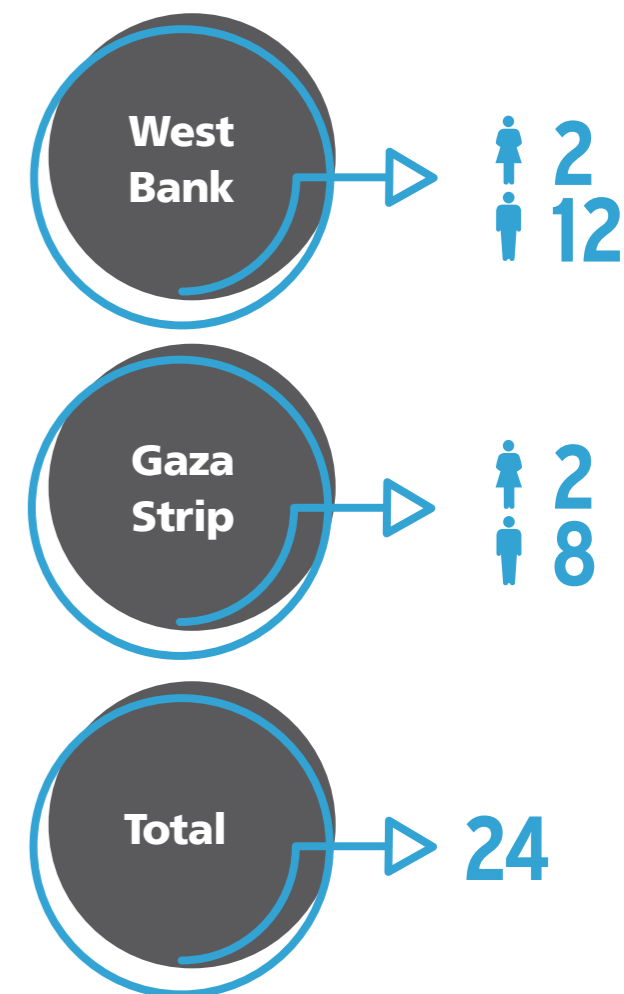
Gender Percentage of Students

Male **64%**

Female **36%**



Code for Palestine Graduates



Khaled AlHindawi



On my first day of the program, I was not able to write a single line of programming code, and I only knew a few of the other participants.

Code for Palestine was an experience that changed my life. I would consider my enrollment in the program as one that greatly influenced me and has given me many opportunities. I have been able to accomplish things I was not able to do in the past, and this is thanks to Code for Palestine, as it will have a lasting impact on me.

Over the course of two years, I was exposed to many added value qualities, as I received training from Stanford University graduate students in programming, leadership, and design thinking. It was a whole new experience for me, as I learned new skills through creative games and methods. I reached an advanced stage in programming and innovation.

I made new friends, met new people, and had an exchange of ideas and experiences. We participated in programming and building concepts. We shared so many things, even laughs and new friendships.

That being said, I would like to express my thanks and gratitude to Paltel Group for giving me this opportunity and to the staff and trainers for their continuous support and dedication.



Summer Code Program

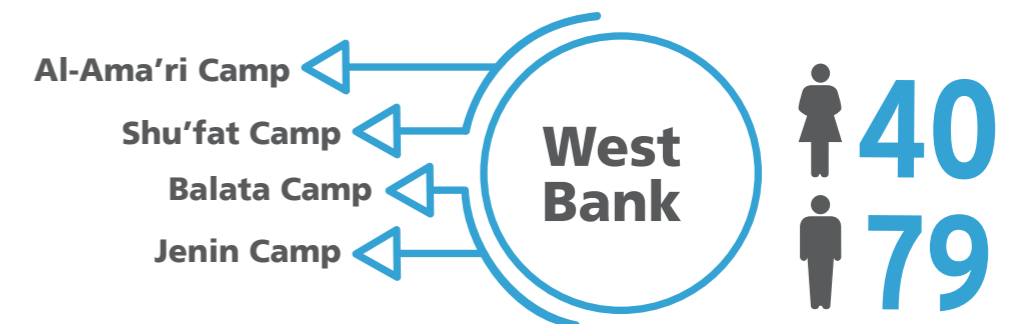
In order to take advantage of the summer holidays for school students and to develop their skills in learning technology and programming, Paltel Group, in cooperation with the Jabal Al-Nar Club in Nablus, implemented a Summer Camp that targeted students aged between 14-16 years old. The Summer Camp consisted of 80 HTML training hours. At the end of the training, students presented six projects that they worked on throughout the course of the training.



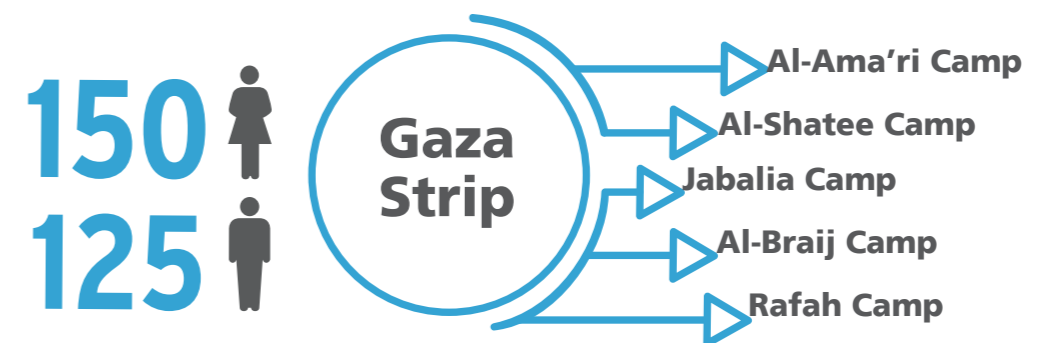
- Your guide in Nablus
- Let's Learn
- My Book
- What do you need?
- Olive Land Park
- You Look Hungry

Refugee Code Week

For the first time in Palestine, the Foundation launched the Refugee Code Week initiative in collaboration with SAP, the UN Relief and Works Agency for Palestine Refugees and other community institutions, such as Development Partners and UNRWA schools to provide training in coding to refugee students aged between 8-11 years old. It consists of a group of programming trainers who have received previously been trained through the Scratch program.



Refugee Code Week



Global Entrepreneurship Week

Paltel Group strives to promote the concept of entrepreneurship. The Global Entrepreneurship Week in October 2017 was a model for the Foundation's work in fostering leadership, excellence and innovation. Global Entrepreneurship Week is an awareness platform that seeks to create opportunities and aspirations in order to construct an environment that is conducive to entrepreneurs from around the world to share experiences and ideas and create a boosting economic growth.

This event also targets young Palestinian entrepreneurs, start-ups owners, public and private sector employees, students, managers, and all those interested in expanding their entrepreneurial expertise. It is also a local platform for the public and private sectors in Palestine (for large companies and small or medium businesses) to understand how to create the best environment for entrepreneurship for small and medium enterprises.

Global Entrepreneurship Week is the world's largest event for creative business leaders. People from more than 170 countries took part in the event, including 2,500 participants in Palestine in three major events in the West Bank and Gaza, Palestine's participation in the Global Entrepreneurship Week this year is the fifth consecutive session this year. It included competitions, panel discussions, training sessions and presentations. The following activities were carried out within the World Entrepreneurship Week



Get in the Ring For the third consecutive year, Get in the Ring competition was run in Palestine, as the first time was initiated in 2015. Get in the Ring is a global competition performed in more than 70 countries worldwide. It provides participants and their young and promising projects with a platform to communicate with the target audience, including investors and partners. Participants competed according to five evaluation criteria's: Skills and managerial experience and achievements, level of sales and revenue, partnerships, and potential investments.

The Startup Weekend Special Needs activity focused on integrating individuals with special needs by highlighting their necessary roles within society. This aims to develop their entrepreneurial skills by sharing ideas, competing, team work, brainstorming, and establishing a potential company during the weekend. This year, 20 leading teams participated in the event and developed their ideas and primary models to help solve the problems of personas with special needs. The event was attended by 80 young men and women from all disciplines who were selected from among the participants in the camp, 55 of whom are motor, hearing and visual disabled. The rest of the youth offered ideas and experiences that serve disabled individuals, of which three pilot projects won. First place project was qualified for the international competition under the "Bridges" project. «Online Work» ranked second and «I Can» finished third. "Bridges" project, which ranked first, is a website idea and application for smartphones that presents special employment opportunities only to people with special needs and allows them to apply and compete. This helps them to access the labor market and exploit the opportunities available to them in a better and easier manner.

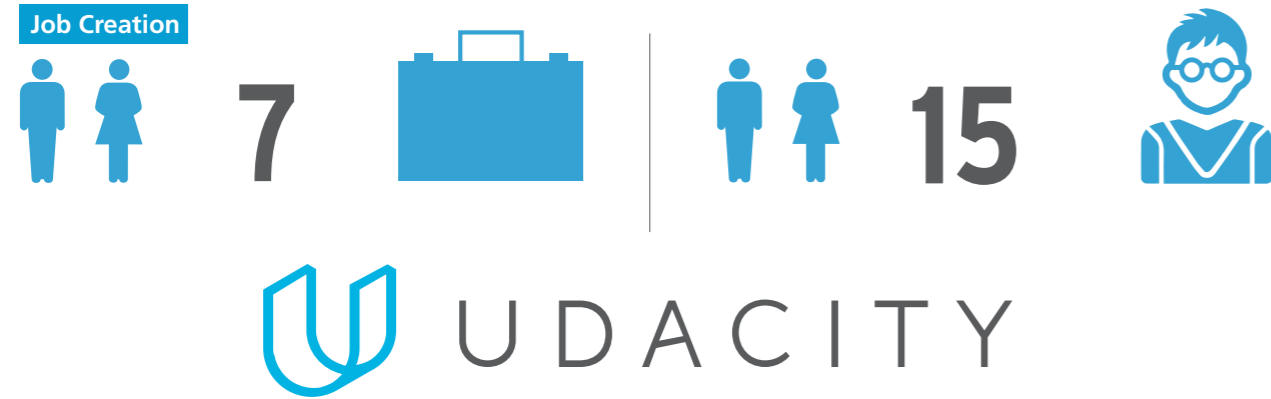
Startup Huddle During the World Entrepreneurship Week, in cooperation with Techno Park, a meeting was held at BirZeit University, where business leader's and as entrepreneurs attended. It was a meeting where entrepreneurs demonstrated their projects and discussed their entrepreneurial experiences.

Code & Design Bootcamp

In August 2017, Paltel Group organized the first summer camp for programming and design thinking targeting university students in Computer Science (CS) and Design (UI/UX). The training camp consisted of training sessions with experts from Silicon Valley and online sessions. The training camp focused on personal and design thinking skills as well as technical knowledge of programming and design topics to ensure that participants are trained to engage in the labor market, whether through personal projects or jobs at local and international companies and institutions.

Code & Design Bootcamp Statistics

Courses	Trainees from Silicon Valley	Phases of Training	Number of Participants
Computer Science Design UI/UX	5 came in person to Palestine 2 joined through video conference	General Skills and Coding and Design Phase, using Udacity courses Nanodegree Phase	15 male and female distinctive university students.



Mohammad Jarrar



My participation at Code & Design Bootcamp training camp has been very rewarding and just an overall outstanding experience. I worked and learned endlessly from trainers who possess international expertise in the fields of IT; it deeply enhanced my knowledge in coding and design thinking. It allowed me to be more creative in ways I was not aware of, such as finding solutions to solve problems and selecting the most appropriate solution through the use of design thinking by implementing the best approach with excellent quality. It allowed me to be an effective group member and be a great team player.

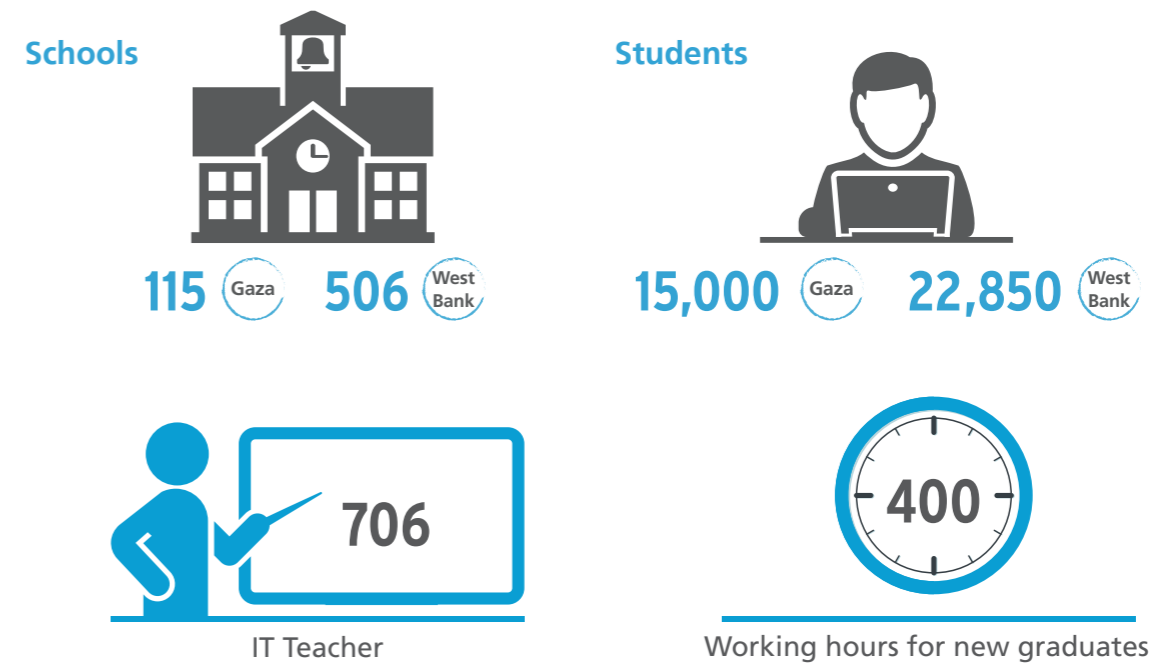
The training camp had a positive impact on me on personal and social levels. It also contributed to self-development and enhanced my time management in a more effective and efficient manner.

I thank Paltel Group for providing me and my colleagues with this amazing opportunity. And I would also like to thank the trainers who were dedicated to each and every participant throughout the course of the training.

Hour of Code

For the fourth year in a row, Jawwal launched the global campaign "Hour of Code" with the participation of more than 180 countries around the world. The "Hour of Code" campaign is the largest global technological education event to be organized by the non-profit organization code.org. It aims to motivate worldwide students and people of different ages and groups to learn about programming basics and languages in a fun learning environment. The event was attended by 140 million students from all over the world and from different age groups. World's most famous programmers have co-organized the «Hour of Code» campaign. Technology teachers were trained in addition to a group of students who obtained scholarships from Paltel Group, who participated in the campaign.

Hour of Code Statistics



Google HashCode

Jawwal and PalTel launched the global programming competition google HashCode, with the participation of more than 150 Palestinian programmers. It was implemented by Paltel Group Foundation for Community Development at Jawwal HQ in Al-Bireh, and the of Paltel HQ in Nablus and in Gaza, The competition aims to engage developers around the world in solving a real software problem at Google Company, Developers can participate in the development of their software skills on a global level and compete with other developers from around the world.

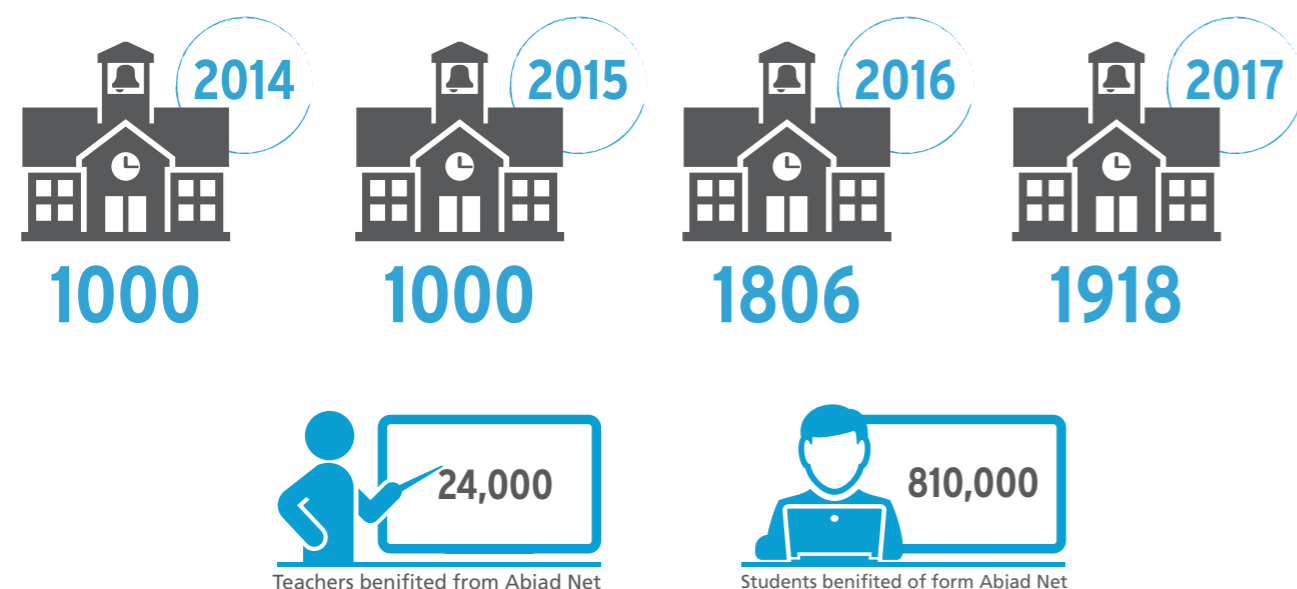
HashCode Contest

Google HashCode	
Implementation	Paltel Group Corporation
Sponsorship	Jawwal and PalTel
Location	Al-Bireh, Nablus and Gaza
Participants	150 developers split into 35 teams
Contest Results	It achieved high quality results, as it was a vital achievement for Palestine to be able to participate in such a reputable contest, which contributes putting Palestine on the world map.

AbjadNet Program

Paltel Group and the Ministry of Education and Higher Education launched the fourth phase of the AbjadNet program, which includes free connection of all Palestinian public schools to the Internet. Paltel Group connected 1,000 schools every year within the first two years and 1806 schools during its third year. The number of schools that have been connected this year reached to a total of 1918. The program contributes to the continuity of electronically developing the Palestinian curriculum. In addition, three computer labs were installed in the schools to reach 13 laboratories within the program. The Ministry of Education highlighted the importance of the AbjadNet program for schools and its benefits. The Internet is considered as one of the most important sources of communication between the Ministry and the public schools and school directions in Palestine. It connects schools through the e-school environment, e-learning, etc. The digitization and intelligent learning project is one of the projects which mostly need the Internet as a major source of knowledge and learning.

Number of Schools Benefiting from AbjadNet Program



Paltel Education Technology Events

Paltel hosted Khaled Al-Ahmad, who is an expert in social media, to present specialized workshops at An-Najah National University in Nablus, Birzeit University in Ramallah and the Arab American University in Jenin. The workshop included explanations of the latest developments in the social networking world and how to manage them correctly. PALTEL supported the First Media Week "Social Days" in the Gaza Strip, the first and largest event in the field of media in Palestine, which was held over three days to host the most knowledgeable experts in the field of media both locally and internationally.

Paltel sponsored the activities of the Technical and Professional Training & Education week in Gaza, which aims to contribute to the promotion of professional and technical education and training and to make it a foundation for youth employment as well as to develop employment opportunities in the community.

Startup Grind Gaza

Startup Grind is a community of entrepreneurs based on dialogues with entrepreneurs, business leaders, innovators and investors, as well as successful local and international experts who share their stories in the course of their construction of his/her successful companies. The activities of Startup Grind in Gaza were launched with the support of Paltel Group, where the initiative was able to create outstanding results regarding the number of events and activities it has established.

Startup Grind Gaza in numbers

Indicator	Value
Number of events held during 2016, 2017	12 activities were supported by Paltel Group
Number of foreign guests in events	4 including investors and owners of investment funds
Number of local guests in events	17 including project owners, successful entrepreneurs, and business incubator managers and businesswomen
Number of attendance at events	About 700 young men and women benefited from Startup Grind activities in the course of the activities held, and hundreds of others benefited from the electronic content on the page
Startup Grind team	3 core members as well as 6 male and female volunteers
Sites of the event	The Startup Grind events were held in 3 different locations in Gaza

Education

برنامج مجموعة الاتصالات للمنهج الجامعية



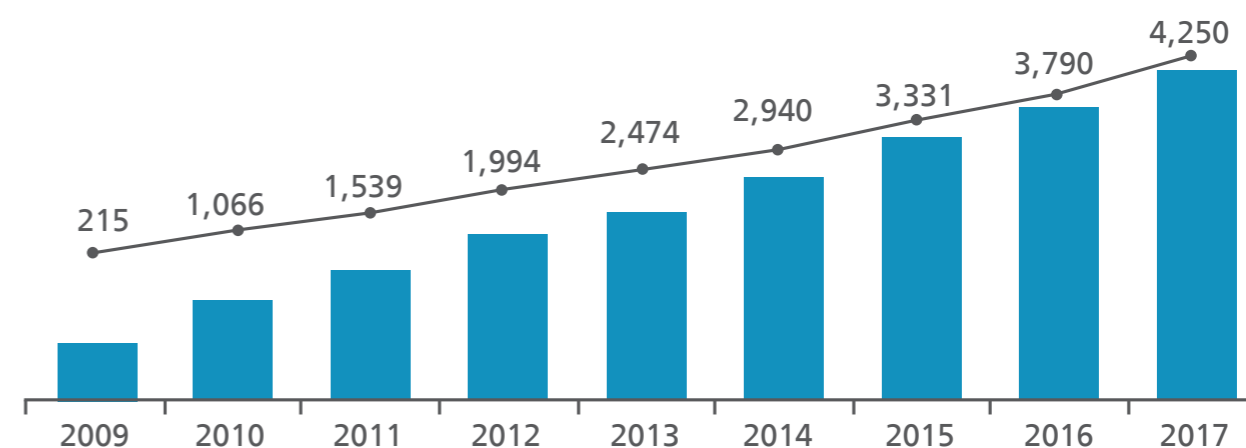
- Paltel Group Scholarships Program
- Paltel Group Alumni
- "Student to Student" Initiative
- "Ifad" Program

Paltel Group Scholarships Program

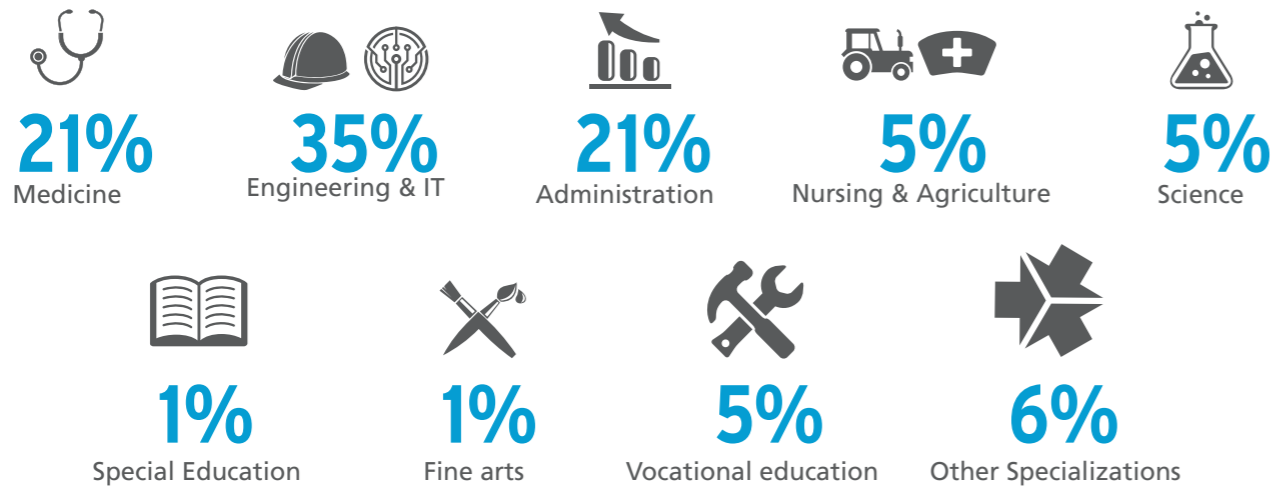
The Group continued its pioneering role in empowering Palestinian students by continuing to implement and develop the University Scholarships Program. This year, 550 university and vocational scholarships were distributed, making the number of students who have received a scholarship reach 4250 since the program was launched.

Paltel Group has adopted specific criteria covering marginalized groups, and has given them the opportunity to complete their education. A total of 100 scholarships have been allocated to vocational education, including priority areas for the local market, which effectively contribute to the Palestinian labor market by increasing technical and professional skills, in addition to allocating 50 scholarships in science, following an agreement with the Ministry of Education in accordance with self-interest for male students to supplement secondary schools and promote scientific education among young people.

Cumulative Growth in number of Students benefiting from Scholarship's Program



Percentage of students benefiting from PalTel Group Scholarship by specialization

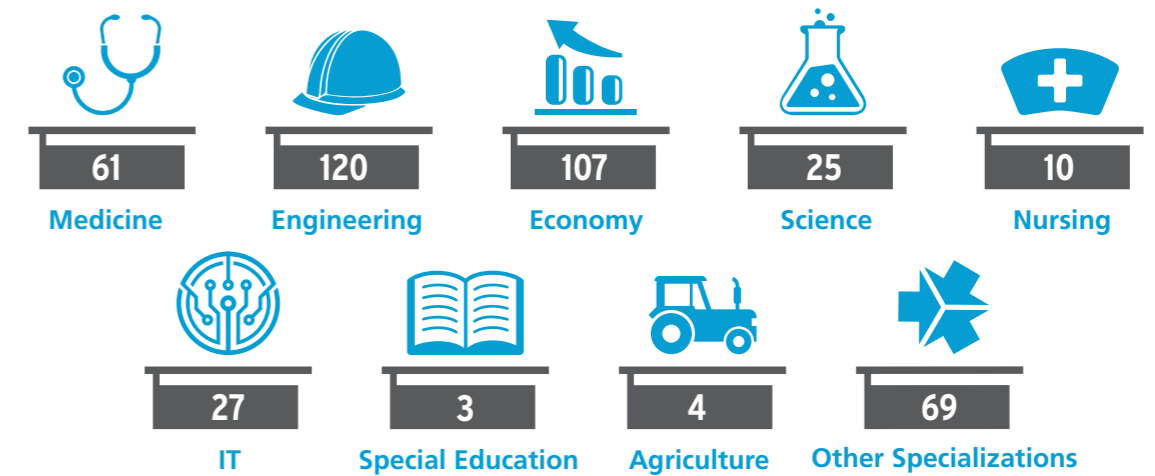


Percentage of beneficiaries male and female



Paltel Group Alumni Association

Paltel Group Alumni Association was established in 2014, as 115 new graduates joined the association this year. The current number of members of the Association is 426. They all hold university degrees in various disciplines. The Association seeks to serve graduates and encourage networking to enrich the culture of exchanging among its members by providing a number of scholarships.



Hadeel Samhan



As a senior civil engineering student, I would like to thank my father, family, and Paltel Group for supporting me throughout my studies.

5 years ago, I earned a high school average of 96.2%. My father was retired and could not afford my university fees, as I also had two other sisters enrolled in university.

I applied to the Paltel Group Scholarship program, which my application was accepted, and I started my studies right away. The scholarship was not limited to financial support only; it also extended to moral support, as we were involved in social programs and volunteer work, such as the "Student to Student" initiative and activities within Paltel Group Alumni Association. I am extremely grateful for this amazing opportunity, as I am especially thankful to Paltel Group! Thank you!



Ibrahim Al-Yaziji



I would like to express my utmost gratitude to Paltel Group for giving me the support I needed to complete my education. I am proud to say that I was able to graduate from university due to Paltel Group's Vocational Program.

The program was the main reason my colleagues and I were able to complete our academic studies. As such, I encourage each person to go back to university and continue their studies, despite not being financially capable of doing so; as Paltel Group sees your potential and will help you towards completing your education.

Paltel Group's Vocational Program gives each Palestinian individual the opportunity of fulfilling his/her dream by providing them with the financial assistance that they need, in order to better themselves and create a shift of change.

I am confident that I will bring change to Palestine one day, due to the opportunity I was given, and build a brighter Palestinian future filled with development and innovation.



“Student to Student” Initiative Teach me!

The “Students to Student” allows students to take responsibility for teaching a number of low-income school students. A total of 47 new students enrolled this year, bringing the number of students enrolled in this initiative to 357, benefiting a total of 1282 students.

Through the “Teach Me” initiative, a group of Paltel Group employees financially contribute to the scholarships program for students of financial circumstances.



Educational Programs Supported by PalTel Group 2017

Project	Implementer	Number of Beneficiaries
Honor of outstanding students in the General Secondary Examination “Injaz”, in addition to outstanding university and college students	Jawwal	1300
Career days in universities	PalTel	1500
Students’ training program and embracing students’ graduation projects in cooperation with An-Najah National University	PalTel	100
Second International Conference for Learning and Teaching in the Digital World	PalTel	2200
Elementary education for the wooden scouting badge and the First Palestinian Scouting Forum	PalTel	100
Winter and summer camps and clubs	PalTel	3000
Over 20 summer camps for children	Jawwal	2500



Ifad Program

Launched in 2012, in collaboration with Birzeit University, Paltel Group continues to implement the Ifad program. The program provides Birzeit University lecturers with the opportunity to obtain a Ph.D degree from accredited, international universities with specializations required by the University. This year, an additional 14 lecturers were selected for the program, of whom 9 fully completed their studies and returned to join the University, while six lecturers are still completing their studies.



The Right for Decent Life Program

The Right for Decent Life Program

Launched in 2010, the Right for Decent Life program aims at empowering Palestinian families living in poverty by implementing income-generating projects. The program helps lift Palestinian families out of poverty by acting as a mean of enhancing their natural, financial and physical resources.

It is a partnership between the association and beneficiary, through the provision of technical support and management assistance and supervision, along with project operation and marketing implementation. The project is a paradigm of providing women with viable employment opportunities by creating sustainable projects.

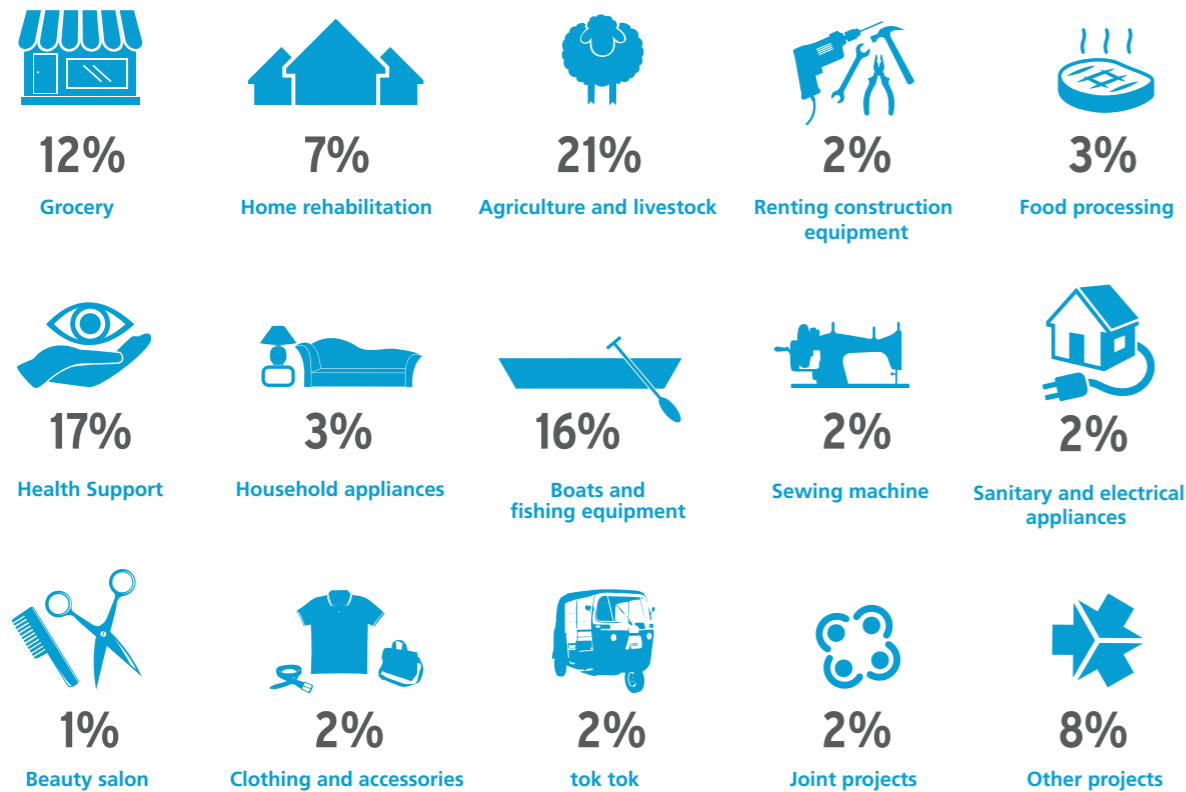
Supervising Society	Project	Number of Beneficiary Families
Qarawat Bani Zaid Ladies Association / Ramallah	Society Kitchen Project	5
Rural Women's Association / Susia	Wool Textile Project	8
Youth Club of East Nazlah / Tulkarem	Poultry and frozen meat	9
Women from Hebron	Kitchen project and food processing	4

- Support of Marginalized Families
- Support of Joint Projects
- Provide Technical Training



Paltel Group continues to support fishermen in the Gaza Strip by providing more than 41 boats to 127 fishermen families, as a total of 412 families have benefited from the program thus far.

Distribution of families that benefited from the Right for Decent Life program is as follows:



The Group also supported associations serving community groups through:

- Restoration of buildings for various associations
- Supporting associations with electric power plants
- Rehabilitation of streets
- Professional women's projects



Association for Rural Development Cooperation / Rafat	2500
Popular Committee for Services of Nour Shams Camp	13000
Municipality of Kafr Raya	1000
Social Center for the Rehabilitation of Girls / Nablus	30
The Jericho lounge is equipped with waiting chairs	all travelers
Arab Organization for Sport and Cultural Development / Jerusalem	180
Sila Al Harthiya Charitable Association / Municipality of Silat Al Harthiya	500

Hadara also provided free internet services to many charities and service centers

Associations benefiting from free Internet services during 2017



As a part of Paltel Group's corporate social responsibility initiatives, Paltel gave Mohammed Duweima the opportunity to role play as general manager of Paltel for an entire day; fulfilling Mohammed's dream to be a manager and directly discuss this with Paltel's actual General Manager.

In early 2017, Jawwal distributed hats, scarves, and gloves in the old city of Hebron, spreading warmth to those who need it most.



Projects with a social developmental dimension Paltel Group and its companies have been supporting the following projects throughout 2017:

Project	number of beneficiaries
Supported and sponsored the campaign "Ammar Ya Balad" to strengthen the national products in the city of Qalqilya	1500
Participation with citizens in the activity of the "fridge " amid hot weather to ease the hot air in the Gaza Strip	6000
Supporting the Development and Creativity Association of Balad for the implementation of the educational program for children of Autism	1300
Local Society for Community Services in Deir El Balah by equipping the education unit for treatment and rehabilitation in order to rehabilitate people with special needs	500
Equipping the physiotherapy unit in the local committee for the rehabilitation of individuals of special needs at Al-Ain camp Income-generating project	3000
Providing an elevator for the Municipality of Salfit to help the disabled and the elderly to benefit from municipal services	60000
Providing medical equipment to This is My Right Association for individuals of special needs and providing a source of income for the association and the advancement of physiotherapy services	500
Rehabilitation of the ground floor of the Ahbab al-Aqsa Association to provide a source of income and advancement of physiotherapy services provided to individuals of special needs	30
Equipping the Shaarawya Charitable Society for people with special needs in Attil by providing social and medical services	6000
Support Al-Tadamon Charity Foundation by providing medical headsets to people with hearing loss	18
Fundraising breakfast at Yasmine Charitable Association for the care of children with special needs	200
Support of the Jabalia Rehabilitation Association in order to help individuals with cerebral palsy	1500
Provision of medical equipment for the Till Charitable Society- Til Clinic and Till village residents	6000
Supplying the Polyclinic of Akraba Society with digital radiology system	3500
Provision of medical equipment for the Association of Rural Citizens/ Fahmah to improve public health services	4000
Providing the necessary equipment for infant incubators for the Palestine Red Crescent Society in Tulkarm	2000
Providing necessary medical equipmen to the t Muscat Health Center in the Municipality of Jaba in Jenin	50000
Qualifying the sanitary unit in the public park of the municipality of Asira al - Shamaliya	30000



Culture

- Support of Festivals
- Support of Cultural Institutions
- Support of Heritage Events

Paltel Group invests in the Palestinian arts and culture in order to preserve the Palestinian cultural identity and heritage, to consecutively be the driver of economic, social and environmental dimensions of sustainable development within the Palestinian society. The Group supports the Palestine International Festival, the Heritage Festival, and as well as many other cultural activities.

Paltel Group Support of Cultural Events 2017

Activities and events	Number of beneficiaries
Support the Palestine International Festival, which was launched in the governorates of Gaza, Ramallah, Nablus and Jenin, where 14 local and international art and cultural performances were presented	13850
Supporting the activities of the Mahmoud Darwish Cultural Foundation during the year	800
The launch of the first social media club "Jawwal Social Media Club" to include the largest gathering of activists on social media	2000
Palestinian Heritage Week in Birzeit (Al-Rozana Heritage Festival)	1500
Concert of the artist Omar Abdalat on the stage of the city of Rawabi	23000
Concert of artist Mohammed Assaf at the theater of the city of Rawabi	25000
"Bethlehem Life" Festival in Bethlehem	10000
Birzeit Nights Festival in a popular atmosphere of	15000
International Youth Film Festival, which was launched in the city of Ramallah to tour all the West Bank governorates	2500
First Photo Festival – the first of its kind in Palestine	1000
"Leave a fingerprint and instill a smile" campaign to promote the concept of volunteering and the importance of agriculture among children in the Al-Istiqlal Park organized by the Municipality of Al-Bireh	2000
Eighth Olive Festival in national and popular atmospheres	2000
10th Heritage Festival amidst a wonderful national atmosphere in all Palestinian cities	20000
Renovation of Yabos Center in Jerusalem's in order to support the steadfastness of Jerusalem institutions	40000
Oud Worman Festival, which included a number of events and theatrical performances by Palestinian artists	3000



Holy Month and Holidays



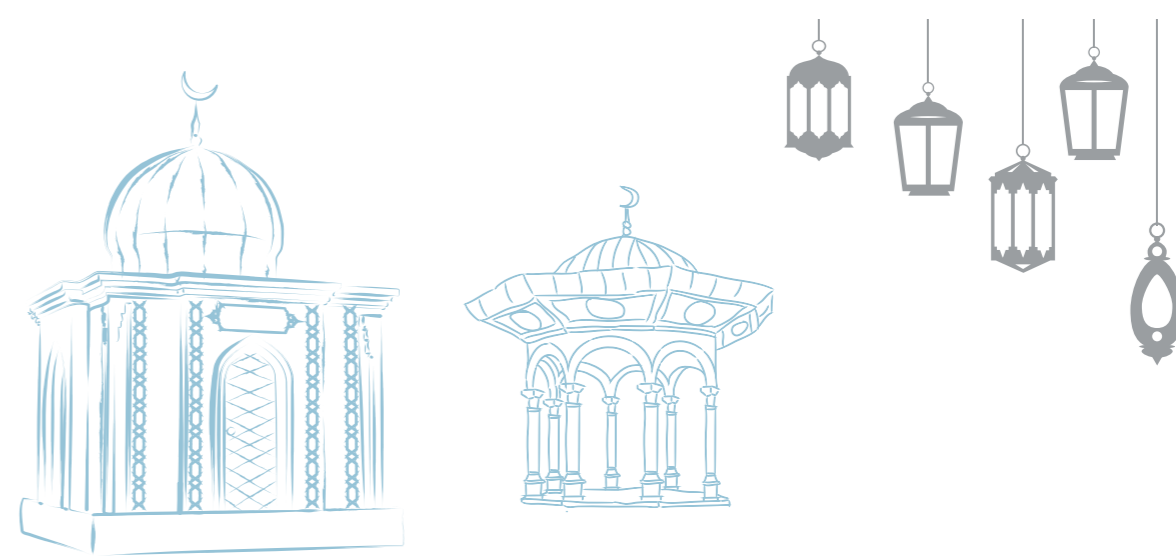
- Ramadan and Holidays
- Volunteer and Environmental Activities
- Christmas and Easter Celebrations



Paltel Group celebrates the holidays with a variety of initiatives and campaigns. During the Holy Month of Ramadan 2017, Paltel Group launched the "Change - Build" initiative by supporting six groups of university students from various Palestinian universities throughout the West Bank and Gaza Strip, as the groups organized a clothing bazaar in the old city of Nablus for people in need.

The "Dream" team from Ramallah distributed cards for children to write down their dreams and help them achieve those dreams. The "Hope" team from Bethlehem carried out activities for children and the elderly at the Beit Jala hospital. The "Ahl Al-Khair" team from Gaza took the initiative to provide street lights within poor areas.

In addition, Shajaiya Park was rehabilitated by the Shajaiya team, along with the rehabilitation of a number of houses in the Gaza Strip by the Hayatkon Asal team.



Paltel Group and its companies have supported many events on national occasions during 2017

Activity / Event	Number of Beneficiaries
Palestinian Arbor Day	500
Participation of Civil Defense Officers and Officers in World Civil Defense Day	1200
Honoring women leaders in various fields throughout the country on the occasion of Women 's Day	2200
Reviving Mother's Day with Palestinian mothers throughout the country	10000
Reviving Palestinian Children's Day by visiting sick children in hospitals and spreading The joy on their faces	300
Participation in Land Day revival	2100
Participation in the celebrations of the Christmas and the glorious Passover in Bethlehem, Ramallah and Gaza	22500
Convoy of Ramadan in various cities of the West Bank with the participation of Paltel and Jawwal in a wonderful Ramadan atmosphere by presenting Gifts for children	120000
Al-Mawlid Al-Nabawi Festival in Gaza during ramadan	10000
Sponsoring a number of Ramadan tents in the West Bank and Gaza to revive the Ramadan nights	18000
The revival of Ramadan nights and the distribution of sweets to people in the Old City of Jerusalem and Hebron	5000



Sports and Youth



- Support of Fedai'
- Basketball League
- Volleyball League
- Palestine Marathon
- Support of Sporting Events

Sports and Youth

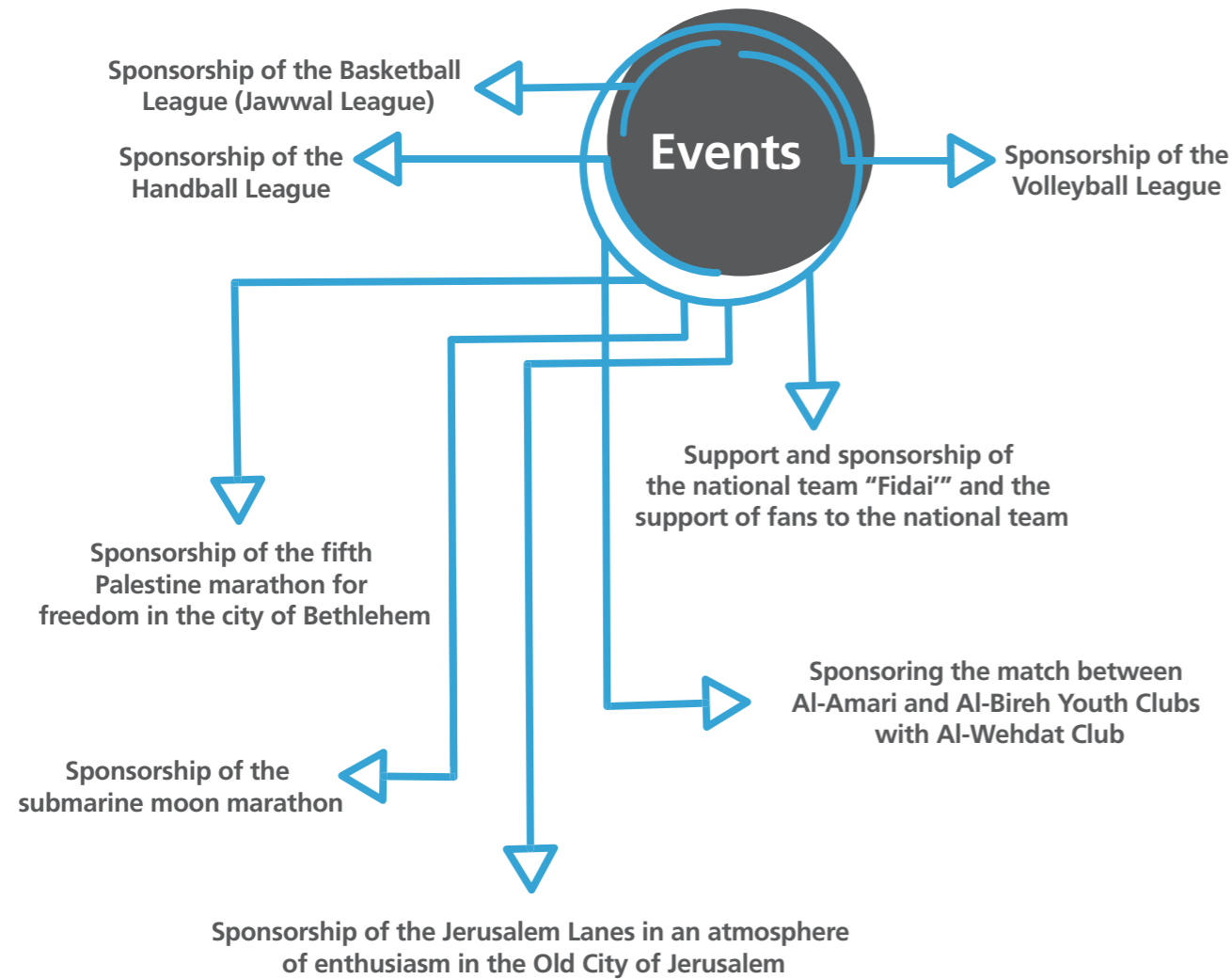
In 2017, Jawwal sponsored many sports and youth activities to enhance the sport and youth development in Palestine. Jawwal has been the main sponsor of the Palestine National Football Team- Fedai', the Palestine National Basketball Team, and Palestine Volleyball Association, along with additional sports leagues and clubs.

The Palestine National Football Team, Fedai, has been increasingly successful since their historic Asian Football Confederation Asia cup debut in 2015. During their matches, an atmosphere of sportsmanship and nationalism take over the stadiums, with cheering fans rooting for their Palestinian team to win, especially during their win at the Faisal Hussein Stadium in Jerusalem.

With the sponsorship from Jawwal, Fedai' has been winning endless matches that has qualified them to participate in the 2019 Asian Cup.



The most prominent sporting events during 2017



PaTel Group Foundation for Community Development

Platel Group Foundation for Community Development is a Palestinian independent non-profit organization that represents the developmental arm of Paltel Group and its companies; it was established in 2008, and dedicates its efforts to social and economic development in Palestine, as a direct response to the growing needs of the Palestinian society. Paltel Group Foundation is the first foundation of its kind in Palestine, as it is a self-financing local institution that receives support from Paltel Group's companies (Jawwal, PalTel, Hadara, and Reach). The Foundation focuses on the various forms of youth empowerment by providing equal opportunities to all segments of the society in the fields of education and technology, due to the Foundation's belief in their role in advancing the social, and through empowering a society based on knowledge and taking initiatives.

Our Values

- Transparency and integrity.
- Adoption of innovation as the basis for social change.
- An integrated approach to human development.

PaTel Group Foundation develops and implements projects and programs that provide hope and equal opportunities for youth, through

- Investment in knowledge, education, and innovation, by providing scholarships and educational programs, in order to empower youth, build a better future, and achieve sustainable development.
- Create a knowledgeable society by enhancing the culture of information technology, to reduce the digital gap, and provide greater entrepreneurial opportunities for youth.
- Enable women to actively participate in social development, by supporting income-generating projects and community-based businesses.
- Create a healthy and safe environment for all segments of the Palestinian society, by adopting a comprehensive approach, in order to achieve welfare through supporting health, sports, culture and arts.

Our Mission

To contribute to the advancement of sustainable social development, and empowerment of Palestinian youth, and to achieve a decent life for Palestinian families and communities.

Consolidated Financial Statements



80000
70000
60000
50000



24%

20%

33%

57%



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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Palesine Telecommunication Company

Opinion

We have audited the consolidated financial statements of Palestine Telecommunication Company and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as of December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



Key audit matter	How our audit addressed the key audit matter
<p>Revenue recognition The Group's operating revenues for the year ended December 31, 2017 amounted to JD 334,740,000. Wireless and wireline calls revenues are the largest revenue stream within the Group's operating revenues. These revenues are highly dependent on the reliability of information systems to support processing of operations.</p> <p>We focused on this matter because a significant risk has been identified in respect of both the occurrence and accuracy of revenues due to the complexity of billing systems and the high volume of transactions.</p>	<p>We included in our team IT specialists who evaluated IT general and application controls and the relevant IT systems related to calculation of amounts billed to customers and any rate changes in the billing system.</p> <p>In addition, we tested controls over wireless and wireline calls revenue processes. We performed substantive analytical procedures after developing an expectation of revenue based upon usage data and subscription numbers, which are the key drivers of revenue. Further, we tested the accuracy of revenue by agreeing a sample of revenue transactions back to the customer contracts and published or agreed tariffs. We also assessed disclosure made on the matter in note (26).</p>
<p>Impairment of accounts receivable The Group's outstanding gross accounts receivable as of December 31, 2017 amounted to JD 180,916,000 and the impairment provision against these receivables amounted to JD 71,813,000. The Group provides services to broad based clients, mainly on credit terms. The Group's policy on impairment allowance as referred to in note (3) to the consolidated financial statements is to estimate impairment when collection of the full or part of the amount is no longer probable which involves judgment and use of estimate. Estimates, based on the Group's historical experience, are used in determining the level of debt that the Group believes will not be collected.</p> <p>We focused on this matter due to the high judgment involved in calculating the impairment provision, particularly regarding the estimation of future cash collection and type of customers.</p>	<p>We tested the key controls relating to data used in the impairment allowance computation and agreed a sample of this data back to its source, being the billing system.</p> <p>In addition, we recalculated the impairment allowance based on the aging reports generated from the billing system. We considered collection performance against historical trends and how adequate was the impairment allowance over time.</p> <p>We also assessed disclosure made on the matter in note (13).</p>
<p>Loans granted to associate During the year, the Group rescheduled the loans granted to its associate - VTEL Mea (VTEL) in an amount of JD 115,620,000. These loans represent 12.4% of the Group's total assets. The determination as to whether the loans granted to associates are collectable involves management judgement.</p> <p>We focused on the matter due to its significance to the consolidated financial statements and the uncertainty associated with the measurement of impairment and the recoverability of these loans in light of VTels' financial status.</p>	<p>Our audit procedures includes testing the loan's contract and repayment pattern, obtaining the most recent audited financial statements of the associate and its projected cash flows for the next 5 years to assess the associate's capacity to settle these loans. These cash flows may vary substantially if other assumptions were used. We also evaluated management procedures for collecting these loans.</p> <p>Further, we obtained direct confirmation from the associate on the due balances and assessed proper disclosure of the loans and interests in the related disclosure as referred to in note (11) and (35).</p>



Other information included in the Group's 2017 Annual Report

Other information consists of the information included in the Groups's 2017 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2017 Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, 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 ISA 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.



- 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors 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 the Board of Directors 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 the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements as of December 31, 2017 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.

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License # 206/2012

A. M. Abushaaban

Ernst + Young
A. Maher Abushaaban
License # 155/1998

Ramallah-Palestine
March 4, 2018

Palestine Telecommunications Company P.L.C.

Consolidated Statement of Financial Position
December 31, 2017

	Notes	2017 JD '000s	2016 JD '000s
Assets			
Non-current assets			
Property, plant and equipment	4	134,075	135,775
Investment properties	5	41,738	40,028
Intangible assets	6	224,015	235,820
Projects in progress	7	4,171	3,577
Materials	8	11,294	7,901
Investment in associates	9	37,989	36,628
Available-for-sale investments	10	160,949	143,758
Other non-current financial assets	11	127,940	100,002
		<u>742,171</u>	<u>703,489</u>
Current assets			
Inventories	12	2,643	3,655
Accounts receivable	13	119,640	90,390
Other current assets	14	22,276	33,984
Financial assets held for trading	15	8,415	8,140
Cash and cash equivalents	16	39,761	181,580
		<u>192,735</u>	<u>317,749</u>
Total assets		<u>934,906</u>	<u>1,021,238</u>
Equity and liabilities			
Equity			
Paid-in share capital	17	131,625	131,625
Statutory reserve	18	32,906	32,906
Voluntary reserve	18	6,756	6,756
Special reserve	18	7,950	7,950
Foreign currency translation		(74)	(35)
Available-for-sale reserve	10	(7,704)	(1,083)
Retained earnings		394,362	376,484
Total Equity		<u>565,821</u>	<u>554,603</u>
Non-current liabilities			
Long-term loans	20	46,085	60,265
Other non-current liabilities	21	46,443	62,792
		<u>92,528</u>	<u>123,057</u>
Current liabilities			
Accounts payable	22	102,179	202,122
Overdrafts and current portion of long-term loans	23	50,939	30,971
Provision for income tax	24	10,631	16,228
Other current liabilities	25	112,808	94,257
		<u>276,557</u>	<u>343,578</u>
Total liabilities		<u>369,085</u>	<u>466,635</u>
Total equity and liabilities		<u>934,906</u>	<u>1,021,238</u>

PALESTINE TELECOMMUNICATIONS COMPANY P.L.C.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

The attached notes from 1 to 40 form part of these consolidated financial statements

Palestine Telecommunications Company P.L.C.**Consolidated Income Statement
For the year ended December 31, 2017**

	Notes	2017 JD '000s	2016 JD '000s
Revenues	26	334,740	332,395
Telecommunication services cost	27	(13,334)	(19,603)
Governmental fees on revenues	28	(23,332)	(23,367)
Other costs	29	(16,691)	(14,933)
		<u>281,383</u>	<u>274,492</u>
Operating and administrative expenses	30	(211,439)	(185,420)
Income from investments	31	9,081	4,810
Group's share of associates' results	9	967	(5,497)
Finance costs		(4,043)	(1,195)
Other (expenses) revenues, net	32	(591)	3,842
Profit before income tax		<u>75,358</u>	<u>91,032</u>
Income tax expense	24	(4,830)	(10,976)
Profit for the year		<u><u>70,528</u></u>	<u><u>80,056</u></u>
Basic and diluted earnings per share	33	<u><u>0,536</u></u>	<u><u>0.608</u></u>

The attached notes from 1 to 40 form part of these consolidated financial statements

Palestine Telecommunications Company P.L.C.**Consolidated Statement of Comprehensive Income
For the year ended December 31, 2017**

	Notes	2017 JD '000s	2016 JD '000s
Profit for the year		70,528	80,056
Other comprehensive income:			
Items to be reclassified to profit or loss in subsequent periods:			
Net losses on available-for-sale investments	10	(6,575)	(9,186)
Group's share of associates' other comprehensive income	10	(46)	(116)
Foreign currency translation		(39)	30
Total other comprehensive income for the year		<u>(6,660)</u>	<u>(9,272)</u>
Net comprehensive income for the year		<u><u>63,868</u></u>	<u><u>70,784</u></u>

The attached notes from 1 to 40 form part of these consolidated financial statements

Palestine Telecommunications Company P.L.C.
Consolidated Statement of Changes in Equity
For the year ended December 31, 2017

	Paid-in share capital JD '000s	Statutory JD '000s	Reserves Voluntary JD '000s	Special JD '000s	Foreign currency translation JD '000s	Available- for-sale reserve JD '000s	Retained earnings JD '000s	Total equity JD '000s
Balance at January 1, 2017	131,625	32,906	6,756	7,950	(35)	(1,083)	376,484	554,603
Profit for the year	-	-	-	-	-	-	70,528	70,528
Other comprehensive income	-	-	-	-	(39)	(6,621)	-	(6,660)
Net comprehensive income for the year	-	-	-	-	(39)	(6,621)	70,528	63,868
Cash dividends (Note 19)	-	-	-	-	-	-	(52,650)	(52,650)
Balance at December 31, 2017	131,625	32,906	6,756	7,950	(74)	(7,704)	394,362	565,821
Balance at January 1, 2016	131,625	32,906	6,756	7,950	(65)	8,219	355,659	543,050
Profit for the year	-	-	-	-	-	-	80,056	80,056
Other comprehensive income	-	-	-	-	30	(9,302)	-	(9,272)
Net comprehensive income for the year	-	-	-	-	30	(9,302)	80,056	70,784
Cash dividends (Note 19)	-	-	-	-	-	-	(59,231)	(59,231)
Balance at December 31, 2016	131,625	32,906	6,756	7,950	(35)	(1,083)	376,484	554,603

The attached notes from 1 to 40 form part of these consolidated financial statements

Palestine Telecommunications Company P.L.C.**Consolidated Statement of Cash Flows**
For the year ended December 31, 2017

	Notes	2017 JD '000s	2016 JD '000s
Operating activities			
Profit before income tax		75,358	91,032
Adjustments for:			
Depreciation and amortization		52,110	46,469
Provision for doubtful debts		6,841	7,055
Impairment of assets		2,534	-
Net income from investments		(9,081)	(4,810)
Group's share of associates' results		(967)	5,497
Interest revenues		(5,801)	(6,585)
Loss on disposal of property, plant and equipment		121	210
Provision for employees' indemnity		12,584	7,055
Finance costs		4,043	1,195
Other non-cash items		3,060	434
		<u>140,802</u>	<u>147,552</u>
Working capital adjustments:			
Accounts receivable		(41,121)	(19,437)
Inventory		1,012	(201)
Other current assets		(1,870)	13,741
Accounts payable		3,748	12,727
Other current liabilities		23,233	12,633
Income tax paid		(22,856)	(9,866)
Employees' indemnity paid		(4,118)	(7,596)
Net cash flows from operating activities		<u>98,830</u>	<u>149,553</u>
Investing activities			
Purchase of financial assets		(25,615)	(4,034)
Sales of financial assets		2,435	4,543
Dividends received		8,667	6,603
Investment in associates		(887)	-
Interest revenues received		1,295	2,018
Purchase of intangible assets		(129,077)	(7,661)
Sale of investment properties		2,502	-
Purchase of investment properties		(4,212)	(2,863)
Disposal of property, plant and equipment		16	535
Increase in projects in progress, property, plant, and equipment and materials		(44,692)	(28,069)
Net cash flows used in investing activities		<u>(189,568)</u>	<u>(28,928)</u>
Financing activities			
Cash dividends paid		(52,826)	(58,918)
Credit facilities and bank overdrafts		25,319	4,435
Proceeds from long term loans		-	70,900
Settlement of long term loans		(19,531)	(17,758)
Finance costs paid		(4,043)	(1,195)
Net cash flows used in financing activities		<u>(51,081)</u>	<u>(2,536)</u>
(Decrease) Increase in cash and cash equivalents		<u>(141,819)</u>	<u>118,089</u>
Cash and cash equivalents, beginning of year		181,580	63,491
Cash and cash equivalents, end of year	16	<u>39,761</u>	<u>181,580</u>

The attached notes from 1 to 40 form part of these consolidated financial statements

Palestine Telecommunications Company P.L.C.

Notes to the Consolidated Financial Statements December 31, 2017

1. Corporate information

Palestine Telecommunications Company P.L.C. (PALTEL) is a limited liability public shareholding company registered and incorporated in Nablus - Palestine on August 2, 1995. PALTEL commenced its operations on January 1, 1997. PALTEL operates under the Telecommunication Law No. (3) of 1996 decreed by the Palestinian National Authority (PNA), and the license granted by the Ministry of Telecommunication and Information Technology (MTIT). During 2016, the Group renewed the licenses of Palestine Telecommunications Co. (PALTEL) and Palestine Cellular Communications Co. (JAWWAL) for a period of 20 years, starting on November 16, 2016 and ending in 2036. The total amount of these licenses is USD 290 M (equivalent to JD 205.6 M).

PALTEL is mainly engaged in providing, managing, and rendering wire line and wireless services.

The consolidated financial statements of Palestine Telecommunications Company P.L.C. for the year ended December 31, 2017 were authorized for issuance in accordance with a resolution of the Board of Directors on February 14, 2018.

2. Consolidated Financial Statements

The consolidated financial statements comprise the financial statements of PALTEL and its subsidiaries (the Group) as of December 31, 2017. Paltel's direct and indirect ownership in its subsidiaries' subscribed capital was as follows:

Company	Ownership		Share Capital (JD)	
	2017	2016	Subscribed	Paid
Palestine Cellular Communications (Jawwal)	100	100	25,000,000	25,000,000
Hadara for Technological Investment	100	100	7,100,000	6,833,750
Palmedia for Multimedia Services	100	100	1,000,000	1,000,000
Hulul for Information Technology	100	100	12,500,000	12,500,000
Reach Communication Services	100	100	1,000,000	1,000,000
Ayla for Consultancy and Investment Services	100	100	1,000,000	1,000,000
Jerusal for Real Estate Investment	100	100	100,000	100,000
Palvest Company S.P.C.	100	100	94,285	94,285

The Group operates in the Palestinian National Authority territories, except for Ayla which operates in Jordan and Palvest Company S.P.C. which operates in Bahrain.

3. Significant accounting policies

The consolidated financial statements of PALTEL and all its subsidiaries have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The consolidated financial statements have been prepared under the historical cost basis, except for financial assets held for trading, available-for-sale investments and financial derivatives that have been measured at fair value at the date of the financial statements. The consolidated financial statements have been presented in Jordanian Dinars, and all values except when otherwise indicated, are rounded to the nearest thousand (JD'000s).

Basis of consolidation

The consolidated financial statements comprise of the financial statements of PALTEL and its subsidiaries as of December 31, 2017. Control is achieved when the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this resumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control (mentioned above). Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest while any resultant gain or loss is recognized in the consolidated income statement. Any investment retained is recognized at fair value.

Changes in accounting policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year, except for the following amended standards effective as of January 1, 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The adoption of these amended standards did not have any effect on the consolidated financial statements of the Group.

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Un-recognized Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary differences and some other limited amendments.

Issued but not yet effective standards

The following standards and amendments have been issued but are not yet mandatory, and have not been adopted by the Group. These standards are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

IFRS 9 - Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required; however, the entities are exempted from restating their comparative information. The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

Currently, the Group is conducting an impact assessment for all phases of IFRS 9. The Group has not yet completed the quantitative impact assessment of IFRS 9.

Below is a summary of IFRS 9 impact on the consolidated financial position, performance or disclosures of the consolidated financial statements of the Group, when applied:

(a) Classification and measurement

The Group does not expect a significant impact on its financial position or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Part of the quoted equity shares currently held as available-for-sale (AFS) with gains and losses recorded in other comprehensive income (OCI) will, instead, be measured at fair value through profit or loss, which will increase volatility in recorded profit or loss. The AFS reserve related to those securities, which is currently presented as accumulated OCI, will be reclassified to retained earnings.

The equity shares in non-listed companies are intended to be held for the foreseeable future. Non-significant impairment losses were recognized in profit or loss during prior periods for these investments. The Group will apply the option to present fair value changes in OCI, and, therefore, the application of IFRS 9 will not have a significant impact.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group has analyzed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortized cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

(b) Impairment

IFRS 9 introduces an updated model for credit loss measurement (the expected credit losses) on all of its financial assets including loans granted, debt securities at amortized cost or at fair value through other comprehensive income. The expected credit loss (ECL) model will replace the current "Incurred Losses" model as per IAS 39.

The expected credit losses (ECL) is classified into three stages, stage 1, stage 2 and stage 3, based on the change in the credit quality of the financial assets since initial recognition:

- Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, an allowance based on the 12-month ECL is recognized.
- Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, an allowance for the lifetime ECL is recognized.
- Stage 3: for credit-impaired financial instruments, an allowance for the ECL over the expected lifetime of the instrument is recognized.

The ECL model is structured on a forward looking approach, and requires the use of reasonable expectations that reflect the future economic conditions, to identify any potential material increase in credit risk and measure the expected credit losses.

(c) Hedge accounting

Hedge accounting under IFRS 9 will have no effect on the Group's financial position and performance, as the Group does not currently hold financial instruments for hedging purposes.

(d) Other adjustments

In addition to the adjustments described above, on adoption of IFRS 9, other items of the primary financial statements such as fair value reserve, will be adjusted as necessary.

IFRS 7 Financial Instruments – Amendments on Disclosure

IFRS 7 was amended to include more qualitative and quantitative disclosures to accommodate IFRS 9 requirements such as classifications, impairment and hedge accounting.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers. It applies to all entities that enter into contracts to provide goods or services to their customers, unless the contracts are in the scope of other IFRSs, such as IAS 17 Leases. IFRS 15 supersedes:

- IAS 11 Construction Contracts,
- IAS 18 Revenue,
- IFRIC 13 Customer Loyalty Programmes,
- IFRIC 15 Agreements for the Construction of Real Estate,
- IFRIC 18 Transfers of Assets from Customers,
- SIC-31 Revenue—Barter Transactions Involving Advertising Services.

The standard is effective for annual periods beginning on or after January 1, 2018, and early adoption is permitted.

Currently, the Group is conducting an impact assessment for IFRS 15. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supporting information being made available to the Group in 2018 when it adopts IFRS 15.

Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

Entities may apply the amendments prospectively and are effective for annual periods beginning on or after January 1, 2018, with early application permitted.

IFRS 16 Leases

During January 2016, the IASB issued IFRS 16 "Leases" which sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. IFRS 16 introduced a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The new standard will be effective for annual periods beginning on or after January 1, 2019, and early application is permitted.

Amendments to IAS 40 - Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

Entities should apply the amendments prospectively and effective for annual periods beginning on or after January 1, 2018. Early application of the amendments is permitted.

IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. Entities may apply the amendments on a fully retrospective or prospective basis.

The new interpretation will be effective for annual periods beginning on or after January 1, 2018. Early application of interpretation is permitted.

IFRIC Interpretation 23 - Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to fees and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The interpretation is effective for annual reporting periods beginning on or after January 1, 2019, but certain transition reliefs are available.

Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Other disclosures, which clarify the group's risk exposures, include the following:

- Risk management objectives and policies (Note 37)
- Capital management (Note 37)

The key areas involving a higher degree of judgment or complexity are described below:

Fair value of financial instruments

When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Interconnection revenues and costs

The Group's management uses certain estimates to determine the amount of interconnection revenues, costs, receivable and payable.

Provision for doubtful debts

The Group provides services to a broad based clientele, mainly on credit terms. Estimates, based on the Group's historical experience, are used in determining the level of debts that the Group believes will not be collected.

Impairment of goodwill

The determination of whether goodwill is impaired requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated. Such estimation requires management to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives of tangible and intangible assets

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

Provision for income tax

The Group's management uses certain estimates in determining the provision for income tax. The Group's management believes that the estimates and assumptions used are reasonable.

Accounting Policies**Revenue recognition**

Revenues are recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenues are measured at the fair value of the consideration received or receivable, excluding discounts. The following specific recognition criteria must also be met before revenue is recognized:

Rendering of services

- Revenues from wireline, wireless, and data services are recognized when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction.
- Revenues from prepaid cellular phone and other calling cards are recorded as deferred revenues and are recognized based on the units used.

Sale of goods

Revenues from sale of cellular phone sets and other electrical equipment are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer.

Interest income

Interest income is recognized as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividends

Dividend revenue is recognized when the right to receive the dividend is established.

Expenses recognition

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

Finance costs

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

Income tax

The Group provides for income taxes in accordance with the Palestinian Income Tax Law (or in accordance with the applicable tax regulations where the entity operates and generates taxable income) and IAS 12 which requires recognizing the temporary differences, at the date of financial statements between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, as deferred taxes.

Income tax expense represents the accrued income tax which is calculated based on the Group's taxable income. Taxable income may differ from accounting income as the later includes non-taxable income or non-deductible expenses. Such income/expenses might be taxable/deductible in the following years.

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
 - Held primarily for the purpose of trading
 - Expected to be realized within twelve months after the reporting period
- Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
 - It is held primarily for the purpose of trading
 - It is due to be settled within twelve months after the reporting period
- Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Fair value measurement

The Group measures most of its financial instruments, and discloses some of its nonfinancial assets such as investment properties, at fair value at each reporting date. Also, fair values of financial instruments and non-financial assets measured at cost are disclosed in the notes to the financial statements which include:

- Disclosures for valuation methods, significant estimates and assumptions (Note 3 and 6)
- Quantitative disclosures of fair value measurement hierarchy (Note 38)
- Investment properties (Note 5)
- Financial assets (Note 10 and 15)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

A fair value measurement of a non-financial asset takes into account the market participants ability to generate economic benefits by using the asset in its highest and best use or by selling it to other market participants that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

There have been no transfers among the levels mentioned above during 2017 and 2016.

External valuers are involved for valuation of significant assets, such as investment properties. The Group decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Cash dividends paid

The Group recognizes a liability to make cash distributions to equity holders of the parent when the distribution is authorized by general assembly. A corresponding amount is recognized directly in equity.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. All other repair and maintenance costs are recognized in the consolidated income statement as incurred. Land is not depreciated.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

	<u>Useful lives (Years)</u>
Buildings and leasehold improvements	10-20
Wireline network	7-16
Wireless network	10
Computer hardware and software	4-7
Office furniture and equipment	4-7
Motor vehicles	4-7
Heavy duty equipment	7
Other equipment	4-10

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement when the asset is derecognized.

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

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of acquisition is measured as the aggregate of the consideration transferred, measured at acquisition-date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition-date fair value of the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. The difference between the fair value and the book value is recorded on the consolidated Income statement.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in Income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit, and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of the intangible assets are assessed to be either finite or indefinite.

Intangible assets with indefinite useful lives are tested for impairment on annual basis. Such intangibles are not amortized. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated income statement when the asset is derecognized.

Intangible assets with finite lives 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 is reviewed at least at each financial year end. The amortization expense on intangible assets with finite lives is recognized in the consolidated income statement.

License and lines costs

License and lines costs are amortized using the straight-line method over the license period of 20 years. Amortization expense is recognized in the consolidated income statement.

Rights of use of fiber cables

Rights of use are amortized using the straight-line method over a period of 7-15 years.

Projects in progress

Projects in progress comprise costs incurred to construct and expand the wireline and wireless networks and other projects as of the financial statements date. These costs include costs of direct labor, direct materials, equipment, and contractors' costs. After completion, projects in progress are transferred to property, plant and equipment.

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.

Materials and inventories

Materials are stated at cost while inventories are stated at the lower of cost or net realizable value using the weighted average method. Costs are those amounts incurred in bringing each product to its present location and condition.

The carrying values of materials 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 materials are written down to their recoverable amount.

Investment in associates

The Group's investment in its associates is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies.

When the Group acquires significant interest through step acquisition, the Group's share is recorded at fair value as of the date the significant influence was acquired in the associate; with any resulting gain or loss recorded in the consolidated income statement.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated income statement and the statement of comprehensive income reflect the share of the results of the associate. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, impairment is measured as the difference between the recoverable amount of the associate and its carrying value, and is recognized in the consolidated income statement.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in consolidated income statement.

Investment properties

Investment properties are measured at cost less any accumulated impairment in value. The carrying value of investment properties is 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, investment properties are written down to their recoverable amount.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated income statement in the period of derecognition.

Transfers are made to (or from) investment properties only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the book value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Investments in financial assets

The Group's financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, or available-for-sale investments. The Group determines the classification of its financial assets upon initial recognition.

All financial assets are recognized initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in this category. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Gains or losses, including changes in fair values, on investments held for trading are recognized in the consolidated income statement.

Available-for-sale investments

Available-for-sale investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are not designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in the consolidated income statement, or determined to be impaired, at which time the cumulative loss is reclassified to the consolidated income statement and removed from the available for-sale reserve.

The Group evaluates its available-for-sale investments whether the intent to sell them in the near term is still appropriate. In rare circumstances, when the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification to other categories depends on the nature of the financial asset.

Available-for-sale investments are stated at cost when their fair value cannot be reliably determined due to the unpredictable nature of future cash flows.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Derecognition

A financial asset is primarily derecognized when the rights to receive cash flows from the asset have expired or the Group has transferred substantially all the risks and rewards of the asset to third party. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

An assessment is made at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. If such evidence exists, any impairment loss is recognized in the consolidated income statement.

- For assets carried at amortized cost: impairment is the difference between the carrying amount and the present value of future cash flows discounted at the original effective interest rate;

- Equity investments classified as available-for-sale: the objective evidence of impairment would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Impairment is the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognized directly in other comprehensive income;
- Debt instruments classified as available-for-sale: impairment is the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated income statement.

Accounts receivable

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full, or part of the, amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less, net of restricted bank deposits.

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Loans and borrowings

At initial recognition, loans and borrowings are recognized at fair value net of directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated income statement when the liabilities are derecognized by the lender. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the consolidated income statement.

Provision for employees' indemnity

Provision for employee's indemnity is provided for in accordance with the labor law prevailing in Palestine and the Group's human resources policies based on one-month salary for each year of employment.

It is expected that the Palestinian Social Security Law will be applied during 2018, whereby requires the employer is required to settle the provision for employees' indemnity for periods prior to the effective date of the Law.

Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are charged directly on the consolidated income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense in the consolidated income statement on a straight-line basis over the lease term.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Provisions

Provisions are recognized when the Group 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.

Earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Foreign currencies

Transactions denominated in currencies other than Jordanian Dinar (JD), occurring during the year, are translated to JD using the exchange rate at the date of the transaction. Monetary assets and liabilities, which are denominated in foreign currencies are translated into JD using the rate of exchange at the reporting date.

Gains or losses arising from exchange differences are reflected in the consolidated income statement.

The assets and liabilities of subsidiaries with functional currencies other than Jordanian Dinars are translated into the presentation currency of the Group at the rate of exchange ruling at the reporting date and, their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising from the translation are recognized within the consolidated statement of changes in equity.

December 31, 2016

	Lands JD'000s	Buildings and leasehold improvements JD'000s	Wireline network JD'000s	Wireless network JD'000s	Computer hardware and software JD'000s	Office furniture and equipment JD'000s	Motor vehicles JD'000s	Heavy duty machines and equipment JD'000s	Other equipment JD'000s	Total JD'000s
Cost										
At January 1, 2016	4,857	32,739	191,858	168,741	110,957	26,414	3,759	1,967	1,480	542,772
Additions	1,242	1,458	7,036	5,548	10,791	1,026	-	59	12	27,172
Disposals	-	(41)	(2,502)	(6,009)	(4,775)	(733)	(140)	(110)	(16)	(14,326)
Reclassifications	-	(20)	51	(132)	1,275	(1,134)	-	(24)	(16)	-
At December 31, 2016	6,099	34,136	196,443	168,148	118,248	25,573	3,619	1,892	1,460	555,618
Accumulated depreciation										
At January 1, 2016	-	20,207	149,568	108,857	85,373	20,757	3,494	1,492	1,374	391,122
Depreciation for the year	-	2,034	8,705	16,685	12,876	1,674	90	128	110	42,302
Disposals	-	-	(2,308)	(5,855)	(4,457)	(715)	(140)	(90)	(16)	(13,581)
Reclassifications	-	(19)	14	(9)	941	(888)	-	(23)	(16)	-
At December 31, 2016	-	22,222	155,979	119,678	94,733	20,828	3,444	1,507	1,452	419,843
Net carrying amount										
At December 31, 2016	6,099	11,914	40,464	48,470	23,515	4,745	175	385	8	135,775

4. Property, plant and equipment

	Lands JD'000s	Buildings and leasehold improvements JD'000s	Wireline network JD'000s	Wireless network JD'000s	Computer hardware and software JD'000s	Office furniture and equipment JD'000s	Motor vehicles JD'000s	Heavy duty machines and equipment JD'000s	Other equipment JD'000s	Total JD'000s
Cost										
At January 1, 2017	6,099	34,136	196,443	168,148	118,248	25,573	3,619	1,892	1,460	555,618
Additions	-	2,375	10,241	17,512	8,245	1,825	69	400	38	40,705
Disposals	-	-	(940)	(1,091)	(1,321)	(535)	(19)	(36)	(14)	(3,956)
Reclassifications	-	(4)	59	177	(220)	58	-	(69)	(1)	-
At December 31, 2017	6,099	36,507	205,803	184,746	124,952	26,921	3,669	2,187	1,483	592,367
Accumulated depreciation										
At January 1, 2017	-	22,222	155,979	119,678	94,733	20,828	3,444	1,507	1,452	419,843
Depreciation for the year	-	1,956	7,880	16,218	11,730	1,654	116	134	46	39,734
Impairment	-	62	-	2,181	-	291	-	-	-	2,534
Disposals	-	-	(916)	(1,019)	(1,305)	(510)	(19)	(36)	(14)	(3,819)
Reclassifications	-	(4)	59	91	(125)	46	-	(66)	(1)	-
At December 31, 2017	-	24,236	163,002	137,149	105,033	22,309	3,541	1,539	1,483	458,292
Net carrying amount										
At December 31, 2017	6,099	12,271	42,801	47,597	19,919	4,612	128	648	-	134,075

5. Investment properties

This item represents investment in land lots, following is the movement on this account:

	2017	2016
	JD'000s	JD'000s
Balance, beginning of the year	40,028	35,716
Additions	4,212	4,312
Sale of real estate investments	(2,502)	-
Balance, end of year	<u>41,738</u>	<u>40,028</u>

The fair values of these land lots were estimated, by certified appraisers, at JD 57,517,000.

The Group's management is currently finalizing the legal requirements to transfer the title of some of these land lots.

6. Intangible assets

	Goodwill	License and line costs	Rights of use of fiber cables and other intangible assets	Total
	JD'000s	JD'000s	JD'000s	JD'000s
Cost				
At January 1, 2017	17,259	205,610	24,579	247,448
Additions*	-	-	571	571
At December 31, 2017	<u>17,259</u>	<u>205,610</u>	<u>25,150</u>	<u>248,019</u>
Amortization				
At January 1, 2017	-	1,261	10,367	11,628
Amortization for the year	-	10,281	2,095	12,376
At December 31, 2017	<u>-</u>	<u>11,542</u>	<u>12,462</u>	<u>24,004</u>
Net Book Value				
At December 31, 2017	<u>17,259</u>	<u>194,068</u>	<u>12,688</u>	<u>224,015</u>
At December 31, 2016	<u>17,259</u>	<u>204,349</u>	<u>14,212</u>	<u>235,820</u>

* During 2016, the Group renewed the licenses of both Palestine Telecommunications co. (PALTEL) and Palestine Cellular Communications Co. (JAWWAL) for a period of 20 years ending in the year 2036. The total amount of the license amounted to USD 290 million (equivalent to JD 205,610,000) of which USD 260 million is related to JAWWAL's license renewal (including 2G and 3G frequency licenses) while the remaining amount of USD 30 million was related to PALTEL's license renewal.

During the year, the Group has settled an amount of JD 139,141,000 of the total license value. The remaining amount of the license fee of JD 66,469,000 will be settled during 2018 (note 22).

Impairment testing of goodwill

The recoverable amount of the wireless segment has been determined based on the value in use calculation using the cash flow projections from budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 13%. Cash flows beyond the 5-year period are extrapolated using a 3% growth rate.

Key assumptions used in value in use calculations:

The calculations of value in use for the wireless segment are most sensitive to the following:

- Discount rate; and
- Growth rate used to extrapolate cash flows beyond the forecasted period.

Discount rate: Discount rates represent the current market assessment of the risks specific to wireless segment, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its wireless segment and is derived from its weighted average cost of capital (WACC). The WACC takes into account both the cost of equity and the cost of debt. The cost of equity is derived from the expected return on investment by the Group's investors.

The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

Growth rate estimates: Rates are based on the value of the business segment's operations after the explicit budget period. In determining appropriate growth rates, regard has been given to the competitive forces that are expected to prevail after the explicit budget period.

With regard to the assessment of the value in use of the wireless business segment, management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the segment to materially exceed its value in use.

7. Projects in progress

	2017	2016
	JD'000s	JD'000s
Wireless network	1,616	650
Data transmission projects	1,816	1,061
Administration and information technology systems	19	1,337
Building rehabilitation	510	495
Other	210	34
	<u>4,171</u>	<u>3,577</u>

Upon completion, each project is transferred to property, plant and equipment. Following is the movement on projects in progress during the years 2017 and 2016:

	2017 JD'000s	2016 JD'000s
Balance, beginning of year	3,577	3,039
Additions	14,096	11,562
Transferred to property, plant and equipment	(13,502)	(11,024)
Balance, end of year	<u>4,171</u>	<u>3,577</u>

8. Materials

	2017 JD'000s	2016 JD'000s
Wireline network materials	9,938	6,765
Electricity and air conditioning materials	617	406
Kits and tools	183	215
Disposables and other materials	556	515
	<u>11,294</u>	<u>7,901</u>

9. Investment in associates

	Country of incorporation	% of ownership		Carrying amount of the investment	
		2017	2016	2017 JD'000s	2016 JD'000s
VTel Holding and VTEL MEA	United Arab Emirates	26.3	25.3	7,857	6,970
Jericho Gate	Palestine	50.0	50.0	16,946	17,053
The National Bank	Palestine	16.8	16.8	13,186	12,605
				<u>37,989</u>	<u>36,628</u>

- VTel Holding Company is a holding company established during 2006 in the United Arab Emirates. VTel Holding is specialized in the management of several companies in the telecommunications industry.

VTel MEA Company is a holding company established during 2011 in the United Arab Emirates. VTel MEA is specialized in the management of several companies in the telecommunications industry.

The Group elected to combine information for VTel Holding and VTel MEA companies as they are managed on an aggregated level.

- Jericho Gate for Real Estate Investment (Jericho Gate) is engaged in investing in real estate and tourism projects. The Group determined that it only exercises a significant influence rather than joint control over Jericho Gate.

- During 2015, the Group acquired additional shares in The National Bank Company (the bank), which increased its percentage of ownership to 16.8%. The Group believes that it has a significant influence over the bank. Therefore, and according to International Financial Reporting Standards (IFRS). The fair value of the investment amounted to JD 16,442,000 as of December 31, 2017.

The following table illustrates summarized financial information of the Group's investments in its associates:

Statement of financial position	VTel Holding & VTEL MEA (combined)		Jericho Gate		The National Bank		Total	
	2017 JD'000s	2016 JD'000s	2017 JD'000s	2016 JD'000s	2017 JD'000s	2016 JD'000s	2017 JD'000s	2016 JD'000s
Non-current assets	130,295	138,208	34,479	35,928	209,426	416,213	374,200	359,965
Current assets	33,671	31,983	4,065	7,321	555,868	263,425	593,604	532,185
Non-current liabilities	(110,123)	(95,186)	(1,506)	(504)	(68,275)	(34,486)	(179,904)	(155,813)
Current liabilities	(23,969)	(47,488)	(3,187)	(9,032)	(627,844)	(579,439)	(655,000)	(609,394)
Equity attributable to Parent (i.e. the Associates)	29,874	27,517	33,851	33,713	69,175	65,713	132,900	126,943
Group's ownership	7,857	6,970	16,946	17,053	11,621	11,040	36,424	35,063
Implied Goodwill	-	-	-	-	1,565	1,565	1,565	1,565
Carrying amount of investment	7,857	6,970	16,946	17,053	13,186	12,605	37,989	36,628
Revenues and results of operations	-	-	2,564	-	35,547	32,162	38,111	32,162
Revenues	-	-	469	(390)	6,526	5,376	15,701	17,023
Results of operations	8,706	12,037	-	-	-	-	-	-
Group's share of results of operations	-	(6,400)	-	-	1,073	903	967	(5,497)
Group's share of results of OCI	-	-	-	-	(46)	(116)	(46)	(116)

10. Available-for-sale investments

	2017	2016
	JD'000s	JD'000s
Quoted	156,355	139,695
Unquoted	4,594	4,063
	<u>160,949</u>	<u>143,758</u>

Unquoted investments are not traded in an active market and are stated at cost less accumulated impairment as their fair values cannot be reliably determined due to the unpredictable nature of future cash flows. The Group's management believes that fair values of such investments are not materially different from their carrying amounts.

Movement on available-for-sale reserve during the years 2017 and 2016 were as follows:

	2017	2016
	JD'000s	JD'000s
Balance, beginning of the year	(1,083)	8,219
Unrealized losses	(6,126)	(10,039)
Realized loss (gain) from sale of investments	(449)	215
company's share of associates' results	(46)	(116)
Impairment loss recognized in the income statement	-	638
Balance, end of year	<u>(7,704)</u>	<u>(1,083)</u>

11. Other non-current financial assets

	2017	2016
	JD'000s	JD'000s
Loans to associates*	115,620	111,114
Prepayment on taxes and other Governmental fees	12,320	-
	127,940	111,114
Current portion of long term loans (Note 14)	-	(11,112)
	<u>127,940</u>	<u>100,002</u>

* During 2016, the Group signed a new agreement with VTEL MEA (an associate), in which all previously granted loans and related accrued interest were grouped and rescheduled in one single loan. This loan is to be paid in ten equal annual installments plus accrued interest. The annual interest rate on the loan is equal to one year LIBOR plus a margin of 2.05% with a minimum interest rate of 4% per annum. During the year, the Group signed a new rescheduling agreement with VTEL MEA, in which all accrued interests as of December 31, 2017 are capitalized to the loan principal. According to the rescheduling agreement, the loan is payable in ten equal annual installments including accrued interest. The first payment will be due in the middle of 2019, while interest rate and other terms will be the same as agreed in previous agreement.

12. Inventories

	2017	2016
	JD'000s	JD'000s
SIM cards and prepaid scratch cards	728	842
Cellular phone sets	322	329
Marketing materials and others	1,593	2,484
	<u>2,643</u>	<u>3,655</u>

13. Accounts receivable

	2017	2016
	JD'000s	JD'000s
Retail and corporate subscribers	81,016	63,649
Palestine National Authority	82,811	60,313
Dealers' receivables	9,935	9,441
Telecommunication companies	3,012	4,949
Other	4,142	3,133
Total trade receivable	180,916	141,485
Provision for doubtful debts *	(71,813)	(59,942)
Net trade receivables	109,103	81,543
Unbilled revenues	10,537	8,847
	<u>119,640</u>	<u>90,390</u>

* Accounts receivable are stated net of provision for doubtful debts. The provision is computed based on certain percentages of billed revenues and the aging of accounts receivable.

As of December 31, 2017 and 2016, trade receivables in the amount of JD 71,813,000 JD 59,942,000 respectively.

Movements on the provision for doubtful debts during the years 2017 and 2016 were as follows:

	2017	2016
	JD'000s	JD'000s
Balance, beginning of year	59,942	52,281
Additions	6,841	7,055
Translation difference from ILS to JD	5,030	606
Balance, end of year	<u>71,813</u>	<u>59,942</u>

As of December 31, 2017 and 2016, the aging analysis of the unimpaired trade receivable is as follows:

	Total JD'000s	Neither past due nor impaired JD'000s	Past due but not impaired				
			<30 days JD'000s	31-60 days JD'000s	61-90 days JD'000s	91-120 days JD'000s	>120 days JD'000s
2017	109,103	37,427	17,715	5,398	1,677	1,113	45,773
2016	81,543	32,117	14,974	2,850	1,689	38	29,875

The Group expects, based on its past experience, to recover all unimpaired receivables.

14. Other current assets

	2017 JD'000s	2016 JD'000s
Due from related parties	832	3,075
Current portion of prepayment on taxes and other governmental fees	2,040	-
Current portion of long term loans (Note 11)	-	11,112
Advances to suppliers and contractors	10,584	7,512
Prepaid expenses	4,982	8,331
Others	3,838	3,954
	<u>22,276</u>	<u>33,984</u>

15. Financial assets held for trading

	2017 JD'000s	2016 JD'000s
Shares quoted on Palestine Exchange	4,344	3,568
Shares quoted on regional markets	4,071	4,572
	<u>8,415</u>	<u>8,140</u>

16. Cash and cash equivalents

	2017 JD'000s	2016 JD'000s
Cash on hand	665	719
Cash at banks and short term deposits	39,096	180,861
	<u>39,761</u>	<u>181,580</u>

Short-term deposits amounted to JD 14,346,000 as of December 31, 2017 and have an average interest rate of 4.5% on deposits. These deposits are due for a period of less than three months.

17. Paid-in share capital

As of December 31, 2017 and 2016, PALTEL's authorized and issued share capital amounted to JD 131,625,000. Total number of subscribed ordinary shares amounted to 131,625,000 shares for the years ended December 31, 2017 and 2016.

18. Reserves

- Statutory reserve represents accumulation of profits transferred at 10% of annual net profit in accordance with the Companies' Law. This reserve is not available for distribution to shareholders. The Group ceased to transfer any portion of profits as the statutory reserve balance reached 25% of share capital.
- Voluntary reserve represents the transfers made during prior years from profits. This reserve is available for distribution to the shareholders. No appropriation to the voluntary reserve was made during the years 2017 and 2016.
- Special reserve represents appropriation of profits based on the Board of Directors resolution. This reserve is available for distribution to the shareholders. No appropriation to the special reserve was made during the years 2017 and 2016.

19. Cash dividends

The Board of Directors will propose to the General assembly in its annual meeting to be held during 2018 the approval of a proposed cash dividend of JD 0.40 per share for the year 2017 with a total amount JD 52,650,000.

The General Assembly approved in its meeting held on April 05, 2017 the declaration of a cash dividend of JD 0.40 per share for the year 2016 with a total amount JD 52,650,000.

The General Assembly approved in its meeting held on March 28, 2016 the declaration of a cash dividend of JD 0.45 per share for the year 2015 with a total amount JD 59,231,000.

20. Long-term loans

	2017 JD '000s	2016 JD '000s
Long term-loans from regional and local banks	60,265	79,796
Current portion of long-term loans (Note 23)	(14,180)	(19,531)
	<u>46,085</u>	<u>60,265</u>

During 2016, the Group signed a long-term loan agreement with a regional bank in the amount of USD 100 million (equivalent to JD 70,900,000) to be used in part of license renewal payments. The loan is subject to an annual interest rate equal to LIBOR of three months plus a premium of 2.75% with a minimum of 4%. The loan is to be paid in 20 quarterly installments starting in June 2017 and ending in March 2022.

21. Other non-current liabilities

	2017	2016
	JD '000s	JD '000s
Provision for employees' indemnity	46,443	37,977
Non-current portion of license renewal payments (Note 6)	-	24,815
	<u>46,443</u>	<u>62,792</u>

Movement on provision for employees' indemnity during the year 2017 and 2016 were as follows:

	2017	2016
	JD '000s	JD '000s
Balance, beginning of year	37,977	38,518
Additions during the year	12,584	7,055
Payments during the year	(4,118)	(7,596)
Balance, end of year	<u>46,443</u>	<u>37,977</u>

22. Accounts payable

	2017	2016
	JD '000s	JD '000s
Current portion of license renewal payments (Note 6)	66,469	159,525
Trade suppliers	18,534	16,004
Telecommunication companies	11,870	12,294
Accrued governmental fees on revenue	2,796	11,636
Subscribers' deposits	2,510	2,663
	<u>102,179</u>	<u>202,122</u>

23. Overdrafts and current portion of long-term loans

	2017	2016
	JD '000s	JD '000s
Current portion of long-term loans (Note 20)	14,180	19,531
Bank overdraft *	36,759	11,440
	<u>50,939</u>	<u>30,971</u>

* This item represents the utilized balance of overdraft lines of credit granted to the Group. During the year the Group signed new overdraft agreement with a regional bank for a line of credit of up to USD 20,000,000 (equivalent to JD 14.18 Million).

The unutilized balance of the current ceilings granted to the Group as at 31 December 2017 amounted to JD 5,782,000.

24. Provision for income tax

PALTEL and Jawwal's taxable income were entitled to a partial income tax exemption at 50% of the nominal tax rate until December 31, 2014 and December 31, 2021, respectively. During 2012, the Group elected to voluntarily defer its right of the partial exemption for the years of 2012 and 2013 in response to the government request to defer the exemptions for these two years.

In accordance with Jawwal new license agreement, the partial exemption was canceled starting January 1, 2017, accordingly Jawwal's taxable profit is subject to 100% of the nominal tax rate of 20%.

During the year, the Group reached to an understanding with the Ministry of Finance on the mechanism to recover the amount of income tax partial exemptions for the years 2012 and 2013, which amounted to ILS 100,094,000 (equivalent to JD 19,899,000). This balance will be deducted from due taxes and other governmental fees on ten annual installments. According to IFRS, the recoverable exemptions were booked in the consolidated income statement as a "recovered income tax expenses" of JD 13,609,000, based on the present value of the future cash flows and recognized as "advance payments on taxes and other governmental fees" under other non-current assets since Jawwal will benefit from the first payment at the end of year 2018.

Following is the movement on the provision for income tax:

	2017	2016
	JD '000s	JD '000s
Provision, beginning of year	16,228	15,320
Income tax expense for the year	19,828	11,814
Discounts on early payments	(1,389)	(838)
Payments	(22,856)	(9,866)
Translation difference from ILS to JD	(1,180)	(202)
Provision, end of year	<u>10,631</u>	<u>16,228</u>

* During the year, PALTEL reached a settlement with the Income Tax Department for its taxable income until the year 2016.

Following are the details of income tax expense:

	2017	2016
	JD '000s	JD '000s
Provision for income tax	19,828	11,814
Recovery of partial exemption	(13,609)	-
Discounts on early payments	(1,389)	(838)
	<u>4,830</u>	<u>10,976</u>

25. Other current liabilities

	2017	2016
	JD '000s	JD '000s
Accrued expenses	64,615	52,526
Unearned revenues	15,438	15,046
VAT payable	2,727	2,688
Customer loyalty programs	2,744	2,801
Dividends payable	8,815	8,990
Accrued social responsibility	627	478
Provision for employees' vacations	1,083	1,064
Due to employees' provident fund *	5,929	5,125
Other	10,830	5,539
	<u>112,808</u>	<u>94,257</u>

* This amount represents the Group's share and the amounts deducted from employees for the provident fund, which have not been transferred to the fund as at 31 December 2017. The Group companies contribute an agreed upon percentage of their employee's salary and in turn deduct another percentage from the employees. Contributions are transferred to designated funds, which are run independently by management committees according to the approved bylaws for each fund.

26. Revenues

	2017	2016
	JD '000s	JD '000s
Wireline and wireless services	234,392	237,889
Interconnection revenue	19,539	22,408
Media services	76,890	66,353
New connections fees	149	103
Other	3,770	5,642
	<u>334,740</u>	<u>332,395</u>

27. Telecommunication services cost

Telecommunication costs mainly comprise of interconnection costs and international roaming due to other telecommunication companies.

28. Governmental fees on revenues

According to the agreement signed between PALTEL and the PNA, PALTEL and JAWWAL pay the PNA license fees of 7% of all wireline and wireless operating revenues and other related services.

29. Other costs

	2017	2016
	JD '000s	JD '000s
Commissions	9,606	8,513
Cost of data services	3,135	3,175
Cost of new lines installations	1,676	1,568
Cost of SIM cards and prepaid scratch cards	758	708
Cost of mobile handsets sold	452	374
Other	1,064	595
	<u>16,691</u>	<u>14,933</u>

30. Operating and administrative expenses

	2017	2016
	JD '000s	JD '000s
Payroll and related employees' expenses	63,410	62,537
Provisions for employees' indemnity and early retirement	22,884	7,055
Depreciation of property, plant and equipment	39,734	42,302
Amortization of intangible assets	12,376	4,167
Advertising	15,552	16,307
Maintenance	14,228	12,404
Utilities	11,014	9,861
Rent	6,507	6,233
Corporate social responsibility	3,908	3,553
Postage, billing collection and distribution	2,213	2,130
Security and cleaning	2,375	2,045
Provision for doubtful debts	6,841	7,055
Professional and consultancy fees	2,885	2,418
Travel, accommodation, transportation and fuel	1,683	1,615
Cars operating lease	1,170	1,440
Employees' and asset insurance	1,316	1,124
Conferences and hospitality	934	822
Stationary and printings	215	262
Other	2,194	2,090
	<u>211,439</u>	<u>185,420</u>

31. Income from investments

	2017	2016
	JD '000s	JD '000s
Change in fair value of financial assets held for trading	422	(531)
Gain (Loss) from sale of investments	439	(215)
Impairment loss on available-for-sale investments (Note 10)	-	(638)
Dividends income	8,220	6,156
Interest income on bonds	-	38
	<u>9,081</u>	<u>4,810</u>

32. Other (expenses) revenues, net

	2017	2016
	JD '000s	JD '000s
Interest revenues	5,801	6,585
Foreign exchange gains (loss)	6,237	1,528
Loss on disposal of property, plant and equipment	(121)	(210)
Impairment of assets	(2,534)	-
Currency forward contracts	(5,552)	(72)
Other	(4,422)	(3,989)
	<u>(591)</u>	<u>3,842</u>

33. Basic and diluted earnings per share

Basic and diluted earnings per share for the years ended December 31, 2017 and 2016 is calculated as follows:

	2017	2016
Profit for the year (JD)	<u>70,528,000</u>	<u>80,056,000</u>
Weighted average number of subscribed share capital	<u>131,625,000</u>	<u>131,625,000</u>
Basic and diluted earnings per share (JD)	<u>0,536</u>	<u>0.608</u>

34. Commitments and contingencies

As of the financial statements date, the Group has outstanding contractual commitments resulting from purchases, services and construction contracts. The contractual commitments represent the difference between total contract cost and the amounts of materials or services received as of the financial statements date. Following is a summary of the outstanding commitments, which are due during the following years:

	2017	2016
	JD '000s	JD '000s
Purchase orders and letters of credit	<u>55,252</u>	<u>36,255</u>
	<u>55,252</u>	<u>36,255</u>

Most of the outstanding commitments mature within one year of the date of the financial statements.

35. Related party transactions

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

Following are the balances of related parties included in the consolidated statement of financial position as of December 31, 2017 and 2016:

	2017	2016
	JD '000s	JD '000s
Long term Interest-bearing loans	<u>60,265</u>	<u>78,579</u>
Overdraft	<u>16,761</u>	<u>-</u>
Due from related parties	<u>832</u>	<u>3,075</u>
Loans granted to associates	<u>115,620</u>	<u>111,114</u>

Following are the transactions with related parties included in the consolidated income statement for the years 2017 and 2016:

	2017	2016
Finance cost	<u>3,055</u>	<u>506</u>
Interest revenue	<u>4,506</u>	<u>4,537</u>
Key management personnel compensation:		
Short term benefits	<u>2,051</u>	<u>2,107</u>
Termination benefits	<u>229</u>	<u>216</u>

In addition, the Group acts as a guarantor against a loan utilized by an associate. According to the guarantee agreement, the Group guarantees only 25% of the loan's outstanding balance which amounted to USD 5.1 million (JD 3.62 million) as of December 31, 2017.

The following tables present revenues, profit before tax, and other segment information regarding the Group's operating segments for the year ended December 31, 2017:

	wireline JD '000s	Wireless JD '000s	Data JD '000s	Investing JD '000s	Eliminations JD '000s	Total JD '000s
Revenues						
Segment revenues from external customers	29,745	213,341	91,654	-	-	334,740
Inter-segment revenues (eliminated)	2,392	999	19,700	-	(23,091)	-
Total Revenues	32,137	214,340	111,354	-	(23,091)	334,740
Results of operations						
Depreciation and amortization	(5,716)	(35,496)	(10,898)	-	-	(52,110)
Impairment of financial assets	-	(2,181)	(353)	-	-	(2,534)
Share of associates' results of operations	-	-	-	967	-	967
Segment profit before tax	796	42,619	21,895	10,048	-	75,358
Other segment information						
Investment in associates	-	-	-	37,989	-	37,989
Capital expenditures	6,810	25,439	12,443	-	-	44,692
The following table presents segments' assets and liabilities as of December 31, 2017:						
Assets and liabilities						
Segments' assets	183,806	404,113	338,459	249,091	(240,563)	934,906
Segments' liabilities	76,928	175,603	144,882	-	(28,328)	369,085

36. Segment reporting

The Group's operating segments are the wireline, wireless, data, in addition to investing activities segment. The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit.

The wireline segment is a provider of wireline communication services and the operator of the telephone networks in Palestine.

The wireless segment is a provider of wireless communication services and the operator of a cellular network in Palestine.

The data segment is a major provider of internet services, leased lines, and ADSL services in Palestine.

The investing activities segment represents all investments activities of the Group.

Segment reporting (continued)

The following tables present revenues, profit before tax, and other segment information regarding the Group's operating segments for the year ended December 31, 2016:

	Wireline JD '000s	Wireless JD '000s	Data JD '000s	Investing JD '000s	Eliminations JD '000s	Total JD '000s
Revenues						
Segment revenues from external customers	29,774	219,732	82,889	-	-	332,395
Inter-segment revenues (eliminated)	3,709	375	18,953	-	(23,037)	-
Total revenues	33,483	220,107	101,842	-	(23,037)	332,395
Results of operations						
Depreciation and amortization	(5,980)	(29,604)	(10,885)	-	-	(46,469)
Impairment of financial assets	-	-	-	(638)	-	(638)
Share of associates' results of operations	-	-	-	(5,497)	-	(5,497)
Segment (loss) profit before tax	3,807	64,493	23,419	(687)	-	91,032
Other segment information						
Investment in associates	-	-	-	36,628	-	36,628
Capital expenditures	5,361	13,316	9,392	-	-	28,069
The following table presents segments' assets and liabilities as of December 31, 2016:						
Assets and liabilities						
Segments' assets	192,731	457,094	323,467	228,554	(180,608)	1,021,238
Segments' liabilities	78,506	265,620	133,102	-	(10,593)	466,635

37. Financial risk management objectives and policies

The Group's principal financial liabilities comprise of interest-bearing loans and borrowings and accounts payable. The main purpose of these financial liabilities is to finance the Group's operations. The Group has various financial assets such as accounts receivable, granted loans, and cash and cash equivalents which arise directly from the Group's operations. The Group also holds available-for-sale investments.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk, equity price risk, and foreign currency risk. The Group's Board of Directors reviews and approves policies for managing these risks which are summarized below.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The exposure to the risk of changes in market interest rates relates primarily to financial assets and liabilities with floating interest rates.

The following table shows the sensitivity of the consolidated income statement for possible changes in interest rates, with all other variables held constant:

	Change in interest rates Basis points	Effect on profit before tax JD '000
2017		
USD	+20	37
USD	-20	(37)
Euro	+20	-
Euro	-20	-
2016		
USD	+20	40
USD	-20	(40)
Euro	+20	-
Euro	-20	-

Credit risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing and investing activities, including deposits with banks and financial institutions and other financial instruments.

Trade receivables:

Customer credit risk is managed by each business segment unit subject to the Group's policies relating to customer credit risk management. The Group has a broad based clientele. The credit risk associated with the accounts receivable is widely distributed among a large number of individual customers, except for the risk associated with the receivable from PNA ministries and institutions which represent 46% of total trade receivable.

In addition, services are disconnected from clients who do not pay their bills within a specified period. Also, the Group has a system of following up collection of receivable through the management effort and the legal channels.

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are grouped into groups and are assessed for impairment collectively. The calculation involves certain percentages of billed invoices and aging analysis as well. The maximum exposure is the carrying amount as disclosed in Note 13.

Other financial assets

With respect to credit risk arising from the other financial assets of the Group, including granted loans and bank deposits, the investment and financing decisions are made only to approved counterparties. The Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funds and flexibility through the use of bank overdrafts and other bank loans. The Group's terms of billing require amounts to be paid by customer within 45 days of the date of billing. The table below summarizes the maturity profile of the Group's consolidated financial liabilities as of December 31, 2017 and 2016, based on contractual undiscounted payments:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	JD '000s	JD '000s	JD '000s	JD '000s	JD '000s
As of December 31, 2017					
Interest-bearing loans and borrowings	-	4,215	47,776	49,671	101,662
Accounts payable	36,083	32,512	33,584	-	102,179
Other liabilities	26,001	42,371	27,915	-	96,287
	<u>62,084</u>	<u>79,098</u>	<u>109,275</u>	<u>49,671</u>	<u>300,128</u>
As of December 31, 2016					
Interest-bearing loans and borrowings	-	4,515	29,307	65,689	99,511
Accounts payable	16,613	125,793	59,716	-	202,122
Other liabilities	21,100	34,385	22,662	24,815	102,962
	<u>37,713</u>	<u>164,693</u>	<u>111,685</u>	<u>90,504</u>	<u>404,595</u>

Equity price risk

The following table demonstrates the sensitivity of the consolidated income statement and available for sale reserve to reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown:

	Increase in equity price %	Effect on profit before tax JD '000s	Effect on equity JD '000s
Shares listed on Palestine Securities Exchange	+10	434	4,702
Shares listed on the Amman Stock Exchange	+10	408	10,375
Shares listed on other markets	+10	-	559
Other unquoted	+5	-	230

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenues or expenses are denominated in a different currency from the Group's presentation currency).

The Group reduces the foreign currency exchange rates fluctuation risk by entering in foreign currency forward contracts.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currency rate against JD, with all other variables held constant, of the Group's profit before tax. However, the Jordanian Dinar is linked to the U.S. Dollar, therefore, no effect, resulting from the fluctuations in USD rate, is expected on the consolidated financial statements:

	Increase/decrease in ILS rate to JD %	Effect on profit before tax JD' 000s
2017		
ILS	+10	6,273
ILS	-10	(6,273)
2016		
ILS	+10	6,013
ILS	-10	(6,013)

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended December 31, 2017 and December 31, 2016. Capital comprises share capital, retained earnings, and other reserves, and is measured at JD 565,821,000 as at December 31, 2017, and JD 554,603,000 as at December 31, 2016.

38. Fair value measurement

The Group uses the following hierarchy for determining and disclosing the fair value of its assets:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which all inputs are observable, either directly or indirectly.
- Level 3: Valuation techniques which use inputs, and are not based on observable market data.

There have been no transfers among the levels mentioned above during 2017 and 2016.

The following table provides the fair value measurement hierarchy of the Group's assets as of December 31, 2017:

	Date of valuation	Quoted prices in active markets (level 1)	Significant observable inputs (level 2)	Significant unobservable inputs (level 3)
		JD '000s	JD '000s	JD '000s
Assets measured at fair value:				
Available-for-sale investments	December 31, 2017	156,355	-	-
Financial assets held for trading	December 31, 2017	8,415	-	-
Financial assets for which fair value is disclosed:				
Investment properties	December 31, 2017	-	-	57,517

The following table provides the fair value measurement hierarchy of the Group's assets as of December 31, 2016:

	Date of valuation	Quoted prices in active markets (level 1)	Significant observable inputs (level 2)	Significant unobservable inputs (level 3)
		JD '000s	JD '000s	JD '000s
Assets measured at fair value:				
Available-for-sale investments	December 31, 2016	139,695	-	-
Financial assets held for trading	December 31, 2016	8,140	-	-
Financial assets for which fair value is disclosed:				
Investment properties	December 31, 2016	-	-	56,057

Unobservable inputs sensitivity (Level 3):

External valuers are involved for valuation of significant assets' such as investment properties. The Group decides, after discussion with the external valuers, which inputs techniques and inputs to use for each case, which are mainly similar lands' sale transactions during the year, and which is calculated based on price per square meter multiplied by the area.

The following table represents fair value sensitivity on investment properties:

	Increase/ decrease in fair value %	Effect on fair value JD '000s
2017		
Fair value per square meter	+5	2,876
Fair value per square meter	-5	(2,876)
2016		
Fair value per square meter	+5	2,803
Fair value per square meter	-5	(2,803)

Fair values of financial assets and liabilities

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments carried in the financial statements:

	Carrying amount		Fair Value	
	2017 JD '000s	2016 JD '000s	2017 JD '000s	2016 JD '000s
Financial assets				
Available-for-sale investments	156,355	139,695	156,355	139,695
Accounts receivable	119,640	90,390	119,640	90,390
Financial assets held for trading	8,415	8,140	8,415	8,140
Other financial assets	134,650	118,143	134,650	118,143
Cash and cash equivalents	39,761	181,580	39,761	181,580
	<u>458,821</u>	<u>537,948</u>	<u>458,821</u>	<u>537,948</u>
Financial liabilities				
Interest-bearing loans and borrowings	97,024	91,236	97,024	91,236
Accounts payable	102,179	202,122	102,179	202,122
Other financial liabilities	96,287	102,962	96,287	102,962
	<u>295,490</u>	<u>396,320</u>	<u>295,490</u>	<u>396,320</u>

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