



مجموعة الاتصالات الفلسطينية
PALTEL GROUP



Annual Report
2018



مجموعة الاتصالات الفلسطينية
PALTEL GROUP

Annual Report

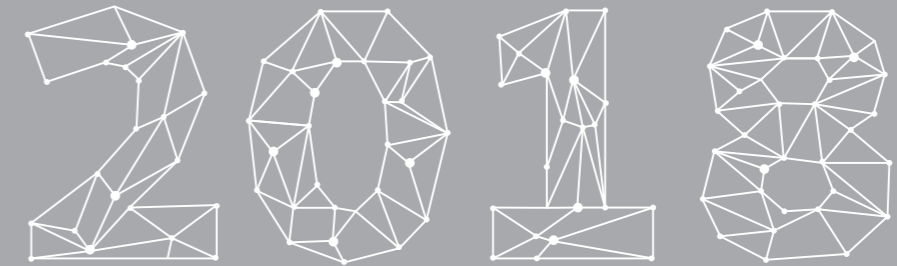


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2018 in Brief

About Paltel Group

Key Milestones

Key Performance Indicators 2018

Chairman's Letter

CEO's Letter

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, Palestine Telecommunication (Paltel) Group continuously evolves itself around the digital culture, strategically providing the latest technology trends to build the ICT sector in Palestine. The Group dedicated to providing the best services, quality, and value to meet our customer and shareholder needs, and as the critical force of the Palestinian ICT sector; Paltel Group, through its mobile operator, Jawwal, launched the first and fastest 3G internet services in Palestine.

Paltel Group is the pioneer of the telecommunications sector, and the largest employer in Palestine has established itself as the engine of the telecom industry and leads in the provision of the latest services and technologies, by following international standards and specifications. Sustainability is an integral part of the company's identity, an essential function of its operations and strategy is to advance the Palestinian private sector in Palestine and drive long-term national economic growth.

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 robust monetary base that enabled it to achieve further development and growth. The Group has played an essential and pivotal role in the development of the Palestinian economy, and the creation of many job opportunities.

Jawwal launches the first and fastest 3G service in Palestine



Establishing advanced, state-of-the-art data centers by providing the most advanced digital services



Paltel DATA CENTER



A sustainable company such as Paltel Group has proven to be the pioneer of the telecommunications sector in Palestine and has been able to achieve the highest standard in telecommunications services by wisely investing in modern technologies, telecom infrastructure, and human resource development. Paltel Group has evolved into the most critical force of the Palestinian ICT sector with a market capitalization of US\$ 802 million, representing 21.5% of the total market cap of the Palestine Exchange (PEX) as of 31/12/2018.

Total Market CAP of the Palestine Exchange (PEX):



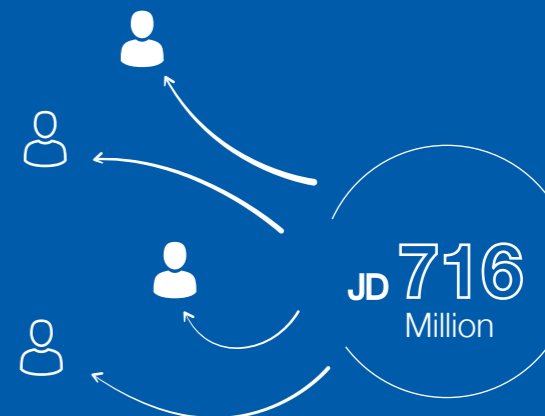
Representing



The Group directly employs



within its companies, in addition to other indirect jobs as created by its affiliates' operational processes



was distributed as cash dividends since the Company's date of listing

Paltel Group has given priority to social responsibility and has been a role model for other companies in Palestine. For that reason, in 2008 Paltel Group established its own independent corporate social-responsibility foundation, known as Paltel Group Foundation for Community Development

The Group invested in Social Responsibility



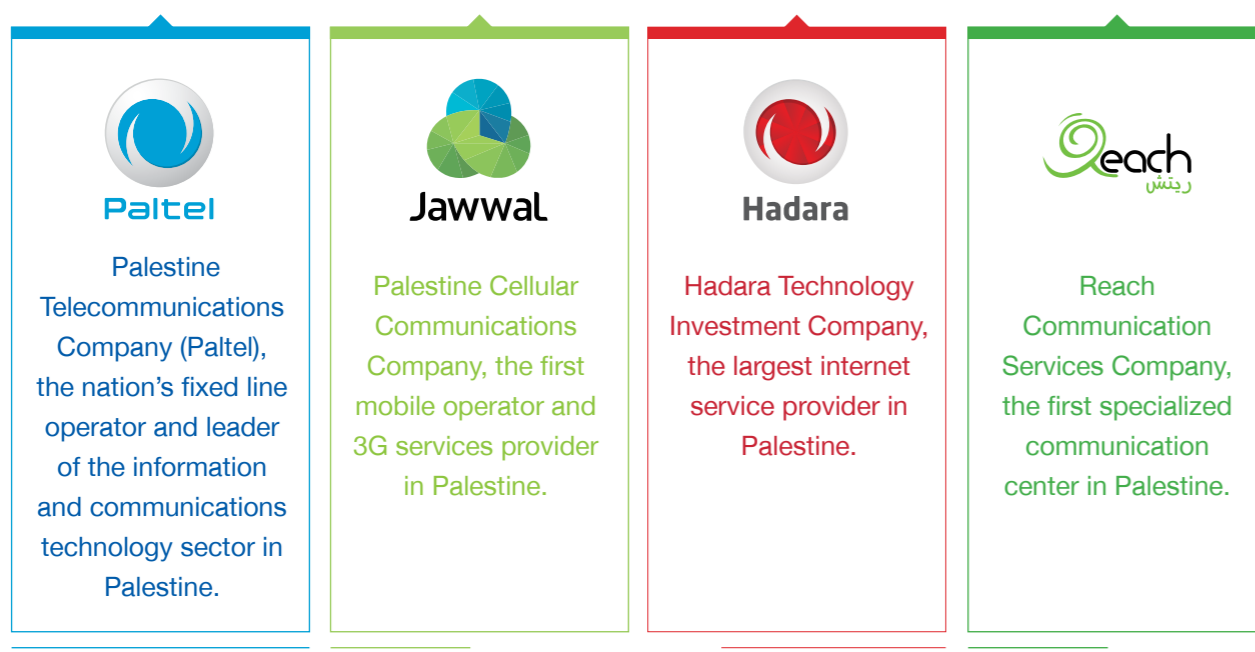
Paltel Group's Social Responsibility focuses on various forms of youth empowerment by providing equal opportunities to all segments of society. It engages in education and promotes a knowledge-based society by encouraging entrepreneurship and by identifying role models that may inspire future generations of Palestinians.

Main Group Companies



مجموعة الاتصالات الفلسطينية
PALTEL GROUP

Values



Development Arm

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

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

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.

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.

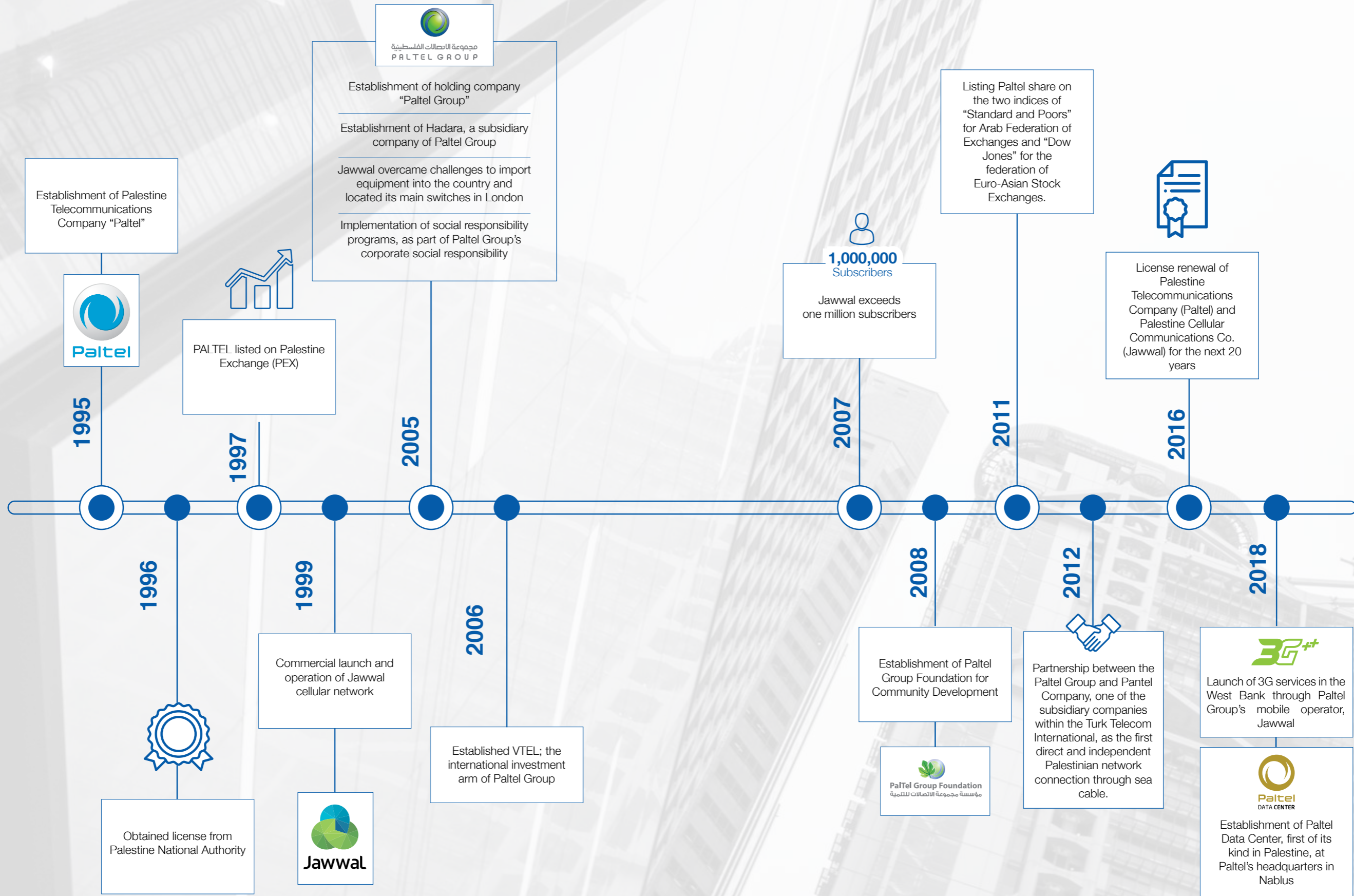
Commitment to Social Responsibility

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

Key Milestones



Key Performance Indicators 2018

470
Thousand

Fixed Lines



Operating Revenues

305.5
JOD Million

3.01
Million

Mobile Lines



Gross Profit

260.2
JOD Million

357.3
Thousand

Super-Fast Internet Lines



EBITDA

123.1
JOD Million

3.835

Million Subscribers



Net Profit

67.1
JOD Million

0.7%
Compared with 2017

Growth Rate in total number of Subscribers



Earnings Per Share (EPS)

0.510
JOD Million

Chairman's Letter



Dear Shareholders,
I'm delighted to share the 2018 Annual Report with our shareholders. On behalf of the Board of Directors, I begin this letter with a sense of pride about Paltel Group. As I look back on last year — in fact, the previous two decades — it is remarkable how well our company has performed.

Leading with success

For more than 20 years, Paltel Group has evolved into the most critical force of the Palestinian ICT sector; despite the challenges exuberated by the Israeli occupation. A sustainable company such as Paltel Group has proven to be the pioneer of the telecommunications sector in Palestine and our ultimate goal is to connect every Palestinian to the rest of the world and give the Palestinian people the ability to do more.

Building on our success in 2018, we continue our digital transformation journey across the Group while pursuing multiple other critical-mission objectives. With the capabilities and continuous 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. Furthermore, with all the recent political and economic turbulence in the region, in addition to the continued impact of the occupation on the operations of our subsidiaries, Paltel Group was able to generate revenues of JOD 305.5 million in 2018.

Delivering innovation

In 2018, we continued to seek out new opportunities and accomplish important milestones in fulfilling our mission in giving the Palestinian people the ability to do more. As such, Paltel Group has established a new state-of-the-art data center located at one of our headquarters, designed to offer the most advanced digital services including but not limited to traditional colocation services and cloud-based disaster recovery services, backup services, as well as other managed services.

To give the future even more room, we will be opening our innovation center, Fikra - Paltel Group Innovation Hub, at our Ramallah headquarters in 2019. It is a mindset, a creative space for innovative ideas and capacity building; a tech, think-tank hub where individuals and teams can grow their technologies and businesses. Paltel Group is delivering innovation by being a destination where creativity, innovation, and start-ups can flourish due to the provided infrastructure, facilities, and networks.

The nation's largest and most reliable 3G network

Paltel Group, through its leading mobile operator, Jawwal, provides the fastest and most reliable 3G services. It was the first to launch 3G services in the West Bank. The company is adamant about continuing to pressure Israel to release 3G frequencies in Gaza. 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.

Telecom leader in Palestine

Paltel Group has spent the better part of the last two decades transforming our company to grow and compete in the digital era. Our goal is simple: to be the best company in the telecommunications sector, period.

A sustainable company such as Paltel Group has proven to be the pioneer of the telecommunications sector in Palestine and has been able to achieve the highest standard in telecommunications services by wisely investing in modern technologies, telecom infrastructure, and human resource development.

As the telecom leader in Palestine, Paltel Group has served as the largest incubator for youth and their initiatives and entrepreneurship in the Palestinian society as a whole. The Group has given priority to social responsibility and has been a role model for other companies in Palestine.

Giving the Palestinian people the ability to do more

Being a company that is committed to helping its people and community, many years ago, Paltel Group took an active role in corporate social responsibility. Since then, we have made a variety of actions to fulfill this role, starting with an approach focused on giving back to society, give the Palestinian people the ability to do more by implementing income-generating projects to underrepresented Palestinian families throughout the West Bank and Gaza.

Sabih T. Masri
Chairman

CEO's Letter



Dear Shareholders,

Reflecting on 2018, Paltel Group made progress in several key areas, which included the launch of 3G services in the West Bank, doubling down on network infrastructure, and the release of innovations that enhanced our competitive advantage.

Achievements and challenges

The launch of 3G in Palestine has had a positive impact on the national communications infrastructure and the Palestinian economy as a whole. However, if allowed to develop freely, we could significantly contribute to a continuous sustainable Palestinian economy.

While Paltel Group is proud of its ongoing achievements and successes, each milestone required that a string line of challenges and obstacles be tackled. Back in January 2018, Jawwal the Group's mobile operator, was finally able to launch 3G services in the West Bank after years of wrangling with Israeli authorities to persuade them to lift their ban on Palestinian mobile companies and grant them the fundamental frequencies and third-generation services. Also, as the telecommunications leader in Palestine,

Paltel Group has the obligation and the right to continue to demand 4G capabilities in Palestine, as most of the world already has 4G technology, and 5G will be available in the coming year.

Moreover, Israeli mobile operators illegally target Palestinian consumers by operating within the Palestinian market without licenses, paying neither fees nor taxes, nor contributing any value-added services to the Palestinian economy. In the meantime, Palestinian operators are not allowed to build any infrastructure in Area C, which exacerbates the illegal competition from Israeli operators in more than 60 percent of the West Bank area. The deliberate Israeli siege of the Palestinian ICT sector aims to negatively impact the ability of Palestinian companies, mobile operators, internet providers, and the State of Palestine

as a whole. Nevertheless, and despite these challenges, IT and digital entrepreneurship are considered an emerging sector in the Palestinian economy with a strong potential for growth and job creation, and our ICT sector, community, and business continue to grow and prosper.

Income diversity

With digitization and technology developing at such a fast pace, Paltel Group is determined to carry the digital revolution to the rest of the Palestinian economy. Paid communication services have reduced, as access to messaging apps through various social media sites have become free. As such, the company is continually creating alternative investment opportunities to compensate this global trend, through diversified investments. It is, however, very crucial but essential to note that the Group maintains, its strategy of focusing on those that are most feasible on the one hand, and on the other, it will not compete with small Palestinian companies within their markets.

Doubling down on network infrastructure

A sustainable company such as Paltel Group has proven to be the pioneer of the telecommunications sector in Palestine and has been able to achieve the highest standard in telecommunications services by wisely investing in modern technologies, telecom infrastructure, and human resource development. Paltel Group has evolved into the most critical force of the Palestinian ICT sector with a market

capitalization of US\$ 800 million in 2018.

Responsible corporate citizens

Operating with corporate social responsibility principles is an expectation at Paltel Group. We have implemented a variety of initiatives to provide free solar panels throughout Palestine. Through our connections with Silicon Valley, we are helping to broaden access and participation in computer science, coding, and design thinking to all students with a focus on girls and underrepresented students. Sustainability has been a sharp focus for Paltel Group to meet the needs of today and the future generations through visionary leadership that manages resources and implements long-term goals. We continue to bring together communities, passions, and technology to deliver value to the Palestinian society with ultimately making tomorrow a better place.

Ammar A. Aker
Chief Executive Officer



This is Our Group



Giving Palestinian People the Ability to do More

Members of the Board of Directors

Executive Management

Giving Palestinian people the ability to do more.

Paltel Group continues to position itself as the embodiment of sustained achievements, technological development, and its ability to give the Palestinian people the ability to do more. Over the past twenty-two years, the Group has evolved itself as the leader of advancing the development and image of the information and communications technology sector within Palestine.

The Group, as a whole, portrays this image through its determination in its efforts to deliver high-quality telecommunications services in Palestine through the adaptation of international technologies to improve the Palestinian quality of life, increase community livelihood, to gain momentum among the international community, and ultimately to connect every Palestinian to the rest of the world.

Despite the political and economic turmoil, due to the Israeli occupation, the company continues to be the cornerstone of the Palestinian ICT sector through the development of its business leading to results towards its subscribers, shareholders, and stakeholders. The company, with each of its subsidiary companies, provided all that is innovative to the Palestinian market and was able to raise the standards of the service and commercial quality and efficiency, due to its exclusive vision to the reality, the presentation of leading solutions and the provision of new ways of thinking outside the typical boundaries.

Paltel Group has served as the largest incubator for youth and their initiatives and entrepreneurship in the Palestinian society. The Group has given priority to social responsibility and has been a role model for other companies in Palestine. 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.

We, at Paltel Group, continually engage in education and promote a knowledge-based society by encouraging entrepreneurship and by identifying role models that may inspire future generations of Palestinians, as we look for ways we can empower Palestinian youth through education. Therefore, we have launched a variety of initiatives and programs designed to utilize technology to offer young people more excellent educational opportunities.

The Group offers young Palestinians the opportunity to learn code and entrepreneurial skills, with an emphasis on female and underprivileged students. The ultimate aim is to create a thriving, sustainable technology sector in Palestine, and in the process, boost employment and wages. This is a strong example of how we focus on creating a better for all and are implementing responsible business leadership. Such endeavors will ultimately advance the telecom sector in Palestine and drive long-term national economic growth.

In conclusion, Paltel Group continues to create a canvas of achievements, cumulated at the end of each year with dozens of services and campaigns that enriched the entire Palestinian market and resulted with financial revenues that increased the trust of its shareholders and strengthened their belief in choosing their investment decisions. We are proud of our continued leadership as a responsible and successful company, bringing together our people, passions, and technology to support social priorities in Palestine.



Paltel Group continues to be the cornerstone of the Palestinian ICT sector through the development of its business and adaptation of global technologies leading to results towards its subscribers, shareholders, and stakeholders; despite the political and economic turmoil, due to the Israeli occupation.



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 the 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 An-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 in 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 at the American University in Beirut and the University of Houston, USA with a degree in economics.



Mr. Leith Masri - Representative of the Palestine Development and Investment Co. (PADICO)

Mr. Leith 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, Lotus for Financial Investments, and the Vice Chairman of the Palestine Islamic Bank. 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 a 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.



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

Mr. Samir Hulleh 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. Hulleh has held various management positions in the public and private sectors including Cabinet Secretary General of the Palestinian government during 2005-2006 and Assistant Undersecretary for the Ministry of Economy and Trade (1994-1997). 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. Hulleh has been an active Paltel Group board member since 2008. Mr. Hulleh 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 the 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 Co.

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 the 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 2001-2004 and the Chairman of Jawwal Co. Board of Directors from 2001 until 2005. 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 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 the Netherlands, in addition to a Bachelor's Degree in Industrial Engineering from The University of Jordan.



Mr. Yazid Al-Mufti – Representative of CairoAmman Bank

Mr. Yazid Al-Mufti has extensive experience in the banking sector, where he has held multiple senior positions at a variety of banks, including his role as General Manager of Cairo Amman Bank from 1989 to 2004. He also served as the Vice President and Deputy General Manager of Citibank in Amman, Jordan for 12 years. Mr. Al-Mufti is currently the Chairman of the Board of Directors of Cairo Amman Bank since October 2012 and the Chairman of Safa Bank. He is also a board member of several financial and investment companies including Zara Investment Holding and Palestine Development and Investment Company (PADICO). Mr. Al-Mufti holds a Bachelor degree in Business Administration from the American University of Beirut in 1976.



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

Mr. Ammar Aker is Chief Executive Officer and board member of Palestine Telecommunications (Paltel) Group. Before assuming his current position, he was the CEO of Palestine Cellular Communications Company, Jawwal; the first leading cellular operator in Palestine and a 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 of Palestine and focuses on investing in emerging technologies and telecom markets. He is also a board member of PADICO Holding, which is the largest investment holding company in the country and is also on the board of trustees for An-Najah National University. Mr. Aker is an active board member of many 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 the Edinboro University of Pennsylvania and a Master of Science degree in accounting from Kent State University, Ohio.

Executive Management

Paltel Group

Ammar Aker	Chief Executive Officer
Salameh Khalil	Chief Financial Officer
Kamal Ratrouf	Chief Technical Officer
Basel Amer	Chief Internal Auditor
Waleed Fteiha	Chief Procurement Officer
Hatem Natsheh	Regulatory Affairs Director
Michael Hajal	Financial Controller
Khalil Hamad	Board of Directors Secretary

Paltel Group Foundation for Community Development

Samah Abu Oun Hamad	General Manager
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Palestine Telecommunications Company (Paltel)

Maen Melhem	General Manager
Khalil Abu Salim	Gaza Regional Manager
Khalid Sayeh	Strategic Planning and Development Director
Mahmoud Jallad	Customer Care Director
Luay Abu Skhaidem	Sales Director
Zahi Kanaan	Finance Director
Ibrahim Kharman	Marketing Director
Sulaiman Abu Hejleh	Human Resources Director
Nizar Shanaah	Information Technology Director
Jamal Taweel	Core Operations and Development Director
Yaser Touqan*	Supply Services Director
Ihab Salous*	Wholesale Director
Basem Atrash*	Technical Operations Director

*Mr. Yaser Touqan last day of employment was 31.12.2018
 *Mr. Ihab Salous last day of employment was 31.12.2018
 *Mr. Basem Atrash last day of employment was 31.12.2018

Palestine Cellular Communication Company (Jawwal)

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

*Mr. Maheer Barrouk last day of employment was 31.12.2018
 *Mr. Amjad Al-Bishtawi last day of employment was 31.12.2018
 *Ms. Nadia Mansour last day of employment was 31.12.2018
 *Mr. Fayez Emter last day of employment was 31.12.2018

Hadara Technology Investment Company

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

*Ms. Iman Shaka'a last day of employment was 31.12.2018

Reach Communication Services Company

Hisham Zaid	General Manager
Yousef Jaber	Information Technology Director
Fadi Barrouq	Commercial Director
Ismail Abed	Finance Director
Mahmoud Khatib*	Operations Director
Iyad Habbash*	Supply Chain & Human Resources Director

*Mr. Mahmood Khatib last day of employment was: 31.12.2018
 *Mr. Iyad Habbash last day of employment was 31.12.2018

Legal Advisor — Al-Zubi Law Firm

External Auditor — Ernst & Young- Middle East

Financial And Management Report

Business Sectors

Competitive Analysis

ICT Sector in Palestine

Financial and Operational Outcomes

Paltel Group Family

Business Sectors

Palestine Telecommunications Company (Paltel)



Vision

Paltel aims to revolutionize digitization in Palestine through the establishment of innovative, state-of-the-art data centers designed to offer the most advanced digital services including but not limited to traditional colocation services and cloud based disaster recovery services, backup services, as well as other managed services.

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.

Key Achievement 2018

Paltel Data Center: A Turning Point in the Palestinian Business Sector

As part of its transition strategy to provide integrated business services for the telecom sector, Paltel has established advanced data centers at two headquarter locations, Al-Bireh and Nablus, equipped with the highest international quality standards. All the servers that provided by the Nablus Data Center have been sold and booked before the opening.

Paltel is determined to convey the digital revolution for the Palestinian economy. The Data Centers aim to provide traditional colocation services and cloud based disaster recovery services, backup services, protection services from attacks and breaches (IaaS PaaS SaaS), as well as other managed services.

Technological Revolution in Applications

In 2018, "Paltel" launched the "Paltel Store" application which users can select and purchase high-tech products with the option of delivery right to the customer's door. "PaltelApp," has been the first platform to bring together all of the Company's applications, in addition

to a Palestinian business application, "Paltel Business", which enables business subscribers to manage their accounts. Also, there is the option of "Distributors." application, which enable customers to subscribe to Paltel campaigns and services simply by downloading the subscriber data into the application.

Strategic Partnerships for Advanced Services

In 2018, Paltel established a variety of strategic partnerships with reputable corporations, such as, the Palestinian Investment Bank, National Bank, Cairo Amman Bank, AHLI Bank and Jordan Bank in order to provide data center services, interconnection and linking of branches to major locations via fiber optic network. Moreover, Paltel signed an agreement with PALPAY to be a registration and payment method for Paltel's services.

Largest Network in Palestine

Paltel continues to expand its network through the implementation of several projects on the copper and fiber optic networks such as shortening projects implemented on 100 sites, and the

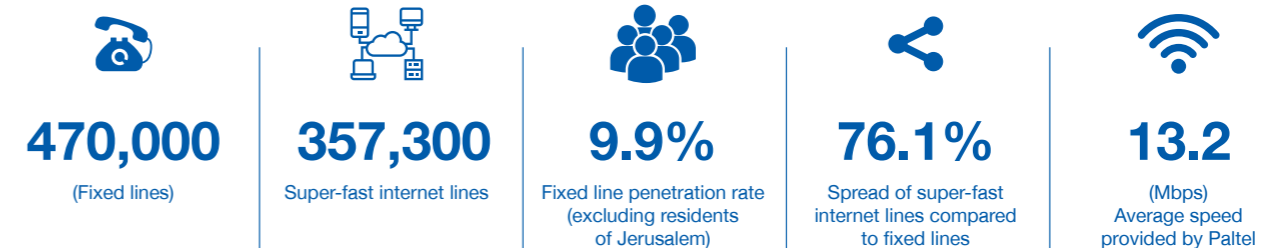
installation of solar panels in the Gaza Strip. In 2018, the company reduced the operating costs of various network systems by reviewing a number of maintenance contracts. It also has reduced some investment costs by offering creative alternatives that are implemented internally by employees.

A Social Media Leader

Paltel places great emphasis on its customers and is dedicated in providing the best customer service by delivering the ultimate customer experience. The company guarantees to assist its customers at all stages of support, which Paltel launched its automatic chat service over Facebook "chat bot" and "WhatsApp for Business", which supports complex machine learning functionality able to adapt to subscribers behavior and issues. It's worth mentioning that Paltel is the first Palestinian company to have the "Verified" symbol on its social media accounts.

Enhancing Customer Satisfaction

From its belief in the importance of offering the highest quality of customer service; Paltel launched the project "Customer Experience" that aims to improve the support offered to customers in different aspects, the least time and highest quality. This project succeeded in all terms; starting from receiving the request till visiting the customer's house for instant maintenance and support.



Challenges in 2018

One of the most critical challenges Paltel faced in 2018 was the illegal Israeli competition by non-licensed Israeli operators targeting Palestinian consumers that constitutes to more than 60 percent of the West Bank area. Israeli operators illegally provide 4G services in the West Bank and Gaza Strip. Also, the hassle and delay of entering materials into Gaza Strip in order to expand the network and serve all subscribers of the sector.

Competitive Situation

Paltel continues to work on providing fixed lines, Internet, data transmission, as well as other services. "Paltel provides its services aligned with international quality standards at reasonable rates. Therefore, Paltel has become the leading Palestinian company in establishing the infrastructure of the ICT sector in Palestine. Nevertheless, Paltel faces many challenges due to the Israeli illegal competition targeting Palestinian consumers in the West Bank, in addition Palestinian operators are not allowed to build infrastructure in Area C.

Future Outlook

- Continue to invest in network infrastructure and increase the quality of services
- Increase network expansion and services distribution throughout Palestine.
- Provide advanced applications to control and manage its services remotely in order to provide the best customer service
- Increase domestic and regional strategies of business services and wholesales.

BUSINESS SECTORS

Palestine Cellular Communications Company (Jawwal)



Vision

Jawwal, the leading mobile operator and 3G service provider in Palestine, continues to provide top-notch services to Palestinian subscribers. Jawwal consistently overcomes any obstacles that come its way by establishing a united, connected society, to guarantee the ongoing growth of the Palestinian national economy.

Scope of Business

Jawwal has been able to achieve continuous and concrete success since its establishment in 1999, despite political and economic circumstances imposed by the Israeli occupation. 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.

In 2018, Jawwal was finally able to launch 3G services in Palestine; a long overdue accomplishment due to the Israeli occupation and restrictions. However, to this date, 3G services are only available in the West Bank as, in great part owing to the Israeli restrictions, spectrum access for Gaza was not granted.

Key Achievements 2018

One of the most prominent achievements of Jawwal in 2018 was the launch of 3G services in the West Bank; a strategic step and milestone for the company. A variety of 3G bundles were offered to current and new subscribers to guarantee the best services and packages to assure customer satisfaction.

As technology advances so rapidly in today's world, Jawwal makes sure keep up to date with technology by constantly upgrading its network systems and digital. The company has updated the website and application of "My Account," which has witnessed an enormous increase in the number of downloads by 40% since its launch. High school students, whether Tawjihi or GCE (General Secondary Certificate), were able to easily download their results; which stemmed in almost 40 thousand people, of approximately 800 thousand times per day by either viewing or downloading their results. Jawwal also launched its very own e-wallet, "Jawwal Cash," that enables

customers to pay his/her bills for Jawwal, Paltel, and/or Hadara. Also, Jawwal has offered multiple 3G campaigns which 30 cars were awarded to customers in the West Bank and Gaza

Furthermore, Jawwal launched its automatic chat service over Facebook "chat bot", which supports complex machine learning functionality able to adapt to subscribers behavior and issues.

As such, Jawwal is determined to carry the digital revolution for the Palestinian society by establishing various communication and contact services to meet the needs of different sectors with the utmost efficiency and privacy to guarantee the ultimate customer experience and satisfaction.

Agreements

Jawwal has signed various agreements with different operators in different countries in 2018, mainly to lower the prices of international calls.

Jawwal has been distinguished by providing various communication and contact services in order to meet the needs of different sectors with efficiency and privacy that ensure the satisfaction of the subscribers including all categories of individuals, youth, families, companies and government sectors, with high quality and competitive prices. Jawwal also has the largest subscriber base, distributors and more towers than its competitors.

Challenges in 2018

- Israeli mobile operators established cell sites throughout the Palestinian territories.
- Political and economic turbulences, more specifically in the in Gaza Strip.

JAWWAL has taken a step forward in facing these challenges when the Prime Minister decided to criminalize Israeli segments as settlement products is being prosecuted.

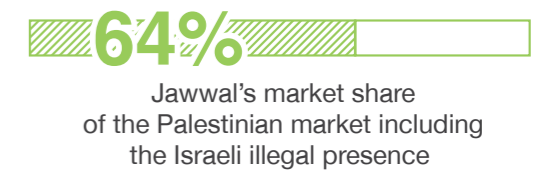
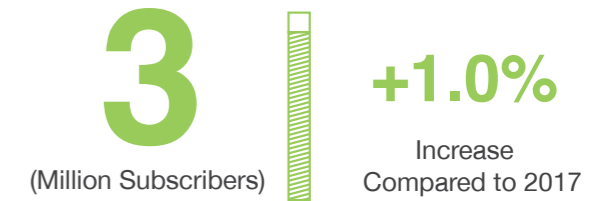
Competitive Situation

Jawwal provides global roaming and international services in more than 99% of the world; 437 operators in more than 170 countries. However, the fundamental value of Jawwal has been the provision of 3G service and communication to all segments of the community with high quality that has given the best value to its users, as it has the largest market share in the telecom sector, despite the illegal presence of Israeli operators in the area.

Jawwal has been characterized by several competitive advantages, the most important of which is its ability to provide different services to meet the needs of different sectors with efficiency and privacy that ensures the satisfaction of subscribers. Jawwal also has the largest subscriber base, distributors and towers, which means greater coverage of its network. In addition, Jawwal is working to improve the quality of its services by shortening the time required to provide these services to subscribers and deliver them according to international service standards.

Future Outlook

Jawwal continues to provide top-notch quality of services to its subscribers, and increase customer satisfaction, by expanding its investments in network and system optimization. It is mainly focusing on expanding 3G services in the West Bank and working endlessly to launch 3G in the Gaza Strip once approved by Israeli authorities.



Average monthly revenue
per subscriber



BUSINESS SECTORS

Hadara Technology Investment Company



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 works through 11 major centers and over 400 authorized distributors with the aim to provide Internet services to the Palestinian market according to international quality standards, Hadara also provides Internet services for the Palestinian market in an innovative, reliable and high quality manner. It seeks to continue to be the leading 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 2018

Since its inception, Hadara has been a pioneer in providing the best quality of Internet services and technology to provide the best customer service to its subscribers throughout Palestine. The company strives to closely monitor the needs and aspirations of its subscribers in all categories of home and commercial internet services and reach their ambitions in line with the development of the world in modern technological fields. Hadara launched many campaigns during 2018, such as the following:

- Raising the internet speed of the subscribers with very competitive prices, which then has contributed to their satisfaction and continuity with the company in 2018.
- Campaign entitled «Year ... from its very Beginning. Speed with different price», which has allowed new subscribers to access the Internet with special rates for 6 months.
- The campaign entitled «Enjoy Super Prices», which has then provided the new subscribers the Internet subscription service at very special prices up to NIS1 (One Shekel) per month.
- The campaign entitled «award-winning» which has aimed at rewarding its existing subscribers and welcoming its new subscribers, with most prominent awards and prizes including cars, TV sets, HADARA Equipment, Super-Box Routers and thousands of free internet months.
- The «All in Half Price» Campaign which has been launched in the third quarter of the year, offering current and new subscribers the opportunity to subscribe internet service for 3 months and the device "Hadara" TV, and "Super Box" Router with a discount rate up to 50%.
- The launch of technological solution called "My HADARA", an integrated solution that offers a wide range of innovative services such as: Internet control through the Super Box router and the application of many of the company's services and products more easily and quickly. The investment in the development of the application (My HADARA) itself is an investment in the Customer Care Department to ensure a new and integrated world of services in accordance with the highest international quality standards.
- The "All and For Mood of All" campaign in the first quarter of the year, which has allowed the current and new subscribers to get the product "Hadara TV" at competitive prices and in addition to get two months Internet free, interactive HADARA TV which contains many free applications for the service subscribers, which is the largest library of movies and series in

- the local market and applications (Youtube Google Chrome, iradio), which is flexible, ease of use and content renewed.
- Campaign entitled «In Ramadan ... always together». This campaign has provided the opportunity to experience the HADARA TV free during the month of Ramadan.
- "Mother's Day" campaign, which has been characterized by a special offer on the occasion of Mother's Day to all current and new subscribers to receive a free cultural device as a gift for Palestinian mothers.
- "Unlike others" campaign has been launched in the last quarter of 2018, which has been characterized by a special offer on the prices of interactive TV packages and the access of current and new subscribers to the HADARA TV free of charge.

Challenges in 2018

Hadara faces challenges in the face of illegal competition by Israeli Internet companies within the Palestinian territories through 4G services, not to mention the decline in the economic situation in Gaza due to the siege by the occupation, in addition to the high competition in the Palestinian market due to the large number of Internet companies, whether licensed or not Licensed which are supplying the WI-FI Service.

Competitive Situation

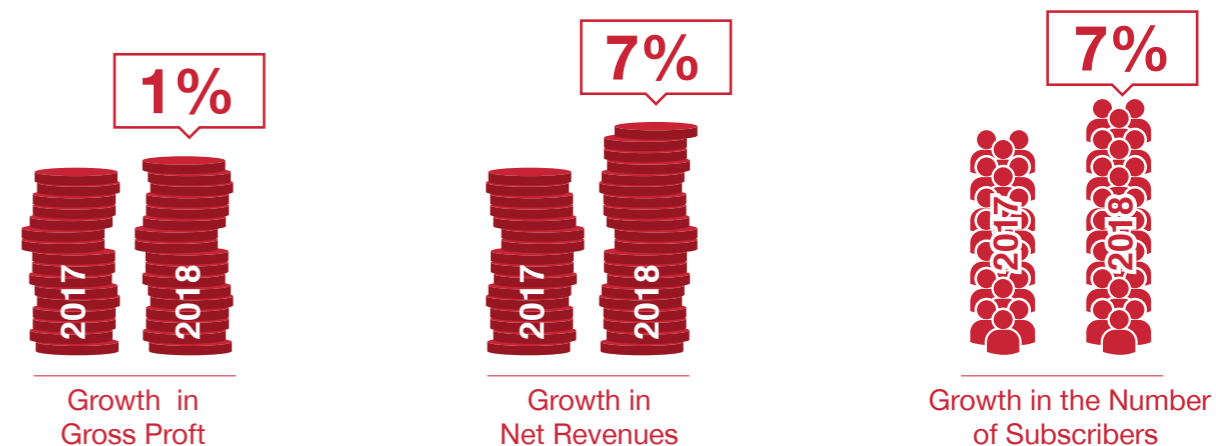
The company offers its services in the West Bank and the Gaza Strip. There are 8 competing companies in the West Bank and 6 competing companies in the Gaza Strip, as well as unlicensed Israeli companies. Hadara's market share amounts to 50% from the ISP sector in Palestine. The value of the services provided by HADARA has become the nerve of life for all individuals and sectors, which has become a means of communication between individuals and business sectors and is an essential element in the provision of educational and recreational services.

Hadara Company has been always seeking to be always distinctive and different from the rest of the companies. For the quality of products, the company also provides Hadara TV products, which puts in the hands of the subscriber exclusive global and local content, which is characterized by other devices with multiple options, which shall allow customers to control many of the Internet services through the implementation of the service. The quality of service is characterized by the efforts of the team and its support to the services of subscribers at any time and anywhere through the largest network of agents and distributors in different areas of the West Bank and Gaza, Hadara is at the forefront of the market and continue to work on developing them.

The company always strives to maintain its competitive advantage in the Palestinian market in which it operates. This is achieved by focusing on the target segment by providing continuous campaigns and offers on its services and products and continuous development before it is delivered to the subscribers. This will transfer a unique experience to an integrated digital world. Invest in a customer care team and technical support that is an integral part of the company identity and name.

Future Outlook

Hadara Company always looks to push its marketing and commercial plans and operations to new levels of innovative products and services for its subscribers in the Palestinian market. These plans, which will focus mainly on HADARA in 2019, on the development of its added services and digital products, which will ensure the discovery of new creative areas to maintain sustainability in competition and profitability as well as leadership in the Palestinian market.



BUSINESS SECTORS

Reach Communication Services Company



Vision

Reach aspires to remain the leading company in providing telecommunication 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.

It is no doubt that "Reach" is considered the first specialized information center that provides customer care services in Palestine. The company strives to activate the information center and make it a very specialized tool for each company in the nature of its work and its special needs in order to help it to reach the best satisfaction to its customers, with 24-hour customer service, with approximately 41 thousand calls received per day, Reach has capabilities of implementing innovative a solutions by implementing excellent service to customers and clients, within a variety of sectors; such as healthcare, education, insurance, and ICT.

Key Achievements 2018

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 foods, 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. Throughout the year 2018, Reach increased regional

and international operator's base to modernize the main system of handling and routing calls and multimedia (UCCE).

Moreover, "Reach" worked on its infrastructure to meet new business requirements. The most important of which was the automation of the interactive response service and facilitating the process of building a virtual environment for the transfer of servers and the development of business processing outsourcing services. The company also launched its automatic chat service "chat bot" and "virtual clouding", which supports complex machine learning functionality able to adapt to subscribers behavior and issues. The project is estimated to be between two and three years, with achievement of approximately 25% until the end of the year 2018.

Challenges in 2018

One of the most important challenges faced by Reach in 2018 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.

Competitive Situation

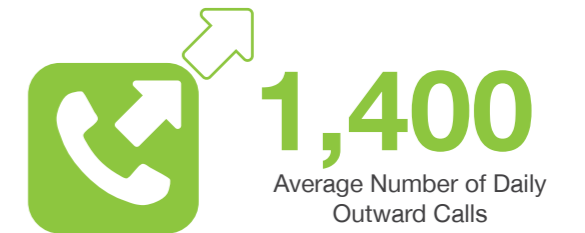
Reach has been operating a wide range of services locally and internationally. It has been serving customers not only locally but internationally in Europe, America and the Gulf, and around the world, Reach has been a voice call center that relies on incoming and outgoing calls, in addition to enhancing communication through non-voice services such as Social networking sites, instant chat and email response, which include the following:

- A solid fiber-based infrastructure (Fiber Network).
- Obtained ISO 27001 which is used as a control system, Quality Assurance Policy and System and Policy Certification integration.
- A follow-up system dealing with customer complaints which has been developed internally in "Reach" and proved its success practically without application in Network of existing customers.

"Reach", however, maintains its competitive advantage by providing its customers with the highest quality and professional services through a professional and specialized staff, in addition to meeting the required results to deliver the necessary results and services from the customer services by applying the level of service and performance indicators required. "Reach" has also been the leading provider of telecommunication services and communication as it holds the largest market share, noting that the competition falls under the local and global companies that establish call centers to provide internal or external services.

Future Outlook

- "Reach" aspires to increase local and global revenues and profits.
- Attain new markets, and increase customer base.
- Create new and quality services with the highest international standards.



Jawwal



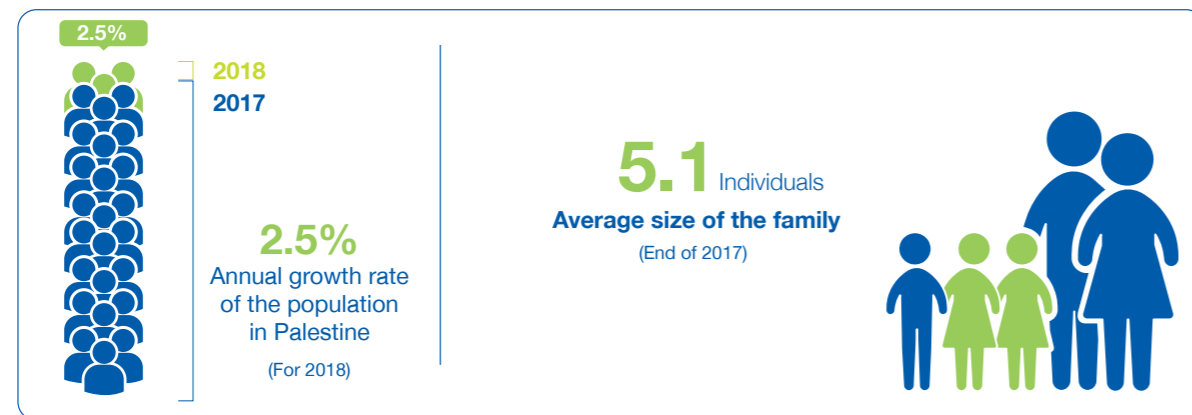
Paltel



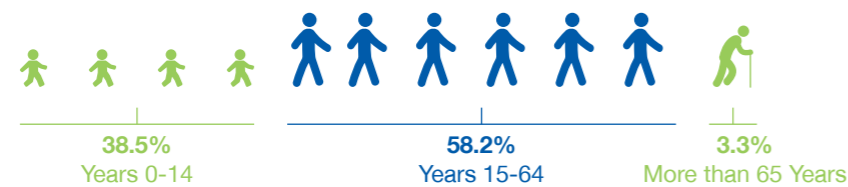
Hadara



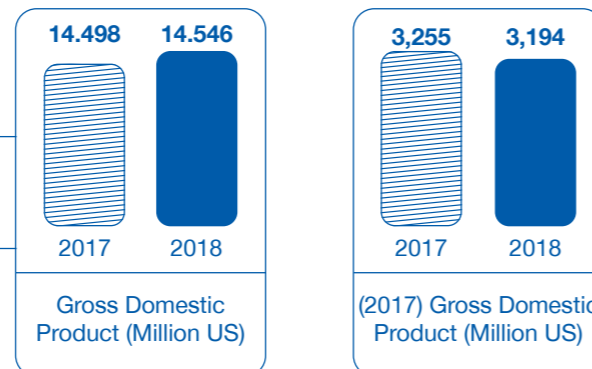
Competitive Analysis



Age and Population Structure (end of year 2018)



Values of 2018 have been estimated based on the findings of the first nine months



523 "Million US Dollars"

The added value of the ICT sector to Palestine's GDP for the year 2018

3.6%

Contribution of Palestine's GDP

Source: Palestine Monetary Authority (PMA) and Palestinian Central Bureau of Statistics (PCBS)

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.

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 all individuals and segments 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.

According to the Palestinian Central Bureau of Statistics (2017), the number of establishments operating in the ICT sector have reached 972 establishments out of a total of 148,974 operating establishments in Palestine. The sector employs 12,300 workers out of a total of 958,000, an equivalency of 1.3% of the total employment in Palestine. This sector's added value amounted to USD 523 Million during 2018, with a contribution percentage that amounted to 3.6% of the Gross Domestic Product (GDP) in Palestine.



Classification of ICT personnel by Gender



Source: Palestine Monetary Authority (PMA) and Palestinian Central Bureau of Statistics (PCBS)

Competitive Factors Analysis

Paltel Group 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. The Group 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 that context, further thorough analysis of the competitive atmosphere of the fixed line, mobile, internet and data sectors is presented in each company's representation section.

Palestinian Information Technology Association "Pita"

The 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

The Ministry of Communications and Information Technology eagerly seeks to raise this sector awareness of its importance to raise the performance of the Palestinian economy and the certainty that the rapid growth of this sector will be surely the best proof of its role in shaping the new face of our world in the very near future. In turn, the Ministry does insist on being the ideal aspect for this sector in order to represent Palestine and to ensure that the companies operating in the sector will certainly follow the highest standards of quality and implement the policies and work procedures provided by the Ministry.

The role of the Ministry has been working and supervising a safe, sound and efficient infrastructure that will certainly ensure the accuracy of the work and quality of the services provided by the ICT companies operating in Palestine, in addition to overseeing the performance, transparency, and professionalism of telecommunications companies and their commitment to a fair competitive environment. Involvement of the private sector in the Palestinian digital production in order to ensure economic development. However, the application of a digital education system to define the next generation of the Palestinians in this sector will surely make the Palestinian Community a producer of digital products and services rather than being consumers thereto.

The private sector and the public sector have a strong relationship in Palestine, whereby the two parties do broadly seek to integrate in order to promote the economy and community so that the foundations and parameters of the independent Palestinian State are very clear. As the telecommunications group is the largest telecommunications and information technology company, it has been one of the most efficient companies in terms of human resources and financial ability. However, the Group has worked closely with the Ministry to provide state-of-the-art digital infrastructure, and provide the private sector and non-profit institutions with various tools and advanced technical equipment and human resources and scientific knowledge necessary to apply all necessary in this sector, to upgrade the ICT sector to move forward the development of this sector and promote the Palestinian people in various fields of digital knowledge to increase awareness in this area and keep up with latest developments in the world of technology.



The private sector and the public sector have a strong relationship in Palestine, whereby the two parties broadly seek to integrate to boost the national economy and community so that the foundations and parameters of the independent Palestinian State are very clear.



Research and Development

The telecommunication sector is continuously growing and expanding at such a fast pace that allows Paltel Group to lead the way in research and development consistently, thus in that context, Paltel Group continuous to pay high attention to the R&D scope to increase the efficiency of its current operations to that the the Group's development activities will also enhance and increase the efficiency of its current services to end-users. Paltel Group invests in research and development by developing the infrastructure and communication networks to provide the highest quality in terms of services aligned with international and global standards. Paltel Group implements such strategies to fulfill the Group's vision to remain as a leading company in the ICT sector in Palestine.

International Quality Standards

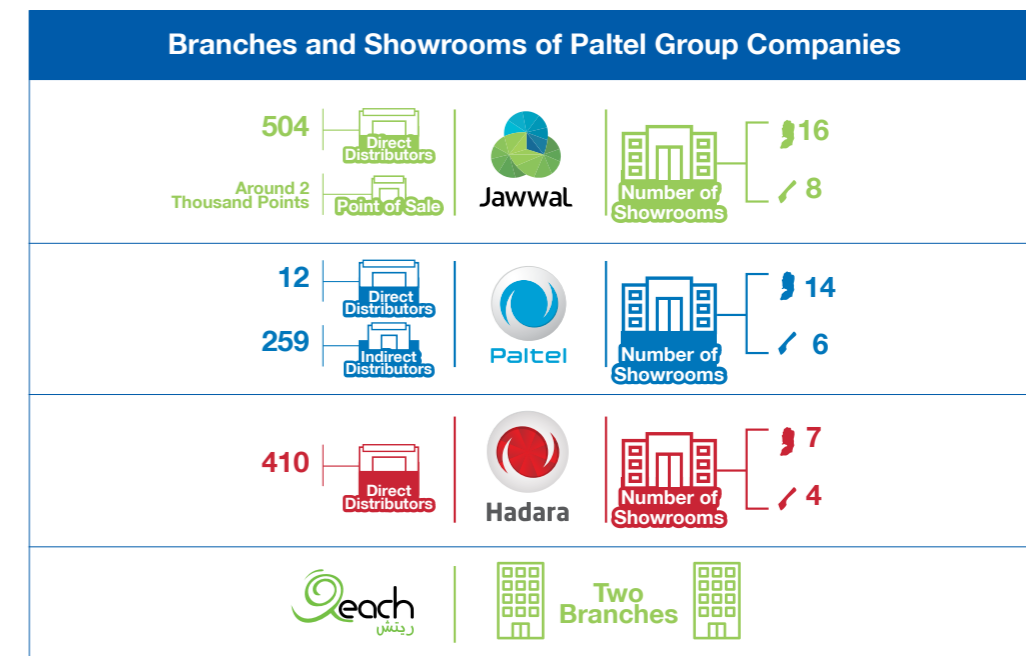
Paltel Group and its companies work on implementing the highest quality standards in the world through different means to stay the leader of the ICT sector in Palestine. The practices involves enhancing the services and applications provided by the Group and its companies, in addition to the evaluation and control of service provision centers, and ensuring the provision of services according to the approved standards in accordance with Company's policies. Furthermore, the Group have consistently aimed to hold training courses and workshops for employees in order to promote their concept of quality standards, which reflect positively on the qualifications in providing different services for subscribers in the local and regional markets. Also, it have been always crucial to the Group to facilitate the tools and means required for the cadres operating in its subsidiaries 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 and 3G provider, recognized regionally and internationally, has obtained the ISO 14001 Certificate, establishing itself as the leading company in this sector. 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.



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.

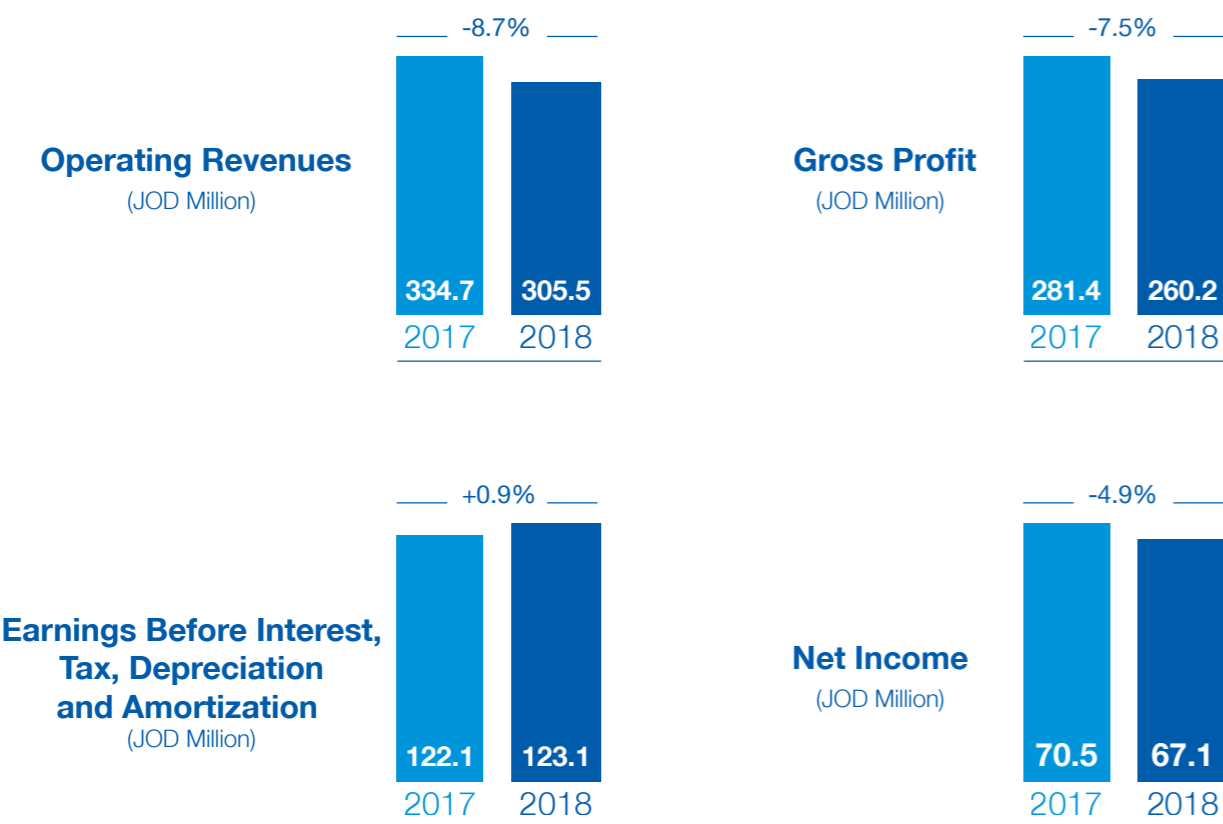
Financial and Operational Outcomes

Financial Indicators

Paltel Group has been able 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 67.1 million in 2018 compared to JOD 70.5 million in previous year. Accordingly, the earnings per share amounted to JOD 0.510 compared to JOD 0.536 in 2017.

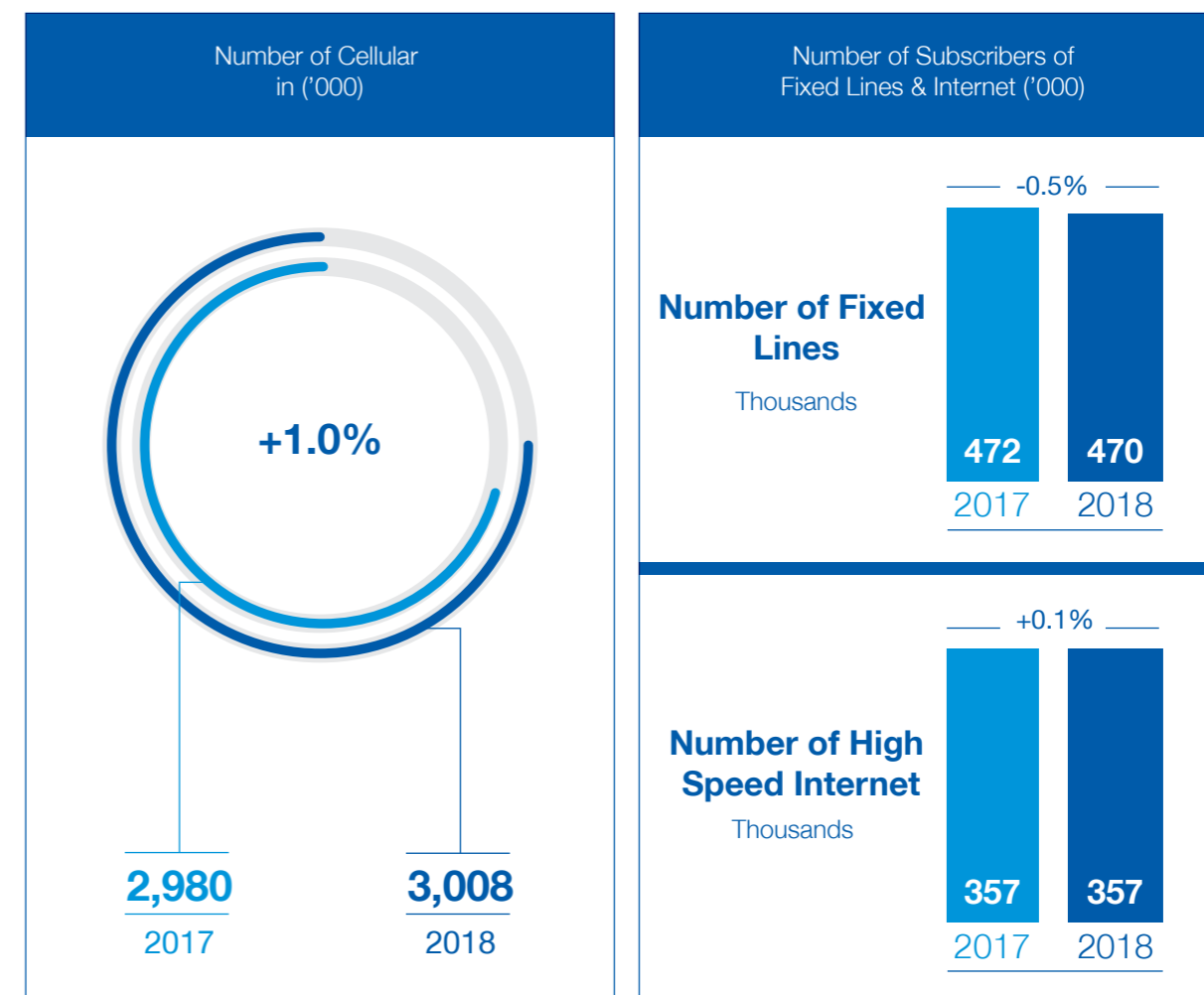
The results of the current period were directly affected by the illegal Israeli competition of Israeli telcos targeting Palestinian consumers throughout the West Bank.

The consolidated operating revenues declined by 8.7% to reach JOD 305.5 million by end of 2018. Moreover, the revenues from external customers generated by fixed and mobile operating segments have decreased by 7.9% and 15.2%, respectively, while revenues generated from data segment increased by 8.1% compared to 2017. Net profit margin, gross profit margin, operating profit margin and EBITDA margin reached to 22%, 85.2%, 24%, and 40.3%, 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 2018 as well, where total number of subscribers (mobile, fixed and ADSL) grew by 0.7% versus end of year 2017 to reach 3.835 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, Fixed operating and Data operating segments declined in the year 2018 compared to 2017 by 11.1%, 16.1% and 3.0% to reach JOD 7.21, JOD 5.15, and JOD 9.22 respectively.

The Group's Debt

With regard to the levels of debt and financial obligations, the balance of the utilized overdraft accounts reached JOD 46.4 million as of December 31, 2018 out of the total overdraft ceiling of US\$ 110 million (equivalent to JOD 78 million). During the year 2018, the Group signed a new loan agreement for an amount of US\$ 50 million (equivalent to JOD 35.5 million) with a regional bank. On the other hand, the Group signed additional two long-term loan agreements with a regional bank and a local bank with a value of \$50 Million for each loan totaling \$100 Million (equivalent to JOD 70.9 M) in order to repay the loans for twenty quarterly payments beginning of the year 2019.

Moreover, the total facilities and the short-term portion of the long-term debt amount to JOD 74.7 M as of 31/12/2018.

Analysis of the Financial Position

Paltel Group implements a variety of internationally recognized financial analysis methods to demonstrate the overall financial position of the Group and to assess and provide the shareholders with the most critical business performance indicators. The Group continually analyzes its financial statements in depth and examines its performance in detail that helps to identify the strengths and weaknesses of the fiscal policies followed and the financial position of the Group and its companies, which plays an essential role in achieving the financial stability of the Group and maintaining the best of its financial operations and facing any obstacle that might affect its financial position, therefore aiming to achieve higher shareholder returns.

Profitability Ratios	2018	2017
EBITDA Margin	40.3%	36.5%
Operating Profit Margin	24.0%	20.9%
Net Profit Margin	22.0%	21.1%
Revenue on Average Assets "ROaA"	9.4%	8.2%
Revenue on Average Equities "ROaE"	12.3%	12.7%

Liquidity Ratios	2018	2017
Current Ratio (times)	0.8	0.7
Quick Ratio (times)	0.8	0.7
Operating Cash Flow to Financing Expenses Ratio	15.1	24.4
Operating Cash Flow to Capital Expenditures Ratio	2.5	2.2

Financial Leverage Ratios	2018	2017
Total Liabilities to total Assets	43.7%	38.9%
Total Liabilities to Total Equity	77.6%	63.6%
Interest Bearing Loans and Borrowings to Total Assets	19.0%	10.5%
Interest Bearing Loans and Borrowing to Total Equity	33.8%	17.1%
Long Term Loans to Sum of Equity and Total Long-Term Loans	15.5%	7.5%

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

The Group has adopted the International Financial Reporting Standards No.9 (IFRS 9) considering the date of 1 January 2018 as the date of application. This standard has been retrospectively applied. (Please refer to note 3 in the financial statements for further details).

The Group divides its investments to local and regional investments as follow:

Investment Classification (Thousand JOD)	Local	Regional	Total
Fair Fair Value through Profit and Loss (FVTPL)	6,931	21,423	28,354
Fair Value through Other Comprehensive Income (FVTOCI)	39,606	120,900	160,506
Total	46,537	142,323	188,860

Financial assets are therefore measured at fair value through Income Statement by finding the fair value of these investments and recognizing any gain or loss arising from changes in their fair value in the consolidated income statement. On the other hand, financial assets at fair value through statement of comprehensive income are measured at the same cost. However, gains or losses arising from changes in fair value through other comprehensive income are recognized in the fair value reserve. Upon disposal of these assets, the gain or loss previously recognized in the fair value reserve shall not be reclassified to the consolidated statement of income but is recognized directly in the retained earnings account.

Investment Policy

Paltel Group continuously prepares financial studies and analysis for the feasibility of making new investments to enhance the strength of its financial position and to implement the Investment Diversification Law to mitigate risks and increase returns. The Group invests in different geographic regions and sectors to ensure the continued profitability of the company and its outstanding performance, which has guaranteed shareholder return for the past two decades. The Group has invested in other sectors besides the telecommunications sector to develop the profitability of the company and meet development needs, which includes the development of infrastructure, monitoring the latest developments in the industry and latest technology trends worldwide. Furthermore, the Group has been following the economic situation in the region and tracking many potential investments that will be profitable opportunities in the future. Moreover, 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 2018, the Group took several strategic investment decisions, the most important of which was the increase in the ownership of the Group in the Arab Bank PSC to reach 3.0% as compared to 2.5% of the last year 2017. The balance of financial assets available for sale and financial assets held for trading at the end of 2018 amounted to JOD 188.9 million compared to JOD 169.4 million at the end of 2017. On the other hand, cash dividends received from all investments in 2018 amounted to JOD 9.4 million compared to JOD 8.7 million in 2017.

Investments in Other Companies and Economic Activities

Paltel Group continuously expands its investments in several vital projects to financially position the Group in line with strategic and investment objectives aiming at achieving a balance between risks and returns through the distribution of the assets of the investment portfolio geographically and in various economic sectors. The Group's Executive Management and investment committee, aligned with the Board of Director's vision and strategy, has developed investment plans and policies aimed at expanding investments. Paltel Group invests in public listed companies throughout financial markets, and the table below shows the most vital investments.

Company	Country	Number of Shares		Ownership Percentage		Market Value (JOD)	
		2018	2017	2018	2017	2018	2017
Arab Bank	Jordan	19,140,750	15,795,666	3.0%	2.5%	118,864,058	88,455,730
Cairo Amman Bank	Jordan	10,579,282	10,579,282	5.9%	5.9%	14,070,445	15,868,923
PADICO	Palestine	42,279,573	42,279,573	16.9%	16.9%	38,369,558	44,964,326
The National Bank	Palestine	12,603,318	12,603,318	16.8%	16.8%	15,190,779	16,441,785

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 (26.8% ownership). In January 2019, the Group acquired additional shares in Jericho Gate Company to become to become an owner of 75% of the share capital (this transaction has been disclosed on the Palestine Stock Exchange website).

Paltel Group's Operations and Activities outside Palestine

Paltel Group's operations and activities outside of Palestine aim to generate investment opportunities with low-risk levels to produce profitable returns for its shareholders. Among these investments is the investment in VTEL Company, which enables the Group to enter into significant regional and international partnerships, such as its partnership with the company maritime Amir cable, and thus allowing the Group to expand on a larger geographical scale.

Management Evaluation of the Financial Situation

Paltel Group's Executive Management continues to apply a variety of financial methods and tools to monitor its investments in detail and benchmark with counterparts within the region and international markets to reflect a more accurate view of the current situation. As such, Paltel Group has achieved financial balance and stability by implementing its fiscal and asset management policies to maintain a borrowing ratio to 19% of total assets at the end of 2018; which is due to the expansion of the Group's investments and the maintenance of its profitability. Paltel Group has been able to expand its financial base with total assets reaching JOD 858 million at the end of 2018.

The Group's working capital reached JOD 54 million by the end of 2018 compared to JOD 75 million at the end

of 2011. On the other hand, the current ratio (current assets on current liabilities) reached 0.8 times compared to 0.7 times in 2017. The figures indicate the Group's ability to meet its short-term liabilities and achieve its short 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 Group's payment of the obligations in the coming periods, most importantly, the amount of the requirements of the renewal of the licenses of Paltel and Jawwal.

Furthermore, Paltel Group managed to maintain a cash balance of about JOD 57 million by the end of 2018, after paying JOD 183 million to the Palestinian National Authority for renewal of operational licenses, over the past two years. The total balance of the short-term credit facilities stood at 8.7% of the Group's total assets while the overall balance of long-term credit facilities scored 18.3% of the total equity at the end of 2018. 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.

Paltel Group's financial position based on efficiency and operational ability to overcome local and regional economic fluctuations, as well as withstand illegal Israeli competition by Israeli telcos throughout the West Bank. The Group has demonstrated excellence in terms of quality and customer service aligned with the highest international standards in telecommunication services.

Risks

Paltel Group follows and applies various internationally considered policies, procedures, and systems of work based on approved and considered standards to determine the expected risk control that may affect the performance of the Company. The Group is keen to review these principles regularly to ensure that the mechanism is functioning as required and the certainty of business continuity and operational profitability are present. The Group is currently facing some of the challenges and risks such as the shekel exchange rate against the US Dollar and the Jordanian Dinar, through the conversion of revenues from the shekel (operational currency) to the Jordanian Dinar (financial statement currency), which is sometimes reflected negatively on the financial statements, yet managed efficiently through hedging and managing the currency transactions of the Group. On the other hand, there some other kind of risks that regularly faces the Group, which comes from its investment portfolio that fluctuates according to political and economic situations in the region along with operational volatility which is a regular in the business context.

The Group is continuously mitigating these risks by dealing in forward contract currency transactions with banks and monitoring foreign currency cash balances of the Group, as well as 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. It is worth noting that the risks faced by the Group's operations and actions are not limited to currency fluctuations, but rather also linked to their investments in financial markets which revalued at the end of each fiscal year, which may affect the overall performance of the portfolio.

Also, there are that kind of risks that has been always facing the Group, mainly that of continually dealing with the instability of the political situation in Palestine, due to the Israeli occupation, as it is aimed to negatively affect the ICT sector in Palestine through the continued Israeli control of frequencies and the illegal presence of the Israeli operators through the Israeli settlements. Furthermore, due to the second mobile operator operating in the Gaza Strip since 2017, this has had an impact on the Group's competition and market share within the area.



The assessment of the Group's financial position is featured in the efficiency, robustness and operational capacity to challenge local and regional economic fluctuations.



Paltel Group Family

Human Resources Achievements 2018

Paltel Group accomplished many achievements in human resources management in 2018 to ensure high efficiency and effectiveness of the Group's performance. Key achievements were:

- Provide the feature of Video CV in Paltel to attract creative candidates.
- Use of focus groups in Jawwal in order to acquire and analyze talent efficiently.
- Development and enhancement of Human Resource procedures throughout the Group.
- Upgrade of internal infrastructure and communication process by implementing a new digital system, "Digital Work Space," to enhance the communication among employees.
- Develop and modernize recruitment process of candidates at Reach through the implementation of the E-Career Program.
- Cooperation agreements with Palestinian universities for training and development purposes.
- Recruitment of a number of students of An-Najah National University through Reach's students training program to provide them with the necessary expertise and skills.
- Update of labor policies for the benefit of work.
- Organization of many events and activities to enhance communication with staff.
- Update on the structure of departments 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.

Qualifications and Training 2018

Paltel Group provides 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 the ICT sector.

Due to transportation restrictions, Paltel Group employees located in Gaza are provided with remote training in order to enhance their skills. 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.

Furthermore, Paltel Group supports a variety of sectors, including but not limited to the education sector, Jawwal signed a collaboration agreement with Al-Quds University within the Dual Education Program through Jawwal, aiming at integrating practical experience with academic achievement during the years of study.

Human Resources' Key Policies in Paltel Group

Employment Policy

Paltel Group is committed to investing in human resources, which is the backbone of the success of any company. The Group strives to attract the best-qualified staff to provide the best services to its customers, based on transparency and quality standards and transparent principles in recruitment, interviewing, and polarization procedures. Candidates submit their applications through our website, and then the company reviews the applications. The committee interviews a group of candidates, and then selects the appropriate candidate for the job vacancy based on the recommendations of the 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 theoretical and practical experience to the students.

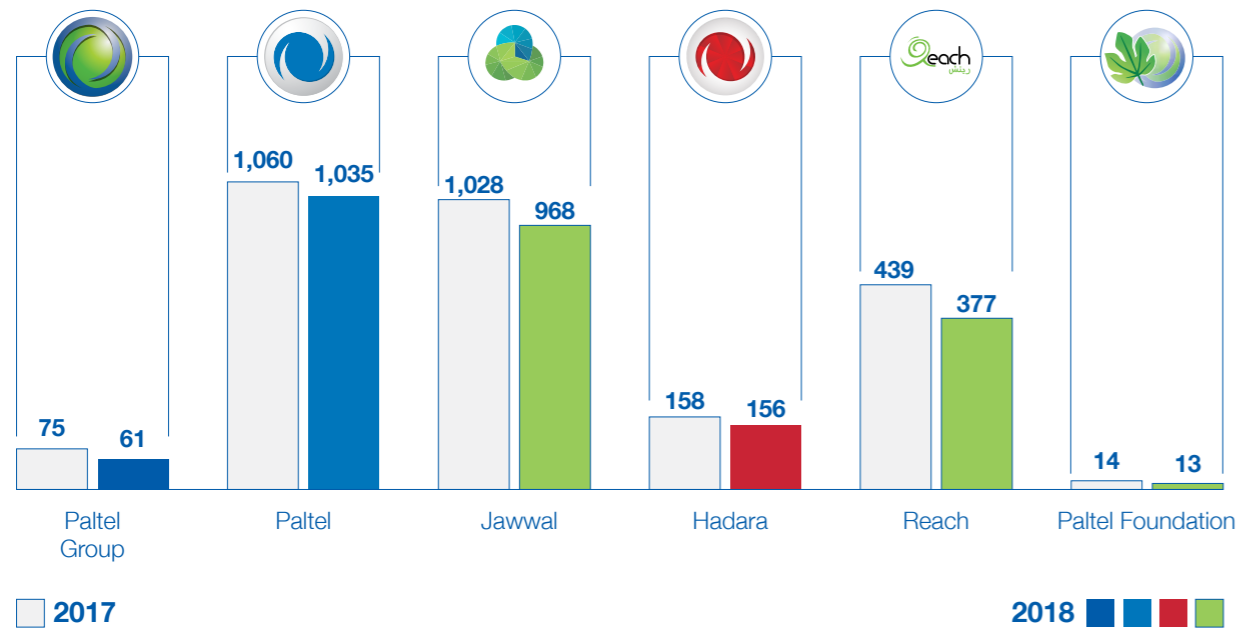
Incentives Policy

Paltel Group offers many benefits to its employees, such as the provident fund, the social welfare fund, health insurance for employees and their families, and university and vocational scholarships to the children of employees. A tactic to encourage and support employees to enroll in universities, in addition to annual bonuses and other incentives.

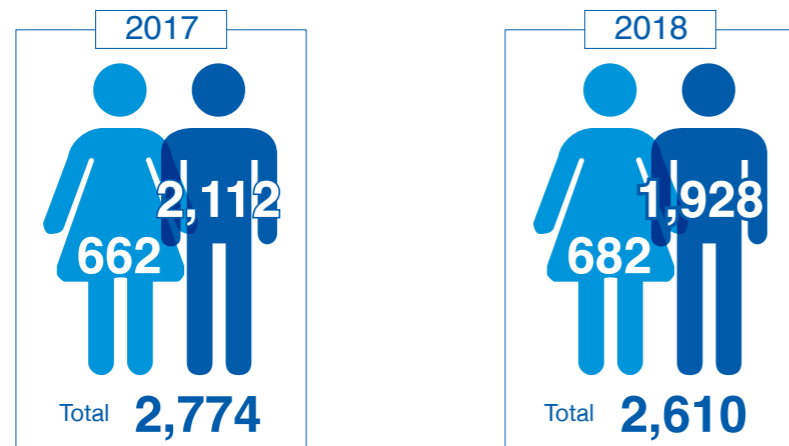
Future Outlook



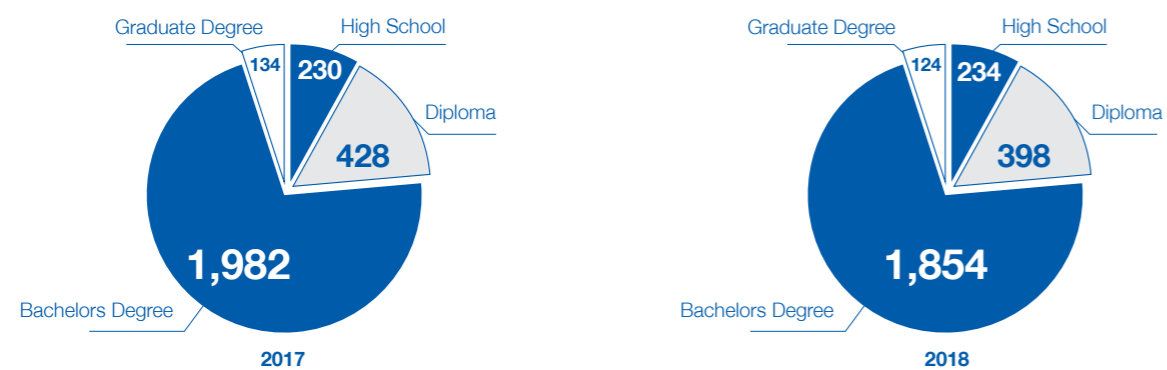
Numbers of employees in Paltel Group and its companies (2017-2018)



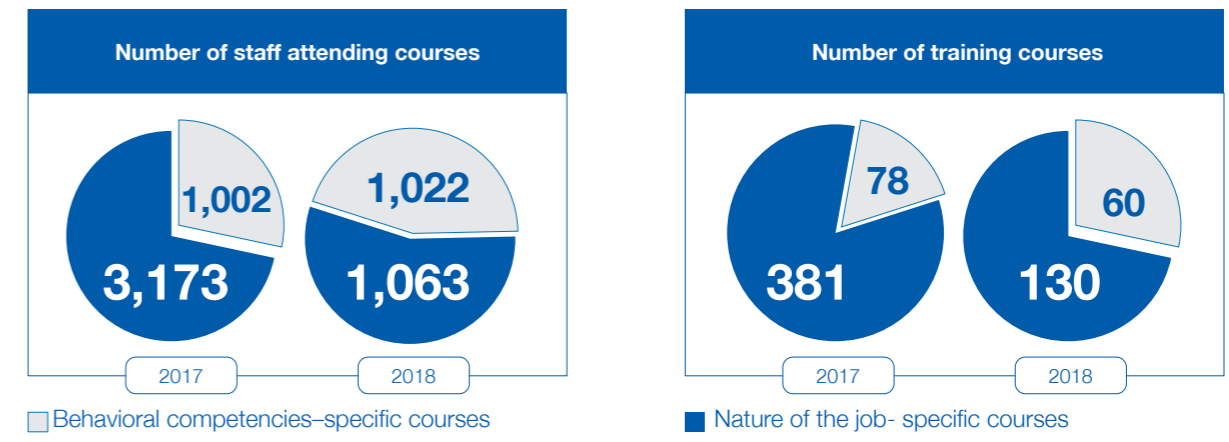
Classification of Paltel Group and its companies in terms of Gender (2017-2018)



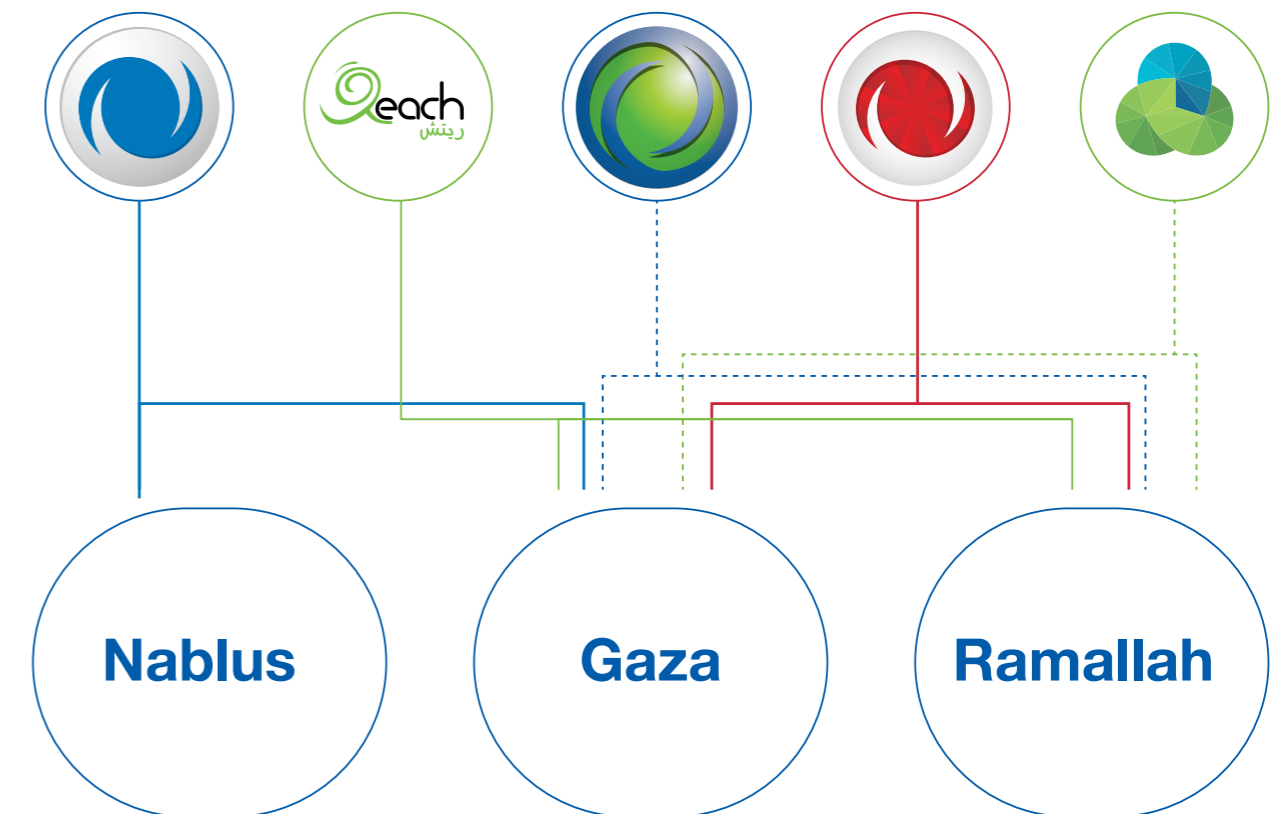
Classification of Paltel Group and its companies in terms of Education (2017-2018)



Summary of Training Courses (2017-2018)



Main Branches of Paltel Group and its companies



Governance

Compliance with Corporate Governance

Legal Disclosures

Board of Directors

Internal Monitoring and Control Systems

Shareholders and Paltel Stock

Compliance with Corporate Governance



Since its establishment, Paltel Group has remained a market leader in Palestine and the largest employer within the private sector and Palestine. The rules of governance have been the foundation of internal regulations of reference of the Board of Directors and the Executive Management, thus to stay committed to developing privacy policies, managing data, strengthening institutional oversight, defining responsibilities, and regulating the relationship within, moreover, the Board and the Management keep its efforts on to enhance the principles of governance and apply them into internal policies and applicable laws and regulations, thus to develop the quality and performance of the Group's financial profitability and follow future strategic plans,

The Group has been committed to working within the framework of the internal regulations and resolutions, whether in the memorandum of association, the by-laws, or the recommendations of the Board's meetings. In addition to the laws, circulations, and the provisions applicable by the regulators in Palestine to maintain the relationship between the Board of Directors, the Executive Management, shareholders, and stakeholders. Furthermore, Paltel Group is committed to and significantly contributes to the development of its role in social and environmental responsibility in the Palestinian society.



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 was established a private shareholding company to regulate trading in securities and create a sound investment environment to attract domestic and foreign investments.. The Palestine Exchange operates under the supervision and control of the Capital Market Authority, according to the Securities Law No. (12) of 2004, the first trading session held in 1997, and in 2010, the Palestine Exchange was listed as a public shareholding company to comply with the laws of transparency and governance to be an investor in the Palestine Stock Exchange. The most important objectives of the stock exchange have been to reflect a right image of the investment environment in Palestine and strengthen strategic relations with local and regional stock exchanges and financial institutions so that Palestine is part of the global investment department.

Compliance with Disclosure

Paltel Group is committed to complying with all laws, regulations, and instructions of disclosing all matters related to the performance of the Group and its companies. It is proud of its commitment to fully comply with all what is required to disclose information whether quarterly, semi-annual and annually, in addition to the assessments of the Board of Directors and public bodies to reach investors inside and outside of Palestine. The Group's commitment is to forge its commitment to be the largest Group to create a transparent investment environment in Palestine. These disclosures issued to the Capital Market Authority, the Palestine Exchange and published on their websites, along with the Group's website and major daily newspapers.

Legal Disclosures

Primary legal procedures or cases in which the company is involved

Until 31/12/2018, 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 JOD five thousand since the beginning of 2018

There are transactions with stakeholders that are outlined in the audited financial statements through Note 34.

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 Paltel's shares outstanding.

Contracts and deals with related parties

Paltel Group did not conclude any contracts, projects or commitments during 2018 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 board of director 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 2018 was in total of JOD 1.85 million as short-term benefits and JOD 206 thousand as long-term benefits; in addition to JOD 371 thousand as benefits for the company's board of directors.

Contracts of the board of directors and executive management Staff

No contracts were signed between the Group and members of the board, 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 of members of the executive management listed in the Palestine Exchange

Name	Position	Workplace	Listed Companies
Ammar Aker	Chief Executive Officer	Paltel Group	Palestine Telecommunications Co. (PALTEL) Palestine Development & Investment Co. (PADICO Holding) Palestine Real Estate Investment Co. (PRICO)
Salameh Khalil	Chief Financial Officer	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 2018.

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:

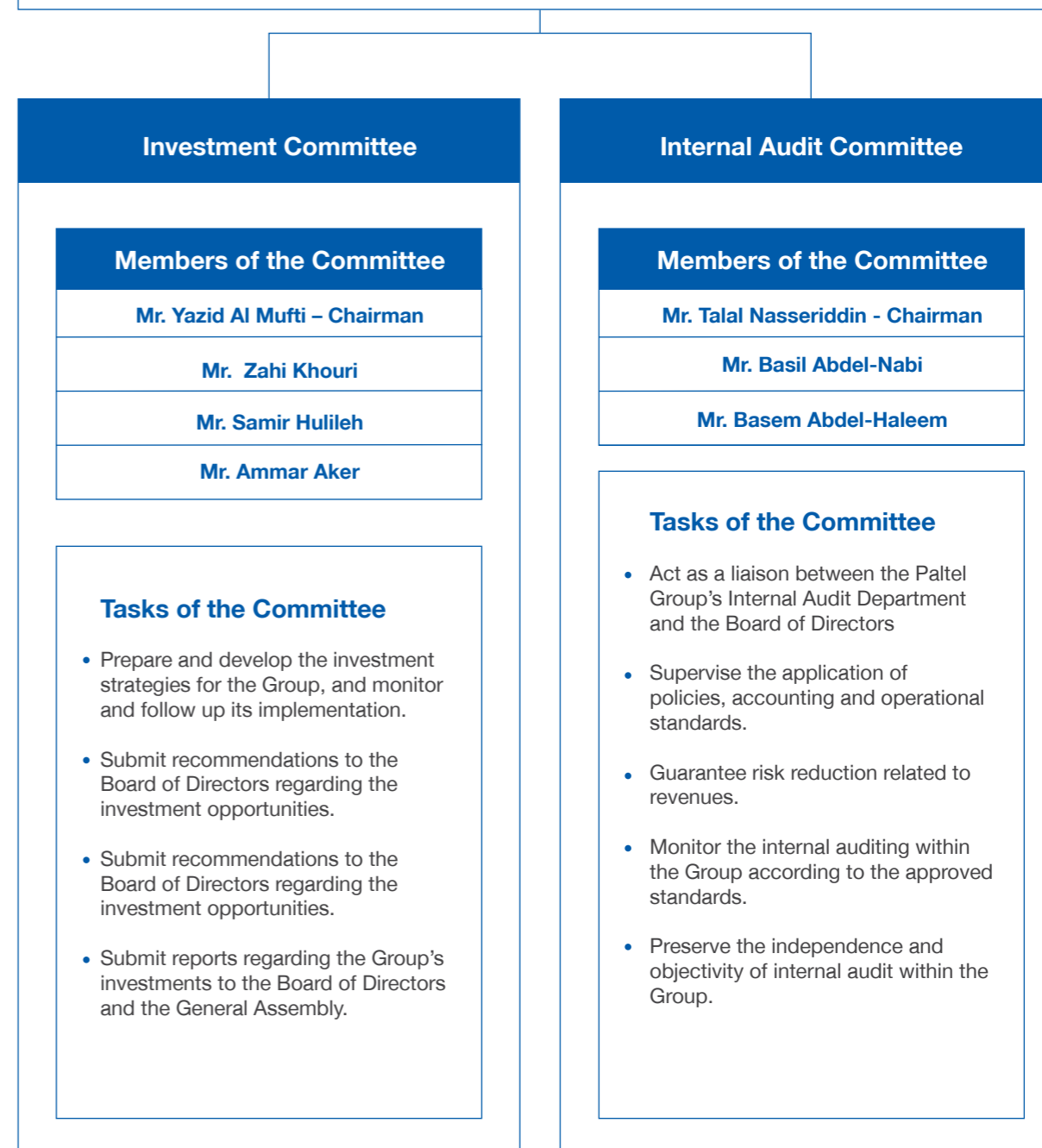
- Identify the mission of the Group and its companies, and develop strategies and laws to achieve and implement the objectives and results in various forms, thus contributing to serving the local community and providing rewarding returns to shareholders and other stakeholders. The Board of Directors 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, Bylaws, and Policies of the Group requires that the number of members of the Board of Directors shall not be less than five members and no more than eleven members for reasons of consistency of membership with the capital structure. The rules of procedure shall also bind each member to at least 30,000 shares of the company's shares. In the event of a decrease in ownership, the membership shall automatically fall. The board member shall have the required expertise and competence in terms of financial, legal, and administrative according to the elements stipulated in the laws adopted by the Group. It is crucial that members of the Board of Directors have sufficient time to follow up on Group matters, attend most meetings and enjoy a future outlook in the world of communications and investment to continue the Group's outstanding performance and maintain the confidence that shareholders have given over the past years.

Board of Directors' Committees

The committees of the Board of Directors are composed of specific members of the Board who, on his behalf, study and review certain aspects of the Group's work and take decisions as a result of their extensive experience in this field. The Board of Directors have two central committees: investment and internal auditing to increase the company's profitability by investing in the telecommunications sector in particular and other areas in general to implement the Investment Diversification Law. It is vital to maintain the company's governance and transparency and to ensure that the work is conducted accurately and impartially by the executive management and all employees through the internal work of the Group and its subsidiaries. Accordingly, the members of the committees and their main functions are as follows:



Meetings of the Board of Directors

The Board of Directors' holds periodical meetings to discuss the latest developments related to the company in regards to achievements, financial and administrative reports, and future strategies, to achieve planned objectives and activities undertaken by the Group. Also, the Board of Directors discuss all the Group's operations, develop policies and procedures, and monitor their implementation by the executive management and employees of the Group and its companies. The Board of Directors or at least one-quarter of the members of the Board, so that the number of annual meetings shall not be less than six, and the meeting held at the place determined by the Chairman of the Board. It is worth mentioning that to comply with all disclosure laws and integrity and transparency principles; the Group shall disclose and notify the Palestine Exchange and the Capital Market Authority of the date and agenda of the meeting without the statutory disclosure period. Subsequently, the Group shall provide the same regulatory authorities with the decisions of the meeting to ensure communication with its shareholders. Furthermore, the Board of Directors did not hold an emergency meeting in 2018.

Dates of convening meetings of the board of directors during 2018			
1	2	3	4
	First Meeting 14/02/2018	Second Meeting 26/03/2018	
5	6	7	8
	Third Meeting 21/06/2018		
9	10	11	12
	Fourth Meeting 16/10/2018		Fifth and Sixth Meetings 02/12/2018

Ordinary General Assembly Meeting

Paltel Group's Board of Directors' holds the ordinary general assembly meeting at least once a year. Shareholders are invited to attend the meeting, which includes the agenda of the meeting. Also, the details of the meeting provided electronically and in writing on the company's website and throughout local newspapers. The Annual General Assembly meeting of the Group was held in March 2018 in Ramallah, Palestine, while 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 Board of Directors' recommendation to distribute a cash dividend of 40% of the nominal value of the share approved during the meeting. In addition, Ernst & Young elected as an external auditor for the year 2019.

Extraordinary General Assembly Meeting

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

Election of Board Members

Paltel Group's internal regulations dictated the cycle of the board of directors cannot exceed four years. The new Board of Directors shall be elected by secret ballot, yet the previous 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. Each candidate shall have at least thirty thousand shares of Paltel Group in order to qualify for the membership of the board, knowing that the membership will be automatically revoked if the number of shares owned by the member decrease than the minimum required number of shares. It's also given that no one less than twenty-one years can be nominated to the membership of Paltel Group's board of directors, and no person holding a public office may combine that position with the membership of the Group's board of directors.

Board of Directors' Performance

The Board of Directors' performance is based on the need for competence, skills, experience, diversity, and ability to manage the Group's business in terms of senior management, ensuring that the Board can maintain the Group's performance and sustainability and comply with all the terms and characteristics of transparency and governance. Key performance indicators, also, the evaluation process aims at ensuring that all material matters are covered during the financial year, defining the Group's strategic objectives and ensuring consistency between the Group's vision and the vision of the Board of Directors. The evaluation process for the Board of Directors is carried out under the supervision of the Chairman of the Board. The evaluation process includes the Board's self-evaluation and evaluation of the performance of the Board as a whole. The essential method is to distribute a questionnaire to the members without disclosing their names. Also, the performance of the Board evaluated at the General Assembly meeting held annually by the Group in the presence of the shareholders, the Companies Controller and the representative of the Capital Market Authority, and the representative of the Palestine Exchange. Accordingly, discussion on the performance of the Board, the Executive Management, and the Group as a whole took place.

The evaluation is also completed by certain committees, or through a certain person, or the Chairman himself. It also could be completed by distributing a questionnaire to the members of the Board of Directors so that they can anonymously vote on it. The results will then be summarized and submitted to the concerned authorities, which in turn will discuss and apply any corrective actions required.

Efficiency

Diversity

Experience

Ability

Skills

Control & Internal Monitoring System

Paltel Group expanded its operations significantly over the past years. This development and multiplicity in operations required the implementation of the latest internationally recognized internal control systems. It aims at improving operational performance and employing the resources available at the Integrity and Accuracy Summit to ensure their proper utilization; 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 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.

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 weaknesses were 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, and the Group's management started to implement such recommendations.

The main achievements of the Internal Audit Department in 2018 were as follows:

Conducting a comprehensive risk assessment for all Group companies and departments.

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.

Implementing various consultation tasks according the executive management needs and requests.

Conducting the internal audit in accordance with the approved internal audit plan. Key auditing tasks carried out in 2018:

Budgeting activities for the Group's subsidiaries

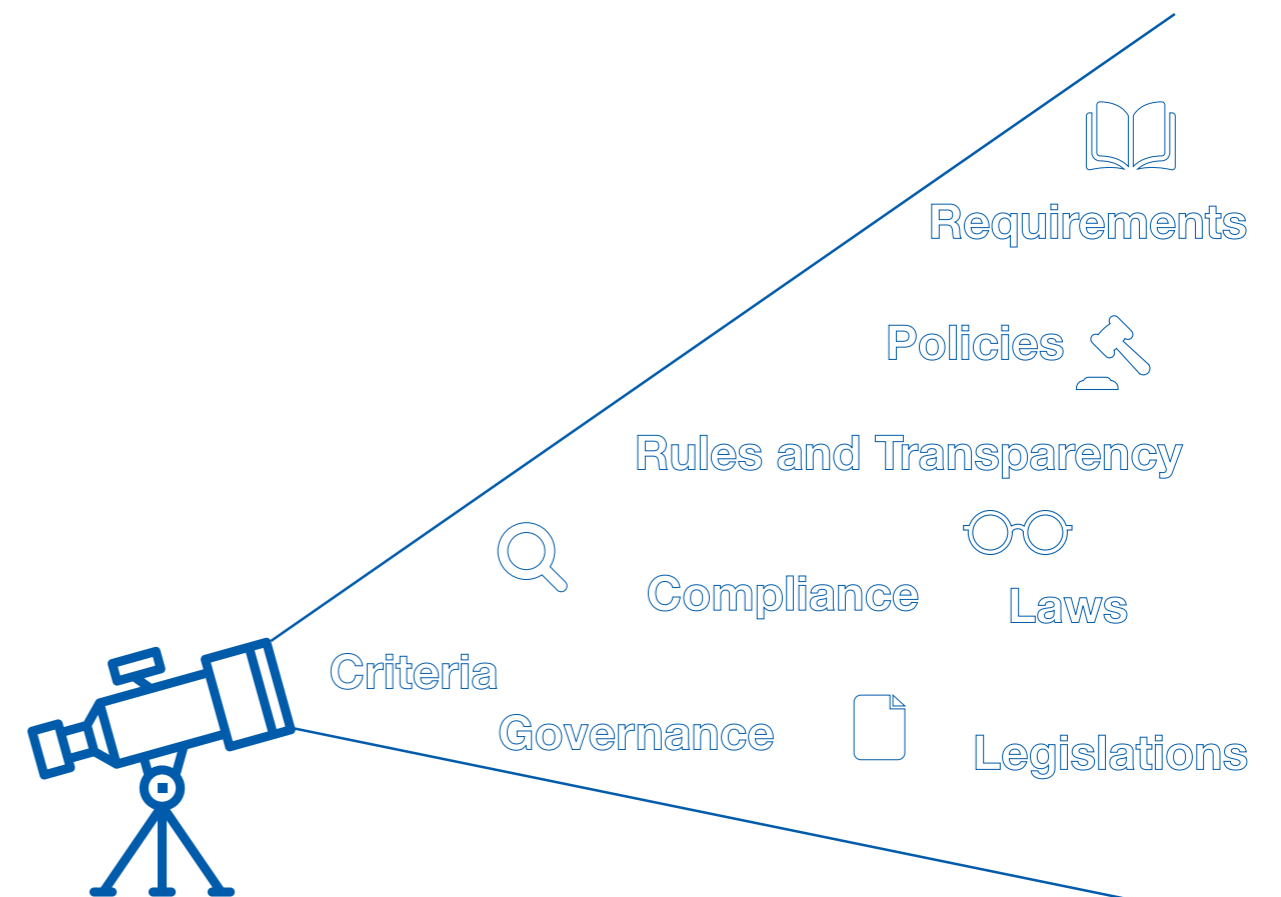
Procurement activities for the Group's subsidiaries

Sales activities

Customer care activates for Hadara

Recruitment activities

Fixed assets



Investors and Paltel Stock

Investor Relations Department

Paltel Group's shareholders are the essence of the company's success and sustainability. Over the years, the Group has formed a bridge of trust and communication between the company and its shareholders to improve the Group's position and provide a clear vision of its strengths to maintain its current shareholders and attract new shareholders. In addition, the Group strives to develop strategies aimed at reaching the Group's plans and retain a diverse and reliable communication with all shareholders to strengthen the shareholders base of the company and attract foreign capital to Palestine. Therefore, trading and liquidity ratios will surely increase the shares of PALTTEL within the Palestine Exchange.

The Investor Relations Department of Paltel Group implements the highest standards of communication with its investors and uses many information dissemination, communication, and follow-up tools to ensure that information reaches its shareholders as soon as possible, thus to have an edge that would be classified competitive not only on a local level but also on a regional and a global level. The Department is also keen to clarify the dividend policy adopted by the Group, report the dividends per share approved during the General Assembly meeting, and follow up the distribution of dividends and receipt by the shareholders. The Department is also responsible to publish and issue the annual report which sums up the Group's managerial, operational, administrative and financial performance and reviews of the year, in addition to the achievements done throughout the year.

Also, the Department consistently and persistently seeks to store, maintain and update the shareholder's data and contact information stored on a departmental automated system that the Investor Relations department uses to monitor and organize. It is a procedure to guarantee a transparent communication process with shareholders and raise their awareness about the company's strategy and activities, and protect the shareholders' information and offer them the highest quality of service. In addition to complying with the securities laws and the regulations issued by the regulatory bodies, the Department ensures that all instructions and rules implemented concerning shares ownership and to maintain the shareholders' relationship with the Group, thus to be fully transparent and clear in front of its shareholders and stakeholders, all maintained and communicated through quarter, interim and annual reports, in addition to disclosures through its website and the legal ones that shall be published on Palestine's exchange website.

Forms and means of communication with shareholders

The Group devotes specific resources and tools to ensure that communication with the existing and potential investors conveyed transparently and smoothly. Hence, the Group uses a variety of communication tools to submit information and presentations to all categories of investors and the business community as a whole; in addition to various periodic disclosures providing shareholders with adequate and sufficient information promptly, to help them in making their informed investment decisions. Also, the website of the Group is continuously updated to include data, financial reports, and information illustrates Paltel stock performance.

Over the past years, the Investor Relations Department has collected data about the shareholders, including necessary information, banking and communication information, to update the Group's database and update it to the shareholders' system in order to facilitate the process of communication with them to update them with the latest news related to the Group. The newly launched sophisticated platform contains all relevant information and automatically saves and maintains the information in a highly confidential manner, ensuring that no data is lost, in addition to the flexibility to acquire the most needed information about the shareholders and thus to keep them in the context of the Group's latest updates and news. This update has positively affected the speed and mechanism of dividend distribution to shareholders and access to shareholders who had profited from previous years and did not receive them.

As part of the Group's responsibility to offer the highest level of transparency and involvement of its shareholders in the strategic decisions related to the Group, the General Assembly Meeting is the primary platform for communication between shareholders, the Board of Directors, and the Executive Management to discuss various matters and to take into consideration the opinion and expectations of the shareholders for the company's current and potential performance in the coming years and to shape the strategy that will mostly benefit the shareholders and aims to increase their investment value, that all through efficient voting rights and the distribution of invitation to each and every shareholder through various communication means.

Reports and disclosures to Shareholders

Paltel Group fully adheres to the disclosure of material information and financial reports with applying the best of considered practices in order to reflect the most reliable financial reporting performance presentation, as it is a critical element of transparency and constant communication between the Group and its shareholders to clarify matters relating to the Group's business in a clear and non-misleading manner. The Group also prepares these disclosures and delivers to all the shareholders at the same time without any bias of distributing the information along with the regulatory institutions within the statutory period as permitted and in obligation, thereby within the provisions of the law.

In addition, the Group prepares presentation slides, fact sheets, analytical reports, and clarifications on the financial statements and administrative decisions, including the resolutions of the Board of Directors and the results and recommendations of the General Assembly and any other non-recurring material information that should be published to the public of shareholders. It is implemented in specific bulletins to be issued on the company and the Palestine Exchange websites, to help shareholders make decisions and understand the policies and strategies adopted by the Group. Therefore, it aims 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 the performance of the telecom sector in the region.

Collaboration with the supervisory authorities and brokerage companies

The Group maintains constant communication with the regulatory and organizational 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 to keep up to date with the latest developments regarding communication with shareholders, disclosure of data, and meeting schedules and decisions to increase the level of quality, speed, and integrity in the investment environment in Palestine. Also, the Group maintains a relationship between the Investor Relations' Department and brokerage companies in Palestine, to provide clear and explicit information delivered to local and international shareholders. The Group also holds periodic meetings to ensure that these companies can perform the financial and administrative performance of the Group through presentation segments and analytical reports that are reviewed by the management of these companies. 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 and to keep updating them with the latest of prospects and key performance indicators, therefore to maintain the reliability of the Paltel's stock which is considered the largest stock in market cap in PEX.

Strategy for Investor Relations' Management

Paltel Group reviews its shareholder strategies and communication plans continuously, discussing the effectiveness and feasibility of this relationship, developing and updating it, and applying the latest technology systems to increase its accuracy and accelerate its operations. The Investor Relations' Department is continually seeking to improve the relationship with all parties dealing with securities which are in any way related to investing in the Palestine Exchange. As such, the Department keeps pace with the latest developments in the sector and connect the most recent developments with their shareholders and update their data and abide by the laws that protect shareholders dividends and maintain the confidence entrusted to the Group over the past two decades.

**Paltel Group
is a member of the Investors'
Relations Association**

2018
member of

 middle east
investor relations
association

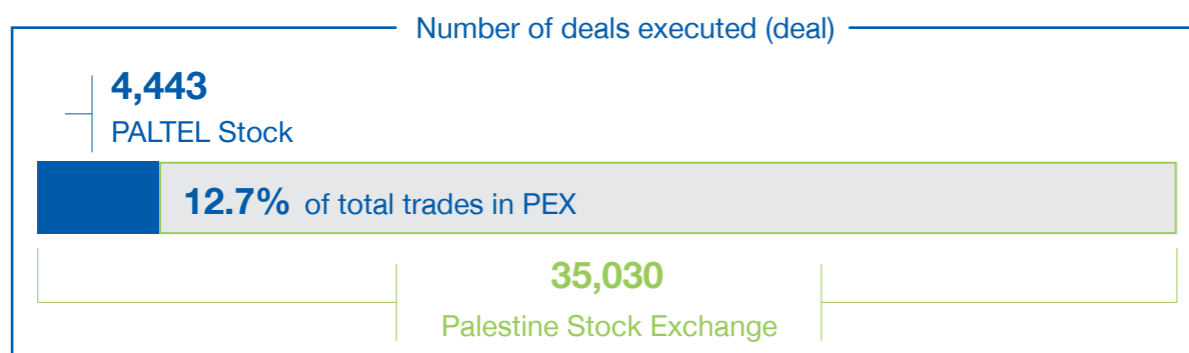
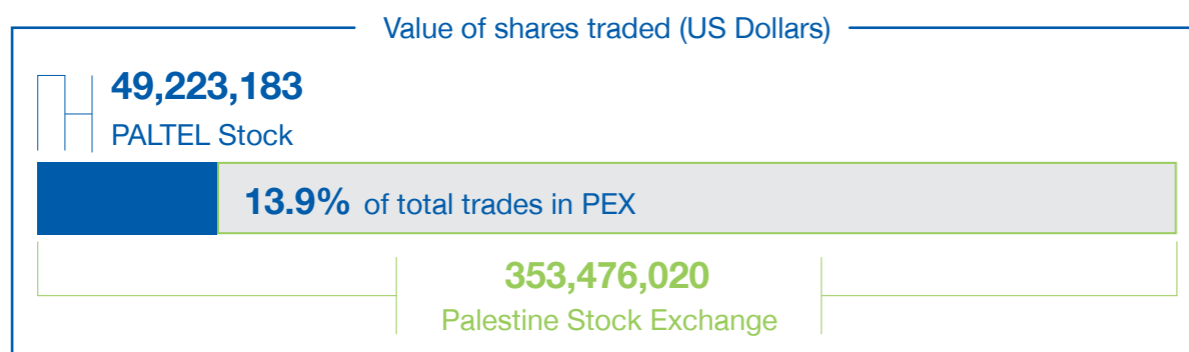
Paltel Stock

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 paid-in 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. In 2006, stock dividends was amounted to 30%, resulting in capital increase reaching JOD 131.625, 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.

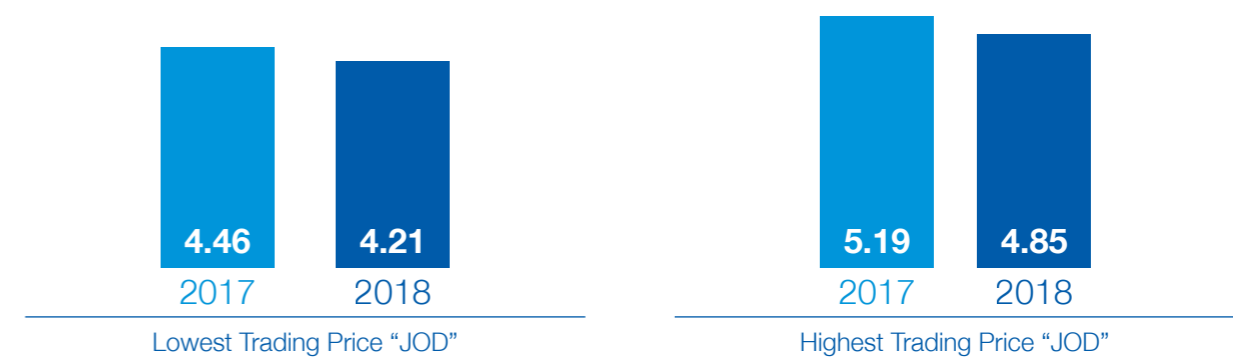
Stock Performance Indicators

Performance of Paltel Stock compared to PEX during 2018

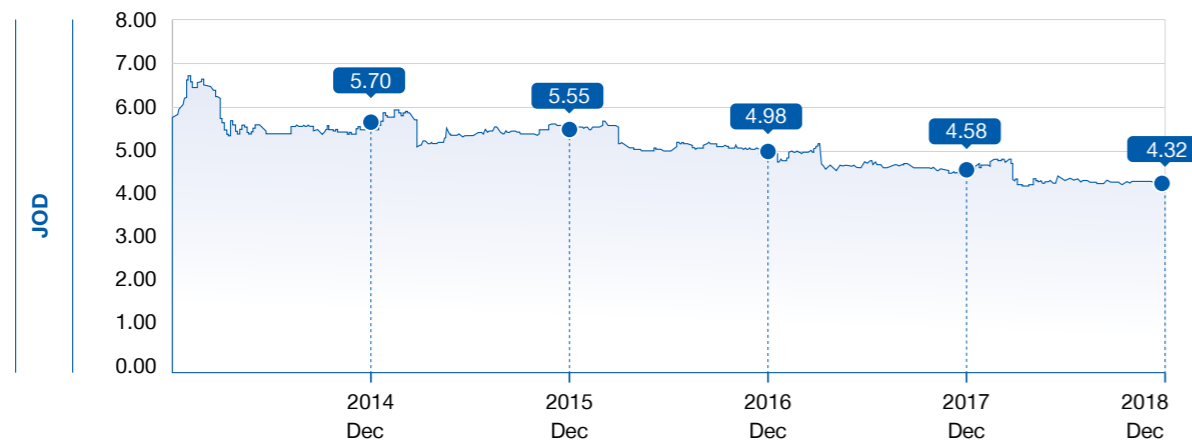


2017	Trading Summary of PALTEL Stock	2018
12,764,847	Number of traded shares (share)	7,882,791
85,716,642	Value of traded shares (USD)	49,223,183
6,028	Number of executed trades (deal)	4,443
9.70%	Stock turnover ratio	5.99%
242	No. of sessions in which Paltel's stock was traded	242
850,271,367	Market Cap of Paltel (USD)	802,002,687
47.62%	Free float percentage	48.52%
8,300	Total number of shareholders	8,324
52,747	Average daily trading volume	32,574

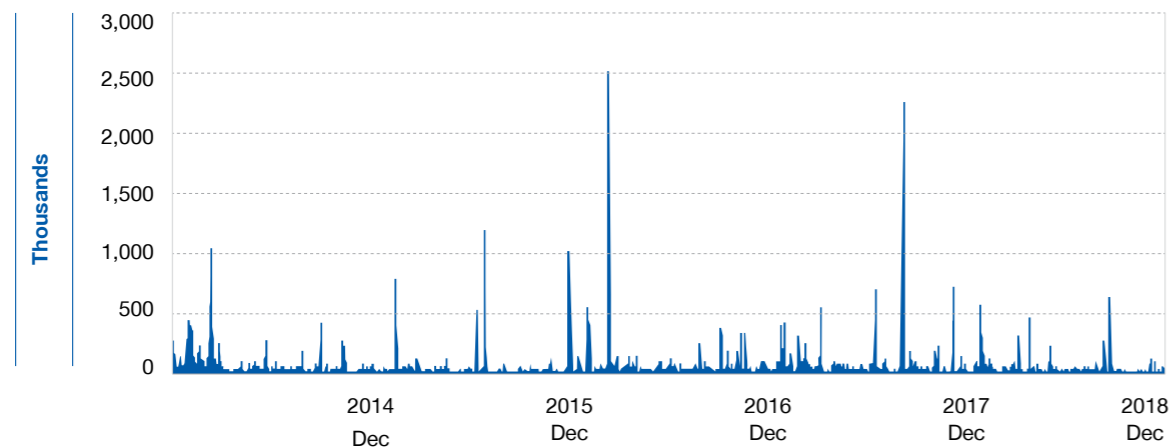
Summary of PALTEL Stock Price



Closing Prices & Volumes of Trading during the last five years

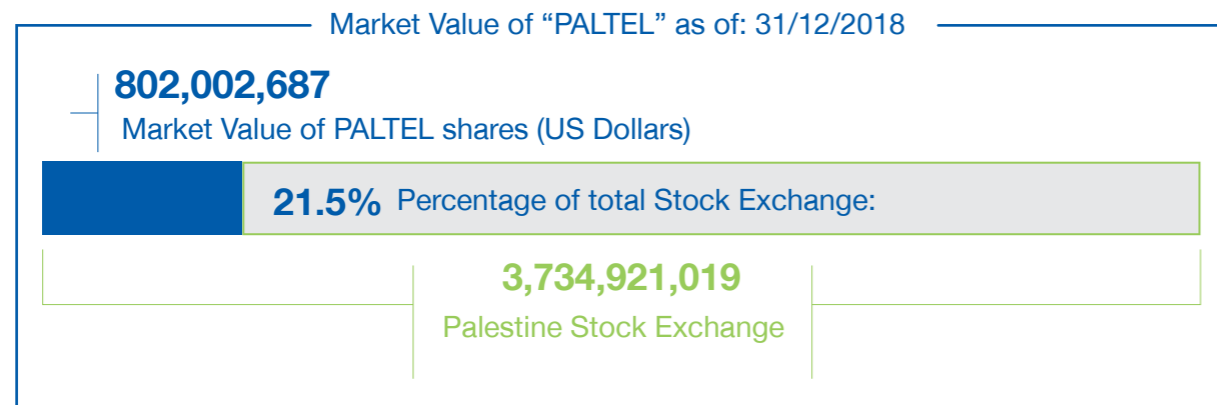


Average daily traded shares during the last five years: 42,101 shares

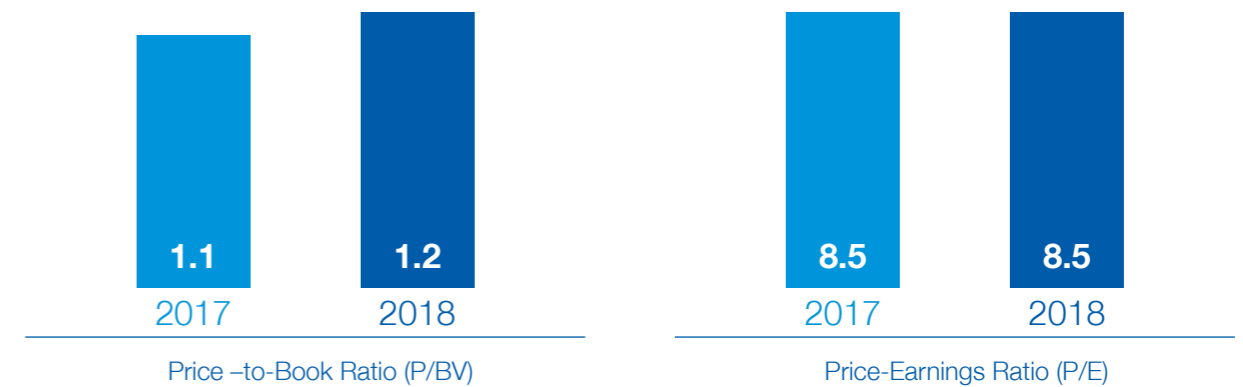


Market Value of PALTEL Share

By the end of 2018, the market cap of Paltel stock reached 21.5% of the total market cap of PEX, preserving by that the highest percentage among all other listed companies in the market.



Ratios relevant to the Market Value of PALTEL Share as on: 31/12/2018

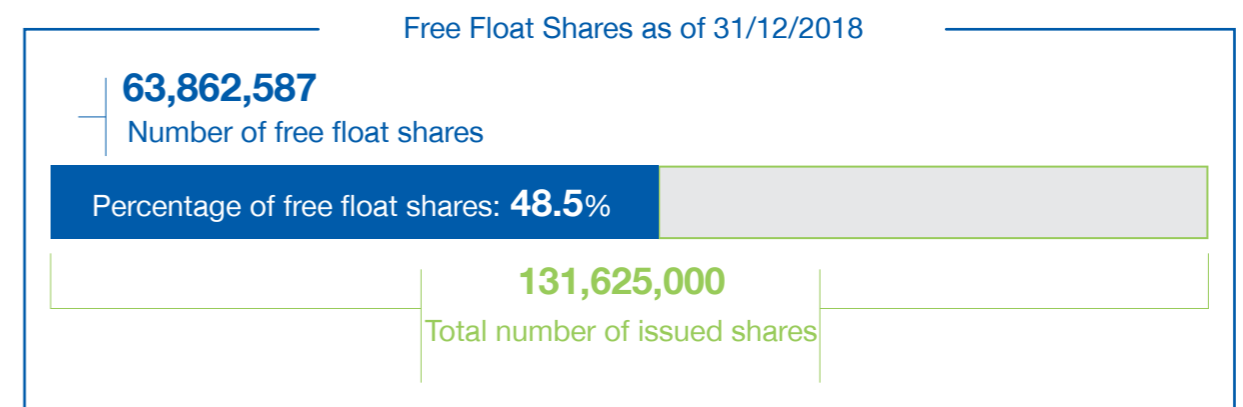


Investors and shareholders

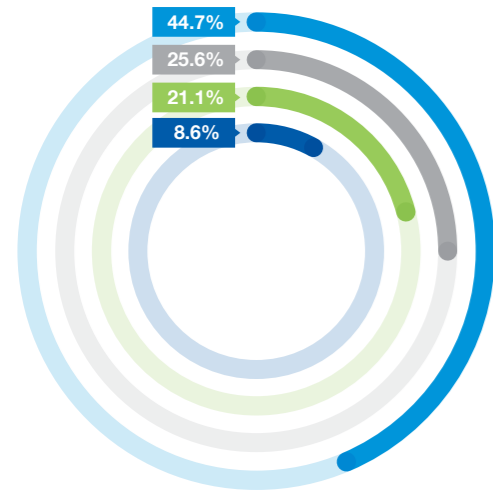
The ownership of Paltel issued shares, which reached to 131,625,000 shares, belong to 8,324 shareholders as shown by the end of 2018. Paltel's shareholders constitute 11.8% of the total number of investors and shareholders of the listed companies in PEX. It is worth mentioning that approximately 48.52% of Paltel shares are free float 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 the 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: 31/12/2018	As of: 31/12/2017	As of: 31/12/2018	As of: 31/12/2017
Palestine Development and Investment Company Ltd.	40,321,343	40,321,343	30.63%	30.63%
Palestine Investment Fund (PIF)	9,283,123	10,550,209	7.05%	8.02%

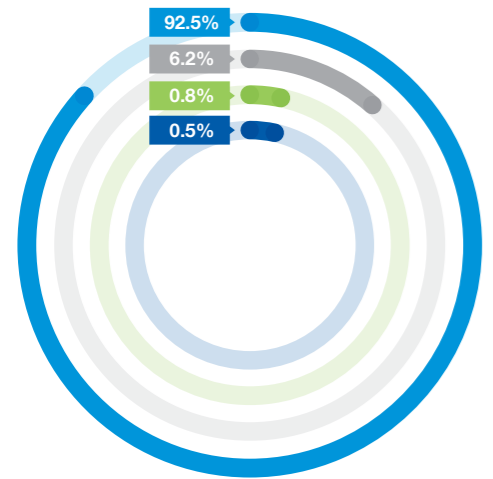


Numbers and percentages of Paltel shares according to the shareholders classification as of 31/12/2018



Local Individuals	27,820,543
Foreign Individuals	11,257,241
Local Companies	33,657,144
Foreign Companies	58,890,072

Number of Paltel shareholders per classification as of 31/12/2018



Local Individuals	7,699
Foreign Individuals	515
Local Companies	67
Foreign Companies	43

Number of Paltel shares according to the depositing entity as of 31/12/2018



Dividend Distribution

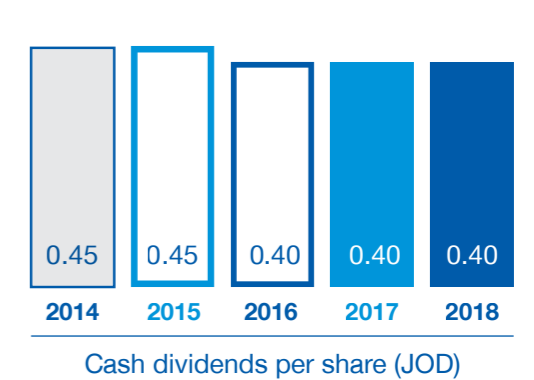
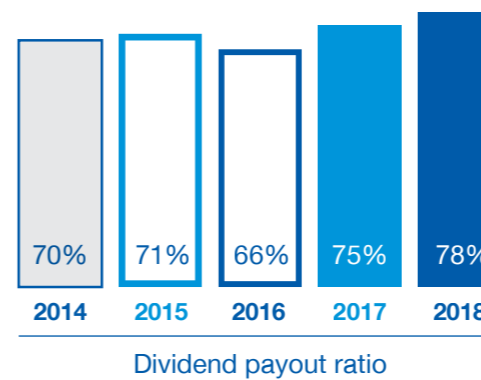
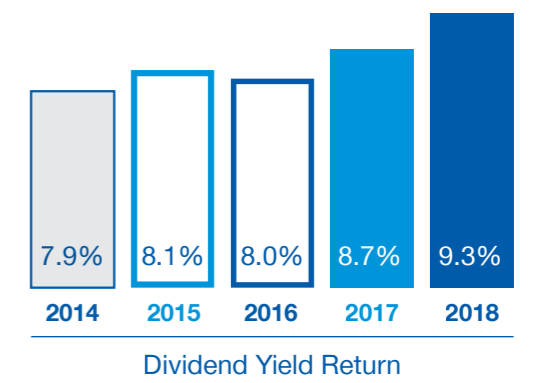
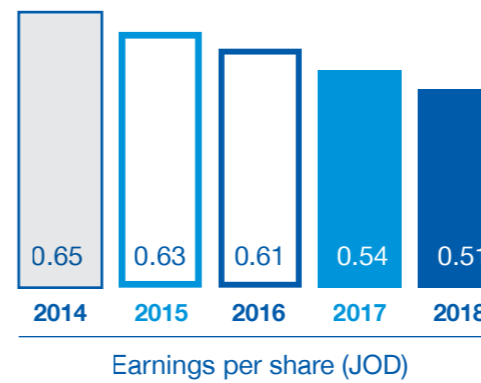
Based on the company's twenty first ordinary general assembly meeting which was held on 26/03/2018, the general assembly with the attending shareholders approved the recommendation of the board of directors to distribute cash dividends of JOD 0.40 per share (40% of the par value) totaling around JOD 52.65 million. Paltel Group started the distribution of dividends from 24/05/2018.

Moreover, the Board of Directors proposed at its meeting on 11/02/2019 to the General Assembly (GAM will be held on 26/03/2019) the distribution of JOD 0.40 cash dividends per share (40% of par value) for the financial year 2018.

Twenty First Meeting of the General Assembly in 2018

Date of Disclosing Dividends Distribution	Date of Distribution Decision Confirmation	Dividends Distribution Start Date
14/02/2018	26/03/2018	24/05/2018

Relevant Percentages of Shares



Dividend figure for the year 2018 represents the amount recommended by the board of directors.

PALTEL Share and AI Quds Index Performance 2018



Paltel Group Foundation for Community Development

Performance of PALTEL Stock and AI Quds Index 2018



Ranking in terms of market capitalization as end of 2018



Ranking in terms of cash dividends distributed for the year 2017



Ranking in terms of trading value in 2018



Ranking in terms of number of shareholders as end of 2018

Since 2005, Paltel Group has established a corporate social responsibility strategy, as a direct response to the growing needs of the Palestinian society.

Paltel Group implements a variety of income generating projects, focusing 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.



Education

Education

Strategic Objective: To improve the enrollment of students in universities and vocational institutes into the fields that are mostly needed by the market and to promote the use of modern technology in school education

Inputs

Scholarships Program	Ifad Program	Other Educational Programs
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Results & Findings

Brief of major achievements of Code for Palestine program

- Since the inception of this program, the total number of beneficiary students has reached 4800 students, including 86 scholarships for orphans in shelters, and 56 scholarships for students with disabilities.
- The total number of Paltel Group Alumni Association has reached 498 members after the graduation of 152 new students by the end of the academic year 2017/2018.
- The total number of Paltel Group scholarship graduates of different majors were 592 students.
- The percentage of female beneficiaries has been 57% while the percentage of male beneficiaries has been 43%.

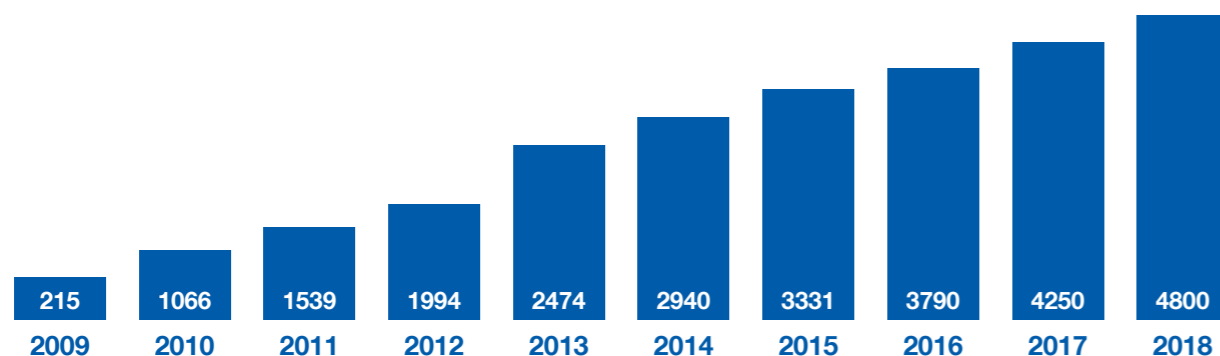


The education sector is seen as a necessary building block for running the Palestinian economy, as Paltel Group has exerted huge endeavors and has been working intensively to support the education sector at all levels as part of its belief that education is a core component of the overall and sustainable development process. Paltel Group has continued to offer the scholarships program which enables the new generation to build a strong and concrete homeland.

During 2018, Paltel Group offered 550 scholarships, which the total number of beneficiary students has now reached 4800 students, including 86 scholarships for orphans, and 56 scholarships for students with disabilities. Moreover, Paltel Group has approved specific standards with the Ministry of Education and Higher Education to maintain the level of academic excellence, economic situation and field of study for beneficiaries.

Graduates have also joined Paltel Group Alumni Association by which total number has become 498 members after the graduation of 152 new students by the end of the academic year 2017/2018. This growing number of graduates and affiliates reflects on the program development of Student-to-Student Initiative by which beneficiaries can be able to teach other students through providing support classes to school students. Current Alumni members; especially those who received jobs support in funding other students.

Cumulative Growth in Number of Students benefiting from the Paltel Group Scholarship's Program

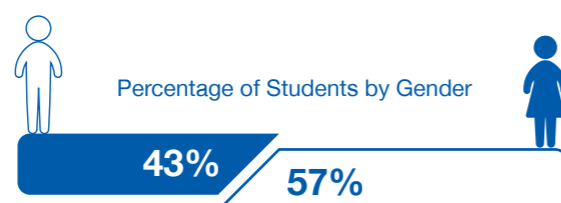


592 Students (male & female) have benefited from the Scholarships Program, distributed as the following:

Major	Medicine	Engineering	Business Economics &	Sciences	Nursing	IT	Special Education	Other Major	Agriculture	Vocational Majors
Graduates	91	147	131	31	16	33	3	98	7	35

Percentages of Students who have obtained scholarships by specialization

Major	Medicine	Engineering	Business & Economics	Nursing & Agriculture	Sciences	Special Education	Fine Arts	Vocational Majors
Graduates%	13%	24%	12%	14%	0%	2%	24%	4%



QASSEM BISHARAT
Graduate of Paltel Group Scholarship

I received the scholarship from Paltel Group in 2014 to study civil engineering at An - Najah National University.. The scholarship has helped me to secure the university tuition and also has given me a strong motivation to maintain my academic achievement, as it is required to maintain a very good academic standing. Today, after four years of receiving the scholarship, I have graduated from the University with honors and work as a research and teaching assistant in the Department of Civil Engineering at An-Najah National University.



BARAA RIYAD MUSLEH
Graduate of Paltel Group Scholarship

I received the Paltel Group scholarship as I excelled in the general secondary exam in 2014. I was admitted to Birzeit University in the College of Nursing, Pharmacy and Health professions. The news of receiving this scholarship was an overwhelming achievement, as I felt that I have accomplished something that could help me meet my dreams and goals, complete my studies and remove the financial burden of university fees on my parents who have provided me with endless support. Thanks to hard work, I was able to renew the scholarship throughout my study and graduated in 2018 with honors and obtained a job within the Palestinian labor market that made me capable to achieve independence and value to my community.



IMAD IZREIQAT
Graduate of Paltel Group Scholarship

Paltel Group announced the Scholarships Program in 2013 to those who have obtained 85% and more in the General Secondary Exam. It was a great opportunity for me to apply to remove the financial burden from my parents. Actually, I have received this scholarship due to my academic excellence.. After graduation, like any other graduate, I started looking for a job and thus applied to the Ministry of Education, which I was qualified for the job

Ifad Program

Paltel Group, in cooperation with Birzeit University, continues to support and implement the Ifad Program, launched in 2012, to empower instructors from Birzeit University (holders of master degrees) to obtain a Ph.D. from prestigious international universities. The program aims to increase the number of Ph.D. holders among faculty members, to allow participating professors to communicate and interact with professors from around the world to open prospects, gain new knowledge and exposure, and keep pace with developments in a variety of fields. During 2018, the Group sent three instructors to obtain their doctorate.



Paltel Group

Green Solar System Initiative for Orphanages Enlighten Your Life initiative

Targeted Category: 13 Orphanages (12 in the West Bank, 1 in Gaza)

Why Orphanages?

Orphans deserve to have more attention from the community due to the loss of their parents or one of them. The high operating expenses of orphanages that secure housing for children requires providing operational expenses that contribute to children's decent life for a category which we see as the great leaders of the future.

Objectives of the Initiative:

Sustainable income-generating projects for orphanages by reducing the monthly operational expenses of the electricity bill.

Keeping pace with the global trend in using clean energy which contributes to the economy and saves costs. Creating a culture that promotes social investment through development projects that strengthen community institutions.

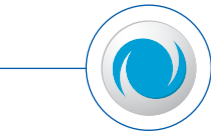
This project will completely or partially provide the electricity bill which could save a monthly return to the institution.

Implementation Phases: - Three phases (2018, 2019, 2020), where the first phase has been completed in five governorates (Hebron / Ramallah and Al-Bireh / Tulkarem / Jerusalem / Nablus). The second phase is currently being implemented in four governorates (Qalqiliya / Tulkarem / Jericho / Gaza) and the third phase will also be implemented in 2020 in three governorates (Hebron / Al-Ezariya / Bethlehem).



Palestine Telecommunication Company (Paltel)

- A lecture at An-Najah National University under the title "Art of Word Selection and Creativity in Campaigns" has been organized.
- Sponsorship of the annual career day at Birzeit University and launching a new feature in the recruitment world. "Video CV"
- A workshop of "Omni Channel Marketing" presented by Dr. Ahmed Ghazzawneh has been organized.
- Provision of technological sponsorship for TEVT week in Gaza.
- Lecture Presentation on "Secrets of creativity in data analysis and usage" for university students.
- Sponsorship of the marketing effectiveness through influencers "Tiftawiya Gathering" in Gaza.
- Sponsorship of training camp "Rise Up On Up Work".
- A set of summer camps have been sponsored during which several recreational activities and events took place.
- Launching the second cohort of training program "PALTEL SHABAB".
- A workshop on "Speed starts from inside house" has been organized to raise awareness about the importance of internal wirings at homes.
- Sponsorship of Dr. Ahmed Ghazzawneh lecture on "Data Analysis".
- Sponsorship of the Polytechnic graduation ceremony.



Palestine Cellular Communications Company (Jawwal)

- Implementation of event "Doors of My School will not be closed" in Al-Khan Al-Ahmar.
- Comedy Club Events in the Universities.
- Annual Career Day activities for graduate students of Birzeit University. World Book and Reading Day.
- Launching the tenth cohort of university training program "ANA JAWWAL".
- UN Simulation Conference at Friends School has been sponsored.
- Implementation of guiding days' events for high school students in universities.
- Sponsorship of Palestine International Book Fair.
- Sponsorship of graduation ceremonies for Palestinian universities.
- Implementation a series of summer camps in all governorates.
- Sponsorship of the scientific day on digital transformation forum organized by Al Quds Open University.
- Implementation of huge activities to receive new students at the Palestinian universities.
- Organization of back to school events in vulnerable areas threatened with confiscation and settlement.
- Honoring the top students who excel in INJAZ and top graduates of the universities as well as those with disabilities.
- Sponsorship of the National Forum for Excellence and Entrepreneurship organized by the Supreme Council for Creativity and Excellence.
- A wide range of recreational activities and extracurricular activities in universities.






Technology

Investing in Youth through the IT sector

Strategic Objective

To enhance the telecommunications sector in Palestine by investing in today's youth to create an environment of technological advancement, innovation, and entrepreneurship.

Inputs

 <p>Your Summer Code Program</p>	 <p>& Creativeness Innovation Center</p>	 <p>Code and Design Bootcamp</p>	 <p>Code for Palestine</p>
 <p>Technology & Community</p>	 <p>ABJAD Net</p>	 <p>Hashcode</p>	 <p>Hour of Code</p>

Results & Outputs

Enhancement of the tech industry in Palestine by impacting employment in the virtual world
Activation of creativity, innovation, and entrepreneurship

Summary of key results and indicators of Code for Palestine

Increased demand on the program from 101 applications in 2015 to 1076 in 2018
Increased number of international trainers from 4 in 2015 to 24 in 2018
87% of "Code for Palestine" Program graduates went to study computer science and engineering at universities
Two students of the graduates (one from Jenin and one from Gaza) have received scholarships to complete their undergraduate studies at Stanford and MIT Universities in computer science majors
Six students, who completed the program last year, have participated as assistant trainers
in 2018, 29 graduates completed, submitted, and presented seven projects to local and international trainers

Paltel Group Foundation for Community Development, in cooperation with Jawwal, continues to implement the Code for Palestine Program, which is considered the most critical and significant program in technology education and entrepreneurship in Palestine. The program, launched in 2015, targets students from the West Bank and Gaza, aged 14 years old, that excel academically and demonstrate a passion for learning coding and computer science. It consists of a three-year curriculum that includes the following:

<1>

**Programming for First-Year Students:
Introduction to Python Language**

Students are gradually trained on programming through simple means that make training environment with full of fun and entertainment by knowing how to deal with the programming languages.

Python programming language is introduced to students through which trainer explains the basics of programming such as variables, conditional sentence, redundancy and matrices as well as the functions of these conditional sentences so that students can use drawing library and design forms by programming.

<2>

**Programming for Second Year Students:
Web Page Design**

At this stage, the fundamentals of web design are introduced to students during their training (Introduction of creating a home page , tags structure, HTML, , pattern of web page, and CSS styling), in addition to Python language and introduction of other programing languages.

<3>

**Programming for the third year Students (Graduates):
Mobile Application**

Through the use of JavaScript, students learn the fundamentals of creating mobile applications, as students are divided into groups by demonstrating their mobile app design.

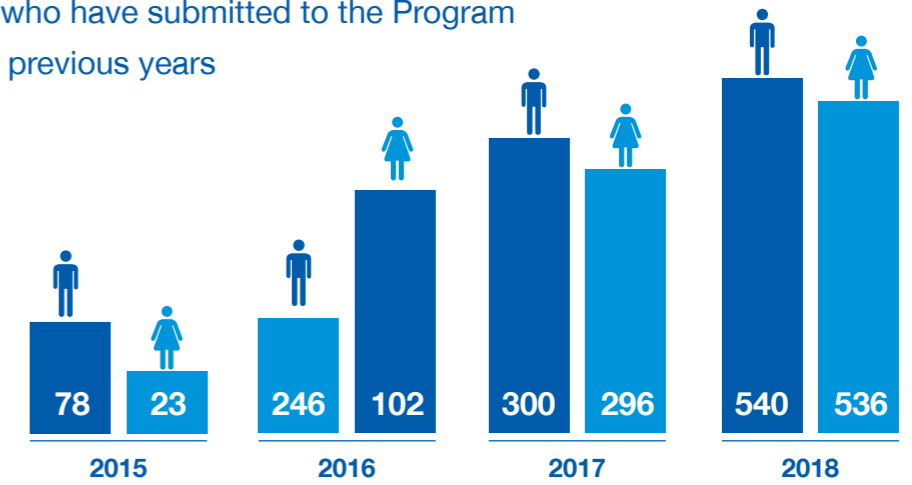
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**Training on Creative / Planning Thinking:
Design Thinking**

Throughout three years of the program, the focus is on Design Thinking skills to enable students linking between programming and problem-solving skills by software innovation responsive to their community needs.

Students, at various levels of learning within the program, shall receive practical and theoretical training on different ways of modern design, discovery of creative ideas by creating new ways of thinking, work on launching Apps, design and share ideas with others by participating in various practical activities out of which new ideas are developed and demonstrated, publish business model for such ideas. It shall be noted that 87% of Code for Palestine program graduates went to study computer science and engineering in universities after being involved in this program.

Number of Students who have submitted to the Program in 2018 compared to previous years



Selection Criteria

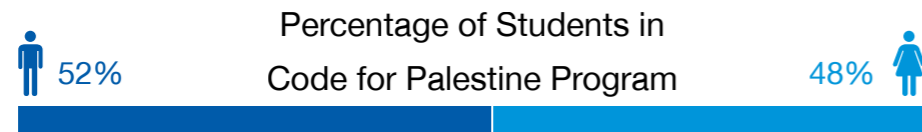
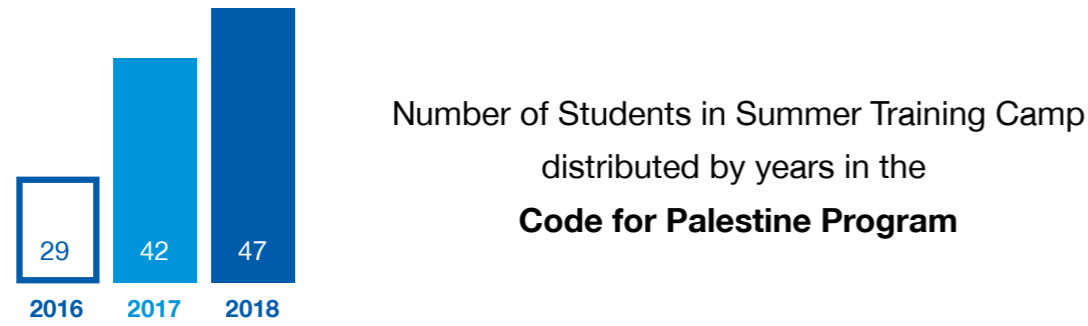
- Passing the IQ test
- Passing the English language test
- Teamwork spirit
- Parents' consent



		2015	2016	2017	2018
Gaza	Government Schools	7	3	5	3
	UNRWA Schools	0	5	5	11
	Other Schools	1	2	4	3
West Bank	Government Schools	7	7	11	14
	UNRWA Schools	0	0	4	7
	Other Schools	7	12	13	9
Total		22	29	42	47

Distribution of students in the Code for Palestine based on gender:

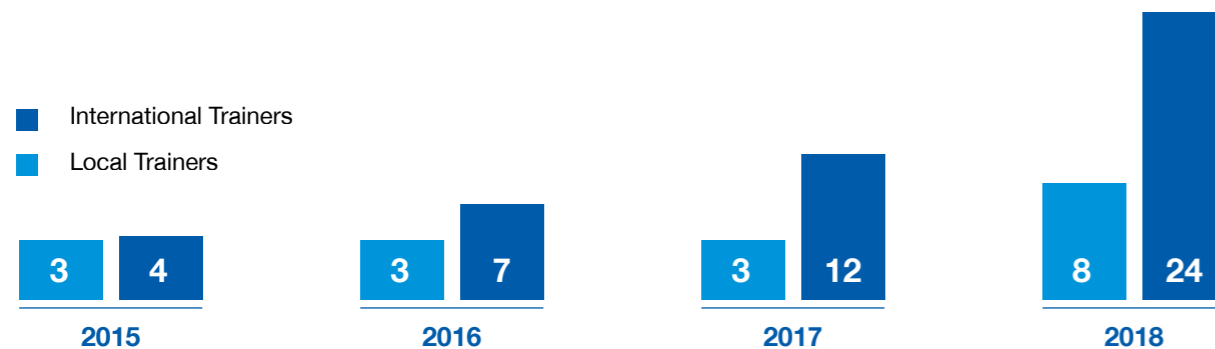
		2015 1st Year	2016 2nd Year	2017 3rd Year	2018 4th Year
Gaza	Female	1	5	9	11
	Male	8	5	5	6
West Bank	Female	2	6	12	14
	Male	11	13	16	16
Total		22	29	42	47



Graduates of Code for Palestine Program

Gaza	Graduates		4 Projects
	5	5	
West Bank	Graduates		3 Projects
	13	6	
Total	Graduates 29		7 Projects

Number of International and Local Trainers



The second cohort of the Code for Palestine Program, which included 29 students, have graduated at the end of the summer training camp of 2018 after the completion of their seminars. Two of the graduates (one from Jenin and the other from Gaza) have received scholarships to complete their undergraduate studies at Stanford and MIT Universities in Computer Science. Graduation projects and seminars consisted of apps and web design to solve daily life problems. The Code for Palestine Program provides students with high-level skills that qualify them to receive scholarships from prestigious international universities in the fields of technology, programming, and engineering, as two graduates of the program received international scholarships at two internationally renowned universities. Furthermore, 12 out of 14 students with high marks in the General Secondary Exam have been admitted to study in the fields of computer programming and engineering.

Graduation Projects

SANFOOR

The App name "SANFOOR" is a metaphor for university students in their first year when they move to a new academic cycle in a completely different new environment. The App is based to accompany students, facilitate their need of information and make such info available to them by displaying the available housing units for students, their owners, ads on available housing units, features of these housing units, its locations, number of individuals who can stay in one available housing unit.

Ipharmacy

This App provides a platform that ensures the availability of important information regarding the allotment of pharmacies and types of drugs therein as well as the insurances that cover price of medicines. Thus, users will have easily and conveniently the required data on pharmacies, medicines and available insurances.

Camplendar

This App provides a service to those who are seeking for camping and to have best times subject to their desires and interests. The App is based on linking those who are interested in camping with a list of available camps, the camps that will take place and enable administrators of such camps to enter data about the camp. This App can also send alerts in contingency such as postponing the date of camping or changing the venue of the camp.

BreakOut

Because our students are looking for more promising future, a group of students has developed an App to facilitate between high school students and their colleagues who have completed their studies, so that each user can open his own page and feed it with his or her data, experiences, skills and current job. Thus, they provide advises to school students and job trends.

I code app

Adoring and passion of students for "Code for Palestine" program motivated them to develop an App that provides a guide for those interested in learning coding which gives them the necessary information to start learning coding as well as a list of available coding languages.

Zuruni

ZURUNI "Visit me" is an App which deals with tourists of foreign nationalities who wish to visit Gaza and provides them with a list of tour sites all over Gaza Strip and available facilities and services that they need such as restaurants, hotels and shopping malls.

Find your way

Going back again to students who have completed the secondary education and wish to proceed studying at the university. This App provides data for students about the available faculties in Palestine, majors, tuitions and all information they need and, therefore, it ensures that the student can select the best faculty in various respects.

Code and Design Bootcamp

Summary of key findings and indicators for Code + Design Bootcamp Program.

- 100% of Silicon Valley volunteer trainers recommend their fellow to voluntarily work on the program.
- 83% of teachers believe that teaching and interacting with students is the key and interesting part of the program.
- This year, the program was held in Gaza Strip where 21 students have enrolled therein.
- The number of students enrolled in the program has increased from 15 students in 2017 to 43 students in 2018.
- 175 volunteers from the Silicon Valley applied to come to Palestine and teach in the program whereas 10 applicants from major corporates in Silicon Valley were accepted.

After the fruitful success of the first training camp “Code + Design Bootcamp” in 2017, Paltel Group Foundation has organized this year the activities of the second camp for designing and coding “Code and Design Bootcamp” to include West Bank and Gaza Strip with the participation of 20 students in Gaza and 24 students in West Bank. 254 students applied to the program of whom 128 are from Gaza Strip and 126 from West Bank, however, 139 of them are male and 115 are female.

This year, the camp included university students and graduates in the field of computer science and engineering, information technology and other majors related to design and coding. The students enrolled in two main tracks, the “Android Development” and “Data Analysis”. One of the best features of this program is the enrollment of students in quality learning and training of Udacity International Institution for four months by which students will be able to obtain Nanodegree each in his/her field of specialization, taking into account that obtaining of this certificate is considered as one of the most important achievements that qualify participants to enter into the labor market whether through launching of their own projects, individual work or employment in domestic and international corporates.

Distribution of admitted students by academic track:

Track	West Bank	Gaza	Total
Android	17	12	29
Data Analysis	7	8	15



The three-week camp has comprised of several training workshops and practical projects that supervised by foremost international trainers who graduated from Stanford University and employees of global companies such as Facebook, Snpachat, Uber & Whatsapp as well as other companies from Silicon Valley.

<p>Total number of volunteers applications from Silicon Valley</p> <p>175 Students</p> <p>of whom</p> <p>10</p> <p>applications have been accepted to attend and provide training in Palestine</p>	<p>100%</p> <p>of trainers recommend their fellow to volunteer in this programs</p>	<p>83%</p> <p>of trainers see that teaching and interacting with students are the most key and interesting part</p>
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Trainers

Number of trainers in West Bank program	10 trainers	
	3 Local	7 International
Number of trainers in Gaza program	4 trainers	
	2 Local	2 International

Number of Students by Gender

Android			
	West Bank		Gaza
Male	8		10
Female	8		3
Total	16	Total	13

Data Analyst			
	West Bank		Gaza
Male	4		1
Female	3		7
Total	7	Total	8

“Teaching in Gaza gives me the sense of importance and meaning which I had never felt before. It is a rare opportunity to visit a place in which you feel appreciation for the knowledge you deliver”

Peniche
An International Trainer
Participated in the training camp

“I felt the effect there; I wondered during the final presentations, that: Are students the same people who joined the program two weeks ago?”

O. Abboud
An International Trainer/ Participated in the training camp

“I had participated in many technical and non-technical trainings. The Bootcamp was different in many areas such as the quality of training material, the content of design thinking and quality of trainers. In fact, this program has changed my way of thinking.”

Student from Al-Najah University
Participant in the camp

Fikra: Paltel Group Innovation Hub

- Attracting top-notch talent from Silicon Valley and the parent companies of technology to transfer their expertise to entrepreneurs in Palestine through the the Group's Innovation Hub.
- Organizing many significant meetings between international and local leaders and entrepreneurs by networking with global institutions
- Providing the latest technology to leading youth helping them to reveal their potentials and turn it into pioneering ideas and startups.
- Networking with the best international universities such as Stanford, Harvard and Columbia to convey the expertise and knowledge to young Palestinian graduates.
- The incremental growing of international volunteers to come to Palestine for training and teaching therein.
- Build strategic partnerships with the world well-known academies in technology such as Cisco Academy and Juniper Academy.

Paltel Group lays down the first building blocks for launching and operating the Innovation Center. The group continued to develop a center for innovation and creativity as part of a strategy which is based on and support the potential of youth, especially in IT sector. Paltel Innovation Center will provide the latest technology to leading youth helping them to reveal their potentials and turn it into pioneering ideas and startups that contribute to the development of economy and increase job opportunities for youth graduates as a practical contribution by Paltel Group in advancing the development process of Palestine.

During this year, many partnerships with international companies and institutions have been achieved which provide learning and training programs for leading youth in IT sector.

It has been started with hosting international leaders who work in Silicon Valley. Several meetings on "From Silicon Valley to Palestine" were held including leaders and experts from global corporates such as Snapchat, Amazon, WhatsApp and Uber) and from highly prestigious universities such as Harvard and Columbia. Each leader has delivered two hours of speech talking about his/her experience and vision and provided advises to entrepreneurs.

From Silicon Valley to Palestine

Spokesman	Experiences	Attendance
Streets	Graduated from Berkeley University, works at Snapchat	82
Afeef Ahmed	Graduated from Stanford University, works at Amazon.	82
Zafir Khan	Graduated from California University, works at Whatsapp.	77
Richard Artoul	Graduated from California University, works at Uber	32
Ali Madani	Graduated from California University, works at UC Berkeley – PhD.	107
Omar Abboud	Graduated from Harvard University, works at Squarespace.	74

Furthermore, Paltel Innovation Center hosted the events of Startup Huddle Ramallah which is a community for entrepreneurs to hold dialogues with business entrepreneurs, creative and investors, local and international successful experts who share their success stories and lessons learnt during their way in building successful companies.

Entrepreneurs	Company	Attendance
Mohammed Rabay'a Aws Nabulsi	Harri + Gamiphy	50
Omar Barkawi Dr. Mahmoud Kaiyal	React + Wikaya-machine	40
Joe Demato, Nikhail Panchenko	New Relic packagecloud.io	40

Summer Code

- Develop partnerships with nine youth and community-based organizations in Gaza and West Bank to teach coding during the summer course and create new business model for these organizations.
- Provide training to 214 students on the basis of coding (age group 14-16 years) for a period of 40 training hours.
- Provide training to 12 trainers on coding from university students and graduates.

At the beginning of summer school, Paltel Group Foundation for Community Development has announced the launching of "Summer Code" program, sponsored by Jawwal, as for the second year respectively following the success of the program last year as an initial experiment to be circulated at a higher level this year. The program aims at exploiting the summer course for school students and developing their skills in learning technology and coding. The program targeted students of age group (16 – 14 years) to train them on building websites by 40 training hours to be implemented within two weeks and distributed over 4 training hours per day. This training included the following programming languages:



Paltel Group Foundation has provided trainers in ICT sector. They have been trained at JAWWAL headquarter where 12 trainers have been distributed over centers in different cities. Training plan has been made available for them in addition to necessary training material and programs.

Number of trainers and students involved in the Program

Center Name	Governorate	Trainers	Total No. of participated students	No. of female participants	No. of male participants
Palestinian Child House Club	Hebron	1	25	10	15
International Center for Culture & Media	Jerusalem	2	20	14	6
Community Development & Continued Learning Society	Bethlehem	1	24	8	16
Jenin Sports Club	Jenin	2	24	12	12
Culture & Free Thought Society	Khan Younes	1	26	13	13
PICTI	Gaza	1	24	15	9
Al-Bireh Cultural Club	Ramallah	1	28	12	16
Jabal Al-Nar Club	Nablus	2	23	18	5
Generosity without Limit	Rafah	1	20	11	9

Hour of Code

- Targeting approximately 75,000 male and female students in educative meetings on coding in both Gaza and West Bank.
- Participation of nearly 1000 schools in Hour of Code campaign.
- Many school teachers and those graduated via Paltel Group scholarship have been trained to work as trainers in Hour of Code campaign.

For its fifth consecutive year, Jawwal launched the international campaign "Hour of Code" with the participation of more than 180 countries around the world. "Hour of Code" campaign has been considered as the largest international educational event organized by the international non-profit code.org. It aims to motivate students and interested people from various age groups all over the world to learn the basics and languages of coding in an easy and interesting way in which 140 million students from all over the world and from different age groups are involved. "Hour of Code" campaign has been organized by senior programmers around the globe whereas a group of technology teachers as well of a group of those who have received scholarship from Paltel Group have been trained, whom, in turn, have participated in the implementation of this campaign.

Hour of Code Statistics

	Palestine	West Bank	Gaza
Male	37,214	12,225	24,989
Female	37,570	13,823	23,747

Number of Participants in Hour of Code

No. of Schools participated in the Campaign	
West Bank	651 School
Gaza	295 School

Palestine has recorded 74,784 male & female students distributed over	
West Bank	26,048 Students
Gaza	48,736 Students

HashCode Competition

Jawwal and Paltel launched the international HashCode Competition, with the participation of more than 150 Palestinian programmers and the implementation of Paltel Group Foundation for Community Development at Jawwal Headquarter in Ramallah and Paltel Headquarter in Nablus. The competition aims to engage developers around the world in solving a real programming problem with Google through which developers can participate in globally developing their programming skills and compete with other developers around the world.

Summary of HashCode Competition

Location	Sponsorship	Implementation
Ramallah Nablus 	 	 Paltel Group Foundation مؤسسة مجموعة الاتصالات للتنمية
Results of Competition	Participants	
They have achieved high results headed the global results which were honorable participation for Palestine by which Palestine etched its name on websites and identified on the world map.	150 divided into 35 teams	

Abjad Net Program

Pupils benefited from Abjad Net	491,426
Teachers benefited from Abjad Net	26,970

Paltel Group and the Ministry of Education and Higher Education have both continued the fifth phase of "Abjad Net" program. Such phase includes freely connecting all Palestinian governmental schools with the internet. Paltel Group has connected, during the first two years, around 1,000 schools and 1807 schools during the third year and 1918 schools during the fourth year. The total number of schools that have been connected this year was 1914 schools in addition to continuous development of Palestinian e-curriculum. The Ministry of Education has pointed out the importance of "Abjad Net" program for schools and the benefit gained where Internet shall be the most important source of communication between the Ministry, the directorates and the government schools in Palestine. It connects schools through e-Schools, e-Learning portals etc. The project of digitization and smart learning is considered as one of the most internet-based projects as being a major source of knowledge and learning.



Sponsorship of the 15th Palestine Technology Week (Expotech 2018)



26,970

Teachers benefited from Abjad Net Program



491,426

Students have benefited

Technology for Orphans

Paltel Group has provided 30 modern computers for orphans schools of Tulkarem Zakat Committee to be used as modern teaching aids and the development of education in these schools. The devices have been equally distributed among both male and female schools in order to achieve equal opportunity between students and spread out the benefit over beneficiaries as much as possible. This support has drawn the attention of orphan schools administration towards digital education and the aspiration to bring the latest educational technology to employ it in orphan schools of Zakat Committee in Tulkarem.

Paltel Group and Safe Internet

Paltel Group Foundation has participated in the activities of the International Safer Internet Day which was organized by An-Najah National University during the initiative of Security and Safety on Internet that has also been launched by An-Najah National University with the participation of several institutions, ministries and with active participation of Paltel Group.

Hadara participates in Youth Engineers Forum & Safe Internet Conference

Hadara has participated in "Youth Engineers Forum" which has been held by the Engineers Association in Ramallah on the 3rd of February with a view to discussing the latest technology and engineering developments, status of youth engineers in the labor market and the unemployment rates among youth engineers. Moreover, HADARA has participated, as representative of Paltel Group, in "Security on the Internet" conference which took place in Jenin Governorate on the 6th of November in which representatives of HADARA have listened to citizens, children and competent authorities about the need for security requirements on the Internet for the purpose of developing the company services. This move, as the first company provides secured and safe usage of internet in Palestine and takes care of providing children with the required protection, also brings security service supported by the latest technology systems to automatically block harmful and damage content on websites to families and children. In addition, the company always seeks to develop its services according to its customers' needs.



Technology-related events implemented by Paltel

- Sponsorship of Sharek Palestine Conference.
- Launch of BitHub in Gaza to support Palestinian entrepreneurs.
- Sponsorship of Hackathon Creativity in Gaz.
- Sponsorship of Expotech.



The Right for Decent Life Program

The Right for Decent Life Program

Strategic Objective: Aims at empowering Palestinian families by implementing income-generating projects to impact their economic and social conditions.

Inputs

The Right for Decent Life Program	Social Initiatives Projects
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Findings and Outputs

- The total number of households who benefited from the right to a decent life program has reached 237.
- Focus on the methodology of targeting a group of households in one project through a partnership with charity society or institution to oversee the project and ensure its chances of success.
- Work with hundreds of domestic institutions in all Palestinian Governorates with a focus on marginalized and vulnerable communities as well as underprivileged segments of society.

Paltel Group has continued to implement the Right for Decent Life Program which provides sustainable source of income to households affected by poverty by providing small income-generating projects which would evolve over time, particularly in communities in need to support the socio-economic development and empowerment in Palestine.

Continuing the methodology adopted in previous years by providing projects to groups of women in order to work together through a women association or NGO to ensure more effective and guaranteed results of the projects, and to ensure that more many households have more viable and sustainable income guarantees to them a decent life.

After having studied cases of households that suffer from the widespread of poverty generally in Rafah and specially in Al-Mawasi area, and having a large number of families with no any source of income, Paltel Group Foundation for Community Development has developed a kitchen for cooking fish and provided refrigerators to preserve fresh fish which could assist families operating in this field. This project has been implemented in cooperation with Al-Mawasi Charitable Association. The beneficial households suffer from the lack of financial resources which precludes meeting the consumers' demand of cooked and fresh fish. Paltel Group Foundation has been responsive by establishing (Tiberias Restaurant and Fishery) which has created jobs and an adequate source of income to these households working in the kitchen and preparing the food necessary to meet the needs of customers and also selling fresh fish demanded by consumers, delivering orders to their homes. This response has assisted in supporting the livelihood as well as the economic empowerment of such households working in kitchen and selling fish.

This project has been considered as a model for providing job opportunities to women by supporting viable, sustainable and operational projects and creating more opportunities. In addition to this project, Paltel Group Foundation for Community Development has provided a Tuk-tuk which is used as "individual, collective" means for transportation and peddlers. For each one family out of two (with 16 members) and from Gaza has been provided with a Tuk-tuk which helped them to improve the living conditions of the two families.



Summary of the Right for Decent Life Program since 2011

Total beneficial households of the Program were 237

Beneficial households in West Bank were 160

Beneficial households in Gaza were 77

Beneficial households headed by woman were 115

The percentage of supported projects in rural areas, camps and marginalized areas has exceeded 90% of the total number of projects

The Nature of supported Projects:

Agriculture projects, food processing, sewing and embroidery, handicrafts, vocational workshops, retail sales, maintenance shops and many other projects.

Social Initiatives

In view of Jawwal pioneering and leading role to stand by the Palestinian people in all fields, Jawwal has carried out an event called (Doors of My School will not be closed). This event has targeted students offal- Khan ALahmar community school. Jawwal has visited and distributed stationeries for them in order to reinforce their resilience within their area which is subject to displacement and demolition.

Jawwal has also received two children named Eman Alattar and Abdelrahman Nofal who arrived from Gaza to Ramallah for medical treatment, which their parents were not allowed to enter Ramallah along with them.. Therefore, Jawwal made a video conference call between the two children and their families during their stay at the hospital in Ramallah. Jawwa'l further supported the Engineers Association by providing meeting halls for the engineers to use.

Jawwal has also honored the health workers at Ramallah Municipality for their diligent efforts to provide the best health conditions for citizens.

Paltel Group has also continued to annually distribute 100 electric wheelchairs to people with disabilities which mitigate their suffering, contribute to integrate them into the society, facilitate their daily movement and qualify them to be engaged in the labor market.

Paltel Group has also continued to support municipalities, village councils and associations which are directly working with families in view of developing its work and fulfill its duty in serving the Palestinian families in need. The Group pays great attention for supporting women associations to empower women by providing them with opportunities to achieve financial self-independence. The Group has supported these associations through:

Furnishing elderly care homes

Buying kitchen equipment that can be beneficial to women and widows

Constructing and furnishing additional rooms for municipalities and customer service centers

Buying generators for Camps' popular committees

Developing the rehabilitation of training centers

Furnishing and equipping youth clubs with multi-purpose halls

Developing rehabilitation and training sections for the development of rural women

Providing raw materials to unemployed women for purpose of having business in the field of embroidery and providing them with an income source

Creating income-generating projects for marginalized women



Dialysis Unit at Ramallah Medical Complex



Kobar Development Society & Kindergarten

Development projects implemented by Paltel Group with institutions, municipalities and associations in 2018

Project	Governorate	# of Beneficiaries
Provide Arab Society for Persons with Disabilities with tools and wheelchairs to people with disabilities in order to rent them as a source of income	Jerusalem	600
Support the Central Blood Bank Society with electricity-generating solar system project to reduce operational expenses such as electricity bill and provide clean source of power.	Gaza	12,000
Operate Al-Buraij Municipality Building by alternative energy (solar energy)	Gaza	53
Sponsor the 7th Palestinian International Medical Conference implemented by Palestine Doctors Association in order to promote the health sector and to know the latest developments in health sector worldwide.	Jerusalem	1,000
Furnish and equip Orphans Safe House of Almahabba Association For Children In-Distress Care with basic needs (Safe House) to provide fit, adequate and safe place for children and women orphans for the purpose of maintain the civil peace.	Jerusalem	30
Provide Basmit Amal To Care For Cancer Patients Association with office equipment and contribute to the development of Association for better services.	Gaza	2,700
Provide awning and toys to children with disabilities in Association and School of disabilities – Aizariya	Jerusalem	30
Support Ramallah Islamic Club and develop its performance.	Ramallah	200
Develop, rehabilitate and equip the health center of Abu Falah village, enhance health sector and provide better medical services for the purpose of having income-generating project and employing number of physicians.	Ramallah	4,500
Support a project for developing dialysis ward at Palestine Medical Complex, promote health sector specially this ward which suffers from lack of equipment.	Ramallah	200
Support Ramadan Food Basket Project for poor and humble households in Qalqilya Governorate.	Qalqilya	488
Rehabilitate the Medical Center of Ne'lin Municipality; promote health sector; Provide the best medical services to be income-generating project.	Ramallah	6,000
Project of furnishing Al-Bireh Theater Center (Is'ad Al-Tofula Center)	Ramallah	20,000
Purchase of CR Scan and X-Ray devices for Hajja village council	Qalqilya	18,000

Project	Governorate	# of Beneficiaries
Sponsor of 9th International Islamic Beit Al-Maqdes Conference for preserving and maintaining holy places; invite and bring the world's clergy to Palestine to introduce its religious status	Ramallah	1,000
Project for installing solar energy system at Arab Women Union Society to reduce the operational expenses. It is an income-generating project and considered as clean source of power which is part of our vision to develop the community	Bethlehem	2,000
Furnish the Smart Media Unit of Hearing-Impaired People at EMAR Development & Rehabilitation Society	Gaza	1,000
Support Beit Hanoun Municipality to develop "Soqya Jenin Water-Well"; serving citizens of Beit Hanoun by providing them with clean water source	Gaza	63,000
Develop food processing unit "Karmosa Kitchen" of Bara'em Development Society; work on empowering women who work in the unit to create income-generating project	Gaza	4,000
Furnish Buqa Clinic with medical equipment; provide needed medical devices to serve the citizens whereas this medical center is the only one which provides this service	Nablus	5,000
Finance the purchase of dental imaging device for Sheikh Mohammad Ben Rashid Al-Maktoum clinic / Al-Yamoun	Jenin	27,000
Provide needed medical devices for Renal Failure Patients Charitable Society in Tubas Governorate to mitigate patients' travel to receive the service in West Bank governorates	Tubas	90
Provide physiotherapy room and outdoor theme park to Children with Autism and Learning Disabilities Society to serve children patients and provide income-generating source	Tulkarem	32
Support activities of Yabous Cultural Center; take care and support the Palestinian national heritage and resilience of Jerusalemites	Jerusalem	3,000
Participate in furnishing the needs of Palestinian Health Care Committees Center – ALAMAL Center	Nablus	800
Initiative project to provide solar energy for orphan houses (Naw-wer Hayatak) – 1st Phase of Islamic Charitable Boys' Society	Hebron	109
Construct of two roundabouts; organize the city of Tubas and generally serve the governorate	Tubas	3,000
Serve the citizens of Bedyia by having special place for meeting, gathering and conduct events (wedding and sadness occasions)	Salfeet	11,000
Support of heritage, talent and art to maintain the heritage of our nation though supporting Edward Said National Conservatory of Music	Nablus	680
Provide supportive education to poor and in need families in old city of Nablus in cooperation with Refugees Popular Committee	Nablus	60

Holy Month and Holidays

Ramadan and Holidays

Paltel Group and its companies have supported many events on national occasions during 2018:

- Commemoration Land Day.
- Visit SOS Children's Village in Bethlehem; celebrate with them on Mother's Day.
- Providing meals to individuals during the holy month of Ramadan at Qalandia checkpoint .
- Participation of Al-Awna during the olive harvesting season.
- Sponsor of the Palestine Costume Day in Deir Estia.
- Organization of e events for Eid al-Adha.
- Carry out the Pope's Mount event in Jerusalem to support the resilience of our people in Northern Jerusalem.
- Paltel conducted events for Mother's Day.
- Participation of marches for Children's Day in partnership with the Nablus Municipality and Governorate.
- Sponsor of the First Bride Exhibition in Palestine.
- Sponsor "Bayti" of the Exhibition for National Industries.
- Sponsor of the Maqdisyat Exhibition for handicrafts.



Jawwal also has participated in several events during the holy month of Ramadan and other national occasions

"Feik Elkhair" Campaign

"FEIK ELKHAIR" is a campaign launched by Jawwal during the holy month of Ramadan which targeted several governorates with various social responsibility activities, such as the establishment of children theme park at the Palestinian Medical Hospital - in Ramallah. It also conducted an entertaining day for children in Gaza and lighted the old city of Hebron (Khalil Al-Rahman).

- Olive harvesting activities.
- Eid al - Adha events.
- Christmas Celebrations.
- Easter celebrations.
- Special events for Labor Day.





Sports and Youth

Sports and Youth

Jawwal complements its usual route by supporting and sponsoring the Palestinian sports sector. Jawwal has also continued to support the sports and youth sector by sponsoring and supporting sports and youth activities and events in Palestine whereas Jawwal became the permanent and supportive companion to Al-Fida'i (Palestine National Football Team), so that it ensures and affirms the key and primary role of supporting the Palestinian sports, especially the Palestinian National Football Team "Al-Fida'i".

Jawwal has participated the Palestinian basketball youth fans and their passions where Jawwal has the sole and exclusive sponsorship of the Palestinian basketball sport through sponsoring the First Basketball League and Palestine Cup Champion which named as Jawwal Basketball Cup of year 2018. Moreover, Jawwal has carried out several events and activities concerning the development of youth talents.

In addition to "Al-Fida'i" and Basketball Federation, Jawwal is sponsoring the First Volleyball and Handball Federations in West and Gaza. Moreover, Jawwal is the main sponsor of Palestine International Marathon for the fifth consecutive year.

Jawwal has also organized a series of enormous events during the World Cup crowned by launching special video to support the Arab teams participating in the World Cup. This video has been watched and viewed for about 7 million, in addition to furnishing and equipping a large number of sport facilities and playgrounds in West Bank and Gaza.

In an effort by Paltel to support youth and develop their capabilities, Paltel has implemented and sponsored many sport and youth events whereas Paltel has become the companion of youth and the exclusive partner to the best sporting events. During the World Cup, Paltel has been always with fans in various Palestinian areas and organized competitions and events for fans with the distribution of special gifts with full of enthusiasm and encouragement.

By its technology sponsorship to the Final Champions League at Ramallah First Group, Paltel has provided free internet service and delivered gifts to fans who attended the event which made it possible for youth to post their best moments and passion while watching the Champions League.

Paltel plays a role in Palestinian child, spreading joy and happiness to the Palestinian children and community, it sponsored a group of six summer camps in many areas during which several recreational activities and events took place where children have participated with full of joy and happiness.



Consolidated Financial Statements



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90
Years in MENA

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, 2018, 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, 2018, 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, 2018. 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 – Accuracy and occurrence of subscription and telecom services</p> <p>Wireline, wireless and data services revenues are the largest revenue streams within the Group amounting to JD 305,464,000 for the year ended December 31, 2018. These revenues are originated from a wide ranges of customers including wholesale, corporate and retail. We have considered this as a key audit matter due to significant risk in both the occurrence and accuracy of revenues and due to the complexity of systems and high volume of transactions, including the accounting treatment for new services and changes in tariffs.</p>	<p>We have tested relevant controls, key automated and manual controls, relating to subscription and telecom revenue across the Group's principal billing systems. our tests of relevant controls included the authorization of new services and changes in tariffs on old services.</p> <p>We performed our procedures to ensure the matching of revenue figures generated from the billing and charging systems to the revenue recognized, we preformed our procedures through a sample covering the whole period.</p> <p>We have reviewed the reconciliation between the general ledger and the billing systems.</p> <p>We have performed substantive analytical procedures through developing an expectation of revenue using non-financial data such subscription numbers which are the key drivers of each revenue stream. We also held meetings with the management to corroborate the key movements and trends in revenue within the year.</p> <p>We tested the accuracy of revenue by agreeing a sample of invoices back to the customer contracts and published or agreed tariffs.</p> <p>We performed journal entry testing that covered the whole year with a representative sample based on the criteria we set for the revenue.</p> <p>Details of revenues are disclosed in note (25) to the consolidated financial statement.</p>
<p>Impairment of accounts receivable</p> <p>The Group's outstanding gross accounts receivable as of December 31, 2018 amounted to JD 191,368,000 and the impairment provision against these receivables amounted to JD 105,134,000. The Group provides services to a broad base of customers, mainly on credit terms.</p> <p>The Group's policy on calculating the allowance of impairment receivable as referred to in note (3) to the consolidated financial statements is to</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 sources, being the billing and the accounting systems.</p> <p>We assessed the Group's provisions policy applied from 1 January 2018, which included assessing whether the policy was in accordance with IFRS 9.</p>

<p>estimate the uncollectable accounts receivable based on the Group's historical experience which involves the use of high judgments.</p> <p>The Group has adopted International Financial Reporting Standard (IFRS 9) on the mandatory application date of 1 January 2018. Accordingly, the expected credit loss model has been applied and which is based on forward looking. This model includes the use of estimates that reflect information about past and current events and forecast future events in addition to the time value of money.</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>For forward looking assumptions used by the Groups management in its ECL calculations, we held discussions with management and corroborated the assumptions using publicly available information. We assessed whether the time value of money was considered in the expected credit loss impairment model and checked the mathematical accuracy of the calculations.</p> <p>We considered the customers' types and historical payment habits along with other macroeconomic information.</p> <p>We also assessed the adequacy of the Group's disclosures made on the matter in note (13) to the consolidated financial statement.</p>
<p>Impairment of loans granted to associates</p> <p>As at 31 December 2018, the Group's gross granted loans amounted to JD 114,077,000. These loans represent 13.3 % of the Group's total assets. The related impairment provisions amounted to JD 71,318,000. The impairment provision policy is presented in the accounting policies in note (3) to the consolidated financial statements.</p> <p>The Group exercises significant judgement using subjective assumptions over both when and how much to record as loan impairment, and estimation of the amount of the impairment provision for loans.</p> <p>We focused on this matter due to the significance of the judgements used in determining needed provision for impairment and in classifying loans into various stages as stipulated in IFRS 9.</p>	<p>Our audit procedures includes testing the loans' contract and repayment pattern, obtaining the most recent audited financial statements for the associates and the related projected cash flows for the next 5 years to assess the capacity to settle these loans. We also evaluated Groups' procedures for collecting these loans.</p> <p>We obtained an understanding of the Group's provisioning methodology, assessed the reasonableness of the underlying assumptions and the sufficiency of the data used by the management. Our procedures in this regard are discussed in further detail below under the key audit matter "Adoption of IFRS 9 - Impairment".</p> <p>Further, we obtained direct confirmation from the associates on the due balances and assessed proper disclosure of the loans and interests in the related disclosure as referred to in note (11) and (34).</p>
<p>Adoption of IFRS 9 - Impairment</p> <p>The International Accounting Standards Board (IASB) issued IFRS 9 – "Financial Instruments" which replaces IAS 39 – "Financial instruments" in three phases as follows:</p>	<p>We have reviewed and understood the Group's IFRS 9 impairment provisioning policy and compared it with the requirements of IFRS 9;</p>

<p>Phase 1 – Classification and measurement of financial assets and financial liabilities; Phase 2 – Impairment methodology; and Phase 3 – Hedge accounting.</p> <p>The Group has adopted IFRS 9 on its mandatory effective date of 1 January 2018.</p> <p>Differences between previously reported carrying value and new carrying values of financial instruments as of 1 January 2018 amounting to JOD 87,133,000 has been recognized in the opening balance of retained earnings.</p> <p>We focused on this matter given the significance of the impact of IFRS 9 on the Group's financial position as at 1 January 2018, and on the Group's financial statements for the year ended 31 December 2018; in addition to the possibility of inaccuracy of the impairment provision recorded whether due to the use of inaccurate data or unreasonable assumptions.</p>	<p>We have evaluated the Group's expected credit loss model with a particular focus on the suitability of the model with IFRS 9 requirements.</p> <p>For forward-looking assumptions used by the Groups management in its ECL calculations, we held discussions with management and corroborated the assumptions using publicly available information.</p> <p>For a sample of exposures, we checked the appropriateness of determining exposure at default, including the consideration of prepayments and repayments in the cash flows and the resultant mathematical calculations.</p> <p>For Probability of Default (PD) used in the ECL calculations we checked the Through the Cycle (TTC) PDs calculation and checked the appropriateness of conversion of the TTC PDs to point in time (PIT) PDs.</p> <p>We checked the calculation of the Loss Given Default (LGD) used by the Group in the ECL calculations.</p> <p>We checked the completeness of loans, off balance sheet items and investment securities included in the ECL calculations as of 31 December 2018;</p> <p>We checked the appropriateness of the opening balance adjustments.</p> <p>We also assessed the disclosure in note (3) to the financial statements and considered whether it explains the main drivers of the of IFRS 9 adoption impact.</p>
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Other information included in the Group's 2018 Annual Report

Other information consists of the information included in the Group's 2018 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2018 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.

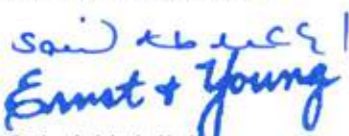
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate 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, 2018 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.

Ernst & Young - Middle East
License # 206/2012



Sa'ed Abdallah
License # 105/2003

Ramallah-Palestine
March 5, 2019

Palestine Telecommunications Company P.L.C.

**Consolidated Statement of Financial Position
December 31, 2018**

	Notes	2018 JD '000s	2017 JD '000s
Assets			
Non-current assets			
Property, plant and equipment	4	141,883	134,075
Investment properties	5	43,348	41,738
Intangible assets	6	212,583	224,015
Projects in progress	7	3,022	4,171
Materials	8	13,254	11,294
Investment in associates	9	38,398	37,989
Investments in securities	10	160,506	160,949
Other non-current financial assets	11	49,873	118,897
		<u>662,867</u>	<u>733,128</u>
Current assets			
Inventories	12	2,269	2,643
Accounts receivable	13	86,234	119,640
Other current assets	14	21,381	22,276
Investments in securities	10	28,354	8,415
Cash and cash equivalents	15	56,895	39,761
		<u>195,133</u>	<u>192,735</u>
Total assets		<u>858,000</u>	<u>925,863</u>
Equity and liabilities			
Equity			
Paid-in share capital	16	131,625	131,625
Statutory reserve	17	32,906	32,906
Voluntary reserve	17	6,756	6,756
Special reserve	17	7,950	7,950
Foreign currency translation reserve		(74)	(74)
Fair value reserve	10	(17,681)	(7,704)
Retained earnings		321,535	394,362
Total Equity		<u>483,017</u>	<u>565,821</u>
Non-current liabilities			
Long-term loans	19	88,625	46,085
Provision for employees' indemnity	20	37,223	46,443
		<u>125,848</u>	<u>92,528</u>
Current liabilities			
Accounts payable	21	75,969	102,179
Overdrafts and current portion of long-term loans	22	74,731	50,939
Provision for income tax	23	5,808	10,631
Other current liabilities	24	92,627	103,765
		<u>249,135</u>	<u>267,514</u>
Total liabilities		<u>374,983</u>	<u>360,042</u>
Total equity and liabilities		<u>858,000</u>	<u>925,863</u>

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, 2018

	Notes	2018 JD '000s	2017 JD '000s
Revenues from contracts with customers	25	305,464	334,740
Telecommunication services cost	26	(8,582)	(13,334)
Governmental fees on revenues	27	(21,232)	(23,332)
Other costs	28	(15,417)	(16,691)
		<u>260,233</u>	<u>281,383</u>
Operating and administrative expenses	29	(186,990)	(211,439)
Gain from investments	30	9,620	9,081
Group's share of associates' results	9	1,166	967
Finance costs		(7,207)	(4,043)
Other revenues (expenses), net	31	2,802	(591)
Profit before income tax		<u>79,624</u>	<u>75,358</u>
Income tax expense	23	(12,532)	(4,830)
Profit for the year		<u>67,092</u>	<u>70,528</u>
Basic and diluted earnings per share (JOD)	32	<u>00.510</u>	<u>0.536</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, 2018

	Notes	2018 JD '000s	2017 JD '000s
Profit for the year		67,092	70,528
Other comprehensive income items:			
Items not to be reclassified to the consolidated income statement in subsequent periods:			
Change in fair value of financial assets	10	(2,117)	(6,575)
Share of associates' other comprehensive income	10	(99)	(46)
Items to be reclassified to the consolidated income statement in subsequent periods:			
Foreign currency translation difference		-	(39)
Total other comprehensive income items		<u>(2,216)</u>	<u>(6,660)</u>
Net comprehensive income for the year		<u>64,876</u>	<u>63,868</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, 2018

	Paid-in share capital JD '000s	Reserves		Foreign currency translation JD '000s	Fair Value reserve JD '000s	Retained earnings JD '000s	Total equity JD '000s	
		Statutory JD '000s	Voluntary JD '000s					Special JD '000s
Balance at January 1, 2018-Before adjustments	131,625	32,906	6,756	7,950	(74)	(7,704)	394,362	565,821
Adjustments due to adoption of IFRS (9) (note 3)	-	-	-	-	-	(7,761)	(87,133)	(94,894)
Balance at January 1, 2018 -after adjustments	131,625	32,906	6,756	7,950	(74)	(15,465)	307,229	470,927
Profit for the year	-	-	-	-	-	-	67,092	67,092
Other comprehensive income	-	-	-	-	-	(2,216)	(136)	(2,352)
Net comprehensive income for the year	-	-	-	-	-	(2,216)	66,956	64,740
Cash dividends (Note 18)	-	-	-	-	-	-	(52,650)	(52,650)
Balance at December 31, 2018	131,625	32,906	6,756	7,950	(74)	(17,681)	321,535	483,017
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 18)	-	-	-	-	-	-	(52,650)	(52,650)
Balance at December 31, 2017	131,625	32,906	6,756	7,950	(74)	(7,704)	394,362	565,821

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

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Palestine Telecommunications Company P.L.C.

Consolidated Statement of Cash Flows
For the year ended December 31, 2018

	Notes	2018	2017
		JD '000s	JD '000s
Operating activities			
Profit before income tax		79,624	75,358
Adjustments:			
Depreciation and amortization		49,869	52,110
provision of expected credit loss		8,936	6,841
(Recovery) Impairment of assets		(2,031)	2,534
Gain from investments		(9,620)	(9,081)
Group's share of associates' results of operations		(1,166)	(967)
Interest revenues		(5,492)	(5,801)
(Gain) loss on disposal of property, plant and equipment		(1,788)	121
Provision for employees' indemnity		3,952	12,584
Finance costs		7,207	4,043
Other non-cash items		(6,869)	3,060
		<u>122,622</u>	<u>140,802</u>
Working capital adjustments:			
Accounts receivable		85	(41,121)
Inventory		374	1,012
Other current assets		9,620	(1,870)
Accounts payable		18,103	3,748
Other current liabilities		(11,659)	23,233
Income tax paid		(17,403)	(22,856)
Employees' indemnity paid		(13,172)	(4,118)
Net cash flows from operating activities		<u>108,570</u>	<u>98,830</u>
Investing activities			
Purchase of financial assets		(23,517)	(25,615)
Sales of financial assets		2,421	2,435
Cash dividends received		9,412	8,667
Investment in associates		(906)	(887)
Interest revenues received		646	1,295
Purchase of intangible assets		(917)	(571)
Sale of investment properties		-	2,502
Granted loans settled during the period		5,088	-
Granted Loans		(3,545)	-
Purchase of investment properties		(481)	(4,212)
Payments for renewing the license		(44,313)	(128,506)
Disposal of property, plant and equipment		451	16
Increase in projects in progress, property, plant, and equipment and materials		(42,771)	(44,692)
Net cash flows used in investing activities		<u>(98,432)</u>	<u>(189,568)</u>
Financing activities			
Cash dividends paid		(52,129)	(52,826)
Credit facilities and bank overdrafts		9,612	25,319
Proceeds from long term loans		70,900	-
Settlement of long term loans		(14,180)	(19,531)
Finance costs paid		(7,207)	(4,043)
Net cash flows from (used in) financing activities		<u>6,996</u>	<u>(51,081)</u>
Increase (Decrease) in cash and cash equivalents		<u>17,134</u>	<u>(141,819)</u>
Cash and cash equivalents, beginning of year		39,761	181,580
Cash and cash equivalents, end of year	15	<u>56,895</u>	<u>39,761</u>

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

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**Notes to the Consolidated Financial Statements
December 31, 2018**

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).

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

The consolidated financial statements of Palestine Telecommunications Company P.L.C. for the year ended December 31, 2018 were authorized for issuance in accordance with a resolution of the Board of Directors on February 11, 2019.

2. Consolidated Financial Statements

The consolidated financial statements comprise the financial statements of PALTEL and its subsidiaries (the Group) as of December 31, 2018.

PALTEL's direct and indirect ownership in its subsidiaries' subscribed capital was as follows:

	Ownership		Share Capital (JD)	
	%		2018	
	2018	2017	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 Investments in securities that have been measured at fair value at the date of the financial statements.

The consolidated financial statements are 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, 2018. 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; and
- 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 relating party 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 used in the preparation of the Group's consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the previous year except for the Group's adoption of the following effective standards and amendments effective starting from 1 January 2018. Except for IFRS 9, the adoption of these standards and amendments has no material impact on the Group's consolidated financial statements. The Group did not apply early to any standards issued but not yet effective.

IFRS 9 Financial Instruments

The Group has adopted IFRS 9 considering the date of 1 January 2018 as the date of application. This standard has been retrospectively applied to existing financial assets as at the date of application and the Group has chosen not to adjust the comparative figures for prior periods as permitted in accordance with the Standard.

The impact of application of IFRS 9 on previous years has been shown by adjusting the opening balance of the equity items as at 1 January 2018.

Effect of adopting IFRS 9:

- The following table shows the effect of the adoption of IFRS 9 on the classification and measurement of financial assets as at 1 January 2018:

Financial assets	Measurement in accordance with IAS 39	Re- classification	Re-measuring	Measurement in accordance with IFRS 9
	JD'000s			
A. Financial assets available for sale				
Beginning balance	160,949	-	-	160,949
Transferred to financial assets through Other Comprehensive Income (OCI)	-	(141,274)	-	(141,274)
Transferred to financial assets through Profit or Loss (PL)	-	(19,675)	-	(19,675)
Ending balance				-
B. Financial assets held for trading				
Beginning balance	8,415	-	-	8,415
Transferred to financial assets through OCI	-	(389)	-	(389)
Transferred to financial assets through PL	-	(8,026)	-	(8,026)
Ending balance				-
C. Granted loans				
Beginning balance	106,577	-	-	106,577
Re-measuring	-	-	(62,225)	(62,225)
Ending balance				44,352
D. Account Receivables				
Beginning balance	119,640	-	-	119,640
Re-measuring	-	-	(31,550)	(31,550)
Ending balance				88,090
E. Financial assets at fair value through other comprehensive income (FVTOCI)				
Transferred from financial assets available for sale	-	141,274	-	141,274
Transferred from financial assets held for trading	-	389	-	389
Ending balance				141,663
F. Financial assets at fair value through Profit or loss (FVTPL)				
Transferred from financial assets available for sale	-	19,675	-	19,675
Transferred from financial assets held for trading	-	8,026	-	8,026
Ending balance				27,701
G. Investments in associates				
Beginning balance	37,989	-	-	37,989
Re-measuring	-	-	(1,119)	(1,119)
Ending balance				36,870

- The following table shows the prior measurement of financial assets in accordance with IAS 39 and the current measurement of assets in accordance with IFRS 9 as at 1 January 2018:

Type of financial instrument	Measurement standard		Value	
	IAS 39	IFRS 9	IAS 39	IFRS 9
			JD'000s	
Investments in shares	Financial assets available for sale	Financial assets at FVTOCI	141,274	141,274
Investments in shares and portfolios	Financial assets available for sale	Financial assets at FVTPL	19,675	19,675
Investments in shares	Financial assets held for trading	Financial assets at FVTOCI	389	389
Investments in shares	Financial assets held for trading	Financial assets at FVTPL	8,026	8,026
Granted loans	Loans and receivables	Financial assets at amortized cost	106,577	44,352
Account Receivables	Loans and receivables	Financial assets at amortized cost	119,640	88,090

- The following table shows the impact of the adoption of IFRS 9 on retained earnings and fair value reserve as at 1 January 2018:

	JD'000s	
	The retained earnings	Fair value reserve
Balance as at 1 January 2018 - before adjustments	394,362	(7,704)
Reclassification of revaluation losses from fair value reserve to the retained earnings as a result of reclassification of financial assets classified as available-for-sale investments in accordance with IAS 39 to financial assets at FVTPL in accordance with IFRS 9.	(2,643)	2,643
Reclassification of impairment losses on investments that are still in possession at the date of adoption of IFRS 9 which were recorded in previous years as impairment losses on available-for-sale investments	10,404	(10,404)
Recognition of expected credit loss provision on granted loans	(62,225)	-
Recognition of expected credit loss provision on account receivables	(31,550)	-
The Group's share from the impact of the adoption of IFRS 9 on associates	(1,119)	-
Balance as at 1 January 2018 – after adjustments	307,229	(15,465)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective approach. Except for additional disclosures, the effect of adopting IFRS 15 have no material impact on the group's consolidated financial statements and the accounting policy for revenue recognition. The accounting policies of IFRS 15 are described under "Significant accounting policies".

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

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. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

This Interpretation does not have any impact on the Group's consolidated financial statements.

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.

These amendments do not have any impact on the Group's consolidated financial statements.

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. On adoption, entities are required to apply the amendments without restating prior periods, but a retrospective application is permitted if elected for all three amendments and other criteria are met. In addition, the Group's accounting policy for cash-settled share-based payments is consistent with the approach clarified in the amendments. In addition, the Group has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction.

These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity which is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity,

the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which:

- (a) The investment entity associate or joint venture is initially recognized.
- (b) The associate or joint venture becomes an investment entity.
- (c) The investment entity associate or joint venture first becomes a parent (holding subsidiaries and or associates).

These amendments do not have any impact on the Group's consolidated financial statements.

Issued but not yet effective standards

The International Accounting Standards Board (IASB) issued certain standards that are not yet effective and have not yet been adopted by the Group. The following standards are those that the Group's management's reasonably expect that they will have an impact on the financial position or performance or the disclosures of the Group's consolidated financial statements when they become effective. These standards will be adopted when they become effective.

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.

Transition to IFRS 16

The Group has the option to adopt IFRS 16 retrospectively and restate each prior reporting period presented or using the modified retrospective approach by applying the impact as an adjustment on the opening retained earnings. The Group will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4.

The Group will adopt IFRS 16 using the modified retrospective approach. The adoption of the Standard is expected to result in an increase in assets (use rights) and liabilities (lease liabilities). The Group is currently studying the quantitative impact of Standard No. (16).

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.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted.

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 36)
- Capital management (Note 36)

The key areas involving a higher degree of judgment or complexity done by the Group 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.

Provision for impairment of financial assets

Financial assets are assessed for impairment on the basis described in the "Impairment of financial assets" section.

When determining the impairment of financial assets, management uses certain estimates to determine the amounts and timing of future cash flows and also assesses whether the credit risk on the financial asset has increased substantially since initial recognition and includes future information in the measurement of expected credit losses.

Provision for employees' benefits

Group management uses certain estimates to determine the amount of employee benefits. Management believes that these estimates and assumptions are reasonable.

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.

Judgments related to revenues from contracts with customers:

Revenue and costs of interconnection

Group management uses certain estimates to determine the amounts of revenue, interconnection costs, receivables and related payables.

Determining the performance obligations and allocating transaction price on these obligations

The Group studies the contracts with customers to determine the performance obligation mentioned or implied in the contracts. Sometimes the contract includes several performance obligations such as points related to customer loyalty program. Group management uses specific judgments to determine performance obligations and to allocate transaction prices on these obligations, such as the determining of stand-alone selling price.

Significant Accounting Policies

Revenue recognition from contracts with customers

A. Rendering of services:

Under IFRS 15, the Group will continue to recognize the revenue of the services over time by the number of units used in a manner similar to the previous accounting policy, as the customer receives and uses the features and services provided by the Group at the same time.

B. Sale of devices:

The campaigns and services offered by the group usually include the sale of devices. The Group has concluded that revenue from the sale of the devices must be recognized at a certain point in time at which the control of the asset is transferred to the customer, when the devices are delivered. The adoption of IFRS 15 did not have any impact on the timing or value of the revenue to be recognized. In some cases, the Group sells devices at a reduced price without affecting the prices of other services. In such cases, the discount is directly charged to the price of the device without being allocated to other services.

C. Significant financing component:

When the Group sell on installments any of the devices, and the period of payment of the amounts accrued on the customer for more than one year, the Group determines whether the contract contains a significant financing component. The Group does not adjust the fair value differences at the agreed selling price as the Group believes that there is no significant financing components in its current contracts.

D. Prepayments from the clients:

In general, the Group collects short-term payments from its customers such as prepaid cards. The Group has recognized these payments as deferred revenue in the statement of financial position before applying IFRS 15, which is similar to IFRS 15.

When applying IFRS 15 regarding short-term payments, the Group will not adjust the agreed selling price as a result of the financing of any part of the contract if the Group believes that the period between the payment of the receivable and the delivery of agreed upon goods or services to the customer will not exceed a year from the date of the contract. If the period between the payment of the receivable by the customer and the delivery of the goods or services agreed upon is more than one year, the Group will adjust the timing differences of the fair value at the agreed selling price.

E. Customer loyalty programs

The Group applies a customer loyalty program that provides a variety of benefits for customers. The Group allocates the consideration received between products and services in a bundle including loyalty points as separate performance obligation based on their stand-alone selling prices.

Other revenues

Interest revenues

Interest revenues are recognized 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 financial asset.

Dividends revenues

Dividend revenues are 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 37)
- Investment properties (Note 5)
- Financial assets (Note 10)

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 2018 and 2017.

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 steps 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

A- Initial recognition of financial assets:

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 Paltel commits to purchase or sell the asset. 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.

B- Classification of financial assets

After the adoption of IFRS 9 as of 1 January 2018

Financial assets at amortised cost

Debt instruments are measured at amortised cost if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments meeting these criteria are measured initially at fair value plus transaction costs (except if they are designated as at FVTPL – see below). They are subsequently measured at amortized cost using the effective interest method less any impairment, with interest revenue recognized on an effective yield basis.

The effective interest rate is the interest rate used to discount the future cash flows over the debt instrument life (or a shorter period in certain cases), in order to match its carrying value at the date of initial recognition.

The Group may irrevocably elect at initial recognition to classify a debt instrument that meets the amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost.

Financial assets at FVTPL

Debt instrument financial assets that do not meet the amortized cost criteria or that meet the criteria but Group has chosen to designate as at FVTPL at initial recognition, are measured at FVTPL. The Group has not designated a debt instrument financial asset as at FVTPL.

Investments in equity instruments are classified as at FVTPL, unless The Group designates an investment that is not held for trading as at fair value through other comprehensive income (FVOCI) at initial recognition.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on re-measurement recognized in the consolidated income statement.

Dividends income on investments in equity instruments at FVTPL is recognized in the consolidated income statement when Group's right to receive the dividends is established.

Financial assets at FVOCI

At initial recognition, the Group makes an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation at FVOCI is not permitted if the equity investment is held for trading.

Equity instruments at FVOCI are initially measured at fair value plus acquisition costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the fair value reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the fair value reserve is not reclassified to the consolidated income statement, but is reclassified to retained earnings.

Dividends on these investments in equity instruments are recognized in the consolidated income statement when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

The Group can classify debt instruments as financial assets at FVOCI if both of the following conditions are met:

- The asset is held within a business model whose objective achieved by both collecting contractual cash flows and selling of financial assets; and
- The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Before the adoption of IFRS 9 as of 1 January 2018

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, which is in turn reduced by the amount of the impairment.

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.

C- De-recognition

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 record its remaining interest in the asset and records the liability in the amount of the amounts expected to be paid. If the Group retains substantially all the risks and rewards of ownership of the transferred financial assets, the Group continues to record them and also records the debt security of the amounts received.

D- Impairment of financial assets

Subsequent to the adoption of IFRS 9 as of 1 January 2018, Impairment allowances for expected credit losses (ECL) are recognized for financial instruments that are not measured at FVTPL. No impairment loss is recognized on equity investments.

An ECL provision is made at an amount equal to the lifetime ECL, except for the following, for which they are measured as a 12-month ECL:

- Debt investment securities that are determined to have a low credit risk (equivalent to investment grade rating) at the reporting date; and
- Other financial instruments for which the credit risk has not increased significantly since their initial recognition.

The Group has applied the simplified method of the standard to record expected credit losses (ECL) on account receivables and calculated the expected credit losses over the entire life of the receivables. To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The Group classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below:

- 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. The Group recognizes an allowance based on the 12-month ECL.
- Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired. The Group recognizes an allowance for the lifetime ECL.
- Stage 3: for credit-impaired financial instruments. The Group recognizes the lifetime ECL.

12-month ECL (stage 1) is the portion of ECL that results from probable default events on a financial instrument within 12 months after the reporting date.

Lifetime ECL (stage 2) is a probability-weighted estimate of credit losses and is determined based on the difference between the present value of all cash shortfalls. The cash shortfall is the difference between all contractual cash flows that are due to Group and the present value of the recoverable amount, for financial assets that are not credit-impaired at the reporting date.

For stage 3 financial instruments, the provisions for credit-impairment are determined based on the difference between the net carrying amount and the recoverable amount of the financial asset. The recoverable amount is measured as the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted based on the interest rate at the inception of the credit facility or, for debt instruments, at the current market rate of interest for a similar financial asset.

In the expected credit loss calculation model, when necessary, the Group incorporates future information used as inputs, such as the increase in GDP and unemployment rates.

Provisions for credit-impairment are recognized in the consolidated income statement and are reflected in an allowance account against loans and receivables, investment securities, and placements.

Financial assets are written off after all restructuring and collection activities have taken place and there is no realistic prospect of recovery. Subsequent recoveries are included in other income.

Financial assets that are measured at amortised cost are tested as to whether they are credit-impaired. Objective evidence that a financial asset is credit-impaired may include a breach of contract, such as default or delinquency in interest or principal payments, the granting of a concession that, for economic or legal reasons relating to the borrower's financial difficulties. Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Financial assets which have been re-scheduled or modified are no longer considered to be past due and are replaced on performing status when all principal and interest payments are up to date and future payments are reasonably assured. Financial assets that have been re-scheduled, are subject to on-going review to determine whether they remain impaired or can be considered due. All re-scheduled or modified facilities are classified as stage 2 or stage 3 for a minimum period of 12 months from the date of re-scheduling.

Before the adoption of IFRS 9 as of 1 January 2018

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

- Assets carried at amortized cost, impairment represents the difference between carrying amount and the present value of expected cash flows at the original effective interest rate.
- Equity instruments classified as financial assets available for sale - objective evidence includes significant decline in value or long term. Impairment is measured primarily by reference to the original cost of the investment and the length of the impairment is measured by reference to the period in which the fair value was less than its original value. Impairment represents the difference between the original cost and the fair value, after any previously recognized impairment loss is recognized in the consolidated statement of income. Impairment losses previously recognized on equity instruments are not reversed through the consolidated statement of income; increases in the fair value after impairment are recognized directly in other comprehensive income;
- Debt instruments classified as available-for-sale financial assets - Impairment is the difference between 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 impaired debt. Where financial assets are assessed for impairment on the basis shown in paragraph "Impairment of financial assets". When determining the impairment on financial assets. The group use specific estimates to determine the amounts and timing of future cash flows and also assesses whether there are a significant increase in credit risk of the financial asset since initial recognition and includes the use of future information in the measurement of expected credit losses.

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.

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.

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, 2018	6,099	36,507	205,803	184,746	124,952	26,921	3,669	2,187	1,483	592,367
Additions	-	2,550	10,950	23,990	5,849	1,791	-	323	109	45,562
Disposals	-	(546)	(3,181)	(24,861)	(1,766)	(2,263)	(1,305)	(50)	(60)	(34,032)
Reclassifications	-	(54)	(1,319)	9	1,275	89	-	-	-	-
At December 31, 2018	6,099	38,457	212,253	183,884	130,310	26,538	2,364	2,460	1,532	603,897
Accumulated depreciation										
At January 1, 2018	-	24,236	163,002	137,149	105,033	22,309	3,541	1,539	1,483	458,292
Depreciation for the year	-	1,989	7,269	16,749	9,784	1,452	65	174	38	37,520
Recovery of impairment	-	-	-	(1,993)	(38)	-	-	-	-	(2,031)
Disposals	-	(536)	(3,181)	(22,782)	(1,704)	(2,185)	(1,303)	(42)	(34)	(31,767)
Reclassifications	-	(10)	(163)	9	75	89	-	-	-	-
At December 31, 2018	-	25,679	166,927	129,132	113,150	21,665	2,303	1,671	1,487	462,014
Net carrying amount										
At December 31, 2018	6,099	12,778	45,326	54,752	17,160	4,873	61	789	45	141,883

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December 31, 2017

	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

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5. Investment properties

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

	2018	2017
	JD'000s	JD'000s
Balance, beginning of the year	41,738	40,028
Additions	1,610	4,212
Sale of real estate investments	-	(2,502)
Balance, end of year	<u>43,348</u>	<u>41,738</u>

The fair values of these land lots were estimated, by certified appraisers, at JD 60,160,000.

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

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, 2018	17,259	205,610	25,150	248,019
Additions*	-	-	917	917
At December 31, 2018	<u>17,259</u>	<u>205,610</u>	<u>26,067</u>	<u>248,936</u>
Amortization				
At January 1, 2018	-	11,542	12,462	24,004
Amortization for the year	-	10,281	2,068	12,349
At December 31, 2018	<u>-</u>	<u>21,823</u>	<u>14,530</u>	<u>36,353</u>
Net Book Value At December				
31, 2018	<u>17,259</u>	<u>183,787</u>	<u>11,537</u>	<u>212,583</u>
At December 31, 2017	<u>17,259</u>	<u>194,068</u>	<u>12,688</u>	<u>224,015</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 US \$ 290 million (equivalent to JD 205,610,000) of which US \$ 260 million is related to JAWWAL's license renewal (including 2G and 3G frequency licenses) while the remaining amount of US \$ 30 million was related to PALTEL's license renewal.

During the year, the Group has settled an amount of JD 44,313,000 of the total license value. The remaining amount of the license fee of JD 22,156,000 will be settled during 2019 (note 21).

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

	2018	2017
	JD'000s	JD'000s
Wireless network	2,056	1,616
Data transmission projects	302	1,816
Administration and information technology systems	55	19
Building rehabilitation	609	510
Other	-	210
	<u>3,022</u>	<u>4,171</u>

Upon completion, each project is transferred to property, plant and equipment.

10. Investments in financial securities

	2018	2017
	JD'000s	JD'000s
Financial assets at FVTOCI (A)	160,506	-
Available-for-sale investments (B)	-	160,949
	<u>160,506</u>	<u>160,949</u>
Financial assets at FVTPL – current (C)	28,354	-
Financial assets held for trading - current (D)	-	8,415
	<u>188,860</u>	<u>169,364</u>

A. The financial assets at FVTOCI include the following:

	2018
	JD'000s
Quoted shares	156,796
Unquoted shares	3,710
	<u>160,506</u>

Movement on the fair value reserve was as follows:

	2018	2017
	JD'000s	JD'000s
Balance, Beginning of the year – Before adjustments	(7,704)	(1,083)
Amendments to the impact of the adoption of IFRS 9 (Note 3)	(7,761)	-
Balance, beginning of the year - After adjustments	(15,465)	(1,083)
Unrealized losses	(2,253)	(6,126)
Loss from sale of financial assets at FVTOCI recognized in retained earnings	136	-
Realized gain on sale of financial assets	-	(449)
Share of associates' other comprehensive income	(99)	(46)
Balance, end of the year	<u>(17,681)</u>	<u>(7,704)</u>

* Financial assets at FVTOCI sold during the year amounted to JD 2,421,000. Sale transactions of these financial assets were made to finance other investment activities and to exit from investments which do not achieve the required return by the Group.

B. Available-for-sale investments include the following:

	2017
	JD'000s
Quoted investments	156,355
Unquoted investments	4,594
	<u>160,949</u>

C. Financial assets at FVTPL include the following:

	2018
	JD'000s
Shares quoted in Palestine Stock Exchange Portfolios	3,391
Shares quoted in regional financial markets	3,540
	<u>21,423</u>
	<u>28,354</u>

D. Financial assets held for trading include the following:

	Dec 31, 2017
	JD'000s
Shares quoted in Palestine Stock Exchange	4,344
Shares quoted in regional financial markets	4,071
	<u>8,415</u>

11. Other financial assets

	2018	2017
	JD'000s	JD'000s
Loans to associates*	114,077	115,620
Prepayment on taxes and other Governmental fees	9,597	12,320
	<u>123,674</u>	<u>127,940</u>
Provision for impairment of loans to associates**	(71,318)	(9,043)
	<u>52,356</u>	<u>118,897</u>
Current portion of long term loans to associates	(2,483)	-
	<u>49,873</u>	<u>118,897</u>

* During the year, the Group signed a subordinated loan agreement with The National Bank (an associate company) of US \$ 5 million (equivalent to JD 3,545,000), the principal amount will be settled at maturity in 2025, while the interest is paid on a monthly basis.

During the year, VTel MENA has early settled a portion of the payment due in 2019, with a payment amounted to US \$ 7,177,000 (equivalent to JD 5,088,000 million).

** The following is a summary of the movement that has been made to provision for impairment of loans to associates companies:

	2018 JD'000s	2017 JD'000s
Balance, beginning of year - before adjustments	9,043	4,506
Amendments to the impact of the adoption of IFRS 9 (Note 3)	62,225	-
Balance, beginning of the year- after adjustments	71,268	4,506
Additions during the year	50	4,537
Balance, end of year	71,318	9,043

Based on IFRS 9 requirements and based on the applied impairment methodology (Note 3), the granted loan to VTel Co. was classified under stage 2 exposures due to the increase in credit risk resulting from the political and economic conditions in the geographical area where the associated company operates. This resulted in an additional provision of JD 62,225,000 representing a lifetime expected credit losses over the loan. The granted loan to The National Bank was classified under stage 1 exposures.

12. Inventories

	2018 JD'000s	2017 JD'000s
SIM cards and prepaid scratch cards	614	728
Cellular phone sets	304	322
Marketing materials and others	1,351	1,593
	2,269	2,643

13. Accounts receivable

The following is a summary of accounts receivable which includes contracts assets related to unbilled revenues:

	2018 JD'000s	2017 JD'000s
Retail and corporate subscribers	82,323	81,016
Palestinian National Authority	83,011	82,811
Dealers' receivables	7,462	9,935
Telecommunication companies	6,080	3,012
Unearned revenue	8,499	10,537
Other	3,993	4,142
Total trade receivable	191,368	191,453
Provision for doubtful debts *	(105,134)	(71,813)
Net trade receivables	86,234	119,640

* Accounts receivable are stated net of provision for doubtful debts. In accordance with IFRS 9, the provision is calculated based on certain percentages derived from group of inputs, including historical collection patterns, type of customer, services provided, aging of accounts receivable reports, and default definition through the number of days past due, in addition to considering future factors.

As of December 31, 2018 and 2017, total trade receivables fully provided for are JD 105,134,000 JD 71,813,000, respectively.

Movements on the provision for doubtful debts during the years 2018 and 2017 were as follows:

	2018 JD'000s	2017 JD'000s
Balance, beginning of year	71,813	59,942
Amendments to the impact of the adoption of IFRS 9 (Note 3)	31,550	-
	103,363	59,942
Additions	8,936	6,841
Translation difference from ILS to JD	(7,165)	5,030
Balance, end of year	105,134	71,813

As of December 31, 2018 and 2017, 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
2018	86,234	36,586	12,718	5,307	2,382	2,094	27,147
2017	119,640	47,964	17,715	5,398	1,677	1,113	45,773

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

14. Other current assets

	2018 JD'000s	2017 JD'000s
Due from related parties	2,308	2,308
Current portion of prepayment on taxes and other governmental fees	1,885	2,040
Current portion of long term loans (Note 11)	2,483	-
Advances to suppliers and contractors	8,179	10,584
Prepaid expenses	4,217	4,982
Others	2,309	2,362
	21,381	22,276

15. Cash and cash equivalents

	2018	2017
	JD'000s	JD'000s
Cash on hand	537	665
Cash at banks and short term deposits	56,358	39,096
	<u>56,895</u>	<u>39,761</u>

Short-term deposits amounted to JD 15,267,000 as of December 31, 2018. These deposits are due for a period of less than three months.

16. Paid-in share capital

As of December 31, 2018 and 2017, 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, 2018 and 2017.

17. 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 2018 and 2017.
- 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 2018 and 2017.

18. Cash dividends

The Board of Directors will propose to the General Assembly in its annual meeting to be held during 2019 the approval of proposed cash dividend of JD 0.40 per share with a total amount JD 52,650,000.

The General Assembly approved in its meeting held on March 26, 2018 the declaration of a cash dividend of JD 0.40 per share 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 with a total amount JD 52,650,000.

19. Long-term loans

	2018	2017
	JD '000s	JD '000s
Long term-loans from regional and local banks	116,985	60,265
Current portion of long-term loans (Note 22)	(28,360)	(14,180)
	<u>88,625</u>	<u>46,085</u>

During 2018, the Group signed two long-term loans agreement with a local and a regional bank in the amount of US \$ 50 million for each loan with a total amount of US \$ 100 million (equivalent to JD 70,900,000). These loan is to be settled in 20 quarterly installments starting from the beginning of 2019, these loans bear variable interest rates.

20. Provision for employees' indemnity

Movement on provision for employees' indemnity during the year 2018 and 2017 were as follows:

	2018	2017
	JD '000s	JD '000s
Balance, beginning of year	46,443	37,977
Additions during the year	3,952	12,584
Payments during the year	(13,172)	(4,118)
Balance, end of year	<u>37,223</u>	<u>46,443</u>

21. Accounts payable

	2018	2017
	JD '000s	JD '000s
License renewal fees* (Note 6)	22,156	66,469
Trade suppliers	20,746	18,534
Telecommunication companies	7,597	11,870
Accrued governmental fees on revenue	23,211	2,796
Subscribers' deposits	2,259	2,510
	<u>75,969</u>	<u>102,179</u>

* The license renewal fees was paid in full during January 2019.

22. Overdrafts and current portion of long-term loans

	2018	2017
	JD '000s	JD '000s
Current portion of long-term loans (Note 19)	28,360	14,180
Bank overdraft *	46,371	36,759
	<u>74,731</u>	<u>50,939</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 ceiling of US \$ 50,000,000 (equivalent to JD 35.45 Million). Furthermore, during the year, the Group also renewed overdrafts agreements with local and regional banks with a ceiling of US \$ 60 million (equivalent to JD 42.54 million).

The unutilized balance of the current ceilings granted to the Group as at 31 December 2018 amounted to JD 46,371,000.

23. 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, Jawwal 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%.

Following is the movement on the provision for income tax during the year 2018 and 2017:

	2018	2017
	JD '000s	JD '000s
Provision balance, beginning of year	10,631	16,228
Income tax expense for the year	13,847	19,828
Discounts on early payments	(1,315)	(1,389)
Payments	(17,403)	(22,856)
Translation difference from ILS to JD	48	(1,180)
Provision balance, end of year	<u>5,808</u>	<u>10,631</u>

During the year, the company and Jawwal reached a settlement with the Income Tax Department for its taxable income until the year 2017.

Following are the details of income tax expense:

	2018	2017
	JD '000s	JD '000s
Income tax expense for the year	13,847	19,828
Recovery of partial exemption	-	(13,609)
Discounts on early payments	(1,315)	(1,389)
	<u>12,532</u>	<u>4,830</u>

24. Other current liabilities

	2018	2017
	JD '000s	JD '000s
Accrued expenses	55,671	64,615
Deferred revenues	11,644	15,438
VAT payable	4,832	2,727
Customer loyalty programs	2,512	2,744
Dividends payable	9,336	8,815
Accrued social responsibility	591	627
Provision for employees' vacations	856	1,083
Due to employees' provident fund *	3,297	5,929
Other	3,888	1,787
	<u>92,627</u>	<u>103,765</u>

* These amounts represent 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 2018. 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 by laws for each fund.

25. Revenues from contracts with customers

	2018	2017
	JD '000s	JD '000s
Wireline and wireless services	189,008	231,222
Interconnection revenue	20,915	19,539
Media services	86,642	80,156
Others	8,899	3,823
	<u>305,464</u>	<u>334,740</u>

Following are the details of revenues:

	2018	2017
	JD'000s	JD'000s
Customer type		
Individuals	192,727	211,706
Companies	112,737	123,034
	<u>305,464</u>	<u>334,740</u>

The majority of the Group's revenues are recognized over a period of time, as it is mainly generated for service contracts.

26. Telecommunication services cost

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

27. Governmental fees on revenues

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

28. Other costs

	2018	2017
	JD '000s	JD '000s
Commissions	8,951	9,606
Cost of data services	3,136	3,135
Cost of new lines installations	939	1,676
Cost of SIM cards and prepaid scratch cards	397	758
Cost of mobile handsets sold	1,994	452
Others	-	1,064
	<u>15,417</u>	<u>16,691</u>

29. Operating and administrative expenses

	2018	2017
	JD '000s	JD '000s
Payroll and related employees' expenses	59,908	63,410
Provisions for employees' benefits and early retirement	3,952	22,884
Depreciation of property, plant and equipment	37,520	39,734
Marketing and advertising	13,551	15,552
Maintenance	14,513	14,228
Amortization of intangible assets	12,349	12,376
Utilities	10,164	11,014
Provision for impaired debts	8,936	6,841
Rent	6,898	6,507
Corporate social responsibility	5,394	3,908
Professional and consultancy fees	2,705	2,885
Security and cleaning	2,277	2,375
Postage, billing collection and distribution	2,008	2,213
Employees' and asset insurance	1,534	1,316
Travel, accommodation, transportation and fuel	1,462	1,683
Cars operating lease	1,264	1,170
Conferences and hospitality	960	934
Stationary and printings	180	215
Others	1,415	2,194
	<u>186,990</u>	<u>211,439</u>

30. Gain from investments

	2018	2017
	JD '000s	JD '000s
Change in fair value of financial assets at FVTPL	653	422
Gain from sale of investments	-	439
Dividends income (available for sale and held for trading investments)	-	8,220
Dividends income of financial assets at FVTPL	1,673	-
Dividends income of financial assets at FVTOCI	7,294	-
	<u>9,620</u>	<u>9,081</u>

31. Other revenues (expenses), net

	2018	2017
	JD '000s	JD '000s
Interest revenues	5,492	5,801
Foreign exchange (losses) gains	(6,340)	6,237
Gain (loss) on disposal of property, plant and equipment	1,788	(121)
Impairment (recovery) of assets	2,031	(2,534)
Currency forward contracts	3,104	(5,552)
Others	(3,273)	(4,422)
	<u>2,802</u>	<u>(591)</u>

32. Basic and diluted earnings per share

Basic and diluted earnings per share for the years ended December 31, 2018 and 2017 is calculated as follows:

	2018	2017
Profit for the year (JD)	<u>67,092,000</u>	<u>70,528,000</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>0.510</u>	<u>0.536</u>

33. 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:

	2018	2017
	JD '000s	JD '000s
Purchase orders and letters of credit	<u>46,665</u>	<u>55,252</u>
	<u>46,665</u>	<u>55,252</u>

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

34. 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, 2018 and 2017:

	Nature of relationship	2018	2017
		JD '000s	JD '000s
Long term Interest-bearing loans	Major shareholders – banks	<u>81,535</u>	<u>60,265</u>
Overdraft	Major shareholders – banks	<u>28,121</u>	<u>16,761</u>
Due from related parties	Major shareholders and associates	<u>2,308</u>	<u>2,308</u>
Loans granted to associates*	Associates	<u>114,077</u>	<u>115,620</u>

Following are the transactions with related parties included in the consolidated income statement for the years 2018 and 2017:

		2018	2017
Finance cost	Major shareholders – banks	<u>4,781</u>	<u>3,055</u>
Interest revenue	Associates	<u>4,846</u>	<u>4,506</u>
Key management personnel compensation:			
Short term benefits		<u>1,846</u>	<u>2,051</u>
Termination benefits		<u>206</u>	<u>229</u>

* The provision for impairment of loans granted to associates amounted to JD 71,318,000 as at 31 December 2018 (Note 11).

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 US \$ 1 million (JD 709,000) as of December 31, 2018.

35. Segment reporting

The Group's operating segments are the wireline, wireless, and digital services, 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.

The following tables present revenues, profit before tax, and other segment information regarding the Group's operating segments for the year ended December 31, 2018:

	Wireline		Wireless		Data		Investing		Eliminations		Total	
	JD '000s	JD '000s	JD '000s	JD '000s	JD '000s	JD '000s	JD '000s	JD '000s	JD '000s	JD '000s	JD '000s	JD '000s
Revenues												
Segment revenues from external customers	37,993	180,829	86,642	-	-	-	-	-	-	-	-	305,464
Inter-segment revenues (eliminated)	6,875	1,760	14,721	-	-	-	-	-	(23,356)	-	-	-
Total Revenues	44,868	182,589	101,363	-	-	-	-	-	(23,356)	-	-	305,464
Results of operations												
Depreciation and amortization	4,679	34,274	10,916	-	-	-	-	-	-	-	-	49,869
Share of associates' results of operations	-	-	-	-	-	-	1,166	-	-	-	-	1,166
Segment profit before tax	4,689	33,885	30,264	-	-	-	10,786	-	-	-	-	79,624
Other segment information												
Investment in associates	-	-	-	-	-	-	38,398	-	-	-	-	38,398
Capital expenditures	5,606	25,105	12,977	-	-	-	-	-	-	-	-	43,688

The following table presents segments' assets and liabilities as of December 31, 2018:

Assets and liabilities							
Segments' assets	147,969	387,598	321,919	270,606	(270,092)	858,000	
Segments' liabilities	88,863	154,856	189,613	-	(58,349)	374,983	

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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, 2017:

	Wireline		Wireless		Data		Investing		Eliminations		Total	
	JD '000s	JD '000s	JD '000s	JD '000s	JD '000s	JD '000s	JD '000s	JD '000s	JD '000s	JD '000s	JD '000s	JD '000s
Revenues												
Segment revenues from external customers	41,243	213,341	80,156	-	-	-	-	-	-	-	-	334,740
Inter-segment revenues (eliminated)	7,193	999	13,221	-	-	-	-	-	(21,413)	-	-	-
Total Revenues	48,436	214,340	93,377	-	-	-	-	-	(21,413)	-	-	334,740
Results of operations												
Depreciation and amortization	5,616	35,496	10,998	-	-	-	-	-	-	-	-	52,110
Share of associates' results of operations	-	-	-	-	-	-	967	-	-	-	-	967
Segment profit before tax	1,364	42,424	21,522	-	-	-	10,048	-	-	-	-	75,358
Other segment information												
Investment in associates	-	-	-	-	-	-	37,989	-	-	-	-	37,989
Capital expenditures	6,859	25,439	12,965	-	-	-	-	-	-	-	-	45,263

The following table presents segments' assets and liabilities as of December 31, 2017:

Assets and liabilities						
Segments' assets	180,460	404,113	332,762	249,091	(240,563)	925,863
Segments' liabilities	73,582	175,603	139,185	-	(28,328)	360,042

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36. 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	Effect on profit before tax
	Basis points	JD '000
2018		
US \$	+20	(30)
US \$	-20	30
2017		
US \$	+20	37
US \$	-20	(37)
	-	-
	-	-

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 43% 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 derived from group of inputs, including historical collection patterns, type of customer, services provided, aging of accounts receivable reports, and default definition through the number of days past due, in addition to considering future factors. 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, 2018 and 2017, 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, 2018					
Interest-bearing loans and borrowings	-	8,508	24,992	144,625	178,125
Accounts payable	-	43,682	16,144	16,143	75,969
Other liabilities	24,892	40,564	26,735	-	92,191
	<u>24,892</u>	<u>92,754</u>	<u>67,871</u>	<u>160,768</u>	<u>346,285</u>
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>

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	Effect on equity
	%	JD '000s	JD '000s
Shares listed on Palestine Securities Exchange	+10	693	3,709
Shares listed on the Amman Stock Exchange	+10	2,142	11,411
Shares listed on other markets	+10	-	560
Other unquoted	+5	-	186

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 US \$ rate, is expected on the consolidated financial statements:

	Increase/decrease in ILS rate to JD	Effect on profit before tax
	%	JD' 000s
2018		
ILS	+10	5,351
ILS	-10	(5,351)
2017		
ILS	+10	6,273
ILS	-10	(6,273)

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, 2018 and December 31, 2017. Capital comprises share capital, retained earnings, and other reserves, and is measured at JD 483,017,000 as at December 31, 2018, and JD 565,821,000 as at December 31, 2017.

37. 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 2018 and 2017.

The following table provides the fair value measurement hierarchy of the Group's assets as of December 31, 2018:

	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:				
Financial assets at FVTOCI	December 31, 2018	156,796	-	3,710
Financial assets at FVTPL	December 31, 2018	24,814	3,540	-
Financial assets for which fair value is disclosed:				
Investment properties	December 31, 2018	-	-	60,160

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				
Financial assets held for trading	December 31, 2017	152,559	3,796	-
	December 31, 2017	8,415	-	-
Financial assets for which fair value is disclosed:				
Investment properties	December 31, 2017	-	-	57,517

Unobservable inputs sensitivity (Level 3) – Investment properties:

External appraisers are involved for valuation of significant assets' such as investment properties. The Group decides, after discussion with the external appraisers, 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
2018		
Fair value per square meter	+5	3,008
Fair value per square meter	-5	(3,008)
2017		
Fair value per square meter	+5	2,876
Fair value per square meter	-5	(2,876)

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	
	2018 JD '000s	2017 JD '000s	2018 JD '000s	2017 JD '000s
Financial assets				
Investments in securities	188,860	169,364	188,860	169,364
Accounts receivable	86,234	119,640	86,234	119,640
Other financial assets	58,858	125,607	58,858	125,607
Cash and cash equivalents	56,895	39,761	56,895	39,761
	<u>390,847</u>	<u>454,372</u>	<u>390,847</u>	<u>454,372</u>
Financial liabilities				
Interest-bearing loans and borrowings	164,594	97,024	164,594	97,024
Accounts payable	75,969	102,179	75,969	102,179
Other financial liabilities	80,127	87,244	80,127	87,244
	<u>320,690</u>	<u>286,447</u>	<u>320,690</u>	<u>286,447</u>

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

- The fair values of accounts receivable, other financial assets, cash and cash equivalents, accounts payable, and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- The fair values of the quoted available-for-sale investments and financial assets held for trading is based on price quotations at the reporting date.
- The fair value of interest-bearing loans and borrowings is estimated by discounting future cash flows using rates currently available for debt on similar terms and credit risk.

38. Concentration of risk in geographic area

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

39. Subsequent events

In January 2019, the Group acquired additional shares in Jericho Gate at 25%, bringing the group's share in Jericho Gate to 75%. Accordingly, the group will have the ability to control the Company and the Company's financial statements will be consolidated with the Group's consolidated financial statements in 2019. The value of the transaction was JD 26 million.

40. Comparative figures

Certain comparative figures of the prior year's consolidated financial statements were reclassified to conform to the current year presentation. These reclassifications had no effect on the net income and equity of prior years.

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