

Asiacell Telecommunication (TASC) financial report of 2020 results compared to final 2019:

Introduction

Movement restrictions designed to stem the spread of the COVID-19 pandemic impacted Asiacell's results, as consumer behavior shifted and the economic slowdown resulted in reduced spending. The company reported revenues of \$ 1.1 b (IQD 1.6 tr) in 2020, down 12% compared to the previous year. Consequently, EBITDA declined 13% to \$ 495 m (IQD 725 b) equivalent to 233% from the capital in 2020 compared to the previous year. However, the company's cost optimization initiative supported by its digital transformation strategy contributed to a healthy EBITDA margin of 44% in 2020. Asiacell's customer base increased 4% to 14.7 m in 2020 compared to the previous year, as the company's digital channels allowed customers to stay connected through the COVID-19 pandemic.

1- Financial records show for Asiacell on 31 December 2020

Non-current assets \$ 1.1 b (IQD 1.6 tr)
 Current assets \$ 1.3 b (IQD 2 tr)
 Net assets \$ 885 m (IQD 1.3 tr)
 Revenue \$ 1.1 b (IQD 1.6 tr)
 Profit \$ 199.3 m (IQD 293 b)
 Capital expenditure \$ 359.6 m (IQD 528.7 b)
 EPS 0.945 IQD

2- Property, plant and equipment: Asiacell reached an agreement with a local bank wherein it received properties in exchange for the equivalent value of the bank deposits. As of 31 December 2020, Asiacell had received parcels of lands and buildings located in Baghdad and Sulaymaniyah amounting to \$ 109 m equivalent to IQD 160 b. Currently, the legal title is transferred to a related party of Asiacell and will share it in the name of Asiacell upon completing legal formalities. However, the Group has obtained an indemnity letter from the related party that these assets are under the Group's control, and will transfer the ownership upon completing the legal formalities. During the year Asiacell appointed a third-party consultant to review the status of these properties.

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- 3- During the year 2016, the Communications and Media Commission (CMC) sent letters which restricted Asiacell from using certain bank accounts with a balance of \$ 52 m equivalent to IQD 76.7 b as of 31 December 2020. On 31 January 2021, Asiacell deposited all the disputed amounts to CMC. Asiacell has also started procedures to release the restrictions on these balances. The remaining balance pertains to certain restricted bank deposits maintained for dividend payments, limited cash deposits with banks related to bank guarantees, and the restricted cash related to the derivative financial instruments between the Group and a local bank.

- 4- Tax demand notices against Asiacell as at the reporting date, Asiacell Communication was subject to tax demand notice by the General Commission for Taxes, Iraq.
for the years
from 2004 to 2007 for an amount of \$ 61.8 m (IQD 90.8 b),
2008 amounting to \$ 32.4 million (IQD 47.6 b),
2009-2010 amounting to \$ 56.3 million (IQD 82.7 b),
2015-2016 amounting to \$ 41.7million (IQD 61.3 b)
and 2017 amounting to \$ 24.7 million (IQD 36.3 b) .,
and 2019 amounting to \$ 4.4 million (IQD 6.4 b).

Asiacell has objected to each of these claims. The Group has set up adequate provision against these claims, and management believes that Asiacell has substantial grounds to challenge each of these claims.

- 5- Challenge these claims proceedings against Asiacell relating to regulatory fee on 10 June 2014, the Communications and Media Commission ("CMC") issued a letter notifying the Company that the structure of the Company to ownership of the shares in its capital does not fulfil the License requirements as an Iraqi Company to pay 15% of its gross revenue as a regulatory fee, as per license agreement. Consequently, the CMC requested the Company to pay a regulatory fee of 18% of gross revenues instead of 15%. The amount requested by CMC was USD 76 m (IQD 111.7 b) from the period that the CMC is claiming that the Iraqi ownership had changed until the end of the first half of 2013. The Company has appealed against this claim. On 11 November 2014, the CMC issued a letter notifying the Company that they revised the claim relating to the additional 3% and that the total new amount from June 2012 to 30 June 2014 should be equal to USD 101.8 m (IQD 149.6 b). The Company has a full provision against this claim amounting to USD 185.6 m (IQD 272.8 b) In January 2016, the Erbil Court of Cassation has issued a final decision in favour of the Company.
- 6- For the year ended December 2020 CONTINGENT LIABILITIES Proceedings against Asiacell relating to a regulatory fee (continued) In July 2014, Asiacell disputed the CMC's decision and appealed it to the CMC Appeal Board and subsequently to the Iraqi courts on the basis that Asiacell is entitled to benefit from the 3% discount in the regulatory fee as it's an Iraqi Company with a majority Iraqi Shareholder. The dispute progressed from the Court of First Instance to the Kurdistan Court of Cassation, which, on 27 January 2016, ruled in favour of Asiacell and concluded that the CMC is not entitled to apply the 18% license fee to Asiacell as it is an Iraqi company with Iraqis owning more than 84% of its shares. Asiacell implemented the court decision at the Karadda Execution Office in Baghdad. On 4 February 2016, the CMC sent a letter for the restricted use of certain bank accounts of Asiacell, for CMC's benefit. It is against a disputed amount for which the company already has a court decision in their favour. In June 2017, the Iraqi Ministry of Finance raised a "third party objection" case at Erbil Court against its own decision. On 9 August 2017, the Court dismissed the objection and confirmed its past decision. After appeal, Cassation Court, on 17 October 2017, ruled against the Ministry of Finance and affirmed the judgment in favour of Asiacell. As part of the license's extension negotiations, Asiacell and CMC have concluded the license extension's terms and conditions for 8 years. The only pending points are related to the 3% license fee dispute in which Asiacell deposited 100% of the disputed amount at a CMC bank account until a final settlement is reached.

*(The source from Ooredoo Group)



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