



Instruction

Calculation and payment of the License Fee and Industry Fee

**for Qatar Telecom (Qtel) Q.S.C. (“Qtel”) and Vodafone Qatar Q.S.C
 (“Vodafone”)**

The Supreme Council of Information and Communications Technology “ictQATAR”

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1 Objectives, Background and Legal Basis

This is a formal Determination of ictQATAR directing QTel and Vodafone to comply with the requirements outlined in this Instruction regarding the calculation and payment of the License Fee and Industry Fee, as set out in Annexure H of the Licences.

Background

Under the provisions of Annexure H of QTel's and Vodafone's Licenses, the Licensees are liable for the payment of the License Fee and the Industry Fee with effect from the "Competitive Service Launch Date" which is the earlier of (a) the Competitive Mobile Service Launch Date or (b) the Competitive Fixed Service Launch Date.

The Competitive Mobile Service Launch Date and the Competitive Service Launch Date for the purposes of Mobile and Fixed Telecommunications Licenses on the promulgation of the Telecommunications Law was on the 7 July 2009.

QTel and Vodafone were informed of this in writing on the 7th of July 2009.

Article (3) of the Telecommunications Law empowers ictQATAR to determine the fees or expenses that must be paid by service providers. Under Annexure H of the service providers' licenses ictQATAR shall determine the rules and procedures for the calculation of the License and Industry Fees.

A first Instruction on calculation and payment of the License Fee and Industry Fee was issued by ictQATAR on the 2 February 2010 (ICTRA 2010/02).

ictQATAR has critically reviewed the process for the calculation and payment of the License Fee and Industry Fee for the calendar year 2009. Potential for improvement were *inter alia*, but not limited submission of supporting information and clarification on the elements of the True-Up Calculation.

2 In order to streamline the process on the calculation and payment of the License Fee and Industry Fee ictQATAR issues a revised version of the Instruction. Instruction

This instruction does not change the method or the timing of the payment of the License Fee and/or the Industry Fee but sets out the details of the existing provisions of the Applicable Regulatory Framework ("ARF") on the calculation and payment of the Industry Fee and the License Fee.

2.1 License Fee

Pursuant to Annexure H Section 2.1 of the Licenses,

"... the Licensee shall be liable for the payment to the Supreme Council of an annual license fee (the "**License Fee**") in an amount equal to a specified percentage of net revenue from activities under this License (the "**Specified Percentage**"). ..."

Annexure H, Section 2.2 defines the Licence Fees as the Specified Percentage (1%) of the Net Revenue, which can be changed at the sole discretion of ictQATAR.

The Net Revenue is defined as the difference between:

- (A) revenues generated by the Licensee from the provision of the Authorized Telecommunications Services as specified in Annexure B of this License during such Calendar Year (or part thereof) (“Gross Revenue”), and
- (B) the total amount of any interconnection or access charges (“IC and Access Charges”) arising out of or associated with the provision of Authorized Telecommunications Services which the Licensee has actually paid to other service providers in the State of Qatar or abroad in each respective Calendar Year (or part thereof), as set forth in the Licensee’s audited financial statements.

2.2 Industry Fee

Pursuant to Annexure H Section 3.1 of the service providers’ licenses,

“ ... the Licensee shall be liable for payment on an annual base, in an amount equal to 12.5% of the Net Profit from activities under the license (“Industry Fee”). ...”

The Net Profit for the purpose of the Industry Fee defined as the difference between:

- (A) Net Revenue
- (B) Any allowable operating expenses (“Allowable Expenses”) the Licensee incurs in the same Calendar Year related to the activities under each of the Licensee’s telecommunication license issued in the State of Qatar.

2.3 Calculation

2.3.1 General provisions and definitions

The basic principle in relation to the calculation of revenue and Allowable Expenses for this purpose is that it must only contain revenues and expenses relating to Authorized Telecommunication Services as specified on Annexure B of the Licenses while rendering Authorized Telecommunication Services in the State of Qatar.

State of Qatar

Revenues and or expenses of **foreign** subsidiaries will not be taking into account for the purpose of the calculation of the Licensee Fee except where related to in/out-payments for interconnection/access and roaming.

Calendar year

Fees will be calculated based on each calendar year, which means the period of 1 January to 31 December.

Basis of calculation

All calculations must be based on the accrual basis of accounting, rather than “actually paid” in net cash terms.

2.3.2 Calculation Principles

The calculation of Allowable Expenses must be based on expenses incurred which are directly or indirectly attributable to the provision of Authorized Telecommunications Services. It is the responsibility of the Licensee to ensure that the correct Allowable Expenses are claimed against Net Revenue.

As a guiding principle Licensees, must follow the accrual basis of accounting and revenue recognition principles prescribed by Generally Accepted Accounting Principles (e.g. International Financial Reporting Standards - IFRS). These principles require Licensees to recognise revenues (i) in case of rendering of services with reference to the stage of completion of the transaction at the end of the reporting period and (ii) in case of sale of goods, which consist of merchandise related to the provision of Authorised Telecommunication Services, when the risks and rewards of ownership of the goods have been transferred to the buyer. These principles also require the Licensee to recognise the associated costs during the period in which such costs are incurred irrespective of the related cash outflows. For the avoidance of doubt, the sale of goods referred to above does not include the sale of land or buildings.

Licensees must ensure that expenses incurred and deemed allowable have associated revenues included in net revenue calculations.

Calculation of Gross Revenue

Gross Revenue¹ comprises all the income² received while rendering Authorized Telecommunication Services in the State of Qatar and payments received from other operators as a result of its operation under its Licences, as specified in Annexure B of the Licences.

In addition to the non-exhaustive list of services described in Annexure B of your Licenses, we clarify that the following income, i.a. but not limited to, is counted towards the Gross Revenue:

- All income from retail and wholesale services;
- Interconnection revenues and access charges received from network interconnection/access in the State of Qatar with other domestic and international operators, such as termination rates;
- In-payments such as e.g. roaming revenues and termination of international calls from abroad;
- Any other revenues such as sales of equipment, rental income, dividends and other incomes in connection with offering Authorized Telecommunication Services in Qatar.

1 income, sales, turnover

2 for the purpose of this instruction income, revenue and earnings have the same meaning as income

Calculation of Interconnection (IC) and Access Charges

The calculation of interconnection and access charges must comprise all interconnection, access charges and other out-payments associated with network interconnection, access rights and transit fees for the provision of Authorized Telecommunication Services in the State of Qatar, as set out in the Licenses.

These Interconnection and Access Charges include the following non-exhaustive list of payments:

- Roaming payments to other operators abroad;
- Termination, origination and transit fees to other operators inside or outside Qatar and
- Any access fees for the use of other operator's network elements (e.g. for masts, ILS, in-house antennas, ...).

For the avoidance of doubt this also applies for interconnection/access and roaming out-payment to related companies (under joint or common or group ownership), in connection with the provision of Authorized Telecommunication Services in the State of Qatar.

Calculation of Allowable Expenses

As a governing principle only those expenses, which are directly or indirectly attributable to the provision of Authorized Telecommunication Services in the State of Qatar as specified inter alia in Annexure B of each of the Licensee's telecommunication License are deemed as Allowable Expenses.

The License Fee is part of the Allowable Expenses for the calculation of the Industry Fee.

Any other expenses incurred, which are not directly or indirectly attributable to the provision of Authorized Telecommunications services in the State of Qatar must be considered Non-allowable expenses.

The following examples list out, for illustrative purposes, certain Non-Allowable Expenses and are not a comprehensive list of all Non-Allowable Expenses:

- Any expenses incurred outside the normal course of business;
- Any expenses incurred by foreign subsidiaries or affiliates;
- Any other Royalties, other than those in relation to ongoing use of intellectual property (e.g. software, brand licensing, audio visual content, ...);
- Any costs or losses incurred in connection with speculative transactions, e.g. derivatives and similar financial instruments, in foreign exchange or investment;
- Loss on sale of real estate or other equity investment, when such real estate or other equity investment cannot be directly or indirectly attributed to the provision of Authorized Telecommunication Services in the State of Qatar;
- Losses incurred not directly or indirectly attributable to the provision of Authorized Telecommunication Services in the State of Qatar including loss on sale or impairment of assets;
- Losses booked from revaluation or sale or impairment of subsidiaries not directly or indirectly attributable to the provision of Authorized Telecommunication Services in the State of Qatar;
- Any goodwill impairment and subsequent write-downs on acquisitions;

- Expenses incurred on behalf of subsidiaries or affiliates not directly or indirectly attributable to the provision of Authorized Telecommunication Services in the State of Qatar;
- Any fines, sanctions, or penalties; and
- Charitable donations outside the State of Qatar.

For the avoidance of doubt, events which constitute a Force Majeure and which impact directly on the provision of Authorized Telecommunication Services are regarded as falling within the normal course of business.

For the avoidance of doubt, payments of dividends to shareholders must not be regarded as an Allowable Expense.

2.4 Provisions in regard to a Regulatory Accounting System (“RAS”)

Those Licensees having to comply with RAS provisions, the input data of the RAS has to be structured in such a way that the Industry Fee and the License Fee can be readily calculated and verified from this RAS input data.

In case of a time delay between the calculations of payments for the Industry Fee / License Fee and deliverables of the RAS the calculations of the Industry Fee / License Fee has precedence and these figures prevail. Any potentially discrepancy to RAS figures can be explained with a side calculation.

2.5 Timeline of the provisional Fee Payment and True-up Calculation

All Fees identified in Sections 2 and 3 of Annexure H of the Licenses is due and payable annually in arrears, in each case in relation to the **Calendar Year** (or part thereof) to which the fees apply.

Provisional Fee payment

With respect to the License Fee and the Industry Fee, the Licensees must calculate the payments due based on the best information available to the Licensee, including its un-audited accounts, in respect of the applicable Revenues, IC and Access Charges, and Allowable Operating Expenses for the Calendar Year in question (the “Provisional Fee Payment”). The Licensee must remit the Provisional Fee Payment to the Supreme Council, so that it arrives no later than the first of March of the subsequent Calendar Year on the Supreme Council’s account.

The Licensee must notify the Supreme Council in writing when it made the Provisional Fee Payment. This notification must also include a copy of the bank statement and clearly set out which part of the Provisional Fee Payment is for the Industry Fee and which is for the License Fee.

If requested the Supreme Council can issue an invoice to the Licensee after the Provisional Fee Payment is received by the Supreme Council.

True-Up calculation

The Licensee must notify the Supreme Council of the difference, if any, between the Provisional Fee Payment and the amount due based on the Licensee's audited financial statements (the "True-Up Calculation") within thirty (30) days of the formal approval of same by the duly authorized corporate body, and the Licensee must furnish a copy of its approved financial statements to the Supreme Council.

If the True-Up Calculation is approved by the Supreme Council, the Licensee will make or receive payment of the difference, as the case may be, within thirty (30) days of the date on which the True-Up Calculation is approved by the Supreme Council.

If the True-Up Calculation is not approved, the Licensee must cooperate fully with the Supreme Council and with the Supreme Council's appointed advisors to substantiate its calculations and must correct or revise its calculations and make or receive any payments if it is instructed to do so by the Supreme Council.

The True-Up Calculation, including the calculation of the Provisional Fee Payment and its basis, for the relevant year and the following ones, must be accompanied in any case by an **auditor's statement** confirming that the (i) Provisional Fee Payment and the (ii) True-Up Calculation comply fully with the provisions set out in the Applicable Regulatory Framework, specifically the Licenses and this Instruction. This auditor is to be chosen by the Licensee and must be an internationally recognised auditing firm.

Any costs related to the audit are to be paid for by the Service Provider.

Administrative Fee for delay

The Licensee is liable for an administrative fee of QAR 20,000 (twenty thousand) for each day of delay of payment of the Provisional Fee Payment or the complete True-Up Calculation.

For the avoidance of doubt, the complete True-Up Calculation includes (i) the calculation per se, (ii) the Auditor's statement and (iii) the audited financial statements. If one or more of these elements have not been received by ictQATAR in time the Licensee is liable for the payment of the administrative fee.

2.6 Final provisions

Unless otherwise instructed in writing, all payments must be made without any delay to the following account:

Account Name	Supreme Council of Information & Communication Technology – ictQATAR
Bank Name	Qatar National Bank - Alislami
Bank Branch	Salwa Branch
Bank Account Number	0786 – 099993 – 060
Bank Swift Code	QNBAQQA
ABA Code (Routing Code)	021000021

Depending on the experience of this process and the market entry of further Licensees ictQATAR may amend this Instruction as it deems appropriate.