الوطنية موبايل

ANNUAL REPORT 2016

In This Annual Report

CONTENTS

2016 Year of Change

6 Our Values, Our Vision
8 Our Achievements
10 Economy and Investment in Palestine
14 Chairman's Message
16 CEO's Message

Sustainable Development

32 Our society
36 Our Economy
38 Our Environment

Administrative and Operational Report

20 Market and Competition
22 Our Strategy
24 Financial Highlights
26 Our Staff
28 Programs and Services

Corporate Governance

42 Corporate Governance
44 Board of Directors
48 Executive Management
52 Wataniya Mobile Shareholders
56 Legal Disclosures

Financial Statements

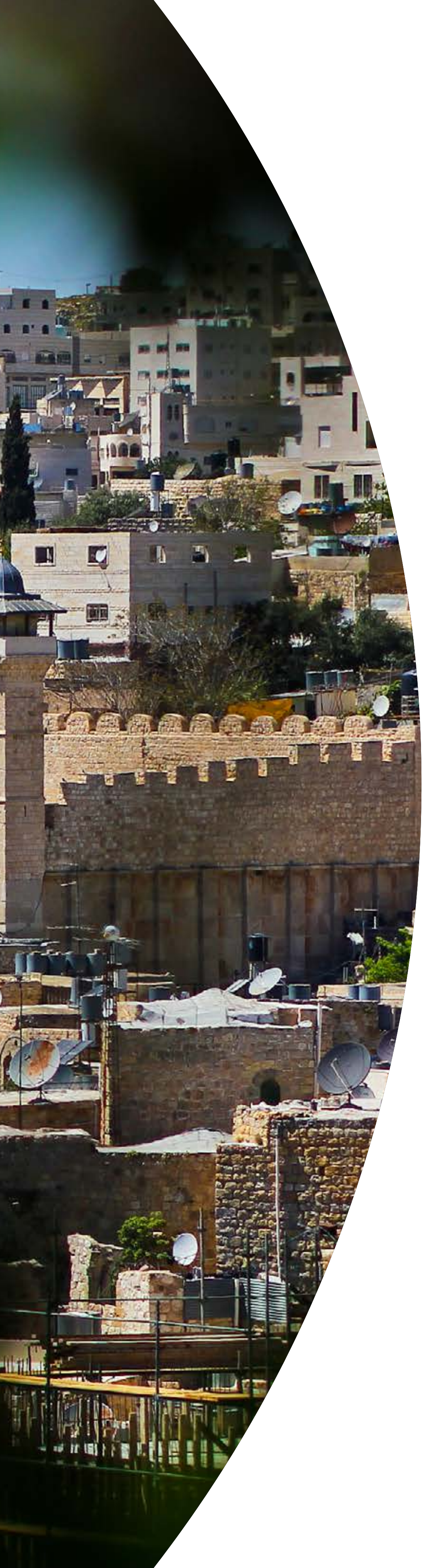
64 Financial Statements

You can access the electronic document of this report via our online website at www.wataniya.ps/Investor Relations section. This report is dated April, 2016.

Sand painting on Gaza shore, Artist: Osama Sbeita


2016
New era
Bright future

Our Values Our Vision



Our Values

Respect All: Embracing modesty and respecting everyone regardless of their position or status.

Engage All: Contributing to our community and building social partnerships that add long-term and sustainable value.

Make a Difference: Innovation that matters is at the core of what we do and accomplish.

Our Vision

To become the telecom provider of choice in Palestine by leading in customer experience and innovation while fulfilling the expectations of our stakeholders.

2016 Achievements in Brief

22 million

Operational profit of US$ 22 million before deduction of interest, tax, depreciation and amortization (EBITDA)

84.1 million

Value of operational revenues US$ 84.1 million

Our Subscribers

More than 773 subscribers, an increase of 10% compared to the previous year

Corporate social responsibility

Sponsor of Palestinian football for the second consecutive year
Sponsor of reconstruction enterprise of the old city of Hebron

Economy and Investment in Palestine

Palestinian economy is founded on a fair legal and legislative environment that incentivizes sustainable growth and enhances its capability to confront emerging challenges. Despite the numerous obstacles and difficulties, the Palestinian economy is still capable of achieving average growth rates.

Economic Climate

In spite of the political and security downbeat, Palestinian economy maintained the moderate growth rate in 2016 that it started in 2015.

Gross Domestic Product (GDP)

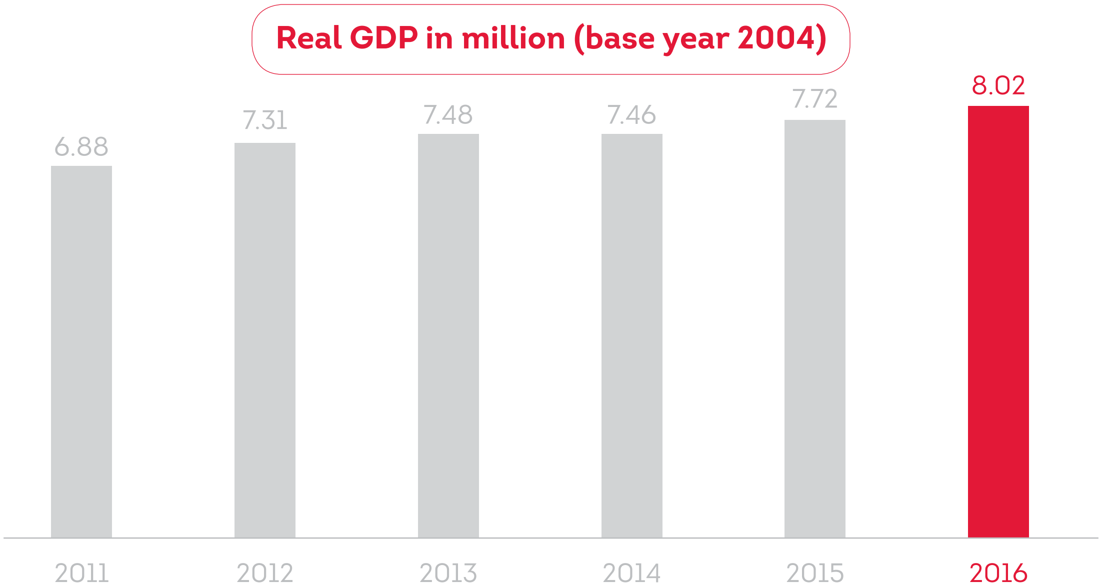
Real GDP (base year 2004) in Palestine reached US$ 8 billion in 2016 making an increase of 3.9% from the previous year, which registered an increase of 3.5%. The increase in the GDP is caused primarily by an increase of 4.7% in the construction sector, in which the total number of employees rose by 12.3%, followed by the industrial sector that witnessed a growth increase of 4.2% in 2016.

Real GDP per Capita Average

As per the Palestinian Central Bureau of Statistics (PCBS), the average per capita GDP during 2016 grew by 1.0% compared to the previous year reaching US$ 1,762.

Unemployment Rate

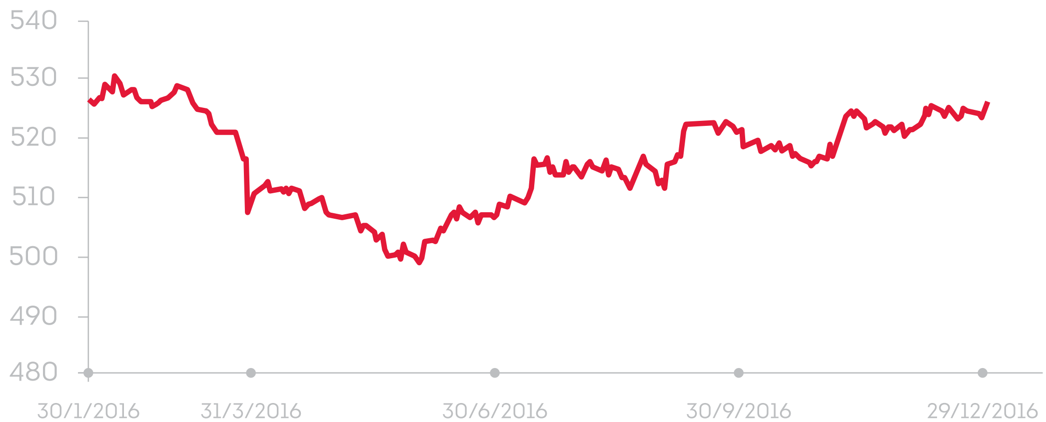
PCBS preliminary estimates indicated that gross employed persons in the Palestinian local labor market during 2016 rose by 3.0% compared to 2015. The rate of unemployment in 2016 reached 27.2% compared to 26.2% in 2015.



Source: PCBS

Palestine Exchange (PEX)

As of the end of 2016, the total number of PEX shares traded reached 232 million shares achieving an increase of 32.86% compared to the previous year. Also the value of shares traded rose by 38.94% reaching US 445 million, and the overall value of PEX listed companies amounted to US$ 3.4 billion by the end of 2016.



Palestine Economy Performance forecast in 2017

According to forecast by the PCBS, the real GDP value is expected to rise by %3.6 percent during 2017 and a rise in per capita share by 0.6%. PCBS estimates also indicate a growth in the total value of investments by 8.0% and an increase in the number of employees by 5.2% in 2017. According to the same estimates, the average unemployment rate will stabilize at 27.2%.

Investment Atmosphere

Notwithstanding the tremendous political and economic challenges facing the Palestinian market, the Palestinian investment atmosphere maintained a stable and strong presence. Notable achievements were made in legislations regulating investment and incentives granted to investors.

PEX is a public shareholding company that held its first trading session in 1997. It is the only Arab stock market owned by the private sector. By creating a fair, transparent and efficient investment climate, PEX strives to put Palestine on the map of global investment and operate in uniformity with the best practices. In addition, PEX "aims at providing a safe and enabling trading environment." Under the slogan of 'Palestine of Opportunities', PEX offers trading of securities and stocks governed by a bundle of modern laws and systems with the view of anchoring the precepts of protection and safe trading. PEX's basic values and principles are represented in good governance, fairness, transparency, efficiency and equal opportunities among all investors. Furthermore, PEX focuses on raising investment awareness in the local community and enhance relations with local, regional and international financial institutions.

As of 31 December 2016, the number of PEX brokerage member firms reached eight while listed companies totaled 48 in the five main areas: Banks and financial services, insurance, investment, industry and services. Four banks provide "prime broker" services on behalf of foreign investors including inter alia securities lending, leveraged trade executions and cash management.

The PEX operates in accordance with and is government by the Securities Law No. (12) of 2004 and the Palestine Capital Market Authority (PCMA) Law No. (13) Of 2004.

The Financial Times Stock Exchange (FTSE) Indices has upgraded PEX to frontier market status, and Morgan Stanley Capital International and Standard & Poor's Indices (MSCI) launched standalone country index for Palestine. Finally, the World Federation of Exchanges (WFE) accepted the full membership application made by the Palestine Exchange (PEX) in 2015, making PEX the 65th member of the WFE.

The Palestine Capital Market Authority (PCMA) was established under a resolution by the Council of Ministers in 2005. PCMA has a legal personality and is financially and administratively independent. Moreover, PCMA has legal competence to achieve its goals and perform its tasks, which include creating an attractive climate conducive to guarantee the stability and growth of capital, and organize, develop and monitor capital market in Palestine, and protect the rights of investors. Subject to PCMA's oversight are the financial securities sector, insurance, financial leasing, mortgage financial sectors and non-banking financial institutions.

Established in 1994, the Palestinian Ministry of Telecommunications and Information Technology (MTIT) is responsible for drawing up policies, the organization and monitoring the post, mobile and fixed telecommunications sectors in Palestine. MTIT is also responsible for supervising and assessing the performance of licensed authorities in the sector by way of controlling the prices and quality of the services they provide.

The Ministry, within its mission; aims at providing universal access to telecommunications and information technology at affordable prices, and at developing telecommunications and technology applications and skills to harness as a tool for economic and social development by providing legislative supportive environment featuring fair and transparent policies and procedures that allow the private sector to effectively compete. The ultimate goal is to create an attractive investment environment by ways of liberalizing the telecommunications market to become an organized, opportunity based, and electronically built as major means for the advancement of the Palestinian people to achieve their aspirations of establishing an independent state with control over its natural resources.

Chairman's Message

Dear valued shareholders,

"I am pleased to present to you Wataniya Mobile Annual Report of 2016. The report provides a review of the most salient and significant achievements of the Company during the past year, which was indeed an exceptional year in terms of performance, given the volatile political situation and its economic ramifications.

During 2016 we continued to work efficiently toward implementing our strategy with the view of anchoring our leadership in providing quality services to our subscribers, who have confided in us from the start. Indeed we managed to maintain proximity with our subscribers and expand our presence in society. Moreover, we were able to increase our share in the Palestinian market despite the fact that we operate in the West Bank only. So far we could not operate in the Gaza Strip market, which represents over 40% of the overall Palestinian market.

However, we spared no effort in 2016 to introduce the network's equipment into the Gaza Strip but the obstacles were formidable. Gradually, however, we managed to overcome tall obstacles and now we are at a stone's throw from entering the Gaza strip. In fact, we succeeded in bringing into the strip towers, base stations and technical equipment, and soon we will a spectrum of frequencies so that Wataniya Mobile can launch its services in the Gaza Strip.

Dear Shareholders,

We hope that Wataniya Mobile will start operating in the Gaza Strip in 2017. Wataniya Mobile is keen to perform its obligations and duties toward our people in Gaza as well as the Palestinian telecommunications market by means of providing our subscribers the right to choose in a fair competitive climate. I sincerely hope there will be no force majeure that would impede or delay our entry into the Gaza Strip.

With regard to 3G services, Wataniya Mobile is seriously working to launch the long-waited 3G services in Palestine. In 2016 the Company continues to prepare for the construction of a 3G network and once the required frequencies become available, Wataniya Mobile will launch and operate 3G services.

But we all know and understand the enormity of the challenges and difficulties facing Palestinian economy in general and Wataniya Mobile in particular. Nevertheless, we want you to be sure that those challenges and difficulties boost our insistence and perseverance, and stimulate us to double our efforts to achieve greater successes of which we can be truly proud.

Our vision for 2017 is based on the successes of 2016 and the internal operational initiated by the Company's Executive Management and carried out efficiently by our competent staff. Accordingly, we trust that we will shortly apprise you of greater achievements that we have all been waiting for.

Let me take the opportunity to extend gratitude and appreciation to our shareholders for their uninterrupted support since the inception of the Company. Allow me as well to laud the continued support and assistance of the shareholders and founders of Wataniya Mobile, Ooredoo Group and the Palestine Investment Fund (PIF), and their contribution to expanding Wataniya Mobile's role in corporate social, cultural and national responsibility.

I would like also to point out that your Company is making utmost efforts to realize the vision of its shareholders. It seriously shoulders the responsibilities entrusted to it and always seeks to double its efforts.

Finally, I would like to extend my deep gratitude to my colleagues, members of the Board, the Executive management and our staff for their outstanding efforts. May the Company grow and prosper.

Respectfully,

Mohammad Abu Ramadan

Chairman of the Board

CEO's Message

Our Valued Shareholders,

> Wataniya Mobile is a Palestinian company that has a clear vision embodied in enriching our community, which we belong and provide services to. Our Company has broken the monopoly in the telecommunications market in the West bank and was able to provide an updated communications network and better services at reasonable prices that accord with the purchasing power of the Palestinian society.

Our Achievements

Like the achievements in 2015, the achievements of 2016 point to Wataniya Mobile's persistence to grow and develop. The Company achieved enormous successes in the Palestinian market as a result of adopting a marketing strategy that gives priority to subscribers as well as following a systematic cost-saving policy. Our marketing strategy and campaigns during 2016 caused substantial increase in customer satisfaction with the Company's services and bolstered our place in local markets. Subscribers' base continued to grow and has reached nearly 773,000 subscribers at the end of 2016 achieving a rise of 10% compared to 2015.

Wataniya Mobile continued to achieve progress and maintain sustainable growth rates despite the tremendous challenges faced by the Palestinian telecommunications sector and the illegal Israeli competition. The Company has succeeded in raising its revenues to US$ 84 million and its operating earnings (Earnings Before Interest, Taxes, Depreciation, and Amortization - EBITDA) to US$ 22 million. Moreover, the Company was able to significantly decrease its net loss from US$ 5.1 million at the end of 2015 to US$ 1.5 million at the end of 2016 achieving a growth of 70% compared to the previous year.

Gaza

We have made tremendous efforts in 2016 to launch our services in the Gaza Strip and as a result we were able to introduce telecommunication towers and technical equipment for operating Wataniya Mobile network. In addition, we have secured the required frequencies for operation. Notwithstanding the enormous obstacles and challenges, we were able to complete the construction of the network in Gaza and commercially launch our business. It can be easily said that after 17 years the telecommunications market in Gaza has been released of the exclusivity of one operator.

We strongly believe that citizens in Gaza have the right to choose which network operator to deal. They also have the right to receive the best possible services with the best prices in a healthy competitive climate that stresses the interest of subscribers as is the case in the West Bank. We are full of hope that 2017 will be the year in which we will launch our operations and provide our services unimpeded.

Third Generation (3G)

We have striven in 2016 and are still striving to launch modern technology in Palestine, and we are still seeking to frequencies required for releasing and operating 3G. We are fully prepared to construct the network and launch this distinguished technology once the frequencies have been allocated.

It merits mention that Wataniya Mobile signed an agreement to purchase technical equipment required for operating 3G and we are now waiting to receive the frequencies and the green light to procure equipment and start operating on the ground. We hope all this will be realized in the second half of 2017.

Corporate Social Responsibility

In line with corporate social responsibility and commitment to the Palestinian community, Wataniya Mobile sponsored and supported a number of educational, sports, and cultural events over the course of 2016. For the second consecutive year, in the field of sports, the Company sponsored Wataniya Mobile Professional tournament, which is the most important tournament in Palestine, as well as the Wataniya Mobile First League Football Championship, which is the largest and most important championship in the Gaza Strip.

In addition, Wataniya Mobile contributed to the reconstruction process of the old city of Hebron and the renovation of homes and streets. This is the largest sponsorship provided by the private sector to the local community through Ooredoo Group, as a pioneering international group in the telecommunications market that believes in the importance of investment in the local communities where it operates and especially in the Palestinian community.

Wataniya Mobile has also made considerable contribution to the educational sector through strategic partnerships with the Ministry of Higher Education. The Company sponsored the school initiative of "free activity" and wajibna ("our obligation") initiative that targeted pupils in Jerusalem.

Year 2017... Bright Future

We trust that Wataniya Mobile will perform extraordinarily well this year and in the future. Through the hard work of our staff and the Executive Management, the Board of Directors shall continue to develop ambitious plans. Achievement is the outcome of ambition, and success is the fruit of assiduousness and perseverance.

Dr. Durgham Maraee

Chief Executive Officer

Administrative and operational Report

The administrative and Operational report contains important information about our business and performance for the year ended 31 December 2016. We recommend reading this section of the annual report in line with the audited financial statements section for the year 2016 and its notes, which were prepared in accordance with the International Financial Reporting Standards (IFRS).

Market and Competition in brief

Mobile telecommunications services are provided in the Palestinian market by two licensed companies; Wataniya Mobile (the recent operator licensed in 2007), and the Palestine Cellular Communications Co. Ltd as part of the Palestine Telecom Group (the incumbent operator). The Palestinian telecommunications market has been under monopoly for more than ten years, until Wataniya Mobile's services were launched in The West Bank by the end of 2009. Competition in the Palestinian Telecom market isn't limited to the aforementioned two licensed operators, simply due to the illegal competition by the Israeli mobile operators utilizing coverage in the Israeli settlements constructed in the West Bank.

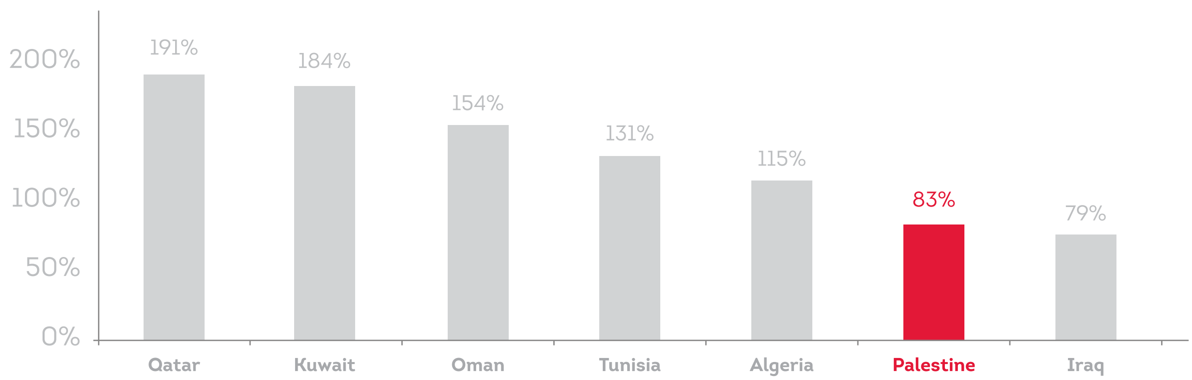
Wataniya Mobile is characterized by a high competitive capacity, being one of Ooredoo's operators that have long experience in the telecommunications sector and operate in 10 countries in the Middle East and North Africa. Hence the Company provides high quality cellular services in line with best international practices and agreements. Wataniya Mobile subscribers will benefit from the local and international prices and the highest standards of network services.

Wataniya Mobile has achieved noticeable progress over the recent years: it succeeded in increasing its market share at a compound annual growth rate of 31% by the end of 2016. This variable has been calculated by reliance in the West Bank market only since the Company has not launched its operations in the Gaza Strip yet. In addition, the calculation excluded the illegal Israeli competition. These achievements are attributed to the successful sales and market strategies adopted to attract and retain subscribers. It is also ascribed to its wide-spreading operations over an extensive distribution network, efficiently capable of meeting subscribers' needs, in terms of time and place. Needless to mention the 24/7 Wataniya Mobile's customer service center. All the aforementioned operates in harmony with the applied international standards. In this way, Wataniya Mobile has proved its competitiveness within the Palestinian telecommunications market; especially that its network is now reaching 97% of the Palestinian population in the West Bank, and its services are availed by nearly 773 thousand subscribers, by the end of 2016.

Prospects of the Palestinian Telecommunications Market

The Palestinian telecommunications market is deemed to be lucrative, and the living proof to this fact is the low penetration rates, compared to Arab and other neighboring markets: the penetration rate came to 83% by the end of 2016.

Penetration rate in Arabic Countries



Source: Arab Advisors Group

Our Strategy

To achieve our vision and advance our growth, we focus on three strategic objectives:

First: Focus on Growth and Revenues

- Competing in a new pattern, closer to our subscriber's life style, by introducing customized services in harmony with local geography and subscribers' behaviors.
- Focusing on growth and increase revenues at unprecedented rates, while rationalizing overheads.
- Developing distinguished plans to retain our customers and develop a communication network as a platform for offering profitable diverse products and services to guarantee its advancement.
- To penetrate Gaza market.
- Launching 3G services.

Second: Differentiated Proposition

- To continue reinforcing and expanding the telecommunications network.
- To enhance our extensive sales and distribution networks, both directly and indirectly.
- To promote our trademark and brand under the slogan of 'Value for Money.'
- To outclass through excellent quality services.
- To promote the Company's contributions to sustainable development by focusing efforts on social responsibilities, economic input, and environment conservation.

Third: Leverage Ooredoo's Group Efficiencies

- Sharing the know-how and expertise.
- Roaming and interconnect.
- Procurements and economies of scale.
- Value-added services and products.
- Regional initiatives.
- on social responsibilities, economic input, and environment conservation.

Wataniya Mobile Key Strengths

Wataniya Mobile features several aspects while running its business:

First: Advanced Network

The Company operates an advanced network which was designed and built as a turnkey project by Ericsson to a specification particular to the Palestinian market using the latest possible technology. This allows Wataniya Mobile to grow its subscriber base whilst also allowing for high minutes usage, which enables Wataniya Mobile to be flexible in its marketing strategy and offer differentiated and more competitive products and tariffs as a result. Wataniya Mobile's ability to react to customers' needs and innovative product offerings is largely a function of its high quality network.

Second: Resilient Administrative and Operational Structure

Despite the intense challenges caused by the volatile economic climate, political instability and the fierce competition in the Palestinian telecommunications market, Wataniya Mobile constantly finds prompt and effective solutions due to the high resilience that characterize the Company's operations and administration.

Throughout the year the Company has developed a resilient operational capacity and organizational structure that can easily be adjusted to the surrounding environment, cope with the latest

developments in the market and satisfy the demands of customers. This has contributed to developing a flexible marketing strategy and providing more competitive products and tariffs.

Third: Competent Staff and Incentivizing Policies

Wataniya Mobile employs professional and qualified staff with broad experience in the telecommunication services. In order for the Company to achieve its goals, it adopts an administrative system based on incentives and guidance hence combining both the strategic goals of the Company and the personal and professional goals of its staff.

Fourth: Strong Shareholders Support

Wataniya Mobile benefits from strong support, and international and local experience, provided by its ultimate Shareholders, Ooredoo Group and Palestine Investment Fund (PIF). Wataniya Mobile leverages Ooredoo's existing relationships with suppliers, industry vendors and financing banks. Ooredoo also enhances Wataniya Mobile's ability to access global products, services, people and know-how and offers time, expertise and resources to Wataniya Mobile's management as and when needed. Wataniya Mobile benefits from PIF's local knowledge and its expertise in operating several key businesses in Palestine and its extensive connections throughout Palestine.

Fifth: Social Role

Wataniya Mobile has a visible social role. It supports national priorities and provide work opportunities and distinguished telecommunication services to the public. Moreover, the Company devotes its resources to take part in and contribute to social events and support of cultural, educational, sports and charity programs.

Financial Highlights

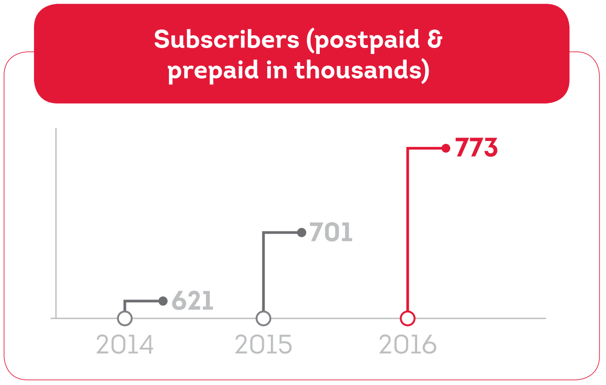
Wataniya Mobile continues to achieve successes through its distinguished performance and growth that point to more successes and achievements in the future. These successes and achievements were brought about by the Company's strategy and competent administrative oversight.

The global telecommunications sector has been influenced by the over-the-top (OTT) service that has recently become the most widespread means of communication. During 2016 the Palestinian telecommunications sector was influenced by the illegal Israel competition in the Palestinian market. Israeli companies exploit their businesses in Israeli settlements built on West Bank territory to provide 3G and 4G internet services to Palestinians. Unlicensed Israeli companies occupy more than 20% of the total volume of the West bank market. According to a World Bank report on 30 March 2016, the loss of the mobile phones sector for the last three years (2013, 2014, 2015) was estimated at more than US$ 1 billion due to Israeli restrictions.

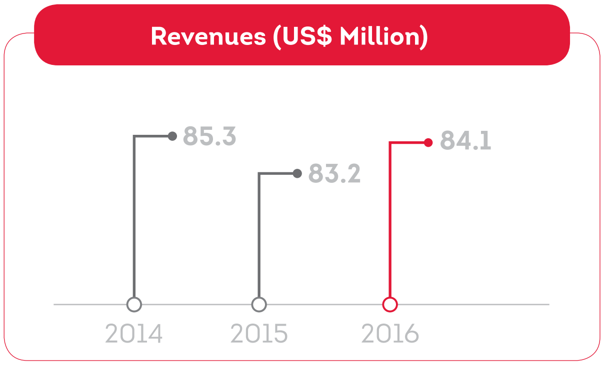
Despite the numerous challenges, Wataniya Mobile managed to achieve a high performance level in 2016 as a result of the Company's smart marketing strategy that is based on the needs and aspirations of customers as well as price control policy.

The successes achieved by Wataniya Mobile include the following:

The base of Wataniya Mobile subscribers rose by 10% compared to the previous year and the number of subscribers reached nearly 773 thousands by the end of 2016, as a result of launching new programs and services.

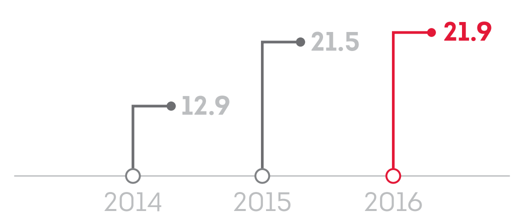


The Company's annual revenues reached US$84.1 million at the end of 2016.



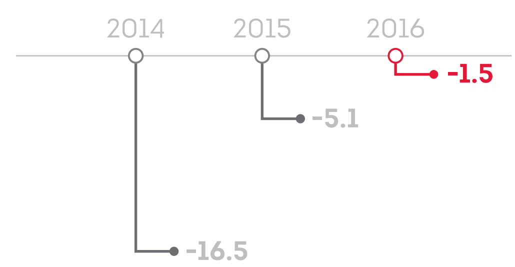
The Company's Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) increased by 2%, reaching US$21.9 million at the end of 2016, compared to last year. The increase was due to rise in Wataniya Mobile profits Before Interest, Taxes, Depreciation and Amortization (EBITDA), the growth in the base of subscribers, the increase in the rate of collections and rationalizing overheads.

Earnings Before Interest, Taxes, Depreciation and Amortization - EBITDA (US$ Million)



Finally, Wataniya Mobile witnessed considerable improvement in net profit and the Company's net loss is reached US$1.5 million at the end of 2016, compared to US$5.1 million for the same period last year.

Net Income (US$ Million)



Wataniya Mobile Family

Our Employees: A Pillar of Our Success

The best Palestinian competencies gather in one place. We grow together, develop together and face all the challenges together… One family, one hand, one goal.

Wataniya Mobile firmly believes that all its staff members represent valuable assets and indispensable resources. Bearing this in mind, Wataniya Mobile gives top priority to developing the staff cadre, enhancing their skills and qualification, and above all securing all their employment rights. To achieve these objectives, Wataniya Mobile has laid down solid human resources and policies, sound enough to provide a safe and healthy work environment and guarantee staff members' rights the moment they are recruited. These policies also aim at providing further training and qualification to the staff to help them achieve high performance levels and provide quality services to our value customers. As of 31 December 2016, there existed 439 employees working for Wataniya Mobile, serving in the Company's various departments.

Wataniya Mobile's staff members are carefully selected from among skilled and qualified personnel, and therefore they demonstrate certain qualities, expertise and proficiency. Human Resources (HR) Polices are the official reference and main source of regulations applicable in Wataniya Mobile. Not only do these polices define and regulate the organizational and professional responsibilities, but they also establish certain procedures governing the employment relationships among the staff and management.

Wataniya Mobile offers equal job opportunities, whether in terms of new applicants seeking employment or among current employees seeking training or promotion opportunities, regardless of their social status, ethnicity, religion, gender, nationality or even special needs.

Not only is it a priority to us, but it is also an integral part of our strategy retaining our employees. This strategy is based on our firm conviction that our employees are the linchpin of our operations. Respect is a core value for maintaining our staff members. Equally, Wataniya Mobile is embracing the values of commitment and respect to make a difference. All our employees and staff members are treated in absolute equality and transparency. The policy of remuneration, benefits and compensation applicable at Wataniya Mobile is expressive of the Company's philosophy of sustaining all its employees.

Table showing number of staff and academic qualification

Education	No. of staff
PhD	**1**
Masters Degree	**38**
Baccalaureate Degree	**370**
Diploma	**25**
Secondary School	**5**


نعيم سوبر
نزار سوبر بالأفكار
منى سوبر بالغنى
صالح سوبر مصالح
أنا
سوبر
للناس السوبر

Programs and Services

- **Super Programs:** These programs, including Super Card, Super Bill and Super Shabab, were designed to provide subscribers with the opportunity to call at low unified prices using all local networks, including making calls to Jerusalem, and Jordan.
- **Government Sector:** Wataniya Mobile provides special services to civil and military government institutions as well as to the private sector both individuals and companies. Special offers are given for the minutes and SMS packages and internet. Discounts are also given on cellular devices.
- **International Calls:** This year Wataniya Mobile introduced a new special service called Passport, which allows subscribers to call and use the internet during travel. The Company signed agreements and partnerships with cellular service providers around the world. Special travel packages will be provided during the haj season.
- **Campaigns & Services:** During 2016 Wataniya Mobile presented different promos and developed programs and services that meet the needs of all segments of the Palestinian society who are subscribers of the prepaid program and the bill program. The Company launched campaigns and granted prizes for recharging and gave out free balances, chips and packages.

أيوب سوبر محبوب

Future Prospects

Wataniya Mobile seeks to expand the base of its subscribers and offer services at best prices. The Company is also striving to launch its services in the Gaza Strip, which constitutes 40% to 50% of the Palestinian market. Despite the obstacles and restrictions imposed by Israel our responsibility is to present our services to our people in Gaza and put an end to monopoly. Wataniya Mobile will present a set of different services that meet the telecommunications and internet needs of Gaza people.

During the first quarter of last year, Wataniya Mobile made preparations to launch 3G services that will cover a large part of the West Bank. The Company will offer services and reasonable and affordable prices.

Research and Product Development

Being aware that in-depth knowledge of subscribers' needs is a key factor in the Company's strategic decisions and offered rate plans, Wataniya Mobile has dedicated its resources to research and development. Hence, the Company spares no effort analyzing and assessing subscribers' calling trends and needs, with the aim of developing products and services to live up to, if not exceed, their expectations. Wataniya Mobile has laid down a detailed policy defining the tools of development of both operations and products, in line with the industry's international standards. The Company's policy includes professional marketing studies, subscribers' surveys, and market analysis studies. In line with this policy, Wataniya Mobile, focusing on the latest regional developments, has formed strategic partnerships with a number of significant local and international players.

Wataniya Mobile is fully aware of the market needs and expectations of its subscribers. The Company carried out a number of expertise market studies and researches in the course of 2016 in order to achieve the highest possible level of customer satisfaction. The Company also measured its market performance. The costs of research and development including studies on marketing, public opinion surveys and other analyses conducted by Wataniya Mobile. It is expected that Wataniya Mobile for the next year will continue to build strategic partnerships and conduct a number of researches and studies to continue to touch the pulse of the market and its developments, with the aim to maintain high quality services and customer satisfaction.

Main Distribution Methods and Sales Channels

In line with its strategy to provide its services to all citizens and residents within the Palestinian market, Wataniya Mobile deemed it necessary to establish an extensive network of distributors, agents and points of sale in order to guarantee that the Company's services and products are widely and easily available to subscribers. Wataniya Mobile has established the following distribution channels:

1. **Wataniya Mobile Showrooms:** Wataniya Mobile has 6 showrooms strategically distributed across the main cities in The West Bank, in order to provide the Company's valued customers with quality service and make all its products/services at their fingertips.

2. **Distributors:** Wataniya Mobile entered into contractual agreements with two of the leading distribution companies in the Palestinian market, through which Wataniya Mobile's rate plans and services are dealt out to all agents, FMCGs, and points of sale.

3. **Authorized Agents Network:** Wataniya Mobile entered into contracts with 92 authorized agents representing 138 accredited outlets to distribute SIM cards for pre-paid rate plans. Wataniya Mobile's authorized agents also provide a number of other services and facilities, including the e-recharging.

4. **Points of Sale Network:** In 2016, the number of points of sale reached 1156 locations, where charging cards are available to our valued subscribers. In addition, the e-recharging facility is provided at these locations.

Sustainable Development

Sustainable development contributes to changing the socio-economic and technological life pattern and helps upgrade productive human life. Accordingly, Wataniya Mobile continues to upgrade its staff, partake in the successes of the Palestinian community, and contributes to strengthening and building our economy.

Knowledge, information and know-how play a key role in sustainable development, simply because these elements contribute to the change of people's social, economic and technological patterns and the evolvement of their productivity. Consequently, Wataniya Mobile continues to develop our employees, engage the community in our successes and effectively contribute to the development of our national economy.

Our Community - Our Priority
We act to keep it Prosperous

Wataniya Mobile is effectively and efficiently translating its policy of social responsibility, and in line with the Company's strategy, Wataniya Mobile sponsors a large number of educational, cultural and sports activities on both the local and international levels. In harmony with our efforts to contribute to the welfare of the Palestinian community, and in line with our endeavors to support various community sectors, Wataniya Mobile organized and sponsored a number of educational, sports, and cultural events over the course of 2016.

At Wataniya Mobile we have drawn up a sustainable growth strategy on social responsibility for the year 2016. For the second consecutive year, the Company sponsored major sports events in 2016, including special sponsorship of the Palestinian Football Academy.

Likewise Wataniya Mobile has sponsored and contributed to diverse cultural activities, and the Company was a strategic partner with the Ministry of Higher Education in many educational activities in 2016. Moreover, Wataniya Mobile made a generous contribution to reconstruction project of the old city of Hebron and has built partnerships with several civil society institutions and universities.

Wataniya Mobile...
Sponsor of Palestinian Football

For the second year in arrow, Wataniya Mobile through Ooredoo sponsored major Palestinian football events including Wataniya Mobile Professional Football Championship, First Division league in the Gaza Strip, Super Cup and Abu Ammar Football Championship.

Sports Activities
in 2016

- **Wataniya Mobile Professional Football Championship:** The Company sponsored the new season of the football professional league for the second year in a row. The championship in which 12 of the best football teams in Palestinian are competing will go on until the end of June 2017.
- **Martyr Abu Ammar Championship:** This is the second sponsorship of the cup final of Abu Ammar championship, which is considered one of the most important football championships in Palestine. Professional football teams from all over the west Bank take part in the championship.
- **Sponsorship of the Football Academy for Talented Children:** Wataniya Mobile sponsored different sports activities for the Palestinian football academy for talented Children especially in the city of Jerusalem.
- **First Division Championship in Gaza:** Despite the fact the Wataniya Mobile cannot up till now launch its services in the Gaza Strip, which occupies a large share of the Palestinian telecommunications market, the Company has decided to sponsor the First Division Championship in Gaza. The championship is the largest in Gaza and encompasses 12 football clubs.
- **Sponsorship of the Super Cup:** The Super Cup match brought together the winning team from the Professional Football Championship with the winning team from Palestinian State Cup. The winning team was crowned as the Super Cup champion.

Educational
Activities in 2016

Wataniya Mobile is keen on supporting and sponsoring the educational sector for the important role it plays in the Palestinian society. During the year 2016, the Company sponsored the following activities:

- **Free activity Schools:** Wataniya Mobiles sponsored the Free Activity Schools program through the High Ministry of education and in partnership with Palestine Development Institution. The program includes extracurricular activities targeting 100 government schools.
- **Wajibna Initiative:** Wataniya Mobile sponsored Wajibna Initiative launched by the Ministry of Higher Education. The initiative aims to grant scholarships to pupils in Jerusalem schools especially in the old city due to the harsh economic conditions pupils are facing.

Cultural and Youth
Activities in 2016

Based on our belief in our responsibility towards our nation, Wataniya Mobile laid down a solid society partnership strategy not only to reinforce Palestinian national identity, but also to promote Palestinian culture and traditions. Wataniya Mobile believes that cultural events mirror the richness of our tradition and presents an occasion for the deep-rooted history to blend in harmony with the modernity of the present without failing to embody and preserve our Arab identity and Palestinian national traditions.

- **Palestine Youth Competition Program:** Wataniya mobile contributes in cooperation with Sharek Youth Forum to the organization of a competition among Palestinian university students by providing them with the opportunity for self-discovery and co-existence in the Youth Village in Kafr Nimeh village west of Ramallah. Dozens of student activities were organized in the Youth Village in 2016.
- **Palestine International Book Exhibition:** Wataniya Mobile partook with the Ministry of Culture the opening of the Palestine International Book Exhibition for 2016. The Company sponsored the exhibition and had a wing that displayed its products. Wataniya Mobile gives special importance to Palestinian culture and seeks to promote the reading culture among the youth and children in particular.

Community Events in 2016

- **Old City of Hebron:** With support from Ooredoo Wataniya Mobile contributed in July 2016 to the reconstruction process of the old city of Hebron. The company contributed through Hebron reconstruction Committee the amount of US$800 thousand allocated to the renovation of homes and streets. The purpose of the support is to improve life conditions of Palestinian inhabitants and protect Palestinian property from confiscation by the Israeli authorities. The project covers the old center, infrastructure of Khan Shaheen and the market facades of Al-Qasaba area.

- **Al-Aqsa Islamic Schools in Jerusalem:** Early this year Wataniya Mobile granted a two-year sponsorship through Ooredoo Group to Al-Aqsa Islamic Schools in the city of Jerusalem. These schools provide children in Jerusalem education and a complete set of school stationary. This is a step to help indigent parents in Jerusalem send their children to schools for education. The sponsorship will provide additional classrooms, educational aid and scientific equipment. In addition, the sponsorship aims to help the needy school children fund.

Sponsorships & Donations

Wataniya Mobile continues to fulfill its duty towards the Palestinian community; and therefore the Company spares no effort in instilling the spirit of cooperation and giving among the future generations. In line with this firm conviction, Wataniya Mobile's total spending on its social responsibility programs, including sponsorships and donations, amounted to US$898,571 over the course of 2016.

Social Responsibility Policy

Wataniya Mobile is effectively and efficiently translating its policy of social responsibility, and in line with the Company's strategy, Wataniya Mobile sponsors a large number of educational, cultural and sports activities. Sparing no efforts in paying utmost attention to the Palestinian social fabric, with all its components, Wataniya Mobile has formed a dedicated committee responsible for examining the sponsorship applications received. The committee is concerned with deciding on the nature and type of sponsorship according to the targeted category.

Our Economy

Since the advent of Wataniya Mobile in 2007, the Company's operations have had a positive impact on the Palestinian economy. From the direct investment Wataniya Mobile pumped into the market, to the establishment of its Network infrastructure, from the lease of sites and premises, to creating direct job opportunities, Wataniya Mobile added new components to the Palestinian economy. The impact Wataniya Mobile has had on the Palestinian economy was not short-lived, as it continued after the Company's commercial launch with liberalizing the Palestinian telecom market. Not only have Wataniya Mobile's operations spurred competition, but they also brought along positive outcomes to all subscribers, both individuals and corporate, in terms of quality of services rendered, rates offered, enhancement of partnerships with service providers and raising their capacities.

In addition, Wataniya Mobile's operations gave rise to indirect business opportunities and enhanced the partnership model with suppliers, taking their performance to higher levels. Moreover, Wataniya Mobile's operations have yielded in sizeable revenues to the government, and reflected positively on the Palestine Exchange (PEX).

Liberalizing the Palestinian Telecom Market

In 2006, The Palestinian National Authority resolved to liberalize the telecom market and open the door for competition following a monopoly that has lasted since 1997. In accordance with the strategy laid down by the Palestinian Ministry of Telecommunications and Information Technology (the Ministry), with the purpose of increasing the base of telecommunications users, and providing quality services at lower prices to Palestinian citizens, a tender was floated for the license to build and operate a second mobile telecommunications network in Palestine.

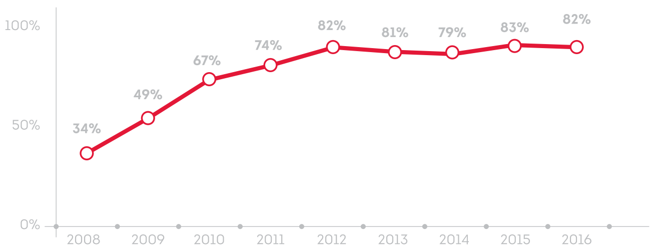
The entry of Wataniya Mobile into the Palestinian telecom market in 2009, namely in The West Bank, is a milestone achievement not only towards encouraging competition, but also giving Palestinian citizens the opportunity to choose the provider they may desire. Needless to say, the launch of Wataniya Mobile's operations contributed to providing multiple options, in terms of creative methods in rendering services, prices, and ultimately higher service quality.

While running its business, Wataniya Mobile has introduced new concepts to competition, most notably of which is the concept of the "value for money" in an economy with the income category, according to the World Bank, being ranked as "lower middle income" compared to other countries of the world. The Company has also succeeded in applying the Long Run Incremental Costing (LRIC) which will reflect positively on pricing and spur competition within the telecommunications sector.

On another note, as a positive step toward encouraging competition in the Palestinian market, and due to the presence of more than one service provider, The Palestine Ministry of Finance issued in 2013 a decision obligating competent parties to take procedures required for purchasing and providing telecommunications services. Service providers were asked to make tenders according to ceilings provided for in the law.

Wataniya Mobile provides numerous programs through which the Company was able to reach out to Palestinian citizens throughout the West Bank and form a base of 773 thousand subscribers by the end of 2016. The following chart shows clearly how the advent of Wataniya Mobile impacted the growth of mobile penetration rate, from 34% by the end of 2008 to 50% by the end of 2009. Equally, the decline in interconnect rates for mobile and fixed impacted the market end user prices.

نسبة الانتشار في الضفة الغربية



Government Revenues

In addition to the above, Wataniya Mobile's operations contribute directly to the increase of revenues into the Palestinian Authority's Treasury, namely the license fees, in addition to taxes, including income tax and Value Added Tax. Wataniya Mobile's contribution extends indirectly to reach the government public facilities or other areas as envisaged under the government's plans.

Local Partnerships

At the domestic front, Wataniya Mobile promotes long-term strategic partnerships with local companies. The Company prefers local products in support of Palestinian economy and seeks to create partnerships with medium and small companies, which form the bedrock of Palestinian economy, in confirmation of the principle of mutual benefit. Wataniya Mobile provides medium and small companies with services and programs based on their needs and activities.

Creating Job Opportunities

Due to the nature, size, quality and geographical stretch of its operations, Wataniya Mobile contributed heavily to creating various forms of partnership with Palestinian businesses across the board. These partnerships, without a doubt, created indirect job opportunities to many Palestinian citizens, through rendering services to Wataniya Mobile, and other business opportunities. In addition, Wataniya Mobile is currently opening new horizons to small and medium-size businesses, and in the near future this will extend to reach to Gaza Strip.

By the end of 2016, Wataniya Mobile estimated creating more than 2,646 direct and indirect job opportunities within the West Bank market. This entails sources of income and support to Palestinian families; and contributes directly to the improvement of citizens' living standard. The Company has created 2530 indirect jobs to date. It estimates that in Gaza Strip upon launch, the number of direct and indirect jobs created by Wataniya Mobile will reach more than 500.

Impact on Palestine Exchange (PEX)

Until date, Wataniya Mobile stands as the top of PEX's listed companies in terms of paid-up capital, with US$ 258 million, which indirectly constitutes 6.62% of PEX market capitalization by the end of 2016. In addition, Wataniya Mobile contributed 95.51% to PEX's total trading sessions in 2016 thereby helping PEX to attract foreign investors and cement its foothold in the international investment arena.

As PEX's blue-chip Company, Wataniya Mobile adheres to the principles of transparency and governance, as applicable by the Law, PCMA, and PEX regulations. And as the market's top mover, Wataniya Mobile was selected, for the sixth year in a row, among the heavyweight sample companies affecting the performance of the PEX's Al Quds Index. This also required certain standards to be achieved, namely share's trading liquidity, trading volume, turnover rate, number of trading sessions, and above all the Company's market value.

Our Environment... our Future

Based on our strong belief in the need to protect the environment, use it and enjoy it, Wataniya Mobile exerts enormous efforts to keep our environment clean and health and safe for the current and future generations. The Company treats ecological impacts that could result from operating its network in the Palestinian territory. For that purpose, the Company applies scientific methodology based on three main components:

Wataniya Mobile addresses the impact of its network's operations on the environment, by adopting scientific methods based on three disciplines:

First: Addressing Radiation Impact

Upon the installation of transmission stations, Wataniya Mobile applies the local and international standards and procedures. This is achieved through the application of the recommendations handed down by both the Ministry of Environmental Affairs and the Ministry of Telecommunications and Information Technology. In addition, Wataniya Mobile adopts certain measures in harmony with the standards laid down by the International Commission on Non-Ionizing Radiation Protection (ICNIRP).

To maintain compliance, the following measures are adopted by Wataniya Mobile:

- Wataniya Mobile uses European/Swedish devices and equipment, which are in compliance with the requirements and recommendations of the EU with respect to maintaining safe and healthy environment.
- Wataniya Mobile's transmission stations are scientifically designed using elevation tests. In addition, the types of towers and antennas are carefully selected to suit the geographical nature of the coverage area.
- Insulation fences are set up around all Wataniya Mobile's stations, in compliance with the relevant local and European standards, to ensure the safety of citizens.
- Prior to the operation of any station, Wataniya Mobile obtains the relevant approvals from both the Ministry of Environmental Affairs and the Ministry of Telecommunications and Information Technology and complies with all their requirements.

The adoption of scientific methods in the installation procedures and operations contribute directly to the reduction of radio microwave exposure below the standard set under the Guidelines of (ICNIRP). Therefore, the microwave radiation resulting from Wataniya Mobile's

transmission stations, as measured, is (0.005 mw/cm2) which is lower than the internationally acceptable limit of (0.45 mw/cm2).

Second: Addressing Emissions Impact

The Operation & Maintenance Team at Wataniya Mobile follows standard procedures and practical measures for the purpose of reducing the emission of environment pollutants, including smoke and gas emissions. These measures, inter alia, include:

- Installing hybrid systems in all transmission stations which have no electricity connections yet. These hybrid systems consist of a diesel generator and energy-saving batteries, which reduce the operational time of each generator by more than 50%, and ultimately are environment-friendly and cut down on fuel consumption. The hybrid systems reduce the emission of smokes and gases harmful to the environment.
- The Network Maintenance Team carries out regular maintenance and precautionary service works to all the generators and cooling machines, whether at the transmission stations or the Company's premises. These regular checks aim at ensuring the safety and efficiency of the equipment. This per se contributes to power rationalization, reduction of harmful emissions. In addition, strategies are in place to prevent leakage of fuel, oil, or Freon refrigeration gas into the environment.

Third: Treatment & Recycling of Solid Waste Materials

The management of solid waste materials resulting from operations can be summarized in the collection and sorting of all waste materials of whatever nature. The waste materials are then disposed of in the internationally recognized scientific methods. The process adopted by Wataniya Mobile can be summarized as follows:

- Recycling the waste materials though dismantling these materials before reducing them to the raw state for further use.
- Wataniya Mobile has signed an agreement with a professional organization specialized in recycling used liquid batteries that are to be removed and destroyed from the Company's operational sites.

Fourth: Public Safety and Safety at Work

Wataniya Mobile provided specialized training on safety and civil defense to its field employees working on transmission towers. In addition, the Company oblige contractors constructing the towers to follow safety procedures at work.

Corporate Governance

Corporate Governance

The Board of Directors is composed of seven members who are qualified and experienced to supervise the operations of the Company.

Wataniya Mobile Board of Directors performs tasks targeting the conciliation of the interests if investors and those of all relevant segments, including employees, suppliers, and local communities. The main tasks of the Board include upgrading operational performance, profitability, empowering the commercial center of the Company, institutionalization of sustainable development, applying the principles of good governance, developing laws and work mechanisms, controlling and monitoring performance, managing and identifying risks.

Wataniya Mobile is committed to the criteria of public shareholding companies in line with the regulations of corporate governance. In 2010 the Company adopted a special governance manual that is consistent with the rules of corporate governance issued by the Palestinian Capital Market Authority.

Disclosure

Wataniya Mobile follows administrative procedures with full transparency and integrity to ensure that the disclosure process takes place on due time and the right manner. Since the Company was listed in 9 January 2011, the Palestinian Capital Market Authority has not asked Wataniya Mobile for any clarifications on obscure information or disclosure of missing information.

The Company is also updating its website (www.wataniya.ps) and uploading its annual reports putting emphasis on the Company's commitment to disclosure and good governance.

Board of Directors' Responsibilities

The Board of directors is composed of seven members with a four-year term of office. The Board members are keen on applying the rules and criteria of good governance, which is an integral part of Wataniya Mobile culture. The duties of the Board of Directors, are centered on protecting shareholders' rights and organizing companies' governance, are fulfilled through approving and ratifying the internal policies which regulate the work of the Company's executive management and its responsibilities, as well as control over the executive management through the Board of Directors' meetings, during which a detailed presentation is made to the Board, whether for the purpose of control or for taking the administrative decisions that are out of the executive management's area of specialization, in addition to disclosure and transparency. In 2016 the Board of Directors held 6 sessions that have been disclosed pursuant to the disclosure regulations valid in Palestine. During the sessions, the Board discussed the achievements of the company and approved matters of high importance including the annual strategic plans.

Two main committees support the Board of Directors in the performance of its tasks and duties:

The Executive Committee

was formed on 10 December 2014, and its members are:

- Mr. Mohammed Abu Ramadan, Chairman
- Mr. Khaled Al Mahmoud, Member
- Mr. Issa Al-Muhannadi, Member
- Mr. Rami Barghouti was appointed as secretary of Committee.

Responsibilities of the Executive Committee:

- Review draft regulations and new Company policies and make recommendations concerning these to the Board of Directors.
- Oversee the process of job evaluation and develop the Company's compensation structure.
- Approve the process of performance evaluation and any amendment thereto.
- Submit strategic recommendations to the Board of Directors with regard to the priorities and risks related to financial and strategic investment.

The Audit Committee

A permanent committee, was formed on 10 December 2014 includes:

- Mr. Abdulla Al-Zaman, Chairman
- Mr. Bertrand Alexis, Member
- Mr. Faisal Shawa, Member
- Mr. Mahmoud Othman was appointed as secretary of the committee.

Audit Committee's Responsibilities

- Review annual audited financial statements and interim (quarterly) financial statements, related reports and accounting matters, including management processes, before submission to the Board for adoption.
- Set objectives and internal auditing policies and determine their scope.
- Select the external auditor, recommend his/her appointment, determine his/her fees and determine the objectives and scope of his/her work.
- Evaluate the performance of internal and external audit annually, according predetermined performance indicators

Responsibility of the Executive Committee in Developing Control and Internal Monitoring Systems:

Wataniya Mobile Executive Committee has developed a comprehensive and efficient internal monitoring system that guarantees the accuracy and transparency of financial disclosures consistently with international criteria and best practices.

- Wataniya Mobile developed a set of financial policies and procedures in line with IFRS and financial disclosure criteria of the Palestinian financial market and valid laws and regulations.
- Wataniya Mobile adopted an automated financial system to ensure financial accuracy and compliance with international criteria.
- The financial statements and internal monitoring regulations of Wataniya Mobile are inspected and reviewed by an independent external auditor and the Company's internal auditor. In order to ensure independence in line with corporate governance, the Audit Committee holds periodic meetings with the auditors and Executive Management to review the audit reports and confirm accuracy of the annual financial statements of the Company.

Accordingly, Wataniya Mobile sees that the control and internal monitoring systems and efficient and ensure the validity and accuracy of the annual financial statements of the Company.

Brief Biographies of the Members of the Board of Directors

Mr. Mohammed Abu Ramadan

Chairman of the Board of Directors - Representative of Palestine Investment Fund

Mr. Mohammed Abu Ramadan joined the Board of Directors of Wataniya Mobile in December 2014. Previously, Mr. Abu Ramadan took office as Palestinian Minister of State for Planning Affairs during 2012-2014. In addition to being a Board member of the Palestine Investment Fund since 2006, the Chairman of the Board of Directors for Abu Ramadan Investment Group, and the Chairman of the Board for Gaza Buses Company, Mr. Abu Ramadan has served as member of the Board of Directors for the Palestinian Monetary Authority, Vice Chairman of the Board of Directors of Paltrade in addition to other Board memberships for many companies and economic institutions, as well as other leading community institutions. Mr. Abu Ramadan holds a Bachelor's degree in Business Administration from Syracuse University in the United States of America.

Mr. Khalid Al Mahmoud

Vice Chairman of the Board of Directors - Representative of Wataniya International

Mr. Khalid Al Mahmoud joined the Board of Directors of Wataniya Mobile in June 2012. Mr. Al Mahmoud serves as Group Chief Officer of Ooredoo Group's Small & Medium companies, which oversees number of Ooredoo Group companies. In addition to his duties, he is the Chairman of Board of Ooredoo Maldives and has also served in various Boards including the Chairman of Ooredoo Algeria, Vice Chairman of Ooredoo Oman, Chairman of PTC (Bravo) Saudi Arabia and Chairman of wi-tribe Pakistan.

Since joining in 1989, Mr. Al Mahmoud has held number of key positions in Qatar and abroad including the COO of Ooredoo Oman, Head of Qatar ISP and Corporate Data services Business Unit, Head of Product Development and Communication and Head of IT of Ooredoo Qatar.

Mr. Al- Mahmoud holds a Bachelor's degree in Computer Engineering from the University of Pittsburgh, United States."

Mr. Bertrand Alexis

Member - Representative of Wataniya International

Mr. Bertrand Alexis joined the Board of Directors of Wataniya Mobile in November 2014. Mr. Alexis is a Senior Legal Director of Ooredoo Group and a member of the New York State Bar. Before joining Ooredoo, Mr. Alexis was an Associate General Counsel of Cable & Wireless plc. Mr. Alexis has a Bachelor of Arts in Economics from Columbia University and a Juris Doctorate Degree from Harvard University.

Mr. Abdulla Al-Zaman

Member - Representative of Wataniya International

Mr. Abdulla Al-Zaman joined the Board of Directors of Wataniya Mobile in November 2014, and he is the regional CFO of Ooredoo Group. Mr. Abdulla Al-Zaman has more than 19 years of experience In Finance. Before joining Ooredoo Group he was the Chief Finance Officer in Qatar Railways one of the most strategic project in the State of Qatar. Mr. Al- Zaman, was also in charge of multiple Senior Financial position in Ras Gas and The National Health Authority. Mr. Abdulla Al-Zaman holds a Master's degrees in Executive MBA, from University of Hull and a Bachelor's of Science in Finance & Business Administration from California State University of Sacramento.

Mr. Shadi Al Khatib

Member - Representative of Palestine Investment Fund

Mr. Al Khatib joined the Board of Directors of Wataniya Mobile in May 2016. He is the CEO of PIF's ASWAQ Company for Investment of Portfolios. His current notable positions as a representative in companies' board of directors include: Chairman of Grand Park Hotels and Resorts Company, Board Member of Palestine Industrial Investment Company, Board Member of Arab Hotels Company "Movenpick Ramallah", Board Member of Convention Palace Company, and Board Member of National Aluminum and Profiles Company. Mr. Khatib holds a Bachelor's degree in Finance from the University of Arab Academy for Science and Technology in Egypt, and a Master's degree in Finance and Investments from the University of Western Sydney in Australia.

Mr. Eisa Mohammed Al-Mohannadi

Member - Representative of Wataniya International

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

Mr. Faisal Al-Shawwa

Member - Representative of Palestine Investment Fund

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

Brief Biographies of Members of Executive Management

Dr. Durgham Maraee

Chief Executive Officer

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

Mr. Fadi Abdellatif

Chief Financial Officer

Fadi Abdellatif assumed his current position as the Chief Financial Officer in September 2012. ,Mr.Fadi has over 18 years of diversified experience in management, auditing, accounting, information systems and consulting in various sectors, including telecommunications. He is also a Board member in the Palestinian Information Technology Association of Companies – PITA. Mr. Abdellatif joined Wataniya Mobile at its early stage after serving for a number of leading organizations, namely: Andersen, ATS and Hulul. Mr. Abdellatif holds a Master of Business Administration Degree from University of Haifa. Fadi is also a Certified Public Accountant (CPA) from the United States.

Mr. Haitham Abu Shaaban

Gaza Operations Director - Acting Chief Commercial Officer

Haitham Abu Shaaban joined Wataniya Mobile as Gaza Operations Director in June 2011. Mr. Abu Shaaban brought with him over 21 years of experience in project management, entrepreneurship, business development and strategic marketing management. Haitham has an achievement-laden career with reputable domestic and international companies, in the field of development projects, telecommunications, information technology and the private sector in Palestine in general and in the Gaza Strip in particular. He had made several achievements with unions and NGOs on a voluntarily basis in his capacity as an elected board member. Mr. Abu Shaaban has a bachelor's degree in International Business Administration from the California State University, in the United States.

Mr. Tarik Soufan

Human Resources & Administration Director

Mr. Tareq Soufan has joined Wataniya Palestine in August 2007, he assumed his current position as Human Resources & Administration Director since August 2015. Mr. Soufan has over 14 years of professional experience, including 10 years in Human Resources where he managed different functions in the HR directorate at Wataniya Palestine. Mr. Soufan holds a Bachelor of Arts degree in Business Administration from An-Najah University in Palestine, and a Master's degree in Business Administration from Indiana University of Pennsylvania in the USA. In addition, Mr. Soufan holds a host of international certificates; most notably are the information systems analysis & Design certificate from McGill University in Canada, the HR Management certificate from Concordia University in Canada and a certificate from the Ooredoo Group Business Leaders Program, conducted by IMD business school in Switzerland in 2015.

Mr. Osama Qawasmi

Regulatory & Public Affairs Director

Osama Qawasma joined Wataniya Mobile in December 2008 and held the office of Regulatory & Public Affairs Director in January 2013. With more than 19 years of experience in the telecommunications sector, Mr. Qawasma is considered as an expert in the regulatory aspects of the industry. Osama has served as a Director General in the Telecommunications Ministry for more than 11 years. He has taken part in numerous international conferences on related issues, prior to joining Wataniya Mobile. Mr. Qawasma was one of Wataniya Mobile's key players in defying the many odds the Company has faced since its inception. Osama holds the Bachelor of Electronic Engineering Degree, major in Telecommunications, from Stettin University, in Poland.

Mr. Ziad Nimer

Sales Director

Mr. Nimer assumed his present position as Sales Director in January 2015. Mr. Nimer has distinctive experience in the development and implementation of sales strategies and operational plans through more than 17 years of experience working in the banking and telecommunications sector. Mr. Nimer held the position of Branches Network Manager in the Arab Bank before joining Wataniya Mobile. In addition, he has effectively contributed to the establishment of Wataniya Mobile's contact center and customer services directorate as head of customer care since the Company's launch. Mr. Nimer has a Bachelor's degree in Accounting from Birzeit University and a Master's degree in Business Administration

Mr. Naim Nazzal

Network Director

Mr. Naim assumed his current position as network director in May 2015. Mr. Nazzal enjoys more than 14 years of experience in the field of telecommunications, frequency management, project management, and business development, at various domestic and international renowned companies. Mr. Nazzal holds a Bachelor's degree in telecommunications engineering from the University of "BirZeit", and a Master's degree in business administration majoring in Entrepreneurship from the same university, in addition to a number of international certifications in multiple areas of planning, operations and managing telecommunications systems.

Mr. Ahmad Eid

Information Technology Director

Mr. Ahmed Eid assumed his current position as Information Technology Director since November of 2015. Mr. Eid has over 17 years of experience in the field of mobile telecommunications in several sectors including information technology, large-scale projects, marketing, production management and quality management. Mr. Eid holds a Bachelor's degree in computers from the University of Jerusalem.

Mr. Hijazi Al Natsheh

Marketing Director

Mr. Hijazi Al Natsheh assumed his position as Marketing Director in May 2016. Mr. Al Natsheh has an extensive experience of over 20 years in managing entrepreneurial and technological companies in the fields of digital marketing, business development and product management. Mr. Al Natsheh holds a Bachelor's degree in Electrical Engineering from the University of Jordan.

Mr. Rami Barghouti

Legal Counsel & Board Secretary

Mr. Rami Barghouti joined Wataniya Mobile in August 2013 as the Legal Counsel of the company. Mr. Rami has distinctive experience in the field of Telecommunication, Corporate and Labor Laws. Due to his experience in corporate governance, Mr. Barghouthi has been appointed as the Secretary of the Board at the beginning of 2014. Mr. Barghouti holds a Bachelor's degree in law from Birzeit University, and a Master's degree in Commercial Law from University of Central Lancashire in the United Kingdom.

Shareholders of Wataniya Mobile

Wataniya Mobile was established as a partnership between Wataniya International – Free Zone (fully owned by the National Mobile Telecommunications Company (NMTC), that is mostly owned by Ooredoo Group, (formerly Qtel), and Palestine Investment Fund. According to a primary underwriting 15% of Wataniya Mobile shares were presented for a public offering, after which the ownership of Wataniya International - Free Zone became equivalent to 48.45% and that of Palestine Investment Fund equivalent to 34.03%, while 17.52% is publicly owned, while retaining the same ownership percentages at the end of 31 December 2015, upon which same date the number of Wataniya Mobile shareholders reached 11,023. Ooredoo Group is considered to be one of the pioneering international companies in the telecommunications market. It is listed on the Qatar Exchange and offers a wide range of services in the field of mobile and fixed telecommunications in the Middle East and Southeast Asia. This gave Wataniya Mobile the opportunity to gain international experience from other Ooredoo Group companies, operating in 14 other markets, also to benefit from Ooredoo Group's strategic relationships with suppliers, sellers and finance institutions in the management of its operations, guaranteeing Palestinian performance at international levels.

The number of subscribers with Ooredoo Group was, as of 30 September 2015, nearly 115 million. As indicated above, Ooredoo Group holds its interests in Wataniya Mobile through a chain of subsidiary companies, including the National Mobile Telecommunications Company (NMTC), which is a pioneering telecommunications Company listed on the Kuwait Stock Exchange. The Ooredoo Group raised its stake in the National Mobile Telecommunications Company (NMTC) to 92.1% on 7 October, 2012, and (NMTC) owns 48.45% of Wataniya Mobile in Palestine through Wataniya International. The increase in investment by the Ooredoo Group reflects indirectly on raising its stake in Wataniya Mobile in Palestine. Palestine Investment Fund (PIF) is a national Palestinian institution that manages Palestinian funds and invests them in a manner that maintains them as a national and strategic reserve. PIF aims at playing a leading role in establishing an independent Palestinian state by contributing to the development of the Palestinian economy to make it strong, sustainable and mainly reliant on its own resources, through launching strategic investment programs with local and international partners from both the public and private sectors. This contributes to creating tens of thousands of job opportunities for Palestinians, raising their living standards and increasing local income sources for the public treasury.

Development of Ownership

On January 27, 2007, Wataniya Mobile was established as a private limited shareholding Company with a capital of US$5 million. The founding parties were then as follows:

Name	Number of Shares	Ratio of Shares
Wataniya International - FZ LLC	2,850,000	57%
Palestine Investment Fund	2,150,000	43%
Total	5,000,000	100%

On September 1, 2008, Wataniya Mobile raised its capital from US$5 million to US$170 million, maintaining the same ownership percentages.

On October 14, 2010, Wataniya Mobile raised its capital from US$170 million to US$219.3 million, maintaining the same ownership percentages, and the founding parties then became as follows:

Name	Number of Shares*	Ratio of Shares
Wataniya International - FZ LLC	125,001,000	57%
Palestine Investment Fund	94,298,995	43%
Grand Park Hotels and Resorts Company **	1	-
Sama Real Estate Company **	1	-
Palestinian Commercial Services Company (PCSC) **	1	-
Al-Reehan Real Estate Investment **	1	-
Amaar Real Estate Group **	1	-
Total	219,300,000	100%

On October 27, 2010, Wataniya Mobile raised its capital from US$219.3 million to US$258.0 million, and was transformed from a private limited shareholding Company to a public limited shareholding Company, ready for a public offering.

* This table shows shares directly before the initial public offering.
** A subsidiary company of Palestine Investment Fund.

On January 9, 2011, Wataniya Mobile was listed as a public shareholding Company on the Palestine Exchange after 15% of the Company's capital was offered for public underwriting on November 7, 2010. Immediately after the public offering, shareholder distribution became as follows:

Ownership Rate	Shareholder
Wataniya International - FZ LLC	48.45%
Palestine Investment Fund	36.55%
Free Trading (Public)	15%

On December 31, 2016

Ownership Rate	Shareholder
Wataniya International - FZ LLC	48.45%
Palestine Investment Fund	34.03%
Free Trading (Public)	17.52%

Change in Ownership

It is noteworthy that according to the license agreement signed between the Company and the Palestinian Ministry of Telecommunications and Information Technology, Wataniya Mobile is required to raise the public share to 30% of the Company's capital. Based on this, the Company plans to offer the second 15% share when circumstances and the economic climate permit, to guarantee the success of this operation. Upon offering the second 15% share, ownership percentages in the Company will become as follows:

Ownership Rate	Shareholder
Wataniya International - FZ LLC	40%
Palestine Investment Fund	30%
Free Trading (Public)	30%

Contact Information - Investor Relations

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

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

Legal Disclosures

As a public shareholding Company, listed on the Palestine Exchange, Wataniya Mobile is keen on adhering to standards through which it can guarantee the legality of disclosure and compliance with its deadlines. Since the Company's listing on PEX on 9 January 2011, neither the PCMA nor PEX has ever asked Wataniya Mobile to give further clarifications on its disclosures.

Compliance with Legal Disclosures

As a public shareholding Company, listed on the Palestine Exchange, Wataniya Mobile is committed to legal requirements that guarantee continuous communication with investors, in accordance with disclosure principles, in addition to the values by which Wataniya Mobile works, including trust, transparency and clarity. Wataniya Mobile is keen on adhering to standards through which it can guarantee the legality of disclosure and compliance with its deadlines, through continued commitment to monitoring and regulating parties of Wataniya Mobile shares trading on one hand, and through enhancing communication and transparency with investors and shareholders on the other.

Lawsuits brought against Wataniya Mobile

There are no legal procedures of lawsuits brought against Wataniya Mobile until the date of this report.

Shareholders' Voting during 2016

An ordinary meeting of the General Assembly was held on 25 April 2016, where voting was held on: approval of the Board of Directors' report for the past financial year 2015, the adoption of the financial statements of the Company for the year 2015, relieving of the members of the Board of Directors for the financial year 2015, and the election of the Company's auditor for the financial year 2016. The voting resulted in approving the first three matters, electing the members of the Board, and electing Ernst & Young as the Company's auditor for the financial year 2016.

External Auditors

Wataniya Mobile retains Ernst & Young as External Auditors. The firm audited the financial statements for the year 2016.

External Legal Counsel

Wataniya Mobile retains Amr, Zahaykah and Partners in the West Bank, and with The Legal Consultative Office in the Gaza Strip, both as external legal counsel for the Company in 2016.

Lineage and matrimonial relationships among members of the Board of Directors and members of the Executive Management

There is no lineage or matrimonial relationships among members of the Board of Directors and the executive management team of Wataniya Mobile. Further, none of them has a business interest with the Company.

Major agreements concluded by the Company with related parties

- Wataniya Mobile didn't undertake any major transaction with related parties during the previous two fiscal years, whether directly or indirectly.
- No related party is indebted to Wataniya Mobile, nor have they received a benefit from any guarantee which value exceeded Five Thousand (5000) Jordanian Dinars or the equivalent of a currency in circulation from the beginning of the 2015 fiscal year.

Bankruptcy

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

Board of Directors' Remunerations

According to the Company policy, members of the Board of Directors do not receive any bonuses or remunerations until the Company earns a positive income. Hence, members of the Board of Directors of Wataniya Mobile did not receive any bonuses, remunerations, or in-kind benefits during 2016. Wataniya Mobile, however, covers all travel expenses of the Board members to attend meetings of the Board of Directors, which amounted in total to US$7,699 during 2016.

Executive Management Remunerations

Total Remunerations of members of the executive management team amounted to US$2,433,026 including those of the current executive management members and those whose contracts ended during 2016, noting that there are no indirect remunerations such as guarantees or loans.

Executive Management Contracts

Executive Management contracts are permanent contracts and are not different from those of other employees, and comply with the Palestinian Labor Law.

Shareholders owning 5% or more as of 31 December 2015*

Name of Shareholder	Number of Shares Owned	Percentage of Shares Owned
Wataniya International - FZ LLC	125,001,000	48.45%
Palestine Investment Fund (PIF)	87,794,885	34.03%

* As of 31 December 2016, there were no shareholders owning more than 5% within the free trading shareholders (the public).

Summary of Wataniya Mobile Shares trading Activity during 2016

Following the initial public offering (IPO), Wataniya Mobile's shares have been listed in the Palestine Exchange as of 9 January, 2011, where the Company's securities are traded.

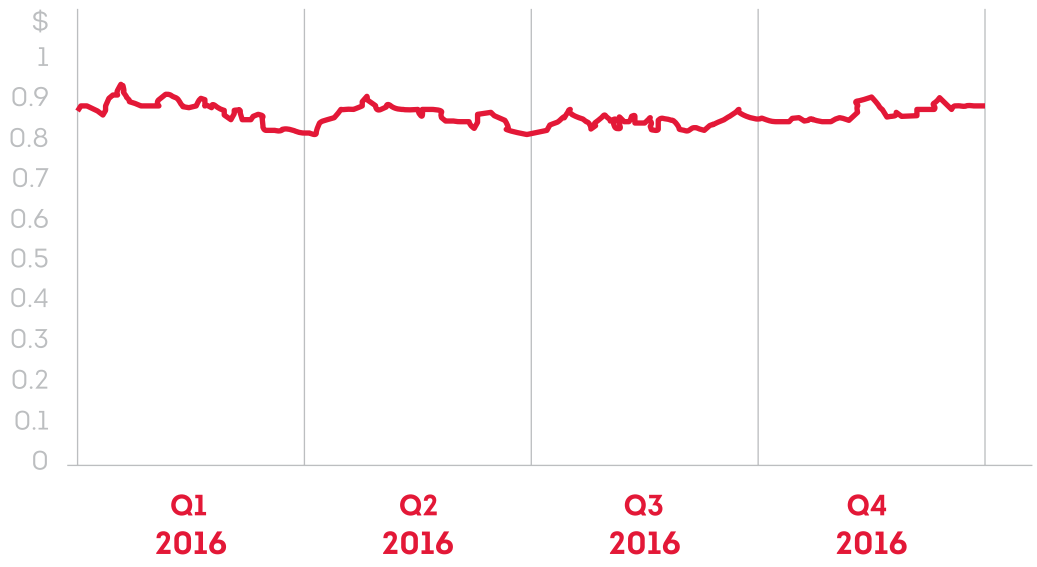
Trade Variable	Value 2016	Ranking on Palestine Exchange 2016
Number of Shares Traded	5,420,972	12
Value of Shares Traded (US$)	4,566,713	14
Number of Deals Concluded	2,307	5
Number of Trading Sessions	234	4
Company Market Capitalization as of yearend (US$)	224,460,000	4
Number of Shareholders	10,918	3

The highest and lowest price for Wataniya Mobile shares per Quarter in 2016 and in 2015:

2016 (US$)	Q1	Q2	Q3	Q4
Highest Price	0.92	0.90	0.89	0.90
Lowest Price	0.78	0.79	0.80	0.83
Closing Price	0.80	0.80	0.84	0.87

2015 (US$)	Q1	Q2	Q3	Q4
Highest Price	0.84	0.71	0.69	0.95
Lowest Price	0.60	0.61	0.63	0.63
Closing Price	0.63	0.67	0.65	0.85

Wataniya Mobile's stock movement during 2015



Intellectual Property, Franchises and Patents

Wataniya Mobile owns the concession rights to provide the 3G services and is now putting the final touches on technical matters relating to the frequencies required to launch the project. In addition, Wataniya Mobile also owns a number of trademarks (part of intellectual property) covering the majority of the activities and operations carried out by the Company. It must be noted here that Wataniya Mobile's trademark slogan is: الوطنية موبايل

Investment Policy and Risks

Wataniya Mobile has not made any major investments - beyond the scope of its work - over the past two fiscal years. Accordingly, the Company is not subject to any investment risks.

Other Disclosures

Disclosure Regulation - Article 18-2: Wataniya Mobile has submitted its 2016 audited financial statements to the Company's Board of Directors for approval; so there were no preliminary financial statements.

Disclosure Regulation - Article 20-1-A: In general, there has been no change that has impacted Wataniya Mobile's business for the past two consecutive fiscal years, such as declaration of bankruptcy, merger or disposition of any of its core assets.

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

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

Disclosure Regulation - Article 21-1: With respect to Wataniya Mobile's vision on its future business development, the Company is in a constant state of developing its services to suit the needs of its subscribers denoted in the research and development paragraph. The Company places great emphasis on providing its services in the Gaza Strip.

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

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

Property and equipment	Location	Size and features
Network equipment	North, middle and south of the West Bank	Switches, transmission, radio base station, and power equipments
Network infrastructure	North, middle and south of the West Bank	Civil and infrastructure works, towers and fences
IT systems & Computers	Main headquarters and showrooms	Information systems
Office equipment	Main headquarters and showrooms	Office supplies and accessories
Furniture and fixtures	Main headquarters and showrooms	Furniture & fixtures at headquarter and showrooms
Leasehold improvements	Main headquarters and showrooms	Civil, electrical & mechanical works
Others	Main headquarters and showrooms	Fire extinguishers

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

Disclosure Regulation 30-2: The return of each of Wataniya Mobile securities has been referred to in Note 21 to the year 2016 audited financial statements.

Disclosure Regulation - Article 31-2: Financial transactions made during 2016 in currencies other than the U.S. Dollar are converted to the U.S. Dollar according to the exchange rates prevailing on the transaction date. Whereas, monetary assets and liabilities were revaluated at the end of 2016 to the U.S. Dollar according to the New Israeli Shekel against the U.S. Dollar exchange rate of 3.85. The Bank of Palestine is the source of the exchange rates.

Disclosure Regulation - Articles 31-3-A+B:
A. The abundance of working capital, its internal sources, sources of unused cash, and the factors that led to its increase has been referred to in the cash flow statement in the year 2016 audited financial statements.

B. Sources of capital have been referred to in Note 11 and Note 13 to the year 2016 audited financial statements, and projected changes in capital structure have been noted under the title Change of Control.

Financial Statement

Wataniya Palestine Mobile Telecommunication
Public Shareholding Company

Financial Statements
December 31, 2016

Ernst & Young
P.O. Box 1373
7th Floor,
PADICO House Bldg.
Al-Masyoun
Ramallah-Palestine

Tel: +972 22421011
Fax: +972 22422324
www.ey.com

Building a better working world

90 Years in MENA

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Wataniya Mobile Palestine Telecommunication Company

Opinion

We have audited the financial statements of Wataniya Mobile Palestine Telecommunication Company (the Company), which comprise the statement of financial position as at December 31, 2016, and the statements of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company 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 financial statements of as at December 31, 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. 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 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 financial statements.

Key audit matter - Financial performance

As explained in note (27), accumulated losses amounted to USD 201,444,884 as of December 31, 2016, which represents 75% of equity.

We focused on this matter due to its impact on the working capital and for its importance to the users of the financial statements, especially lenders and investors.

We inquired management about the Company's business plans including options and actions to recover the accumulated losses and assessed their underlying assumptions of these options including management plan to expand especially in Gaza, its costs reduction plan and issuance of additional capital. Furthermore, we reviewed main shareholders' support letters for the Company. In addition, we assessed the appropriateness of related disclosure in the financial statements.

Key audit matter - Revenue recognition

As referred to the accompanying financial statements, the Company's revenues for the year ended December 31, 2016 amounted to USD 84,118,637. Usage-based airtime revenue and interconnect revenue is the largest revenue stream of the business, which represents more than 76% of total revenues. Usage-based airtime revenue and interconnect revenue is highly dependent on the reliability of its IT environment to support processing of operations.

We focused on this matter because a significant risk exists in respect of both occurrence and accuracy of Usage-based airtime revenue and interconnect revenue due to the complexity of billing systems and the high volume of transactions.

We included in our team IT specialists who evaluated IT general and application controls and the relevant IT systems related to calculation of amounts billed to customers and any rate changes in the billing system. We assessed controls over Usage-based airtime and interconnect processes. We performed substantive analytical procedures after developing an expectation of revenue based upon usage data and subscription numbers, which are the key drivers of each airtime revenue stream. We have also tested the accuracy of revenue by agreeing a sample of revenue transactions back to the customer contracts and published or agreed tariffs.

Key audit matter - Impairment of accounts receivable

As referred to in note (9) to the accompanying financial statements, the Company's outstanding gross accounts receivable as at December 31, 2016 amounted to USD 17,370,578 and the respective impairment allowance amounted to USD 6,093,871. The Company provides services to broad based clients, mainly on credit terms. The Company's policy on impairment allowance as referred to in note (2) is to estimate impairment when collection of the full or part of the amount is no longer probable which involves judgment and the use of estimate. Estimates, based on the Company's historical experience, are used in determining the level of debts that the Company believes will not be collected.

We focused on this matter due to the high judgment and the use of estimate involved in calculating the impairment allowance, particularly regarding the estimation of future cash collection.

We tested the key controls relating to data used in the impairment allowance computation and considered collection performance against historical trends and the level of impairment allowance charges over time and agreed a sample of this data back to its source, being the billing system. We recalculated the impairment allowance based on the aging reports generated from the collection system. In addition, we assessed the cash received subsequent to year end and inquired management about its knowledge of future conditions that may impact expected customer receipts.

Other information included in the Company's 2016 Annual Report
Other information consists of the information included in the Company's 2016 Annual Report other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's 2016 Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

Responsibilities of Management and Board of Directors for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material 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 financial statements.

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

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

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

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

Building a better working world

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young – Middle East
License # 206/2012
Saeed Abdallah

Ernst + Young
Sa'ed Abdallah
License # 105/2003

Ramallah – Palestine
February 27, 2017

STATEMENT OF FINANCIAL POSITION
As of December 31, 2016

	Notes	2016 U.S. $	2015 U.S. $
Assets			
Non-current assets			
Property and equipment	3	27,469,533	32,064,736
Intangible assets	4	139,111,200	141,411,559
Projects in progress	5	18,883,868	30,049,245
		185,464,601	203,525,540
Current assets			
Advances to contractors		5,417,874	6,887,119
Restricted cash	6	3,951,235	4,001,936
Prepayments and other current assets	7	1,808,979	1,603,932
Inventory	8	3,463,535	3,927,813
Accounts receivable	9	11,276,707	8,100,789
Cash in hand and at banks	10	12,263,583	19,153,712
		38,181,913	43,675,301
Total Assets		223,646,514	247,200,841
Equity and liabilities			
Equity			
Paid-in share capital	11	258,000,000	258,000,000
Share premium		11,610,000	11,610,000
Accumulated losses		(201,444,884)	(199,906,943)
Net equity		68,165,116	69,703,057
Non-current liabilities			
Provision for employees' indemnity	12	5,520,317	4,301,824
Interest-bearing loans and borrowings	13	44,300,352	45,743,645
Other non-current liability	4	54,346,654	54,346,654
		104,167,323	104,392,123
Current liabilities			
Current portion of interest-bearing loans and borrowings	13	19,500,000	27,000,000
Accounts payable		9,128,538	11,114,168
Due to related parties	14	177,759	156,771
Deferred revenues		3,647,075	4,580,026
Other current liabilities	15	17,052,821	17,905,265
Accrued project cost	16	1,807,882	12,349,431
		51,314,075	73,105,661
Total liabilities		155,481,398	177,497,784
Total Equity and Liabilities		223,646,514	247,200,841

STATEMENT OF PROFIT OR LOSS
For the year ended December 31, 2016

	Notes	2016 U.S. $	2015 U.S. $
Revenue		84,118,637	83,197,778
Cost of services		(36,876,009)	(38,594,684)
		47,242,628	44,603,094
Finance income		340,927	386,948
Other income	18	-	4,314,515
Currency exchange gain (loss)		1,222	(860,212)
General and administrative expenses	19	(27,489,911)	(28,655,161)
Depreciation and amortization	3,4	(19,358,364)	(19,609,273)
Finance costs	20	(4,273,940)	(4,870,605)
Impairment losses		-	(446,641)
Recovery of impairment of accounts receivable	9	1,999,497	-
Loss for the year		(1,537,941)	(5,137,335)
Basic and diluted earnings per share	21	(0.006)	(0.020)

STATEMENT OF OTHER COMPREHENSIVE INCOME
For the year ended December 31, 2016

	2016	2015
	U.S. $	U.S. $
Loss for the year	(1,537,941)	(5,137,335)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	(1,537,941)	(5,137,335)

Wataniya Palestine Mobile Telecommunication
Public Shareholding Company

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2016

	Paid-in share capital	Share premium	Accumulated losses	Net equity
	U.S. $	U.S. $	U.S. $	U.S. $
Balance at January 1, 2016	258,000,000	11,610,000	(199,906,943)	69,703,057
Total comprehensive income for the year	-	-	(1,537,941)	(1,537,941)
Balance at December 31, 2016	258,000,000	11,610,000	(201,444,884)	68,165,116
Balance at January 1, 2015	258,000,000	11,610,000	(194,769,608)	74,840,392
Total comprehensive income for the year	-	-	(5,137,335)	(5,137,335)
Balance at December 31, 2015	258,000,000	11,610,000	(199,906,943)	69,703,057

STATEMENT OF CASH FLOWS

For the year ended December 31, 2016

	Note	2016	2015
Operating activities		U.S. $	U.S. $
Loss for the year		(1,537,941)	(5,137,335)
Adjustments for:			
Depreciation		9,386,955	10,243,709
Provision for employees' indemnity		1,789,856	1,606,120
Recovery of impairment of accounts receivable		(1,999,497)	-
(Gain) loss on disposal of property and equipment and intangibles		(7,140)	43,999
Impairment losses of property and equipment and intangibles		-	446,641
Finance income		(340,927)	(386,948)
Finance costs		4,273,940	4,870,605
Amortization		9,971,409	9,365,564
Other income		-	(4,314,515)
Non-cash items		114,278	(305,775)
		21,650,933	16,432,065
Working capital changes:			
Prepayments and other current assets		(183,279)	54,687
Inventory		464,278	(2,368,356)
Accounts receivable		(1,252,825)	983,881
Accounts payable		(1,749,194)	838,919
Due to related parties		20,988	(15,734)
Deferred revenue		(932,951)	(455,067)
Other current liabilities		(84,332)	3,377,249
Employees' indemnity paid		(483,258)	(1,447,685)
Transfer to provident fund		(362,415)	(2,586,737)
Net cash flows from operating activities		17,087,945	14,813,222
Investing activities			
Purchase of property and equipment		(2,631,734)	(628,297)
Purchase of intangible assets		(1,620,641)	(633,393)
Proceeds from disposal of property and equipment		32,932	31,517
Increase in projects in progress		(7,612,391)	(14,294,934)
Advances to contractors		1,469,245	5,549,495
Interest received		319,159	363,655
Net cash flows used in investing activities		(10,043,430)	(9,611,957)
Financing activities			
Repayment of syndicated loan		(9,375,000)	(9,375,000)
Syndicated loan transaction costs paid		(551,395)	(897,987)
Interest paid		(4,058,950)	(4,954,867)
Restricted cash		50,701	(882,781)
Net cash flows used in financing activities		(13,934,644)	(16,110,635)
Decrease in cash and cash equivalents		(6,890,129)	(10,909,370)
Cash and cash equivalents, Beginning of year		19,153,712	30,063,082
Cash and cash equivalents, End of year	10	12,263,583	19,153,712

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

1. Activities

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

The Company was formed with an authorized share capital of 5,000,000 shares with U.S. $ 1 par value each. During 2008, the Company's authorized and paid-in share capital was increased to 170,000,000 shares with U.S. $ 1 par value each. The Company's General Assembly in its extraordinary meeting held on October 25, 2010 resolved to increase the Company's authorized share capital to 258,000,000 shares with U.S. $ 1 par value each. The existing shareholders (WIL and PIF) subscribed for 49,300,000 shares through capitalizing a portion of the shareholders' loans and the related accrued interest. The remaining 38,700,000 shares were offered to the public at an offer price of U.S. $ 1.3 per share, resulting in a share premium of U.S. $ 11,610,000. The public offering took place during the period from November 7, 2010 to December 2, 2010.

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

The Company started its operations on November 1, 2009.

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

The financial statements of the Company as of December 31, 2016 were authorized for issue in accordance with the Board of Directors resolution on February 27, 2017.

2. Summary of significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards.

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

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

Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except that the Company has adopted the following amended IFRS's and IAS's effective January 1, 2016.

Adoption of these standards and interpretations did not have any effect on the results of operations or financial position of the Company.

<u>Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation</u>

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are applied prospectively and do not have any impact on the Company, given that it has not used a revenue-based method to depreciate its non-current assets.

<u>Amendments to IAS 1 Disclosure Initiative</u>

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements

The following IFRS and amendments have been issued but are not yet effective, and have not been adopted by the Company:

<u>IFRS 9 Financial Instruments: Classification and Measurement</u>

During July 2014, the IASB issued IFRS 9 "Financial Instruments" with all the three phases. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 as issued will be implemented at the mandatory date on January 1, 2018, which will have an impact on the recognition and measurement of financial assets.

<u>IFRS 15 Revenue from Contracts with Customers</u>

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

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

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

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. Early application is permitted.

Significant accounting judgments, estimates and assumptions

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

Interconnection revenues and costs

The Company's management uses certain estimates to determine the amount of interconnection revenues, costs, receivables, and payables.

Useful lives of tangible and intangible assets

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

Impairment of accounts receivable

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

Revenue recognition

Revenues are recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenues are measured at the fair value of the consideration received, excluding discounts and sales commissions. The following specific recognition criteria must also be met before revenue is recognized:

Rendering of services

Revenues from airtime are recognized when the service is rendered. Sales of prepaid cellular phone cards are recorded as deferred revenues until recognized as revenues.

Equipment sales

Revenues from sale of cellular phone sets are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be reliably measured.

Interest income

Interest income is recognized as interest accrues using the effective interest rate.

Expenses recognition

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

Income tax

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

Property and equipment

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

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

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

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

The residual values, useful lives and methods of depreciation of property, and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate. During 2016, the Company's management changed useful lives of property and equipment based on market study made.

Projects in progress

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

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

Inventories

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

Accounts receivable

Accounts receivable are stated at original invoice amount less a provision for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full or part of the amount is no longer probable. Bad debts are written off when there is no possibility of recovery. During 2016, the Company changed the provisioning policy for accounts receivable as the Company believes that new policy provides more relevant information and is more aligned to the industry practice.

Impairment and uncollectibility of financial assets

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognized in the statement of profit or loss. Impairment is determined as follows:

- For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the statement of profit or loss;
- For assets carried at cost, impairment is the difference between carrying value and present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

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 cash.

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.

Leases

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

Provisions

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

Loans and borrowings

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

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

Borrowing Costs

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

Intangible assets

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

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

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

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

<u>Software</u>
Software cost is amortized using the straight-line method over the useful lives of the assets. During 2016, the Company's management changed the useful lives of software based on market study made. The software's useful lives ranged between 3 to 6. Amortization expense is recognized in the income statement.

Foreign currencies

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

3. Property and equipment

2016	Network equipment U.S. $	Network infrastructure U.S. $	Computers U.S. $	Office equipment U.S. $	Furniture and fixtures U.S. $	Leasehold improvements U.S. $	Others U.S. $	Total U.S. $
Cost								
At January 1, 2016	55,209,989	22,011,240	16,380,279	1,845,755	1,923,781	6,283,958	33,638	103,688,640
Additions	2,565,304	171,193	1,017,971	382,751	110,635	568,404	1,286	4,817,544
Disposals	(160,504)	-	-	(40,590)	-	-	-	(201,094)
At December 31, 2016	57,614,789	22,182,433	17,398,250	2,187,916	2,034,416	6,852,362	34,924	108,305,090
Accumulated depreciation and impairment								
At January 1, 2016	36,277,389	13,782,479	13,192,349	1,596,055	1,368,176	5,374,924	32,532	71,623,904
Depreciation charge for the year*	6,785,408	971,056	1,012,190	152,417	132,347	332,825	712	9,386,955
Disposals	(160,504)	-	-	(14,798)				(175,302)
At December 31, 2016	42,902,293	14,753,535	14,204,539	1,733,674	1,500,523	5,707,749	33,244	80,835,557
Net carrying amount								
At December 31, 2016	14,712,496	7,428,898	3,193,711	454,242	533,893	1,144,613	1,680	27,469,533

* The Company's management changed useful lives of property and equipment based on market study made during 2016. This change has resulted in a decrease in the depreciation expense for the year by U.S. $ 576,292.

2015	Network equipment U.S. $	Network infrastructure U.S. $	Computers U.S. $	Office equipment U.S. $	Furniture and fixtures U.S. $	Leasehold improvements U.S. $	Others U.S. $	Total U.S. $
Cost								
At January 1, 2015	55,588,596	21,640,029	15,660,260	1,824,713	1,977,373	6,050,201	33,638	102,774,810
Additions	4,191,793	421,414	1,063,812	88,417	67,486	236,567	-	6,069,489
Disposals	(4,570,400)	(50,203)	(343,793)	(67,375)	(121,078)	(2,810)	-	(5,155,659)
At December 31, 2015	55,209,989	22,011,240	16,380,279	1,845,755	1,923,781	6,283,958	33,638	103,688,640
Accumulated depreciation and impairment								
At January 1, 2015	33,463,740	12,887,296	12,229,883	1,347,230	1,170,390	4,966,496	31,493	66,096,528
Impairment loss	318,706	44,377	-	-	467	260	-	363,810
Depreciation charge for the year	7,024,409	873,681	1,305,463	310,682	317,457	410,978	1,039	10,243,709
Disposals	(4,529,466)	(22,875)	(342,997)	(61,857)	(120,138)	(2,810)	-	(5,080,143)
At December 31, 2015	36,277,389	13,782,479	13,192,349	1,596,055	1,368,176	5,374,924	32,532	71,623,904
Net carrying amount								
At December 31, 2015	**18,932,600**	**8,228,761**	**3,187,930**	**249,700**	**555,605**	**909,034**	**1,106**	**32,064,736**

4. Intangible assets

On March 14, 2007, the Company entered into a license agreement (the License) with the Ministry of Telecommunications and Information Technology (the MTIT) to provide 2G and 3G mobile services in West Bank and Gaza for the total price of U.S. $354,000,000. The term of the License is fifteen years from the effective date, being the date on which the frequencies to enable launch of operations in West Bank were allocated to the Company. The effective date was originally set on August 6, 2008. On December 16, 2009, the MTIT approved the Company's request to determine September 10, 2009 as the effective date, instead of August 6, 2008, since it represents the date on which the frequencies were actually allocated.

An amount of U.S. $140,000,000 of the total license price was paid by the Company on August 6, 2008. The remaining price of the license of U.S. $214,000,000 is to be paid in two installments of U.S. $80,000,000 and U.S. $134,000,000 upon reaching certain subscribers milestones and provided that the MTIT fulfills its obligations to enable the Company to provide 2G and 3G services in West Bank and Gaza as stated in the license agreement.

The Company's license includes West Bank and Gaza. The MTIT notified the Company that it can start operations in West Bank; however, the Company's right to use the frequencies in Gaza was delayed until further notice.

Therefore, the license price of U.S. $354,000,000 was allocated between West Bank and Gaza based upon the split of addressable markets in both territories and assumed subscribers and revenues for each territory. The portion of the license price relating to West Bank was estimated at U.S. $ 212,400,000, of which U.S. $140,000,000 was paid on August 6, 2008. The remaining amount of U.S. $ 72,400,000 was deferred. The portion of the license price of U.S. $ 141,600,000 relating to Gaza was not recognized in the financial statements as the Company was not granted access to launch services in Gaza. The deferred portion was initially recorded as other non-current liability at its fair value of U.S. $ 44,871,337 calculated by discounting the U.S. $ 72,400,000 to its present value using an interest rate of 8%, which approximated the Company's borrowing interest rate. The deferred portion of the price was subsequently measured at amortized cost using the effective interest method. The intangible asset was initially recorded at U.S. $ 184,871,337 being the total of the payment made on the effective date of U.S. $ 140,000,000 and the present value of the deferred portion of U.S. $ 44,871,337.

Based on the fact that the Company is unable to utilize all the benefits granted in the license agreement resulting from MTIT not fulfilling its obligations related to 3G frequencies and international Gateways portion of the license, the Company prospectively changed its accounting estimates related to the remaining license cost as of January 1, 2011. Accordingly, the Company started to amortize only the paid amount of the license less accumulated amortization as of December 31, 2010 over the remaining useful life of the license. Further the Company stopped calculating interest on the deferred liability until the time it reaches an agreement with MTIT regarding the 3G frequencies and international Gateways portion of the license.

The Company started amortizing the License on November 1, 2009 being the date on which it commenced its operations. During 2014, the Ministers' Council formed a committee to review the value of the License in light of the losses incurred by the Company. During 2015 and based on committee's recommendations, the MTIT issued a decree which granted the Company an extension of the useful life of the License by additional 5 years. Thus, the Company's management changed the estimated useful life of the License from 15 years to 20 years.

The movement on intangible assets is as follows:

	License	Software	Total
	U.S. $	U.S. $	U.S. $
Cost			
At January 1, 2016	184,871,337	25,606,338	210,477,675
Additions during the year	-	7,671,050	7,671,050
At December 31, 2016	184,871,337	33,277,388	218,148,725
Accumulated Amortization			
At January 1, 2016	57,214,227	11,851,889	69,066,116
Amortization for the year*	6,058,707	3,912,702	9,971,409
At December 31, 2016	63,272,934	15,764,591	79,037,525
Net carrying amount			
At December 31, 2016	121,598,403	17,512,797	139,111,200
At December 31, 2015	127,657,110	13,754,449	141,411,559

* The Company's management changed useful lives of software based on market study made during 2016. This change has resulted in a decrease in the amortization expense for the year by U.S. $ 381,386.

5. Projects in progress

	2016	2015
	U.S. $	U.S. $
Network equipment	13,755,297	20,621,746
Capitalized interest cost	2,822,835	2,124,272
IT systems	1,331,673	1,166,423
Network infrastructure	339,891	1,044,503
Billing system	100,406	3,869,629
Renovations	88,200	551,960
Data center expansion phase	-	190,001
Sites electricity	22,726	43,398
Others	422,840	437,313
	18,883,868	30,049,245

The movement on projects in progress is as follows:

	2016	2015
	U.S. $	U.S. $
Beginning balance	30,049,245	26,747,644
Additions	1,841,876	12,117,313
Transferred to property and equipment and intangible assets	(8,236,219)	(8,815,712)
Cost adjustments	(4,771,034)	-
Ending Balance	18,883,868	30,049,245

The estimated cost to complete the above projects as of December 31, 2016 is U.S. $ 7,486,426.

6. Restricted cash

This balance represents as of December 31, 2016 an amount of U.S. $ 3,932,906 restricted in relation to the syndicated loan agreement (Note 13) and an amount of U.S. $ 18,329 in relation to letter of guarantees granted from local banks to the Company.

7. Prepayments and other current assets

	2016	2015
	U.S. $	U.S. $
Prepaid sites' rent	911,946	716,156
Prepaid warranty	424,414	580,271
Prepaid rent expense	197,877	41,906
Due from employees	42,462	55,548
Prepaid advertisement	13,050	13,206
Other	219,230	196,845
	1,808,979	1,603,932

8. Inventory

	2016	2015
	U.S. $	U.S. $
Spare parts	2,468,914	2,361,083
SIM cards	497,891	644,537
Accessories	234,985	119,767
Scratch cards	140,389	131,446
Handsets	121,356	670,980
	3,463,535	3,927,813

9. Accounts receivable

	2016	2015
	U.S. $	U.S. $
Receivables from subscribers	14,500,014	12,415,063
Interconnection partners	2,780,958	3,489,347
Roaming partners and other receivables	89,606	380,674
	17,370,578	16,285,084
Impairment of accounts receivable	(6,093,871)	(8,184,295)
	11,276,707	8,100,789

Following is a summary of the movement on the impairment of accounts receivable account during the year:

	2016	2015
	U.S. $	U.S. $
Beginning Balance	8,184,295	8,180,294
Recoveries	(1,999,497)	-
Write offs	(167,331)	-
Currency exchange	76,404	4,001
Ending Balance	6,093,871	8,184,295

The Company's management changed its provisioning policy to reflect the customers' life cycle and to provide more relevant basis of provisioning measurement. This change has resulted in a recovery of U.S. $ 627,260 for the year 2016.

As at December 31, 2016, the aging analysis of the unimpaired trade receivables is as follows:

	Not due	Past due but not impaired					Total
		1-30 days	31-60 days	61-90 days	91-120 days	More than 120 days	
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
2016	6,123,940	1,113,942	1,259,711	1,086,448	905,115	787,551	11,276,707
2015	6,365,166	1,132,326	408,785	89,775	74,812	29,925	8,100,789

The Company expects to recover all unimpaired receivables.

10. Cash in hand and at banks

	2016	2015
	U.S. $	U.S. $
Cash in hand	117,530	58,031
Cash at banks and short term deposits	12,146,053	19,095,681
	12,263,583	19,153,712

As of December 31, 2016, the Company has ten short term deposits amounting to U.S. $ 11,926,261 (2015: U.S. $ 17,654,848) at local banks with an average interest rate of 2.92% (2015: 2.44%).

11. Paid-in share capital

	2016	2015
	U.S. $	U.S. $
Wataniya International FZ – LLC (WIL)	125,001,000	125,001,000
Palestine Investment Fund, PLC (PIF)	87,794,885	87,794,885
Public shareholders	45,204,115	45,204,115
	258,000,000	258,000,000

12. Provision for employees' indemnity

	Severance pay	Due to provident fund	Total
	U.S. $	U.S. $	U.S. $
2016			
Balance, beginning of year	4,246,500	55,324	4,301,824
Additions	1,180,998	845,294	2,026,292
Payments during the year	(483,258)	-	(483,258)
Transfer to provident fund account*	-	(362,415)	(362,415)
Currency exchange	47,487	(9,613)	37,874
Balance, end of year	4,991,727	528,590	5,520,317
2015			
Balance, beginning of year	4,422,145	2,314,974	6,737,119
Additions	921,749	987,154	1,908,903
Payments during the year	(893,995)	(553,690)	(1,447,685)
Transfer to provident fund account*	-	(2,586,737)	(2,586,737)
Currency exchange	(203,399)	(106,377)	(309,776)
Balance, end of year	4,246,500	55,324	4,301,824

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

13. Interest-bearing loans and borrowings

	2016	2015
	U.S. $	U.S. $
Shareholders' loans		
Wataniya International FZ – LLC (WIL)*	2,850,000	2,850,000
Palestine Investment Fund, PLC (PIF)*	2,150,000	2,150,000
Accrued interest (WIL)	1,141,442	958,284
Accrued interest (PIF)	860,644	722,472
	7,002,086	6,680,756
Third parties' loans		
Local banks' loans **	39,300,000	44,175,000
IFC loan**	25,200,000	29,700,000
	64,500,000	73,875,000
Less: transaction costs directly attributable to third parties' loans***	(7,701,734)	(7,812,111)
	63,800,352	72,743,645
Non-current portion	44,300,352	45,743,645
Current portion	19,500,000	27,000,000
	63,800,352	72,743,645

* On June 22, 2010, the Company entered into a loan agreement with its shareholders for a total amount of U.S. $ 30,000,000. The loan includes an unsubordinated portion of U.S $ 5,000,000 and a subordinated portion of U.S. $ 25,000,000. The loan bears annual interest rate 5.85%. The loan and the interest of the subordinated portion had been converted to equity during the year 2010. The repayment of the loan and interest of the unsubordinated portion is to be made when the Company has the financial ability to make payment.

On September 3, 2014, the Company amended the agreement and increased the unutilized loan balance to become U.S. $ 35,000,000.

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

On December 9, 2012, the Company signed an agreement with a local bank to finance the network equipment purchased for Gaza with a total amount of U.S. $ 12,000,000; the Company will repay this amount upon commencement of the second phase of the syndicated loan but not after December 9, 2017. The loan bears annual interest rate of 3 months LIBOR plus 5.25%.

Following is the third parties' loans principal maturities for the utilized balance:

		U.S. $
Matures during	2017	19,500,000
Matures during	2018	10,620,000
	2019	13,740,000
	2020	13,740,000
	2021	6,900,000
		45,000,000
		64,500,000

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

14. Due to related parties

	2016	2015
	U.S. $	U.S. $
Ooredoo Group LLC	177,759	156,771

15. Other current liabilities

	2016	2015
	U.S. $	U.S. $
Accrued interconnection and roaming cost	3,067,511	3,308,644
Accrued bonus	2,997,317	2,784,820
Accrued license fees	430,952	1,183,475
Accrued sales commission	873,063	1,021,418
Accrued payroll	1,277,372	962,594
Marketing costs	1,168,053	738,316
Due to VAT	377,474	638,234
Employees vacations provision	408,188	365,467
Accrued interest and commitment fees	223,839	274,513
Other	6,229,052	6,627,784
	17,052,821	17,905,265

16. Accrued project cost

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

17. Income Tax

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

18. Other income

During the year 2015, the Company received a resolution from The Council of Ministers stating that the Company will be exempted from the royalty fees for five years starting from the year 2014. Therefore, the accrual balance for the year 2014 amounting to U.S. $ 4,314,515 was reclassified to other income and the Company ceased to calculate and record royalty fees thereafter.

19. General and administrative expenses

	2016	2015
	U.S. $	U.S. $
Salaries and related expenses	13,269,698	13,603,119
Marketing expenses	5,898,116	5,105,059
Maintenance	2,824,397	2,625,804
Rent	1,942,041	1,688,140
Accommodation, travel and transportation	561,325	643,117
Warehousing and logistics	414,458	408,000
Water, electricity and fuel	397,388	409,220
Professional and consulting fees	362,707	1,353,796
Insurance	347,076	374,562
Security services	197,190	155,898
Software license expense	162,664	162,664
Telephone, fax and mail	85,761	83,405
Subscription fees	82,093	139,297
Bank charges	35,809	75,995
Stationery and supplies	18,600	16,665
Other	890,588	1,810,420
	27,489,911	28,655,161

20. Finance costs

	2016	2015
	U.S. $	U.S. $
Interest on loans and borrowings	3,612,168	3,935,616
Amortization of transaction costs	661,772	934,989
	4,273,940	4,870,605

21. Basic and Diluted Earnings Per Share

	2016	2015
Loss for the year (U.S. $)	(1,537,941)	(5,137,335)
Weighted average number of shares (Share)	258,000,000	258,000,000
Basic and diluted loss per share (U.S. $)	(0.006)	(0.020)

22. Commitments and contingencies

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

Following is a summary of the outstanding commitments:

	2016	2015
	U.S. $	U.S. $
Contracts and purchase orders	12,360,970	14,263,911
License*	159,653,346	159,653,346

* As disclosed in (Note 4) to the financial statements, the Company entered into a license agreement with MTIT for a total price of U.S. $ 354,000,000. The unpaid portion of the license cost, net of the related non-current liability, of U.S. $159,653,346 represents the unrecognized liability in the financial statements resulting from MTIT not fulfilling its obligations in relation with granting the Company access to Gaza and 3G frequencies. In addition, the Company's management changed the estimated useful life of the License from 15 years to 20 years.

The Company entered into an agreement to lease the office building on January 27, 2007. The Company has an option to renew the contract for additional 5 years at each end of maturity date.

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

	U.S. $
Within one year	458,152
After one year but not more than five years	1,974,241
	2,432,393

23. Related party transactions

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

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

	Nature of relationship	2016	2015
		U.S. $	U.S. $
Interest-bearing loans and borrowings (note 13)	Shareholders	5,000,000	5,000,000
Accrued interest	Shareholders	2,002,086	1,680,756
Due to related parties (note 14)	Shareholders	177,759	156,771
Accrued key management personnel compensation	Key management	2,445,467	1,238,037
Accounts Receivable	Shareholder	1,727	-

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

	2016	2015
	U.S. $	U.S. $
Finance costs	321,330	303,030
Key management personnel compensation	1,202,430	1,071,686
Revenue from shareholders	21,975	6,252

24. Fair value of financial instruments

Financial instruments comprise of financial assets and financial liabilities.

	Carrying Value	Fair Value
	U.S. $	U.S. $
Financial assets		
Accounts receivable	11,276,707	11,276,707
Other current assets	261,692	261,692
	11,538,399	11,538,399
Financial liabilities		
Interest-bearing loans and borrowings	63,800,352	63,800,352
Other non-current liability	54,346,654	54,346,654
Accounts payable	9,128,538	9,128,538
Due to related parties	177,759	177,759
Other current liabilities	17,052,821	17,052,821
Accrued project cost	1,807,882	1,807,882
	146,314,006	146,314,006

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

25. Risk management

Interest rate risk

The Company is exposed to interest rate risk on its interest-bearing assets and liabilities (short term bank deposits and Interest bearing loan and borrowings). The following table demonstrates the sensitivity of the statement of profit or loss to reasonably possible changes in interest rates, with all other variables held constant.
The sensitivity of the statement of profit or loss is the effect of the assumed changes in interest rates on the Company's profit for one year, based on the floating rate financial assets and financial liabilities held at December 31, 2016. There is no direct impact on the Company's equity.

	Increase/ decrease in basis points	Effect on statement of profit or loss for the year
	%	U.S. $
2016		
U.S. $	+15	(80,461)
U.S. $	-10	53,641
2015		
U.S. $	+15	(85,940)
U.S. $	-10	57,293

Foreign currency risk

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

	Increase/ decrease in ILS rate to U.S. $	Effect on Statement of profit or loss for the year
	%	U.S. $
2016		
U.S. $	+5%	3,210
U.S. $	-5%	(3,210)
2015		
U.S. $	+5%	85,746
U.S. $	-5%	(85,746)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Most of the Company's customers are prepaid card customers. The maximum exposure with respect to customers is the carrying amount as disclosed in (Note 9).

With respect to credit risk arising from the other financial assets, including cash and cash equivalents, the Company'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 Company limits its liquidity risk by securing bank loans and funding from shareholders.

The table below summarizes the maturities of the Company's undiscounted financial liabilities at December 31, 2016, and 2015 based on contractual payment dates and current market interest rates.

December 31, 2016	Less than 3 months U.S. $	3 to 12 months U.S. $	1- 5 years U.S. $	Total U.S. $
Interest-bearing loans and borrowings	2,655,722	20,582,828	50,751,083	73,989,633
Accounts payable	9,128,538	-	-	9,128,538
Due to related parties	-	177,759	-	177,759
Other current liabilities	-	17,052,821	-	17,052,821
Other noncurrent liabilities	-	-	54,346,654	54,346,654
Total liabilities	11,784,260	37,813,408	105,097,737	154,695,405

December 31, 2015	Less than 3 months U.S. $	3 to 12 months U.S. $	1- 5 years U.S. $	Total U.S. $
Interest-bearing loans and borrowings	3,591,239	26,227,055	49,656,211	79,474,505
Accounts payable	11,114,168	-	-	11,114,168
Due to related parties	-	156,771	-	156,771
Other current liabilities	-	17,905,265	-	17,905,265
Other noncurrent liabilities	-	-	54,346,654	54,346,654
Total liabilities	14,705,407	44,289,091	104,002,865	162,997,363

26. Capital Management

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

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the year ended December 31, 2016 and the year ended December 31, 2015. Capital comprises paid-in share capital, share premium and accumulated losses, and is measured at U.S.$ 68,165,116 as at December 31, 2016 (2015: U.S.$ 69,703,057).

27. Financial performance

The balance of accumulated losses of U.S. $ 201,444,884 as at December 31, 2016. However, the major shareholders of the Company are committed to keep on financing the Company's operations and cover losses. Moreover, the Company has business plan that includes options and actions to recover the accumulated losses, such as expanding services especially in Gaza, implementing costs reduction plans and issuing additional capital.

28. Concentration of risk in geographic area

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