

الوطنية موبايل
wataniya mobile



Hand ⁱⁿ Hand for a Better World

Annual Report
2013



Hand in Hand for a Better World

Annual Report
2013

A photograph of a woman wearing a pink headscarf and a young girl looking at a smartphone together. They are both smiling. In the background, there are other children, including a boy in a striped shirt and another girl. They are standing in front of a wooden wall.

In this year's report;

We've added valuable information to this year's report to present a clearer picture of how we're running our business, and what our plans are. You can find sections on our strategy, KPIs, risk management and our actions towards sustainable development.

We hope you find this report informative & useful.

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You can access the electronic document of this report via our online website at www.wataniya.ps/ investor relations section.

This report is dated February 17, 2014.





Introduction

- 2013 In Brief
- Operational Highlights
- Message from the Board of Directors

Resilient Performance, Determined to Compete



2013 In Brief

It was an eventful year as we launched a number of new rate plans, came together with our valued subscribers and visitors through a number of new service channels whether at universities or post offices and this wasn't all ...



September

932 Points of Sale
76 Authorized dealers
Tens of Wataniya Mobile college ambassadors
6 Showrooms & **10** Express showrooms



Until year end

Created **1097** direct and indirect jobs.



December

Bethlehem showroom opening



Throughout the year

Excellent media footprint with more than **47** press releases



First half of 2013

Re-introducing post-paid rate plans

March

Annual General Meeting
The largest paid in capital at PEX
More than **11 thousand** investors

Throughout the year

Introduced more than **30** campaigns and new rate plans



June - September

More than **60** educational, cultural and social events
Sponsored **21** cultural festivals with more than **260 thousand** visitors



Throughout the year

Network covers **97%** of population



Throughout the year

More than **6 thousand** training hours
Trained **76%** of Company employees



Second half of 2013

Entered Telecom equipment to Gaza & in wait of final preparations



Operational Highlights

Resilient Performance, Determined to Compete

The year 2013 lived conflicting trends, both economical and political; and as we operate within an environment where the macro economy has suffered stagnation and regional political pressures, our operations were affected in one way or the other. However, we adamantly drew a close to the year with resilient performance and a competitive edge.

638 thousand

Subscribers

The number of our subscribers reached 638 thousand subscribers in 2013, an increase by 5% compared to the preceding year; a clear indication of the success of our strategy not only to attract but also to retain subscribers.

29%

Market Share

Our West Bank market share reached 29% in 2013, a 4% increase compared to the preceding year. This rise is a living proof of our competitiveness within this evolving market.

US\$89 million

Revenues

Our revenues reached US\$89.2 million, an increase of 6% compared to the preceding year, proving the differentiated proposition of our services in harmony with the various needs of different subscribers' segments.

US\$9 million

EBITDA

Operational profits (EBITDA) reached US\$9 million, an increase of 41% compared to the preceding year; whereby the gross profit increased by 11%. It is a clear indication of our ability to effectively harness and operate our resources.



To further read on Key performance indicators see pages 32 and 33.



Message

from the Board of Directors

To our valued shareholders,

Wataniya Mobile Board of Directors undertakes the responsibility of maximizing shareholders and stakeholders' interests, which involves maintaining progressive operational performance, growth of profitability, and institutionalizing sustainable development. Therefore, it is our in-effect policy to adopt excellent governance, while steering the Company's strategy by maintaining effective rules, quality control, and assessing and managing risks to achieve the desired objectives.

Despite of continued global economic uncertainty and the current turbulent political conditions, Wataniya Mobile weathered through to uplift its operational and financial performance. This was achieved by adopting successful sales and marketing strategies to attract new subscribers and retain existing ones. It is also ascribed not only to the expansion of operations over an extensive distribution network, but also providing innovation-driven products and services.

We can proudly say that all this was translated positively by the end of 2013: as our subscribers' base surged to reach nearly 638 thousand; our market share favourably increased to reach 29%¹; creating, in addition to the cost management initiatives, a gross profit increase of 11% and an EBITDA rise to reach US\$9 million; an improvement of 41% compared to the preceding year.

Building on a proud record of community development

Wataniya Mobile's Board of Directors places the Company's role as key contributor to sustainable development among its top priorities. Therefore, the Board of Directors continues to cement the pillars of the process not only by contributing to social and economic development, but also preserving the environment. Wataniya Mobile, throughout 2013, sponsored more than 60 significant social and cultural events. It also offered financial assistance in funding and training certain disadvantaged classes within the community. Wataniya Mobile's staff members stand as a living example to the Company's role in social development, where the Employee Engagement score reached 79%, with a 5% increase compared to the preceding year.

Equally, Wataniya Mobile, since its advent to the telecommunications market, has been contributing to keep the Palestinian economy rolling. During 2013 the Company has created more than 1,097 direct and indirect job opportunities, contributing to raising the standard of the living of hundreds of households. Following a decade of monopoly, Wataniya Mobile entry helped liberalise the telecommunications market driving lower tariffs and higher quality of services. Moreover, the Company generated direct revenues to the Palestinian Authority's Treasury. And ranking as the largest paid-up capital among Palestine Exchange (PEX) listed companies, Wataniya Mobile indirectly caused

¹ Variable estimated based on The West Bank's market only, as the Company has not until date operated in Gaza, and excluding the illegal competition by Israeli operators.



the market value of PEX to increase 8% by the end of 2013. Wataniya Mobile is strictly adopting the principles of good governance and transparency, which are essential to creating an attractive environment to shareholders; and bolstering Palestine's position on the global investment arena.

With a commitment to strengthen its responsibility in environmental practices, and manage environmental impact of operations and products, Wataniya Mobile's Board of Directors firmly observes international standards for the preservation of environment and its resources. Since its inception, the Company has been firmly adhering to international standards aiming at protecting the environment. As such, Wataniya Mobile designed many creative solutions for a clean, safe and healthy environment.

Governance at the core of our operations

The aforesaid achievements would not have been made without the Board of Directors' strict observance of rules of governance, as stipulated in the regulations handed down by the Palestine Capital Market Authority, Palestine Exchange, and Ministry of National Economy. The said regulations mandate certain rules of disclosure, including time limits and audited financial statements, in addition to the Company's compliance with the Companies Act and its own bylaws.

Our valued Shareholders

Striking a balance between compliance with regulations and voyaging in the expanse of creativity remains a herculean task, efficiently shouldered by Wataniya Mobile's Board of Directors, to maintain excellence in our world-class services to the Palestinian local community; and to continue to generate value and revenues to our stockholders; all in an attempt to return the favour to our homeland, both of West Bank and Gaza Strip.

To conclude, the Board of Directors extends their warmest appreciation to you, our shareholders, for your unwavering support to Wataniya Mobile, looking forward to your continued support in the years to come; to continue to give account of more successes and more achievement in Gaza Strip, similar to those in West Bank.

Wataniya Mobile
Board of Directors

Business Review

- Message from the Chief Executive Officer
- Vision, Values & Strategy
- Economic Climate & Investment Atmosphere
- Market & Competition
- Rate Plans & Services
- Key Performance Indicators
- Risk Management

We continue our pursuit to become the leading choice in the Palestinian market.



Message

Message from Chief Executive Officer



Our Valued Shareholders,

The Palestinian economy has seen steady growth over the recent years, where the GDP growth reached 5.5%¹ by the end of 2013, compared to the preceding year. Being a part of the national economy, Wataniya Mobile achieved growth rates in 2013 which underpin its resilient performance and competitive edge, despite the adverse Palestinian political conditions.

Third Annual Report

In its 2013 Annual Report, Wataniya Mobile demonstrates its compliance with the principles of governance. The Report touches upon the key information of our strategic plans, operational performance, risk management, and environmental, societal, and economic sustainable contributions.

We opted to publish our 2013 Annual Report in a compact disc (CD) format, with the objective of employing technology in our disclosure channels while adhering to cost efficiency and environmental considerations. Our Shareholders and stakeholders can access the 2013 Annual Report directly on the Company's webpage.

Differentiated Proposition with the Subscribers at the Core

During the course of 2013, we proudly achieved the set targets of becoming quality growth drivers, focused on profitability, while keeping our subscribers and their needs at the core of everything we do as we leveraged Ooredoo Group's resources together with our strategic plans and committed hard work. Therefore, I am thrilled to report to you that; while 2013 was a growth year for us, it also marked the year we began deploying our telecom Network in Gaza Strip.

As part of our continued commitment to serve the different segments of the Palestinian society and to take our services to higher levels, we continued to embrace the strategy of 'research & development

¹ Palestinian Central Bureau of Statistics 2014. Analysis & Forecasting Department. Ramallah Palestine.

through segmentation. Based on the market studies we conduct every year, we seek to understand subscribers' aspirations, needs, and the respective behaviour of each market segment; be it individuals, small to medium enterprises, or corporations. The results of these studies allow us to precisely address the value each segment seeks through offering new rate plans and services.

By the end of 2013, our subscribers' base reached nearly 638 thousand, with a 5% increase from the preceding year, bringing our market share in West Bank to 29%² with a 4% growth compared to the preceding year.

Quality Performance & Productivity

In 2013, we undertook a number of initiatives to further improve efficiency, raising productivity while managing expenses. We have applied technology to automate both procedures and workflow. Chief among those were the Procurement System, the Human Resources, and the e-Billing systems. Employing technology has directly contributed to increasing our productivity, as clearly reflected in the modest 3% rise in the number of employees, compared to the preceding year.

With regards to rationalising expenses, as a widely prevailing global trend, we employed social media platforms, such as Facebook and Twitter to reduce the high costs associated with classic media channels, thereby raising awareness of our brand and services under the slogan of 'Value for Money.' Consequently, we further cemented Wataniya Mobile's foothold in the market, reaching 122 points on the Brand Health Index by the end of 2013, an improvement of 17 points compared to the preceding year.

In addition to the sizeable increase of 11% in gross profit by the end of 2013 from the preceding year, the aforementioned initiatives led the EBITDA to surge to US\$9 million, with an increase of 41% from the preceding year.

In Partnership with the Community

As a business we are committed to serve our subscribers and Shareholders; and as an institution within the community we are committed to serve it.

Under our community partnership program, we

commit to serve marginalized communities at large. In Gaza Strip, we embarked on a 5-year project to help victims of the 2008/9 War on Gaza. Wataniya Mobile offered medical aid to orphaned children of the War coupled with vocational training and financial assistance to help start 83 small-sized businesses for the widowed mothers. Wataniya Mobile also continued to sponsor social, cultural and sports events throughout the year covering the cities and villages of West Bank including Jerusalem.

Gaza a new beginning

As you're all aware, the Company with its Board of Directors and management have exerted every effort over the last three years to overcome the obstacles in launching our services in Gaza Strip. On December 2013, these efforts were successfully realized. We view our entry into Gaza as a new beginning to the Company which will transform our business through further growth in our subscribers' base, leading to higher revenues and profitability.

We completed phase one of the Gaza project with the entry of the last shipment of the telecom equipment. Phase two is underway with plans to be completed in the coming months upon which our Network will be fully deployed & operational.

While this is a monumental step forward to normalize our operations, the path is still paved with challenges.

Year 2014

The preceding year was yet another proof that Wataniya Mobile continues to grow and adapt against all odds. With that confidence, we take on 2014 as we embrace Gaza into our family. Like every year in Palestine, uncertainty looms and planning is difficult. Nevertheless, we commit to achieving more growth at all levels; bringing the Company to realize its full potentials with the support of our Board of Directors and Shareholders.

To conclude, on behalf of Wataniya Mobile staff, Executive Management and Board of Directors, I extend to you, our valued Shareholders, our sincere appreciation for your steadfast and unwavering support.

Yours faithfully,

Fayez Hussein
Chief Executive Officer

² Variable estimated based on The West Bank's market only, as the Company has not until date operated in Gaza, and excluding the illegal competition by Israeli operators.

A black and white photograph of a man in a suit, seen from the chest up, holding a red megaphone to his mouth and shouting. The background is a blurred outdoor setting with a utility pole visible.

Our Vision

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

A close-up, low-angle shot of a red flag against a blue sky. The flag features a white logo that resembles a stylized '48' or a flame-like shape. The flag is slightly wrinkled and has a white border.

Our Values

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

Engage Others: 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 everything we do.



Our Strategy

Focus on Growth & Revenues

- To compete in a new pattern, closer to our subscriber's way of life, by introducing customized services in harmony with local geography and subscribers' behaviors.
- To focus on growth and increase revenues at unprecedented rates, while rationalizing overheads.
- To develop distinguished plans to retain our customers.
- To develop the telecommunications Network as a platform for offering profitable diverse products and services.
- To penetrate Gaza market.

Differentiated Proposition

- To continue reinforcing and expanding the telecommunications Network to guarantee its advancement.
- 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 reprioritize our commercial cycles and method of operation responsively to subscribers' needs.
- 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.

Leverage (Ooredoo) Group's Efficiencies

To reap benefits of (Ooredoo) Group, in terms of: sharing the know-how and expertise:

- Roaming and interconnect.
- Procurements and economies of scale.
- Value-added services and products.
- Regional initiatives.

Economic Climate

Economic climate within any given community is characterised by relative, if not absolute, dependency on its political atmosphere. Despite the declining political conditions within the Palestinian territories over the past decade, and the Israeli-imposed restrictions, continued policies of blockade of trade and businesses, obstruction of industrial capabilities, and above all denial of Palestinians access to occupied territories and resources, and despite the restrictions Israel imposes on imports/exports, the Palestinian economy has seen steady growth over the recent years.

The Palestinian economy maintained a 9% growth rate during the period from 2008 until 2011¹; which growth has translated into not only citizens' lives, but also the Palestinian facilities. The influx of contributions pledged by donor states and the government expenditures were the main drivers.

According to the forecast by the Palestinian Central Bureau of Statistics on the Palestinian economic performance for 2013, the gross domestic product (GDP) in Palestine amounted to US\$7.0 billion with a growth of 5.5% from the preceding year; and the GDP per capita increased by 2.6%¹.

The Palestinian economy, as per the Bureau's estimates, was centred onto four sectors: the services sector, being the top contributor, followed by the construction, industrial, and the agricultural sectors respectively¹. Moreover, the internal business and trade activities within the Palestinian territories are among the effective economic contributors to the country's GDP and job creation.

With regards to the economic performance for 2014, as per the outlooks of the



Palestinian Central Bureau of Statistics of the basic scenario at constant prices (2004 is base year); the Palestinian GDP is expected to grow at 3.8%¹.

At the international level, the initiative made by the Quartet envoy (Tony Blair) in 2013, including an economic recovery plan through development projects valued for US\$4 billion, together with the initiatives of the Euro-Mediterranean ministers of reinvigorating Palestinian trade in the Euro-Mediterranean region, all aimed at streamlining and enhancing Palestinian economical development.

Domestically speaking, the role of specialised lending institutions is expected to boost internal trade and business activities and to bolster those marginalised by banks. Regardless of the validity of the above-mentioned initiatives and outlooks, with reference to the history of the Palestinian economy, all the data optimistically indicate that the Palestinian economy will continue to grow in the coming years.

¹ Palestinian Central Bureau of Statistics 2014. Analysis & Forecasting Department. Ramallah Palestine.



Investment Atmosphere



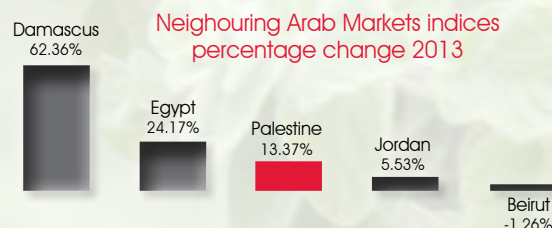
The Palestinian investment atmosphere is known for certain milestones in terms of the regulatory legislations and incentives offered to investors, needless to mention the advancements in the Palestinian infrastructure.

As published on the website of the Palestine Exchange (PEX), which commenced trading in 1997, it "aims at providing a safe and enabling trading environment characterized by efficiency, fairness and transparency," and under the slogan of 'Palestine of Opportunities,' PEX offers trading of securities and stocks governed by a bundle of modern laws and systems, which guarantee fair, transparent, and efficient market trading that serves investors and protects their interests.

PEX's basic values and principles are represented in good governance, fairness, transparency, efficiency and equal opportunities among all investors.

As of 31 December, 2013 the number of PEX brokerage member firms reached 8, while listed companies totalled 49 in five main areas: Banks and financial services, insurance, investment, industry, and services. The market value of these companies at 2013 end reached US\$3.25 billion with an increase of 13.58% over the preceding year, the highest value since 2006.

PEX's performance has been ranked third compared to the security market bourses of neighbouring countries:



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



The Palestine Capital Market Authority (PCMA) is the legislator responsible for supervising the financial securities sector, insurance, financial leasing, and mortgage finance sectors, in addition to non-banking financial institutions.

PCMA was established under a resolution by the Cabinet of Ministers in 2005 with an aim to maintain the stability and growth of the Palestinian capital market through organisational control and oversight over non-banking financial institutions. PCMA was established in a manner that guarantees the development of investments and economic growth by way of reinforcing the legal and regulatory frameworks governing the securities sector in accordance with the international standards; provide a fair, transparent, and efficient market for trading disclosures about Palestinian companies that serves investors and protects their interests. Also by developing local potentials, laying down regulations, rules and bylaws to control and mitigate investment risks, PCMA aimed at creating an enabling environment attractive to local and foreign investments, that interacts with local and Arab relevant institutions in a manner that serves the national economy and enhances the culture of investment in financial markets¹.

¹ PCMA website.



Established in 1994, the Palestinian Ministry of Telecommunications and Information Technology (the Ministry) is responsible for the organization and management of the post, Mobile and fixed telecommunications sectors in Palestine.

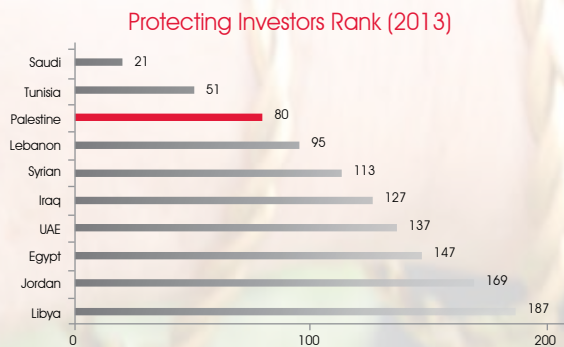
The Ministry, within its mission; aims at providing universal access to telecommunications and information technology at affordable prices, and at developing telecommunications and technology applications and skills to harness as a tool for economic and social development by providing legislative supportive 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 liberalising 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.

The Ministry had many achievements throughout 2013 that have had a significant impact on the evolution of both the telecommunications and information technology and postal services in Palestine. These included; reducing mobile interconnection rates as a first step in the application of the Long Run Incremental Costing (LRIC), expanding mobile subscribers base, granting fixed line access to some underserved remote areas, in addition to significantly reducing Internet services prices while doubling-up speeds, renovating a number of post offices and issuing a number of postage stamps, launching a media campaign to expose the Israeli practices against the Palestinian telecommunications sector and to prosecute purveyors of illegal Israeli telecommunications services, and above all adopting of the Palestinian Interoperability Framework 'Zinnar' by the Council of Ministers as a reference document to apply ontology in e-government to tackle the issues of semantic and organizational interoperability.



Those established facts and statistics positively reflected on the Palestinian investment environment, where savings became channelled towards investment opportunities, capital and cash flow made available, all of which contributed to providing

an attractive investment atmosphere, improving the ranking of Palestine's investment environment, which, as per the Doing Business Indicator in the World Bank's Report in terms of ease of doing business, rose from the 145th place in 2013 to rest at the 138th place in 2014 (outlooks). Despite the current political conditions, Palestine is ranked first in terms of protecting investors, to its neighbouring countries, Lebanon, Syria, Jordan and Egypt according to the same report. Further corroborates the foreign investment appetite in Palestine, is the fact that foreign investments account for 34% of all listed Palestinian stocks and 41% of their market value as of 31 December 2013².



² PEX website.

Market & Competition

As a basic manifestation of modern way of life, fixed and mobile telecommunications sectors have, more than any time in the past, emerged as one of the fastest growing markets in the world's economies. Herein below is an illustration of current facts about the Palestinian telecommunications market: market summary, competition & significant market power, and the horizon of competition.

Market summary

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. According to the World Bank report released in October 2013, penetration rate of Israeli telecommunications services over the Palestinian territories ranges between 5 to 7%.

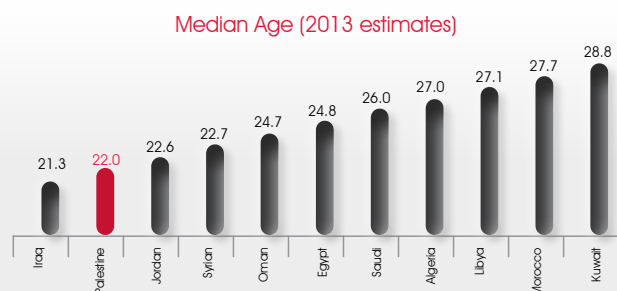
Competition & Significant Market Power

Competition has an increasing significance in the eyes of the telecommunications regulators, namely the Palestinian Ministry of Telecommunications and Information Technology (the MTIT). Thanks to competition the scope of services rendered is expanded, rates reduced and innovation encouraged.

Considering the nature of subscribers, and based on the classification of the Palestinian economy by the World Bank as 'lower middle income,' it is expected for the demand on services to be immensely price elastic, for individual subscribers at least, as clearly manifested in the double-SIM phenomenon - where a subscriber possesses more than one mobile SIM card provided by different operators, the purpose of which is to save on spending- thereby dividing the monthly spending among operators.

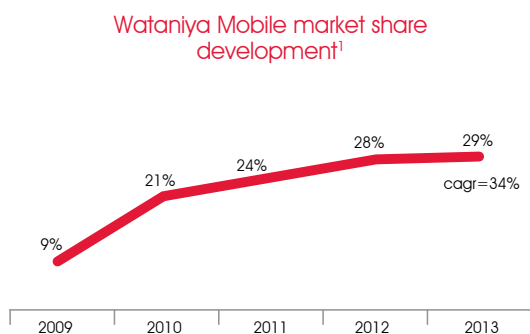
This high price elasticity of demand not only gives rise to genuine competition, but also eliminates any significant market power by which any operator in the market can raise prices while maintaining an equal level of demand.

Despite the above, the Palestinian telecommunications sector is characterised by its youth subscribers, who seek the most up-to-date advancement of information technology associated with the latest international trends. This fact is further corroborated by statistics of the Central Intelligence Agency of the United States (CIA) that the median age among the Palestinians is 22 years in 2013 (estimates), which is at the lower end when compared to other Middle Eastern countries, as depicted in the following chart:



Amid these conditions, and in harmony with its strategy to remain the top choice among subscribers, Wataniya Mobile has achieved noticeable progress over the recent years: it succeeded in increasing its market share to reach 29%¹ by the end of 2013. 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 centre. All the aforementioned operates in harmony with the applied international standards thanks to Wataniya Mobile's partnership with (Ooredoo) Group and Palestine Investment Fund, being the major shareholders.

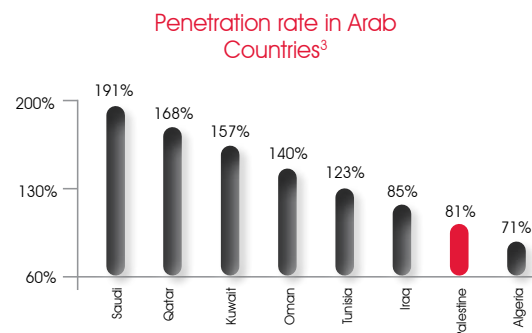
In this way, Wataniya Mobile has proved its competitiveness within the Palestinian telecommunications market; especially that its Network is now reaching 97% of the Palestinian population in The West Bank, and its services are availed by nearly 638 thousand subscribers, by the end of 2013.



Prospects of 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 neighbouring markets: the penetration rate came to 81%¹ by the end of 2013.

Above all, the Palestinian telecommunications market is characterised with its sustainable growth in offering telecommunications services and 'real' external market access for key companies, as stated by the Palestine Economic Policy Research Institute (MAS)².



¹ Variable estimated based on The West Bank's market only, as the Company has not until date operated in Gaza, and excluding the illegal competition by Israeli operators.

² The ICT sector in Palestine: current state and potentials -2012.

³ Investors' slides - Ooredoo at a glance - third quarter 2013 except for Palestine rate.

Rate Plans and Services

Pre-paid Rate Plans:

As subscribers, of all segments, have always been our top priority, Wataniya Mobile is keen on offering innovative rate plans and competitive services suitable to each segment. Therefore, in 2013, Wataniya Mobile continued to adopt the same philosophy, providing basic cellular services together with value-added services. In line with this philosophy, the Company is offering seven (7) different rate plans to meet the various needs of subscribers. These rate plans are:



‘Alkol’

This rate plan was designed mainly to enable all of its subscribers to communicate using all the local networks at low and unified tariff. The following features are offered:

- A unified tariff per minute for calls made by subscribers onto all other domestic networks.
- The lowest unified tariff per minute, only 39 agoras.
- Favourite International Numbers Service: Subscribers can select up to 3 international numbers to call at a favoured tariff and with a discount up to 75%.

‘Fursan Al Watan’

This rate plan was introduced to the various security corps staff to fulfil all their needs at the lowest possible tariffs in the Palestinian telecom market, as follows:

- ‘Closed User Group’ Service: All members of the same Security Corps Division can enjoy low tariffs for calls within the group.
- ‘Friends & Family’ Service: Subscribers can select 3 on-net numbers to call at a favoured tariff of 9 agoras without any monthly subscription fees.
- Favourite International Numbers Service: Subscribers can select up to 3 international numbers to call at a favoured tariff and with a discount up to 60%.

‘Extra Plus’

This plan was designed mainly to enable all its subscribers free extra credit upon each re-charge. The following features are offered:

- Free extra credit up to 100% of the re-charge value, upon each process, and forever and at all times.
- Favourite International Numbers Service: Subscribers can select up to 3 international numbers to call at a favoured tariff and with a discount up to 75%.



'Tullab'

Wataniya Mobile is adamant to continue during 2013 offering youth-oriented packages of valuable products and services; this plan was specifically designed for and introduced to youth, namely those ranging between 16 and 26 years of age, and can enjoy any of the following features:

- Subscribers can select up to 10 on-net numbers to call and/or send SMS at a favoured tariff of 10 agoras.
- Subscribers enjoy a discount up to 50% offered on value-added services without any monthly subscription fees.
- Favourite International Numbers Service: Subscribers can select up to 3 international numbers to call at a favoured tariff and with a discount up to 60%.
- The 'Wataniya Mobile Ambassadors' programme was launched in all universities and colleges to continue reaching out to our youth, a valuable component of our social fabric.



'A'kefak'

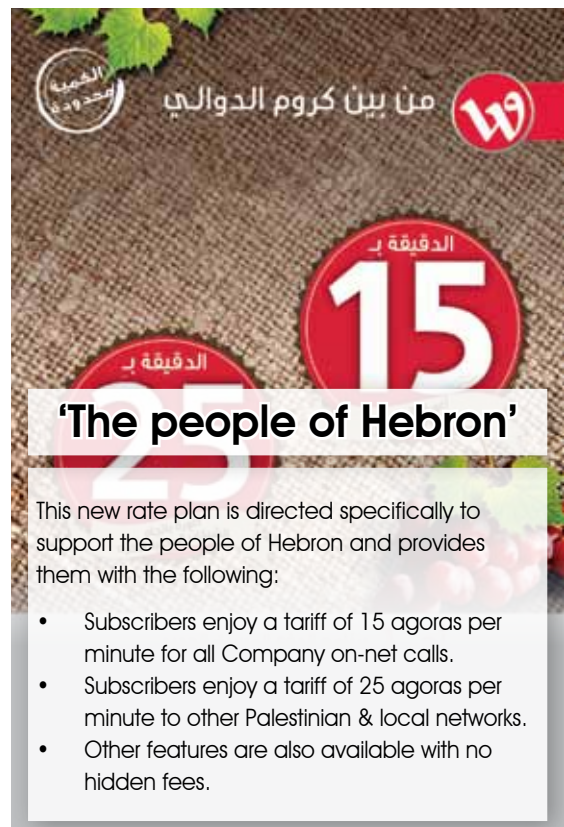
It is a pre-paid rate plan with many distinctive features, each of which sufficiently meets the needs of a particular segment of subscribers, offering them options to sign-up to those features according to their respective needs:

- 'Sawa' Service: It enables subscribers to select up to 10 preferred numbers on Wataniya Mobile's Network, and enjoy calling them at a favoured tariff, only 9 agoras per minute or SMS.
- Favourite International Numbers Service: Subscribers can select up to 3 international numbers to call at a favoured tariff and with a discount up to 75%.
- SMS Bundle Service: Subscribers can sign up to this service to enjoy favoured tariff for SMS.
- MMS Bundle Service: Subscribers can sign up to this service to enjoy favoured tariff for MMS.
- Internet GPRS Bundle Service: Internet avid subscribers can sign up to this service and enjoy surfing the internet using data package at the lowest prices.

'Majmoaty'

This particular plan was designed for and introduced specially for the government sector's employee, in order to provide optimal telecom solutions to employees of public sector, including education, health, etc. This dedicated plan offers the following features:

- 'Institution's Closed User Group' Service: Subscribers from among the one organisation's employees can enjoy the 'closed group' telecom services at a very low tariff of only 15 agoras per minute.
- 'Sector's Closed User Group' Service: Subscribers from among the one sector's employees can enjoy the 'closed group' telecom services at a very low tariff of only 25 agoras per minute.
- Favourite International Numbers Service: Subscribers can select one international number to call and/or send SMS at a favoured tariff of only 15 agoras.



'The people of Hebron'

This new rate plan is directed specifically to support the people of Hebron and provides them with the following:

- Subscribers enjoy a tariff of 15 agoras per minute for all Company on-net calls.
- Subscribers enjoy a tariff of 25 agoras per minute to other Palestinian & local networks.
- Other features are also available with no hidden fees.



Post-paid Rate Plans

Wataniya Mobile spares no effort to develop highly innovative rate plans, through introducing offers targeting new segments of potential subscribers. The Company offers a wide range of rate plans to meet the diverse business-related needs of both the government and private sectors alike (including large organisations as well as medium, and small-size businesses). This applies to any business having more than two employees. Wataniya Mobile introduces various rate plans that help organisations not only perform efficiently, but also economise on their telecom costs.

In 2013, the Company launched new rate plans with new features to those introduced in 2012. The new blend of features is designed to further support the business community, and includes, but not limited to, the following:

• 'Tamayyaz'

This rate plan is designed to serve individuals and large organisations along with medium and small-size businesses. It offers a wide range of features that help organisations boost their businesses and function efficiently according to their respective needs. The rate plan offers its subscribers the following features:

- Free on-net minutes.
- Unified tariff for calls and/or SMS on all Palestinian and other local networks.
- Discounts up to 100% on all handsets.

• 'Tahakkam'

This rate plan combines the features of both the post-paid and pre-paid plans. It offers the possibility of assigning a cap on monthly spending by way of setting a fixed credit budgeted to each monthly bill. The monthly credit is then used for all telecommunications services, including calls, SMS, internet and subscription to certain services within the limits of such credit. Once the monthly credit is used up, the rate plan automatically turns to the pre-paid system whereby the subscriber has the option to re-charge credit to use freely and separately from the post-paid system.



'Jamme'ha' Points Programme: As an initiative to sustain and reward the Company's subscribers for their commitment and loyalty, Wataniya Mobile has launched this points programme. 'Jamme'ha' Points Programme is designed to grant points to both post-paid and pre-paid subscribers, who can easily collect points upon availing themselves of various transaction, including receiving non-Network calls, scratch card refill, e-recharge, or bill payment.

Services

In line with its endeavour to continue to meet the needs of each segment of subscribers, Wataniya Mobile offered in 2013 a new range of services. The Company introduced a range of calling and messaging services, in addition to value-added services, as well as innovative business solutions, beneficial to corporate sector, namely:

Messaging Services

- **Short-messaging Service (SMS) Package:**
The Company launched special campaigns benefiting the subscribers of 'Tamayyaz,' 'Tullab,' and pre-paid rate plans, whereby they can sign up to daily or monthly SMS packages, both local and international, at low tariffs.
- **Facebook Short-messaging Service (SMS):**
This unique service enables Wataniya Mobile subscribers to communicate with their friends through their Facebook page using SMS, without the need to surfing the Facebook webpage. In this way, Wataniya Mobile keeps subscribers on top of their updates wherever they may be so long as covered by Wataniya Mobile's Network. After specific enhancements, the Facebook SMS is now more user-friendly as the service has been re-initiated to all subscribers.

Internet Services

- **Monthly Internet Packages:**
This special campaign was launched for 'Tamayyaz' rate plan subscribers, whereby they are able to sign up to the monthly internet packages at half rate. In addition, new internet packages have been introduced during the campaign to satisfy subscribers various needs.
- **Daily Internet Packageing:**
A dedicated campaign was launched targeting a particular category of pre-paid rate plan subscribers, who can sign up to daily internet package against an 80% discount on the internet usage regular rate and up to 2MB per day.

Value-added Services

Wataniya Mobile offers a wide range of value-added services, including information and entertainment services. The value-added services enable subscribers to receive the desired content and information according to the nature of service. In order to make the value-added services at subscribers' finger tips, they can sign up either by calling our customer service desk, or through SMS, in addition to other options.

Wataniya Mobile has not stopped there; the Company also offers other value-added services rightly suitable to all the components of the Palestinian social fabric.

Wataniya Mobile has always broken new grounds in the internet-related value-added services, thus offering its subscribers wider options in receiving images, audio and video clips, in addition to other valuable services, including:

Information & Entertainment Services

- News Services: whereby subscribers receive the up-to-the-minute local and regional news along with the latest developments, and in some services, worldwide news.
- Business & Financial Services: where subscribers receive daily exchange rates for major currencies against the shekel, while another service provides the top news headlines, to keep our valued subscribers well informed of the latest economic developments.
- Entertainment Services: where a wide range of entertainment services, customised services for men and women, in addition to other services covering health, beauty and other domains are introduced.
- Sports Services: Sports savvy subscribers, including national teams supporters and club fans, can sign up to receive the up-to-the-minute news on their favourite teams, game results and championship updates in different disciplines.
- Religious Services: We offer our valued subscribers an excellent bundle of religious services, allowing them to bless their day with prayers, Islamic oratorios or litanies.
- Health Services: These range from health tips, to comprehensive medical advice, to beauty guidelines.
- Customised Services: To keep our valued subscribers updated about key issues of their daily life, Wataniya Mobile offers a number of customised services, including weather condition, traffic updates, job vacancies, cars for sale, and many to list.

Competitions

Being adamant to outclass, Wataniya Mobile introduces not only wide-ranging competitions, but also valuable prizes to subscribers on every occasion. The Company is also keen on furthering engagement with community in all social or religious events. The competitions held this year by Wataniya Mobile included 'Masroofi or my pocket money,' 'Hazzak or Your Fortune,' in addition to the regular sports and Ramadan quizzes. Winners were rewarded with valuable prizes which varied from cash payment, to tablet PCs, to mobile phones. Competitions are contested through SMS, Interactive Voice Response (IVR) and USSD instant messaging. Not only did these contests witness a great deal of fair competition among participants, but also they added benefit through the rich information; cultural, scientific and religious.

'Danden' Service

With 'Danden' service, Wataniya Mobile's subscribers can choose from among a long list of latest songs and music hits of different genres. The list, updated regularly, includes the top singing stars, most recent musical releases, in addition to famous quotes and other musical and Islamic ringtones.

My New Number Service

With this service our customers no longer worry about any calls coming onto their old (SIM) numbers, as they are now able to have any calls transferred to their new Wataniya Mobile's mobile phone (SIM) number. Not only is the caller notified of the change and given the subscriber's new number, but also the subscriber is notified of the incoming calls through an SMS. This service is extended to all Wataniya Mobile's subscribers.

'Hawilli' Service

The 'Hawilli' service enables Wataniya Mobile's subscribers to request for a credit transfer from their acquaintances and relatives. This new service is introduced to keep subscribers' connected regardless of their credit status.

'1700 & 1800' Code Lines Services

As part of the Company's endeavour to fulfil the requirements of the Palestinian market, Wataniya Mobile has introduced the '1700' & '1800' dialling codes to corporate and individual customers to enable them to remain in touch with their clients, where the service together with the related technical support is provided through dedicated lines via the '1700' & '1800' dialling codes.

International Roaming Service:

With an aim to enable our valued subscribers to remain in constant touch with their loved ones, wherever they are inside Palestine or abroad, Wataniya Mobile provides international roaming beyond the Palestinian territories. Benefiting by the interconnect relationship provided by Ooredoo Group, Wataniya Mobile has entered into a number of international roaming agreements. Under these agreements, Wataniya Mobile's subscribers are able, while abroad, to be in touch with their business, families or friends. Wataniya Mobile has developed strategic partnerships with a number of global and domestic telecommunications operators, both landline and cellular, as it invaded the GCC, EU and Jordan markets, to provide our valued subscribers the highest quality service, the Company relentlessly works towards forming new alliances and enter into more agreements with more effective telecommunications operators, in order to continue to serve our valued subscribers with all what they need to communicate, including internet data, more benefits, promotional offers and services.

Business Solutions Services:

- **TRAX**
TRAX is a satellite-based system provided by Wataniya Mobile to its subscribers to enable them to monitor, manage and track their own vehicles. The system generates a number of reports and services, namely: identifying the vehicle's status position and location, using the Global Positioning System (GPS). TRAX system hosts editable turn-by-turn maps, advanced anti-theft mechanism, in addition to the possibility of viewing and communicating with the vehicle's driver. In addition to all of the above, TRAX system provides features to manage driver's clock-in/clock-off, shifts, to schedule trips, to track vehicles' service and maintenance schedules. The system navigation supports both the Arabic and English languages.
- **Commercial SMS Packages**
This service is provided by Wataniya Mobile to its subscribers to enable them to remain in constant touch with their respective employees and clients through SMS, both in Arabic and English. The service is provided in monthly packages of different values, with customised packages dedicated to

banks and other business sectors. Among the many features of this service is the safe, swift, and reliable delivery of messages to the desired addressee. Above all, the cost of the service is low, compared to other tools of communication. Commercial SMS packages can be availed through Wataniya Mobile's Sales Department, or direct purchase from the Marketing Department.

Research & 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 analysing 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 players, namely:

- Ooredoo Group, with its wide experience and abundant resources in the telecommunications industry;
- Leading providers of value-added services;
- Major business solutions providers, who enable catering to the wider spectrum of corporate and business community;
- Local companies and innovation pioneers in The West Bank and Gaza Strip.

In the course of 2013, Wataniya Mobile carried out a number of expertise market researches and professional specialised development studies. The total funds expended on research and development, including market studies and subscribers surveys, amounted to US\$129,063.

Wataniya Mobile has in the pipeline for the next year 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.

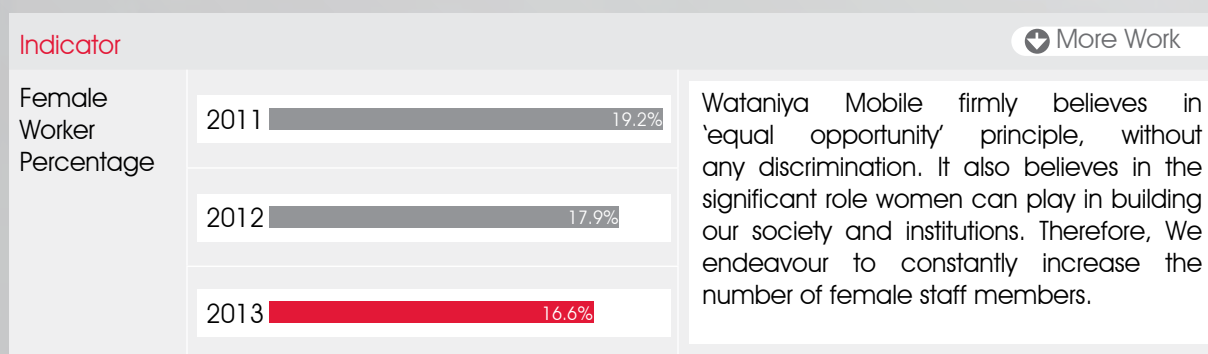
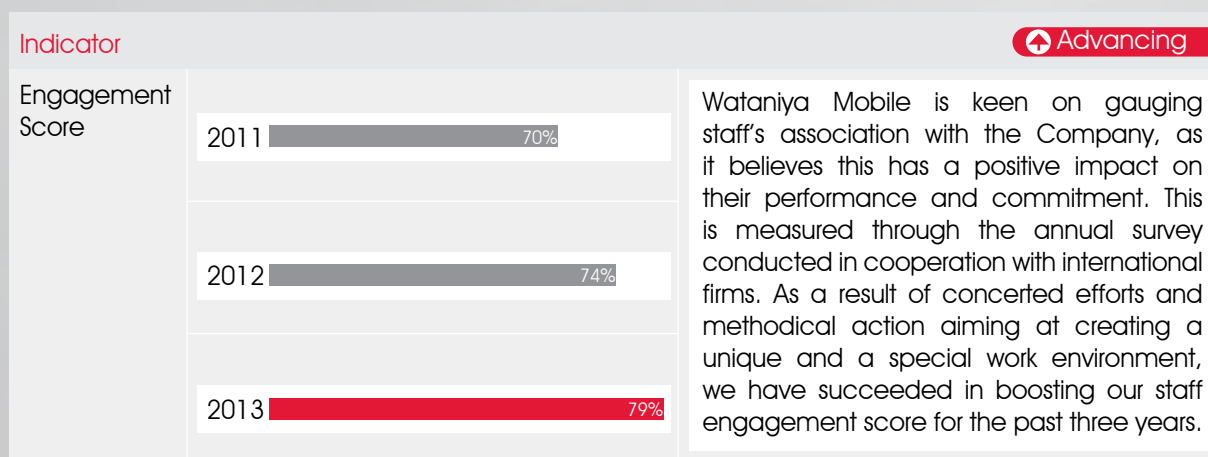
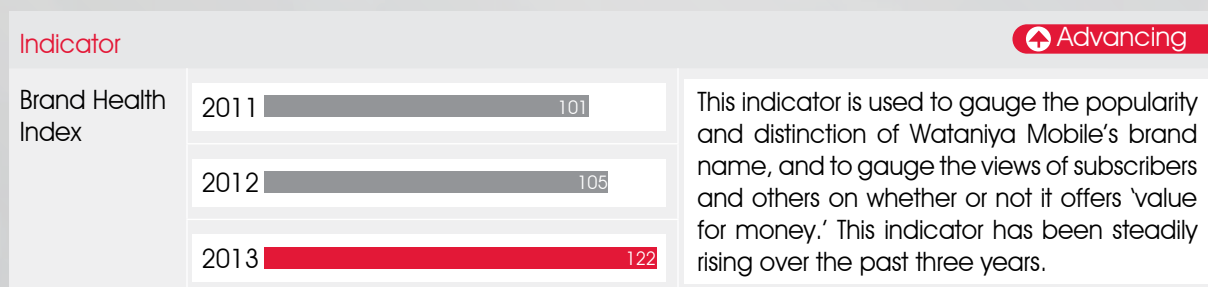
Main Distribution Methods and Sales Channels:

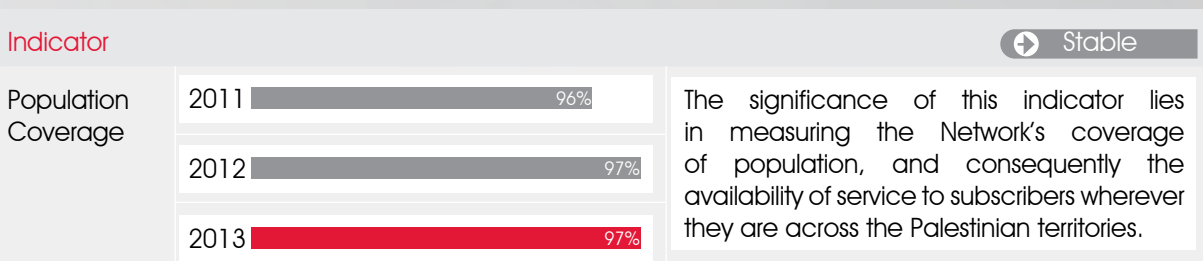
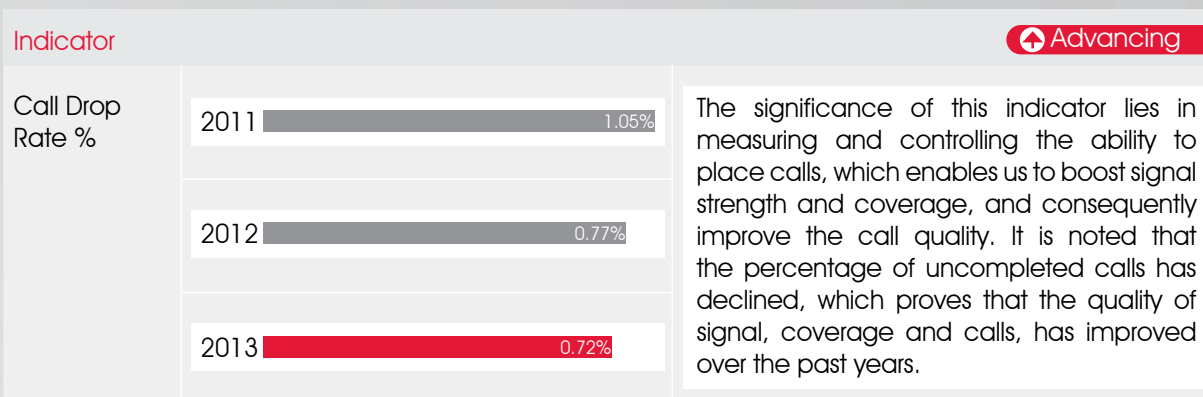
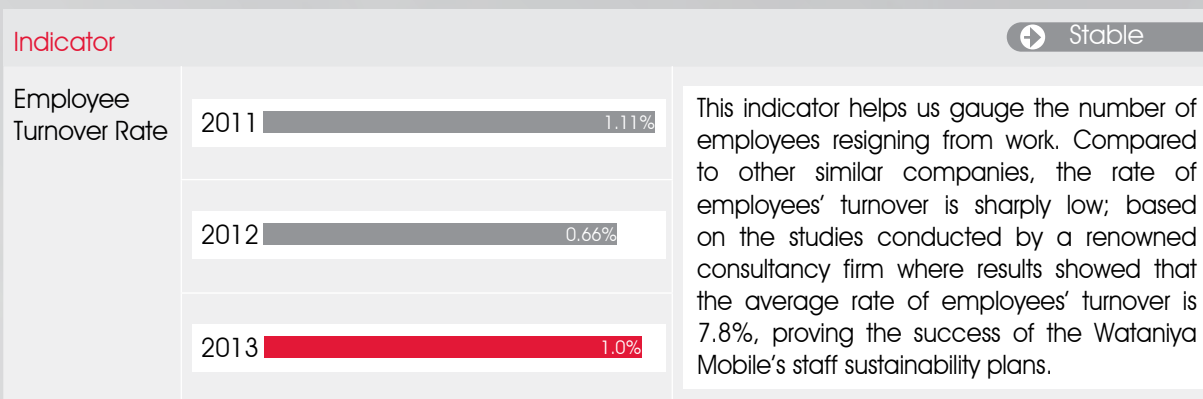
In line with its strategy to provide its services to all citizens and residents within the Palestinian market, Wataniya Mobile deemed it necessary to establish an extensive network of distributors, agents and points of sale in order to guarantee that the Company's services and products are widely and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

- **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 finger tips.
- **Distributors:** Wataniya Mobile entered into contractual agreements with 3 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.
- **Authorized Agents Network:** Wataniya Mobile entered into contracts with 76 authorised agents 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.
- **Corporate sales:** Wataniya Mobile has a dedicated corporate sales and relations team, geographically based throughout The West Bank to serve post-paid corporate accounts.
- **Points of Sale Network:** In 2013, the number of points of sale reached 932 locations, where charging cards are available to our valued subscribers. In addition, the e-recharging facility is provided at these locations.
- **Express Showrooms:** Wataniya Mobile is dedicated to having a presence in every village and town within the Palestinian territories, namely in Jerusalem and its villages. The Company is also keen on enabling all the Palestinian citizens, namely those residents of Jerusalem, to avail of all Wataniya Mobile's services and products. For these reasons, Wataniya Mobile opened a 10 Express Showrooms at selected locations in The West Bank. It is the first of its kind model, in which Wataniya Mobile not only cements partnership with its agents, but also it provides additional services to subscribers, including change of number, replacement of SIM card, bill payment, auto-payment, signup to additional features and rate plans, service and mobile maintenance, SIM card registration, and many to list.
- **Wataniya Mobile Ambassadors:** The Wataniya Mobile's Ambassador Programme was launched in 2012; and as a training programme it offers the opportunity to all undergraduates across the Palestinian universities and colleges to have an internship. As the name suggests, Wataniya Mobile's ambassadors are the true representatives of the Company within their own community in general and within their academic society in particular. Through promotional activities and events, Wataniya Mobile's ambassadors spread awareness about the Company and its services. In return, ambassadors are rewarded with certain incentives, including free monthly calling minutes, cash payments, in addition to many other material and in-kind incentives based on their performance. Being aware of its significance as a tool of positive engagement with the Palestinian community, Wataniya Mobile pays a great deal of attention to its Ambassadors Programme. Currently, Wataniya Mobile has tens of ambassadors representing the Company across The West Bank universities.

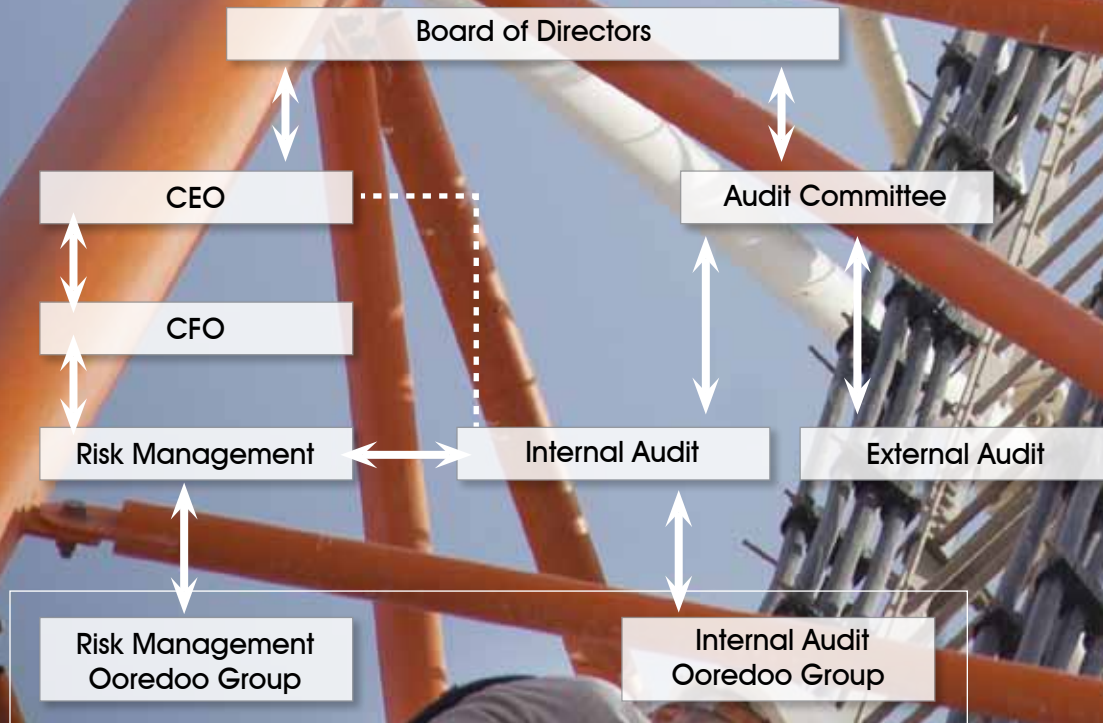
Key Performance Indicators

We gauge our operational performance through monitoring key performance indicators across our various departments, chiefly monitoring marketing performance, customers' services performance, technical and human resources performance. Below is a simplified illustration of the aforementioned indicators:





Risk Management



The results of Wataniya Mobile's operations are affected by a number of factors; the demand in telecommunications market, the volatility of exchange rates, laws and regulation, etc. To offset and mitigate these risks, the Company has laid down a framework and set up a dedicated department to address these risks through pre-emptive scenarios responding to the volatile environment in which the Company operates.

Wataniya Mobile is considered to be one of the leading companies adopting the principles of governance and risk management in the telecommunications sector. These principles form an integral part of the code of governance approved and applied by the international Ooredoo Group. Furthermore, a dedicated risk-management department has been set up to shoulder the responsibility of laying down business-sustainability plans necessary to ensuring the realisation of the Company's objectives, to creating a healthy positive work environment to address and pre-emptively act toward unexpected work conditions. The department is also responsible for educating the Company's departments about the significance of risk management process and its role across the board (including, inter alia, operational, financial, credit, strategic domains).

With regards to the risks the Company is currently addressing, they entail the challenges originating from the political and economical spheres, which risks are mostly faced by the majority of the organisations operating within the Palestinian territories. The aforesaid risks can be summarised as follows:

Operational & Market Risks:

Risk Classification	Description	Risk Management Mechanism
Risk of technical faults.	Risks resulting from natural disasters, acts of vandalism, technical faults in Network or mainframes, cyber-attacks on the Network's mainframe or computer systems.	Wataniya Mobile has in place precautionary plans to manage all the potential risks, the Company has insured various assets against various types of risks, including, inter alia, natural disasters, riots, wars, which may cause work interruption. The Company also prepared the duly qualified human resources to address any possible Network or technical systems malfunctions, developed effective internal systems and controls, and invested in the construction of modern infrastructure that will reduce the chances of possible technical malfunctions. The Company is continuously keeping pace with state of the art technology to ensure business continuity and to guarantee uninterrupted high quality services to subscribers under any emergency conditions.
Risk related to regulatory decisions.	Regulatory decisions and change in regulatory environment may impact the Company's operations.	Wataniya Mobile's Regulatory & Public Affairs Department is responsible for closely monitoring the political developments and potential regulatory resolutions in order to identify the risks that may arise there from. It also coordinates, as and when required, with the Palestinian Ministry of Telecommunications and Information Technology.
Risk of dependency on limited key suppliers.	The Company depends on key suppliers in building its Network and infrastructure.	Wataniya Mobile regularly assesses the performance of key suppliers, in terms of operational and financial aspects, and from the perspective of Ooredoo Group. Furthermore, we regularly identify the suppliers categorised as 'risky' and adopt the relevant management measures as necessary.
Risk related to market share.	Market share being affected due to anti-competitive offers/ services by competitors.	Wataniya Mobile, in cooperation with the Palestinian Ministry of Telecommunications and Information Technology (the Ministry), monitors competitor to ensure no services/ products are being illegally offered against the Instructions on competition safeguards, as issued by the Ministry.

Financial Risks:

Risk Classification	Description	Risk Management Mechanism
Risk of exchange rate fluctuation.	Estimated financial loss due to volatile exchange Rate (Shekel/ Dollar).	Wataniya Mobile's Treasury Department adopts a set of measures aiming at eliminating the negative impacts that result from exchange rates fluctuation. These measures are regularly examined according to the exchange rates outlooks.
Risk of delayed operations in Gaza Strip.	Expected revenue delay due to delayed operations in Gaza Strip.	Wataniya Mobile is closely following up with the competent government authorities to operate in Gaza Strip under the license obtained from the Palestinian Ministry of Telecommunications and Information Technology in 2007. During quarter four of 2013, the Company succeeded in entering all of its telecom equipment into the Strip.



Sustainable Development

Knowledge, information and know-how play a key role in sustainable development, simply for the reason that these elements contribute to the change of people's social, economic and technological patterns and the evolvement of their productivity. Here, the role effectively played by the telecommunications services shows best, as they enable the smooth transfer of knowledge and information through auditory and visual media.

In line with the guidelines of the Global Reporting Initiative on Sustainability, Wataniya Mobile aspires to build a comprehensive sustainability report. We believe that Wataniya Mobile's achievements in this respect warrant a chapter of the Company's annual report, where they are herein below demonstrated at four parts: Development of our society; Development of our staff; Development of our economy; and Development & preservation of our environment.

Sustainable Development is at the core of our societal contribution.



A woman wearing a green headscarf is visible on the left side of the image. In the background, there is a bright fire or explosion, with orange and yellow flames. The overall scene appears to be a conflict zone or a place of destruction.

Our Community - Our Priority: We Live Within

'A small project changed our world'

Wataniya Mobile met with Mrs. Hijji and her children, through the Welfare Association, during the Welfare survey carried out for families in need following the War on Gaza Strip. At that time, the whole Hijji family were living in one room in a relative's house, as the War claimed not only their father's life, but the house as well.

When Atra Hijji participated in the 'Mustaqbali' (My Future Career) Programme, a widower mothers' empowerment programme that provides psychological and legal support, she had not thought that she would come to see everything around her from a different perspective.

"Now, I have a goal in life. As my dreams have come true, I now see things differently," she said smilingly.

Mrs. Hijji, a mother of five, explained how she prepared for her home-based business venture: "I dedicated the room overlooking the street this enterprise; especially that I had received the sufficient financial assistance needed for starting the business," added Mrs. Atra.

For the first time, the widower, and mother was able to provide for her family; especially during the Eid Al Ad-ha. "During these joyful days, I have more than a cause for celebration" she said with a smile.

Mrs. Atra started her small-size business enterprise, thanks to the support and assistance she received under the 'Mustaqbali' Programme.

"I earn an income of US\$80 to US\$100 every week; with a net profit above US\$350 within one month from the start. This month I managed to place four orders of supplies."

Wataniya Mobile continues to launch society-oriented programmes targeting the various components of the Palestinian social fabric, including those in Gaza. Over the past three years, despite the fact that Wataniya Mobile has been exerting concerted efforts to obtain necessary permissions allowing its technical gear and equipment to enter Gaza Strip, yet and as part of its sustainable development strategy the Company continued to support fellow Palestinian residents of Gaza Strip.

As engagement and partnership with our community are not only one of the top priorities, but also an integral part of our sustainable development strategy, Wataniya Mobile organised and sponsored a number of cultural and development programmes over the course of 2013, namely:

Mustaqbali (My Future Career) Programme In support of Gazan mothers & children

In line with Wataniya Mobile's policy of community partnership, the Company launched 'My Future Career' or 'Mustaqbali' programme to support widower mothers and orphaned children affected by the 2008/9 Israeli War on Gaza. The 5-year programme, which kicked off in January 2012, aims at not only improving the living conditions of this marginalized category of the Palestinian society, but also helping them re-integrate in all domains of life – educational, economic and social. As a result, the programme, in cooperation with other concerned organisations and societies, realised many achievements, namely:

- Provided legal and psychological support to 100 women.
- Assisted 83 widower women to start their own business enterprise.
- Provided a 4-month employment stringent to targeted widower mothers.
- Selected 18 women to join vocational and technical training courses specialised in food processing, embroidery, and hairdressing.
- Offered 12 grants donated by businessmen to help these women start their own private business venture, under the auspices of Wataniya Mobile.

All the women, beneficial of the programme, expressed deep appreciation and gratitude to Wataniya Mobile for the extraordinary attention and care they received, and to which they were overwhelmed by throughout and after the programme. They also hailed the programme as an essential tool that help women, like them, start a career. The women also pointed out that the programme helped them to positively modify their behaviour and to take their attitude and morals to a higher level. "Not only did the programme lessen the tension we are suffering, but it also shaped a bright future for us and our children," said the women who benefited by the programme.

The Palestine Children's Relief Fund (PCRF)

Wataniya Mobile's staff also felt duty-bound to contribute to their own society, and therefore they took the initiative and donated a percentage of their own salaries to Gazan children in the aftermath of the 2008/9 Israeli War on Gaza. Wataniya Mobile's staff joined forces with the Palestine Children's Relief Fund (PCRF), a non-political, non-profit organisation dedicated for more than 20 years to healing the wounds of war, occupation and poverty for children in the Middle East. The victim children were dispatched abroad to be surgically operated on and receive due medical treatment, where Wataniya Mobile covered all the travel and treatment costs.

Below are some of the children who benefited by the Wataniya Mobile's initiative:

- Abdullah Athamna, 14-year-old boy, north of Gaza: Athamna's house was totally destroyed by an Israeli missile in 1996, and as a result, the boy, lost not only his mother, brothers and sisters, but also one of his legs. Athamna was sent to Auckland, New Zealand for surgery in 2013.
- Yusra Abu Shehadeh, 3-year-old girl, Al Maghazi Camp, centre of Gaza: Shehadeh lost her eyesight as her house was hit by an Israeli shell in 2013. She was sent to San Diego, the US, for treatment, where she underwent a surgical operation in 2013 for artificial eyes replacement.
- Ahmed Abu Naamous, 15-year-old boy, Jebaliya Camp: Abu Namous was shot by an Israeli sniper in 2013 where he suffered severe wounds and later lost a leg. He was sent to Ohio, the US, for treatment.

Wataniya Mobile, Sponsor of Cultural Events in 2013

Based on our belief in our responsibility towards our nation, Wataniya Mobile laid down a solid society partnership strategy not only to reinforce the national identity, but also to promote Palestinian culture and traditions. Wataniya Mobile believes that cultural events mirror the richness of our tradition. It is also 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.

As the Sponsor of Palestinian Culture for the second consecutive year under the slogan of 'Our Palestinian culture recounts the story of our people,' Wataniya Mobile sponsored 21 cultural festivals across the country, with more than 260 thousand visitor. These festivals represented golden opportunities to get firsthand experience with Wataniya Mobile's philosophy, products and services.





Our main sponsorships in 2013



Wataniya Mobile sponsored the '**Jifna Days Festival**' in Jifna Village from 13 to 16 June 2013. The event was a platform of many cultural activities attended by tens of thousands of Palestinians.



On 24th Ramadan 1434 AH, July 2013, Wataniya Mobile sponsored the '**Ramadan Lanterns Festival**,' hosting a number of cultural and artistic shows in addition to special entertainment shows for children, in presence of thousands of audience.



Also on 22 August, 2013, Wataniya Mobile sponsored the '**Wayn a Ramallah**' Festival in collaboration with the Ramallah Municipality. The event was held in several locations in the old city of Ramallah, and hosted several distinguished Palestinian artists and groups, in presence of thousands of audience and visitors.



Wataniya Mobile was the main sponsor of the 3-day 'Jerusalem Summer Nights Festival.' The event, which was held between 15-18 August 2013 in the village of Beit Anan, one of Jerusalem's villages.



On 15 August 2013, Wataniya Mobile sponsored the "Wadi Al-Shaa'eer" Festival Anabta village, Tulkarm. The festival helped local farmers to market their harvest.

Wataniya Mobile also organised and sponsored a number of poetry and cultural functions at Mahmoud Darwish Museum. Chief among these events was the 'Ibrahim Nasrullah Evening,' on 7 September, 2013, where the poet, Ibrahim Nasrullah, was the keynote guest.



Wataniya Mobile also sponsored the fifth Zababdeh Festival in association with the Zababdeh Municipality, from 22-25 August 2013 with the participation of local groups and the active participation of the people of the Zababdeh and surrounding villages.

حيث حضر المهرجان أهالي القرية والقرى المجاورة.



During the period from 15 to 30 June 2013, Wataniya Mobile sponsored the 'Al-Kamandjati Musical Festival.' The event hosted a number of artistic and musical performances of Al-Kamandjati Band. The event toured many Palestinian cities and were attended by audiences in the thousands.

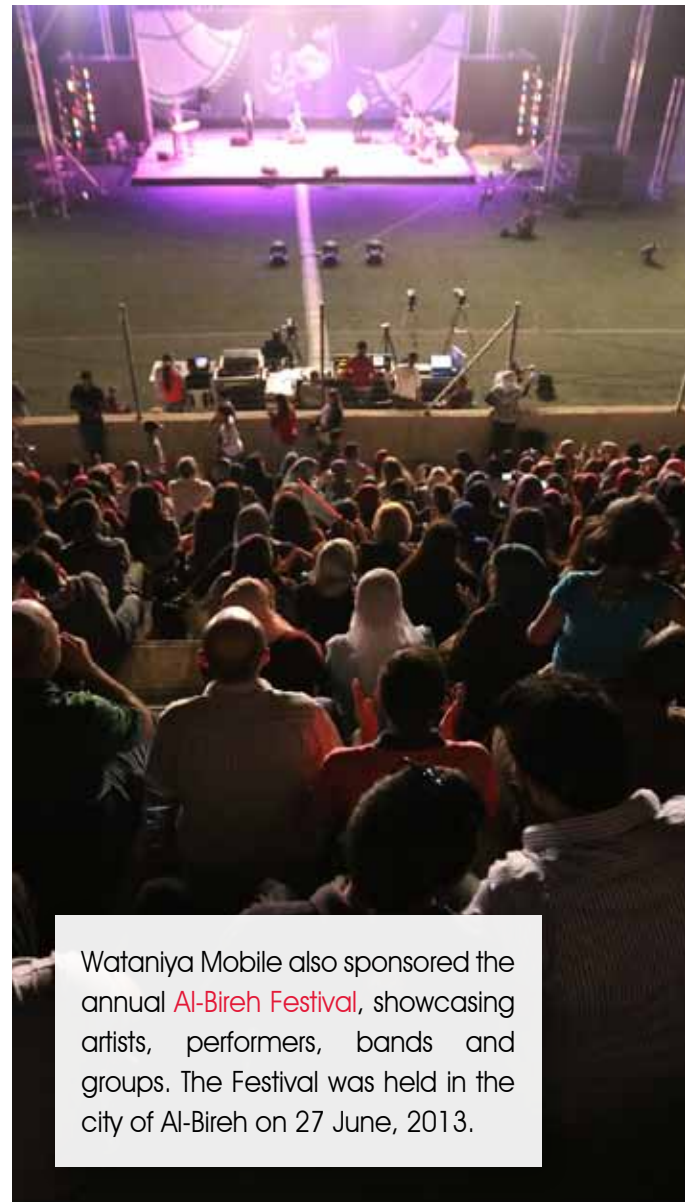
Wataniya Mobile was the official sponsor of 'Saleem Afandi Ramadan Tent' in partnership with Saleem Afandi Park on 27 July and the Tent which was set up in the Grand Park Hotel from 10 July till 10 August 2013, both events hosted dozens of cultural and artistic performances; in addition to audience contests.



In cooperation with Al-Rozana Association, Wataniya Mobile sponsored "Palestine Heritage Week" from 26 to 30 June 2013 in the old city of Birzeit. The festival included shows by local and international groups as well as an exhibition of household products. It was attended by visitors and audiences in the thousands.



During the period from 25 to 28 August 2013, Wataniya Mobile sponsored the **Jerusalem Shopping Festival**. Not only did the event host top artistic performances and cultural shows, but it also showcased selected food products.



Wataniya Mobile also sponsored the annual **Al-Bireh Festival**, showcasing artists, performers, bands and groups. The Festival was held in the city of Al-Bireh on 27 June, 2013.



Wataniya Mobile was also the main sponsor, for the fifth year in a row, of **the Palestine International Festival**. The 7-days event was a platform for local and international groups and theatrical troupes. The festival held between 2-8 July 2013 was attended by audiences and visitors in the thousands.

Other Sponsorships:



Wataniya Mobile helped two Palestinian children realise their dream of shaking hands with the world football star Lionel Messi



The Company sponsored three concerts of the Palestinian singer Mohammed Assaf

In harmony with our efforts to contribute to the welfare of the Palestinian society; and in line with our endeavours to support various community sectors, we organised and sponsored a number of educational, sports, and cultural events over the course of 2013.

As part of the its sports sponsorships came the Ramallah Children Marathon in the city of Ramallah. Wataniya Mobile also helped two of Palestinian children realise their dream of shaking hands with the world football star Lionel Messi. Messi, the world ambassador of Ooredoo's commercial brand, met with several children from Palestine during his visit to the region to launch a new global initiative with Ooredoo Group. The initiative aims at empowering the region's youth and opening new windows of opportunity.

Wataniya Mobile organised a number of charity and voluntary events, sponsoring the children's entertainment activities in the ancient city of Samaria. The event was organised and sponsored with the participation of more than 100 volunteers from Wataniya Mobile.

To mark the holy month of Ramadan 2013, Wataniya Mobile handed out dates and water across a number of provinces in The West Bank. Wataniya Mobile, in cooperation with Al Anood Corporation, designed, manufactured and distributed educational toys and other learning tools to kindergarten children across the underprivileged areas in Palestine. The initiative aimed at lending a helping hand to the disadvantaged students and enabling them to adopt creative learning methods. In the course of 2013, Wataniya Mobile sponsored the initiative of the United Nations Relief and Works Agency for Palestine Refugees (UNRWA).

The Company also sponsored three concerts of the Palestinian singer Mohammed Assaf and reduced the SMS rate to support the Palestinian artist and to encourage subscribers to vote in his favour during the elimination stages of the Arab Idol TV show.

In line with our social responsibility policy, Wataniya Mobile continued to organise society-oriented activities under the Company's sustainable development strategy. In cooperation with Injaz Palestine, a non-profit Palestinian organisation subsidised by the Palestinian private sector, that aims at providing qualification and training opportunities, designed to provide school and university students with skills and knowledge necessary not only to shaping their professional qualities, but also to their unfettered integration in the job market, Wataniya Mobile contributed to two development and qualification programmes.

One of the programmes supervised students of Al Teirah Community College of Ramallah to manage a humanitarian project aiming at reviving the neglected areas in Palestine, which included a free one-day medical clinic to the residents. Under the other project; Wataniya Mobile participated in the restoration of all the kindergarten facilities in Burham village to the north of Ramallah. The process was initiated by Injaz Palestine organisation under the slogan of 'Colourful Smile' to maintain the safety and wellbeing of children.

Sponsorships & Donations:

Wataniya Mobile continues to fulfil 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 programmes, including sponsorships and donations, amounted to US\$1,100,549 over the course of 2013.

Social Responsibility Policy

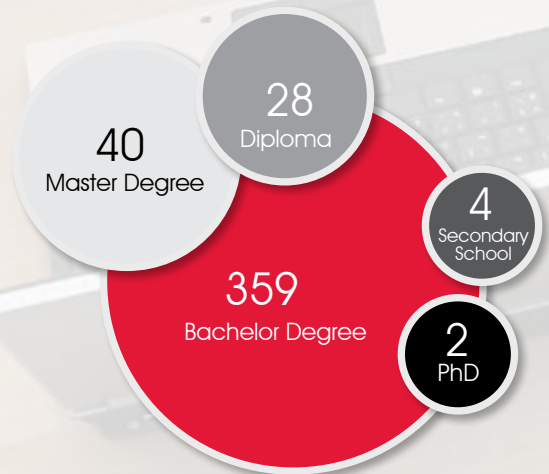
Wataniya Mobile is effectively and efficiently translating its policy of social responsibility, and in line with the Company's strategy, Wataniya Mobile sponsors a large number of educational, cultural and sports activities. Sparing no efforts in paying utmost attention to the Palestinian social fabric, 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 Staff, Our Priority: We hone their skills

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 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, 2013, there existed 433 employees - 7 of whom are in Gaza - working for Wataniya Mobile, serving in the Company's various departments, 292 employees work at the headquarters located in Al Bireh - Sateh Marhaba.

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) Policies are the official reference and main source of regulations applicable in Wataniya Mobile. Not only do these policies define and regulate the organisational and professional responsibilities, but they also establish certain procedures governing the employment relationships among the staff and management. Effectiveness of Wataniya Mobile's HR policies is proven as the employees turnover rate is low as 1.0% in 2013.

HR Policies include, but are not limited to, the following:

Recruitment & Employee Sustainability

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. Applicants willing to join Wataniya Mobile may refer to the Company's website: www.wataniya.ps.

Not only is it a priority to us, but it is also an integral part of our strategy retain our employees. This strategy is built 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.

Compensations and Benefits Policy

Wataniya Mobile offers its employees a package of benefits in excess of those stipulated by Palestinian Labour Law. Wataniya Mobile incorporates a performance-based incentive system, where incentives are directly linked to employees' performance and in line with the 'management by objectives' system. In addition to competitive salaries, Wataniya Mobile provides its employees with a number of special benefits, including:

- Annual salary increment.
- Annual bonus.
- Excellent health insurance for the employee and his/her family members.
- Life insurance (Islamic Takaful scheme).
- A Savings Fund with benefits exceeding most similar funds provided by companies in the Palestinian market.
- A staff rate plan offering Wataniya Mobile's employees and their family members special features and privileges for telecommunications services/products.

Internal Communications Policy

The Internal Communications Department at Wataniya Mobile pays special attention to employees' issues within the Company. The Department operates to streamline communication and reinforce interaction among all Wataniya Mobile's employees by way of adopting unique methods. The department's functions also aim at cementing the principle of understanding as a means of creating a healthy environment between all the staff members.

Communication with employees is realised through a number of methods, including: (i) emails; (ii) the internal employee newsletter, (iii) the Communications Forum being the platform for discussion of certain issues directly by and among employees and also expressing their own views and opinions; (iv) the Company's Intranet, which is updated on daily basis with the latest news and most important information during the year; and special events organised by Wataniya Mobile for its employees, which helps create an atmosphere of engagement, communication and entertainment. Additionally, an atmosphere of entertainment is promoted through an event that is held to gather all employees of the Company in celebration.

Health, Safety and Security Policy

As maintaining health and public safety within Wataniya Mobile is the management's top priority, the Company has set up a Public Safety Committee, at its headquarters and all branches. The said Committee is comprised of three main teams: (i) The First Aid Team; (ii) The Fire-fighting Team; and (iii) The Evacuation Team. Each of these teams is made up of highly qualified and skilled members who undergo intense training courses conducted by the Company. The Committee continuously raises awareness among employees through campaigns and internal correspondence. With regards to security, all Wataniya Mobile's premises are equipped with an advanced surveillance, security and protection system to ensure the safety and wellbeing of all employees as well as visitors.

Training, Talent and Innovation Development Policy

With regards to Wataniya Mobile's staff training and qualification scheme, the Company has dedicated more than 6 thousand training hours for 328 employees over the course of 2013. Based on Wataniya Mobile's policy of encouraging employees' creativity and innovation, being a cornerstone for success, the Company has launched the 'Innovation Platform Initiative,' through which employees post their creative ideas (for example: a new product, a marketing campaign, etc). Proposed ideas are assessed by a committee formed from among the Company directors. In case any creative idea is found fit for implementation, the employee behind the idea is rewarded. In addition, any employee discharging his/her duty in an innovative fashion is rewarded according to the degree or amount of his/her achievement.

Social Committee Policy

The Social Committee was created for the purpose of cementing relations among Company employees beyond their formal shape, as this reflects positively not only on the work environment, but also employees' productivity. The Committee for this purpose organises regular social, sports, cultural and recreational activities. In actual fact, the Social Committee has over the past three years become one of the Company work environment's cornerstones. The Committee is not only mirroring the uniqueness of Wataniya Mobile's togetherness and pluralism, but it is also reflecting the Company's culture and its success stories.

In 2013, the Social Committee organised a number of activities, namely: sports tournaments in various sporting disciplines, including football, basketball, bowling and table tennis. It also supervised weekly training sessions for the staff football and basketball teams.

The Social Committee adopts a special programme for the development of creativity, innovation and talents among all the staff members. In addition to all the above, the Wataniya Mobile's Social Committee has incorporated the Family Solidarity Programme, through which financial contributions are collected on behalf of Palestinian families in the Palestinian refugee camps in Lebanon. It also supports the families of political detainees, as regular visits are paid to them, also donations and token gifts are provided.





Our Economy, Our Priority: We help build

Since the advent of Wataniya Mobile in 2007, the Company's operations have had a deep 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 liberalising 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 and rates offered.

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.

Herein after is a brief summary of the aforesaid main contributions:

Liberalising the Palestinian Telecom Market

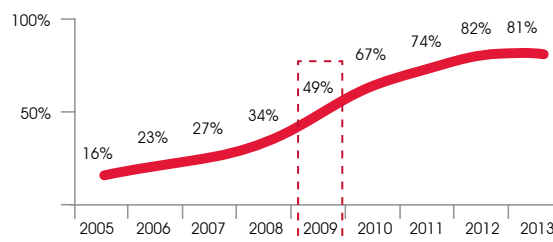
In 2006, The Palestinian National Authority resolved to liberalise the telecom market and open the door for competition following a monopoly that has lasted since 1997. In accordance with the strategy laid down by the Palestinian Ministry of Telecommunications and Information Technology (the Ministry), 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 licence 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.

Upon its launch, Wataniya Mobile introduced dozens of rate plans and services into the Palestinian market as the Company reached a thick base of subscribers in every corner in The West Bank. By the end of 2013, Wataniya Mobile's customers have reached nearly 638 thousand subscribers.

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 49% by the end of 2009; equally, the decline in interconnect rates amounted to 53%, from 2009 to 2013.

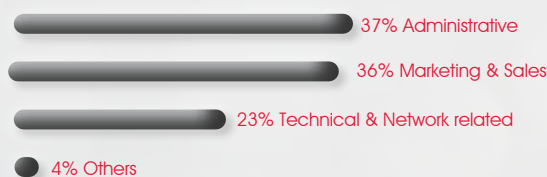
Penetration rate development in the West Bank



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 2013, Wataniya Mobile estimated creating 1,097 direct and indirect job opportunities within the Palestinian market. This entails sources of income and support to Palestinian families; and contributes directly to the improvement of citizens' living standard. Until the date hereof, the number of indirect jobs created by Wataniya Mobile has reached to 664 distributed among the following segments, as shown in the chart below:



Reinforcing Business Partnerships

Wataniya Mobile replaced the conventional buy-sell relationship with true partnerships, as a new effective concept achieving balance among and bringing the best out of the parties to such business relationship. In this context, Wataniya Mobile is adopting a solid procurement strategy, based on reinforcing long-term strategic partnerships with local and global players.

Globally speaking, Wataniya Mobile has entered into long-term agreements with Ooredoo Group as well as many international giant corporations, including, but not limited to, Microsoft, Ericsson, Oracle, etc. who are keen on dealing with Ooredoo Group's subsidiaries, namely Wataniya Mobile. Under these agreements, Wataniya Mobile avails of quality services at reasonable prices, benefiting by the accumulated purchase power of the Group's affiliate companies.

At the domestic front, Wataniya Mobile's strategic partnerships are built through business deals with major local companies, who, in turn, selected Wataniya Mobile as the exclusive mobile service provider for their employees. Not only is partnership reinforced, but also mutual benefits and interests are exchanged.

Wataniya Mobile's unification and automation of procurement procedures - in line with those of (Ooredoo) - further develops speed and promotes performance, thereby ensuring the sustainability of these partnerships.

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, 7% of annual revenues, 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.

Impact on Palestine Exchange (PEX)

Sunday, 9 January, 2011 was a monumental day in Wataniya Mobile's history, when the Company was listed on PEX in the services sector. On that first day of trading, Wataniya Mobile witnessed a heavy trading volume nearing 3 million transactions, the Company's share then reached its highest price at US\$1.4.

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 caused the market value of PEX to hike 14% upon listing, 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 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 Priority: We help protect and conserve

The rapid technological development that the world has witnessed over the past decade has had a deep impact on society in general, and on the environment in particular. As a result of the progression, huge amounts of emissions, solid residues or radiations, may, if left untreated, harm our environment in many ways. And whereas telecommunications companies, like many other industrial applications, use the radio microwaves and solid materials in telecommunications chips and devices, Wataniya Mobile has, since its inception, adopted a rigid strategy and has been adhering to strict measures not only to protect and preserve the environment, but also to limit any harmful impacts. In this respect, Wataniya Mobile conducted a number of public awareness campaigns, and introduced a number of creative solutions to assist in maintaining a clean, safe and healthy environment.

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.

- 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.
- 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.

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 rationalisation, 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 summarised in the collection and sorting of all waste materials of whatever nature. The waste materials are then disposed of in the internationally recognised scientific methods. The process adopted by Wataniya Mobile can be summarised as follows:

- Collecting the waste materials and dispose of them underground beyond the perimeters of the residential areas within the Palestinian territories. In other cases, it is required to incinerate the waste materials to reduce them to ashes in scientific manners.
- 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 organisation specialised in recycling used liquid batteries that are to be removed and destroyed from the Company's operational sites.

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GOVERNANCE

- Shareholders
- Board of Directors and Executive Management
- Corporate Governance
- Legal Disclosures

We are committed to enforcing the regulations & instructions of corporate governance





Shareholders

Current Ownership

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. The following figure shows the Company's ownership structure as of December 31, 2013 when the number of Wataniya Mobile shareholders reached 11,432.



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 15 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, 2013, over 89.6 million in 15 countries where Ooredoo runs telecommunications operations.

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:

Founding Parties	January 27, 2007	
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 became as follows:

Founding Parties	October 14, 2010	
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%

* This table shows shares directly before the initial public offering.

** A subsidiary company of Palestine Investment Fund.

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.

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. After the public offering, shareholder distribution became as follows:

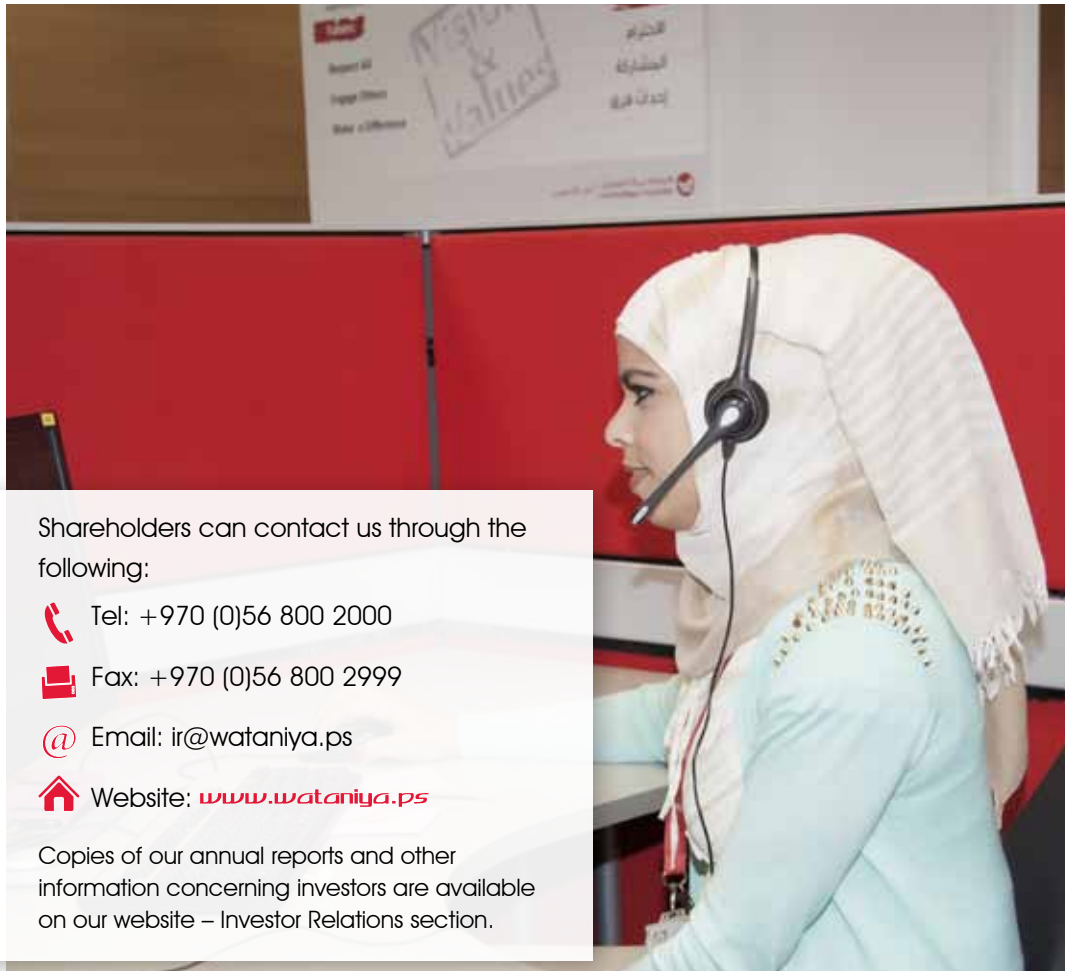
Shareholder	Ownership Rate
Wataniya International - FZ LLC	48.45%
Palestine Investment Fund	36.55%
Free Trading (Public)	15%

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, as was the case when the first 15% share was offered. Upon offering the second 15% share, ownership percentages in the Company will become as follows:


Shareholder	Ownership Ratio
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 2000

 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.

Board of Directors and Executive Management

Brief Biographies of the Members of the Board of Directors



Dr. Nasser Marafih, Vice Chairman of the Board of Directors - Representative of Wataniya International

Dr. Marafih joined the Board of Directors of Wataniya Mobile in January 2007. He is the Chief Executive Officer of Ooredoo Group, and a member of the Board of Directors of Wataniya International - Free Zone LLC. Following the resignation of Dr. Mohammad Mustafa from the Chairman of the Board position on 15-9-2013, Wataniya Mobile Board of Directors appointed Dr. Nasser as Acting Chairman until a new Chairman is appointed. He is also a member in a number of boards of directors of other affiliated and sister companies in Ooredoo Group. In addition, Dr. Marafih serves on the board of the GSMA. Dr. Marafih holds a PhD in Telecommunications, a Master's in Sciences, and a bachelor's in Electrical Engineering, all from the University of George Washington in the United States.



Mr. Michael Hancock, Member - Representative of Wataniya International

Mr. Michael Hancock joined the Board of Directors of Wataniya Mobile in January 2011. Mr. Hancock is the General Counsel of Ooredoo Group, after becoming the General Counsel of Ooredoo International Company in November 2007. Mr. Hancock has the Juris - Doctorate degree from the University of California, a master's degree in Business Administration from INSEAD University in France. Before joining Ooredoo, Mr. Hancock occupied the position of General Legal Advisor in Telecommunications and Information Technology for Alcatel, and was a partner in the Salans Law Firm in Paris.



Mr. Khalid Al Mahmoud, Member - 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 six Ooredoo companies - Wataniya Mobile Palestine, Bravo (Saudi Arabia), Wataniya Maldives, wi-tribe Jordan, wi-tribe Pakistan and wi-tribe Philippines, and he is also a board director of the last five of those companies. Mr. Al Mahmoud served as Chief Operating Officer of Nawras (an Ooredoo company in Oman) from February 2005 to March 2011, and also held that position from March 2011 to January 2012 in wi-tribe Group, a management company that supported Ooredoo's wi-tribe branded operations. From 1989 to February 2005, Mr. Al Mahmoud held a number of positions with Ooredoo Qatar, including Manager – Product Management, Manager – Data Services (ISP) Business Unit, IT Divisional Manager, and Head of Information Systems – Business Applications.



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.



Dr. Durgham Maraee, Member - Representative of Palestine Investment Fund

Having joined the Board of Directors of Wataniya Mobile in January 2011, Dr. Maraee is the Chief Investment Officer at the Palestine Investment Fund (PIF). In this role, he oversees PIF's Investment portfolio and the development of new investment initiatives, which aim to spur economic growth in Palestine through the establishment of viable business enterprises, while achieving good returns to PIF. Prior to joining PIF, Dr. Maraee 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 the financial, media, manufacturing and tourism industries, among others. Dr. Maraee holds a PhD and Master's degrees from Harvard University in International Law.



Mr. Amer Sunna, Member - Representative of Wataniya International

Mr. Amer Sunna joined the Board of Directors of Wataniya Mobile in January 2011, and the Ooredoo family as CEO of wi-tribe Jordan in August of 2010, in August 2011 he was appointed as Chief Operating Advisor of wi-tribe Philippines, in February 2013 he was appointed as the Managing director of Asia cell Iraq, as of August 2013 he became the Chief Executive Officer / Managing Director of Asia cell Iraq. He brings with him 20 years of experience dedicated to the improvement of customer experience in telecommunications through a number of executive positions at various high profile organisations. Prior to joining wi-tribe, Amer was the CEO of three specialised telecommunication and internet services companies owned by VTEL Holdings in the Commonwealth of Independent States region (Ukraine, Armenia and Georgia) and the Group Chief Operations Officer (COO) at Orange. Sunna carries a B.Sc. in Electrical Engineering from Jordan University.

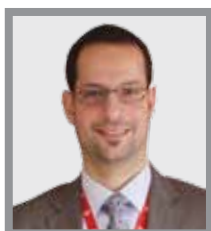
Brief Biographies of Members of Executive Management



Mr. Fayez Hussein, Chief Executive Officer

With more than 20 years of accomplishment-laden professional experience, locally and regionally, Mr. Hussein joined Wataniya Mobile in September 2012 to assume his current position as the Chief Executive Officer. A strong believer of teamwork and continuous improvement philosophy, Fayez Hussein has an outstanding record in all the organisations he has served. In previous roles, Mr. Hussein held a number of senior positions in the Mobile telecommunications and MVNO businesses including Dubai-based FRIENDi Group (now Virgin Mobile MEA). Mr. Hussein also brought along with him a wealth of experience in the field of investment and private equity across the region. Prior to joining Wataniya Mobile, Mr. Hussein had served as Principal at Abraaj Capital, where he managed their Palestine Growth Capital Fund. Mr. Hussein holds a Bachelor of Business Administration, majoring in Finance, from the American University, Washington D.C.

Mr. Fadi Abdellatif, Chief Financial Officer



Fadi Abdellatif joined Wataniya Mobile in March 2007, and assumed his current position as the Chief Financial Officer in September 2012. Fadi has over 15 years of diversified experience in management, auditing, accounting, information systems and consulting in various sectors, including telecommunications. Mr. Abdellatif joined Wataniya Mobile at its early stage after serving for a number of leading organisations, 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. Mohammed Serieh, Chief Commercial Officer



Mr. Mohammed Serieh joined Wataniya mobile in November 2013 to assume his current position at Wataniya Mobile as the Chief Commercial Officer. Mr. Serieh is an accomplished telecom expert with over 15 years of experience in the commercial domain of telecom industry.

Mohammed joined the Ooredoo group (formally Qtel of Qatar) in 2012 where he held the office of the Commercial Director and was responsible for the commercial activities of the Group's SMBU affiliated operators. Mohammed also served for four years as the Head of Marketing Department in Asiacell of Iraq. His duties, then, included overseeing and developing all the marketing activities, public relations, research and development. Before that, Mohammed held a number of senior positions in various mobile telecom companies, namely Batelco, Orange and Umniah. Mr. Serieh is a member in the Chartered Institute of Marketing. He is also a certified expert by ITU. Mr. Serieh has won several awards from Orange and other operators, the latest of which is GSMA mWoman Global Award for best service in developing markets. Mohammed Serieh graduated from Al Yarmouk University in Jordan, with Business Administration as his major.



Mrs. Nuha Al-Masri, Human Resources Director

Having joined Wataniya Mobile in May 2007, Nuha Al-Masri assumed her present position as Human Resources Director in January 2010. In the domain of human resources management, Mrs. Al-Masri brought with her 13 years of experience. She previously worked for Birzeit University and its affiliate Continuing Education Centre in Palestine, where she was responsible for upgrading the Personnel Office to a progressive Human Resources Department. Nuha spearheaded Wataniya Mobile's efforts to establish the Company's integrated Human Resources Department. Mrs. Al-Masri holds a master's degree from Maastricht University in Holland, and a bachelor's degree from Birzeit University. Both degrees are in Business Administration.



Mr. Omar Al-Sahili, Business Transformation Director

Omar Al-Sahili joined Wataniya Mobile in February 2010 and assumed his current position as Business Transformation Director in October 2013. Mr. Al-Sahili offers 18 years of experience in commercial businesses development, as well as the information and communications technology. Prior to joining Wataniya Mobile, Omar had worked for DAI, PEC DAR (Palestinian Economic Council for Development and Construction). He also served for the Institute of Law at Birzeit University in Palestine. As Wataniya Mobile's former Sales Director, Mr. Al-Sahili was a key strategic and tactical contributor to the successful institutionalising and restructuring of the Company's Sales Department. Mr. Al-Sahili holds a Master of Engineering Sciences and a Bachelor of Electrical Engineering. Both the degrees are from the University of Toledo, Ohio in the United States.



Mr. Haitham Abu Shaaban, Gaza Operations Director

Haitham Abu Shaaban joined Wataniya Mobile as Gaza Operations Director in June 2011. Mr. Abu Shaaban brought with him over 17 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. Mr. Abu Shaaban has a bachelor's degree in International Business Administration from the California State University, in the United States.



Mr. Amjad Al-Osaily, Network Director

Amjad Al-Osaily joined Wataniya Mobile in June 2007 and assumed his position of the Network Director in January 2010. Mr. Al-Osaily has over 14 years of experience in the field of network management and operation. In a previous position, Mr. Al-Osaily earlier worked for Ericsson International as part of its services contract with "Mobily." In addition to that position, Amjad also served for other telecommunications companies. Mr. Al-Osaily led Wataniya Mobile's efforts in establishing and operating its Network. He was instrumental in surmounting the many challenges concurrent to the Company's launch. Currently, and in addition to his present role, Mr. Al-Osaily undertakes the upgrading and expansion projects for the Wataniya Mobile's Network in The West Bank and Gaza Strip. Amjad holds a bachelor's degree in Electronics and Telecommunications Engineering from the Applied Sciences University in Jordan.



Mr. Saeed AbuElnaj, Information Technology Director

Saeed AbuElnaj joined Wataniya Mobile in December 2012 and assumed his current position as the Wataniya Mobile's IT Director eight months later. He offers over 20 years of experience in programme management in the ICT and programming domains. Mr. AbuElnaj has taken part in large scale ICT projects for renowned local and global companies, both in the United States and the Middle East. Saeed holds an academic degree of Doctor of Science (DSc.) in Engineering Management. He also has a Bachelor of Information Management (BIM) degree from George Washington University. He also holds a Bachelor of Electrical Engineering from Czech Technical University.



Mr. Osama Qawasma, 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 15 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 10 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.

Corporate Governance

Institutional Governance: Responsibilities and Mechanisms

In 2010, Wataniya Mobile developed its governance manual in compliance with the terms of the Code of Corporate Governance in Palestine, as issued by the Palestinian Capital Market Authority. The most significant of these standards are policies for disclosure and transparency; conflict of interests; confidentiality of internal information; trading suspension; the rights of shareholders and related parties including legislators, customers, employees and overall community; the responsibilities of the Board of Directors and executive management; and the authority matrix across all levels within the Company. The manual also includes committees' charters emanating from the Board of Directors, comprising the Audit Committee and the Executive Committee, as well as the expected code of conduct for members of the Board of Directors and employees of the Company.

Wataniya Mobile is committed to disclosure in accordance with the laws, regulations and instructions in force since its listing in Palestine Exchange on 9 January 2011. The Palestinian Capital Market Authority and Palestine Exchange have never asked for clarification or disclosure from the Company for vague or incomplete information, or penalised the Company as a result.

According to the shareholding agreement between Wataniya International - Free Zone and Palestine Investment Fund, Wataniya International - Free Zone was granted the right to manage the Company. In order to implement this, the shareholding agreement between Wataniya International - Free Zone and Palestine Investment Fund stipulated that the former will acquire a majority in the Board of Directors, whereby the Board, composed of seven members will have four members as representatives of Wataniya International - Free Zone and three members representing Palestine Investment Fund.

The Shareholding Agreement also determines the mechanisms for appointing the Chief Executive Officer, Chief Financial Officer, the Board's Secretary and any Chief position. Approvals of Wataniya International - Free Zone and Palestine Investment Fund must be obtained for these positions. The remaining executive management members, however, may be appointed by a simple majority by the Company's Board of Directors.

The executive management's authorities shall be determined by the Board of Directors in such a way that these authorities are related to running the Company's business affairs and administrative and internal affairs, each according to their managerial specialization.

Board of Directors' Responsibilities

The duties of the Board of Directors are diverse, and are governed by the Companies Law and the Company's internal bylaws. 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.

First: Setting Internal Policies

For the purpose of protecting shareholders' rights, the Board of Directors has adopted and approved a number of internal policies, such as:

Policy of Authorities, which specifies the persons authorized to endorse all Company's decisions, dealings, commitments, and the decision-making mechanisms therein.

Company Management Policy, it governs the relations between the Board of Directors and the executive management. It stipulates from the formation of a number of internal committees which aim at monitoring the executive management's work and guarantee that decisions are taken in a proper and well-informed manner.

Human Resources Policy, it deals with the executive management's duties towards employees and employee protection mechanisms, guaranteeing their rights and duties towards the Company and the job.

The Board of Directors is keen on adhering to disclosure and transparency principles through compelling the executive management to respect the principles of disclosure and sign all Company financial statements, making sure that shareholders are provided with all the necessary information to monitor the Company's business, whether upon the request of

shareholders or through the Company's General Assembly.

Second: Identifying General Objectives

The Board of Directors identifies the Company's general objectives, and the CEO discusses them with the executive management, who, in turn, identify the respective departments' objectives in a manner that supports and is compatible with the Company's main objectives, noting that the responsibility of each member of the executive management is to distribute the responsibility for the fulfillment of objectives to the respective department staff.

The CEO supervises members of the executive management to assure that fulfillment of Company's objectives is progressing in the right direction. Each of the executive management members oversees the fulfillment by his/her respective department staff of their own objectives in a manner that supports the overall Company's objectives.

Third: Board of Directors' Meetings

The Board of Directors held six meetings during 2013, during which it discussed and approved a number of important issues related to the Company's performance and present accomplishments, in addition to approving strategic plans and any issues that require the Board's approval, which were disclosed at the time.

Fourth: Committees Formed by the Board of Directors

The Executive Committee:

A permanent committee, was formed on 20 March 2011, and its members are:

Dr. Mohammad Mustafa, Chairman (until 15-9-2013)

Dr. Nasser Marafih, Member

Mr. Khalid Al Mahmoud, Member

Responsibilities and Authorities of the Executive Committee:

- Approve expenditures within the authority limits set by the Board of Directors.
- Approve all services and products offered by the Company to its customers, according to the authority limits granted by the Board of Directors to the Committee.
- Consider and adopt recommendations concerning the award of tenders, authorizing procurements and approving the value of contracts within the limits of authority conferred under adopted regulations, and authorizations granted by the Board of Directors to the Committee.
- Approve the appointment and promotion of staff in executive management positions, as well as disciplinary measures, in accordance with the policies and regulations of the Company and the authorizations granted by the Board of Directors to the Committee.
- Develop additional conditions of staff appointment or remove any of these conditions.
- Review draft regulations and new Company policies and make recommendations concerning these to the Board of Directors.
- Review and study all Company's regulations and policies, whenever appropriate, and raise proposals to the Board of Directors.
- Approve the draft strategic plan and the annual budget, before submission to the Board of Directors.
- Review the quality and efficiency of services and products offered by the Company and suggest ways and methods for development and promotion.
- Oversee the process of performance evaluation and the Company's compensation structure, or any amendment thereto.
- Adopt performance indicators, which form the basis for:
 - Determining the optimal rate of performance for the Company;
 - Determining the basis of annual bonuses calculation;
 - Evaluating the performance of the CEO.
- Submit recommendations to the Board of Directors with respect to the CEO compensation structure and specify management reporting to the CEO; and approve the compensation structure for other senior executives within the limits of plans and policies in place.
- Adopt the staff performance appraisal system and any related amendments thereto.
- Review annual objectives, performance appraisal, compensation and benefits with respect to the CEO and make recommendations thereon to the Board of Directors.
- Review and make recommendations to the Board of Directors concerning the adoption of a system of annual incentives (bonuses) to employees, and any amendments thereto.
- Review succession plans for the Company's top executive positions in consultation with the CEO, and submit recommendations to the Board of Directors with regards to the choice of candidates to succeed the CEO.
- Provide management with strategic guidance on priorities and risks related to financial and strategic investment operations.

- Oversee the implementation of financial and strategic investment policies through periodic reports filed by management.
- Consider management requests for the approval of financial and strategic investments, and other related matters.
- Approve financial and strategic investments and related matters, to a maximum value of US\$10,000,000 (ten million) per investment, or US\$100,000,000 (one hundred million) in total investments per fiscal year.
- Decide upon the liquidation of any of the Company's financial investments, or its affiliated subsidiaries.
- Approve investments and treasury affairs relating to any of the affiliated subsidiaries of the Company.
- Report regularly to the Board of Directors and make recommendations concerning the scope, direction, quality and volume of investments made by the Company.
- Decide which banks to deal with, and establish limits for transactions with these banks.
- The Executive Committee may delegate its authority to a sub-committee composed of one or more of its members, and the Chief Executive Officer of the Company.
- The Committee may also retain individual or corporate consultants to assist in achieving its objectives.
- Review the performance of the Committee and update the Board of Directors concerning its activities periodically.

Operations and Activities Undertaken by the Executive Committee in 2013:

- Review draft regulations and new Company policies and make

recommendations on these to the Board of Directors.

- Approve the draft strategic plan and the annual budget before submission to the Board of Directors.
- Approve the scorecard target for the Company.
- Review the CEO's annual objectives, performance appraisal, compensation and benefits.
- Authorize the appointment and promotion of staff to executive management positions.

Methods for Relieving the Executive Committee from its Responsibilities

This committee is responsible to the Board of Directors in its work and performance, and it can only be relieved from its responsibilities by the Board of Directors.

The Audit Committee:

A permanent committee, was formed on 20 March 2011 includes:

Mr. Michael Hancock, Chairman
Dr. Durgham Maraee, Member
Mr. Amer Sunna, Member

Audit Committee's Responsibilities, Domain and Authorities:

- 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.
 - Review internal audit reports submitted to the Committee on a quarterly basis, with copies to be submitted to the Chairman and members of the Board of Directors.
 - Review the reports of the external auditor and management comments regarding these reports.

- Adopt investigation procedures that are independent and fair concerning any cases of financial violations or other cases, involving any employee of the Company or any other person, according to specific rules and a mechanism to enable the confidential reporting of those violations.
- Submit observations and recommendations on the contents of the internal and external auditors' reports, and the results of any investigations to the Board of Directors.
- Examine draft annual plans for internal audit before submission to the Board for approval.
- Select the external auditor, recommend his/her appointment, determine his/her fees and determine the objectives and scope of his/her work.
- Select the internal auditor of the Company, recommend his/her appointment, and assess his/her performance.
- Supervise the administrative, financial and technical operations of the Internal Audit Department, including the proposition and implementation of its annual budget (operating and capital) and organizational structure, as well as the training, development and promotion of its employees, in accordance with the Company's regulations.
- Review internal control systems and arrangements for risk management and corporate governance, and inform the Board of Directors on the adequacy and effectiveness of such systems and arrangements.
- Evaluate the performance of internal and external audit annually, according

to pre-determined performance indicators.

- Conduct an annual review of the Committee's performance, submit a report on the results of the review to the Board of Directors, and ensure the inclusion of the review in the Company's annual report.
- Consider any other matters as specified by the Board of Directors.
- In order to fulfill its tasks, the Committee may retain the services of an independent expert or consultant.

Operations and Activities undertaken by the Audit Committee in 2013:

- Define internal audit objectives and policies and determine its scope.
- Review internal control systems and arrangements for risk management and Company governance.
- Oversee the internal audit of the Company.
- Review of interim (quarterly and end of year) financial statements in 2013.

Methods for Relieving the Audit Committee from its Responsibilities

This committee is responsible to the Board of Directors in its work and performance, and it can only be relieved from its responsibilities by the Board of Directors.

Fifth: Decision-Making Mechanism

The decision-making mechanism in the Company is implemented based on the authority granted to the CEO and various department heads through the Company's Board of Directors. In addition to the above, the CEO has formed two main committees to monitor executive issues, as follows:

The Executive Committee: Headed by the CEO, this committee includes the directors of all Company departments. This committee performs strategic planning

for the Company, prepares budgets and discusses administrative decisions and general Company issues. This committee is considered an effective communication and coordination tool among Company departments in general.

The Commercial Activities Team: Headed by the CEO and includes the Directors of the Marketing, Sales and Customer Care Departments. The Team concentrates on implementing the Company's commercial strategy and ensuring that commercial activities are transferred promptly to the market. The Team discusses various commercial activities and takes decisions regarding them. It also achieves an optimum level of harmony among business managers and their teams in the departments involved in commercial affairs. Further, it ensures communication with all Company departments through referring issues, based on their importance, to the Executive Committee.

There are also some committees entrusted with specific authorities, formed under decisions by the Company's Board of Directors. These include:

Human Resources Committee: This committee is composed of the CEO, the CFO, and the Human Resources Director. The committee is concerned with all decisions related to recruitment and to specifying salaries, compensations and promotions for employees at all job levels in the Company, with the exception of the salaries and benefits of the members of executive management.

Contracts and Procurement Committee: This committee is concerned with managing Company contracts and procurement. Representation in this committee is along different levels based on the financial value of the contracts and procured goods.

Bank Accounts and Investment Committee: This committee is concerned with managing Company bank accounts, investment of Company resources and obtaining financing if the need arises.

Sixth: Internal Audit Procedures

The work of the internal audit department at the Company adheres to the instructions outlined in the code of corporate governance, as follows:

- The Board of Directors has approved the formation of the Internal Audit Committee, reporting to it, comprised of three independent members with expertise in the Company's finances, administration and technical operations.
- The Committee has appointed the Head of its Internal Audit Department.
- The Board has approved the working process of the Audit Committee, authorizing it to supervise financial and administrative control systems in the Company, in addition to supervising the activities of internal and external auditors.
- The committee has approved the working process of its Internal Audit Department, defining the powers and responsibilities of the internal auditor, and ensuring the independence of the internal audit department, whereby this department reports functionally to the Audit Committee, and administratively to the executive management.

The committee meets periodically to review internal audit reports and make recommendations as it deems appropriate. It also approves the annual internal audit plan, and the allocation of human and financial resources to implement this plan.

Legal 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.

Regulations issued by the Palestinian government or any foreign government that had material impact on Wataniya Mobile operations

In March 2007, The Palestinian Ministry of Telecommunications and Information Technology (the Ministry) granted Wataniya Mobile a 15-year license to build, operate and provide 2G/3G mobile telecommunications services and operate on International Gateway in Palestine. Under the license, Wataniya Mobile's operations shall be regulated and governed by the Ministry, being the regulatory authority of the Palestinian telecommunications sector, as established under the Palestinian Telecommunications Law of 1996. Until date, Wataniya Mobile is coordinating with the Ministry and the related parties to smooth operations in Gaza Strip. As a result, the Gaza Strip market is subject to monopoly, impairing Wataniya Mobile's right and hindering its ability to fully compete in the Palestinian market. Above all, it deprives Gazans of their right to choose the service provider they desire.

Israeli occupation authorities also refuse to release the required radio spectrum necessary to the Ministry in order to provide the required 3G frequencies and launch the 3G services in the Palestinian market. Therefore, Wataniya Mobile has not – till date – benefited by one of the key elements of its license as the sole provider of 3G services in the Palestinian market.

In August 2009 the Palestinian National Authority issued a law for the establishment of an independent regulatory authority to regulate the Palestinian telecommunications sector. The law, however, has not been put to effect for reasons related to the formation of the authority's board of directors. The said law aims at vesting in the authority the power to regulate the telecommunications market within Palestine, and guaranteeing the provision of high-quality telecommunications services to users at affordable rates and acceptable conditions. It also aims at encouraging investment in the telecommunications sector, and consequently encouraging competition, and reinforcing high levels of fairness and transparency among competitors.

Since the launch of Wataniya Mobile, the Ministry has handed down a number of key regulations and directives, namely:

- Interconnect Directives of 2007, aiming at regulating interconnect between licensed operators in Palestine.
- Instructions on competition safeguards, in 2011, for the purpose of identifying anti-competitive practices within the sector, in addition to indicating measures necessary to addressing them.
- Instructions on Mobile Active Subscriber definition in 2012, which defines a method for estimating the number of active subscribers for mobile operators and disclosing it.
- Implementation of phase 1 of monitoring and auditing the telecom operator's compliance

with telecom laws and regulations of 2013, with the aim of improving quality of rendered services and creating a transparent competitive environment.

- Resolution governing the first phase of the 'Long-Run Incremental Cost' (LRIC) Model, which is used to determine the price paid by competitors for cellular services provided in 2013. The LRIC Model is scheduled to be implemented in a number of phases over the coming two years.

Lawsuits brought against Wataniya Mobile

There is one legal action brought against the Company number 441/2011 before the Court of First Instance in Ramallah. The case subject matter is a financial claim for U.S\$ 911,816 and was filed by a building owner disputing a site rental in the city of Al-Bireh. The Court issued a verdict on 23/10/2013 that Wataniya Mobile is to pay U.S.\$82,500. Having appealed the verdict before the Ramallah Court, this claim is the only legal action involving Wataniya Mobile.

Shareholders' Voting during 2013

An ordinary meeting of the General Assembly was held on 14 March 2013, where voting was held on: approval of the Board of Directors' report for the past financial year 2012, the adoption of the financial statements of the Company for the year 2012, relieving of the members of the Board of Directors for the financial year 2012, and the election of the Company's auditor for the financial year 2013. The voting resulted in approving the first three matters and electing Ernst & Young as the Company's auditor for the financial year 2013.

External Auditors

Wataniya Mobile retains Ernst & Young as External Auditors. The firm audited the financial statements for the year 2013. Their address is PADICO House Building, seventh Floor, Al-Masyoun, Ramallah.

Internal Auditors

The Internal Audit Committee appointed Mr. Mahmoud Othman as the internal auditor for Wataniya Mobile.

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.

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

There are 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 2013 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 or remunerations during 2013. Wataniya Mobile, however, covers all travel expenses of the Board members to attend meetings of the Board of Directors, which amounted in total to zero during 2013.

With regard to the policy of attendance allowances at Board meetings for the members, Wataniya Mobile is in the process of finalizing the related policy.

Executive Management Remunerations

Total Remunerations of members of the executive management team amounted to US\$2,460,342 including those of the current executive management members and those whose contracts ended during 2013, noting that there are no indirect remunerations such as guarantees or loans.

Executive Management Contracts

Executive management contracts are permanent contracts and aren't different from those of other employees, and comply with the Palestinian Labor Law.

Shareholders owning 5% or more as of 31 December 2013*

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%

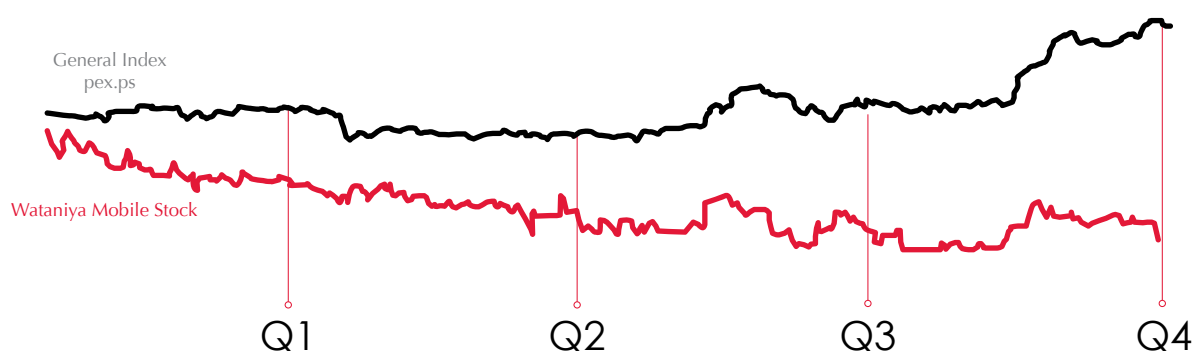
* As of 31 December 2013, there were no shareholders owning more than 5% within the free trading shareholders (the public).

Summary of Wataniya Mobile Shares trading Activity during 2013

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 Information (2013)	Value	Ranking on Palestine Exchange
Number of Shares Traded	4,474,887	8
Value of Shares Traded (US\$)	4,736,325	9
Number of Deals Concluded	2,814	4
Number of Trading Sessions	237	4
Company Market Capitalization as of year end (US\$)	263,160,000	4
Number of Shareholders	11,432	3

The following is Wataniya Mobile's stock movement during 2013:




The highest and lowest price for Wataniya Mobile shares per Quarter in 2013 and in 2012:

2013 (US\$)	Q1	Q2	Q3	Q4
Highest Price	1.23	1.13	1.13	1.10
Lowest Price	1.11	1.03	1.00	1.00
Closing Price	1.11	1.03	1.01	1.02

2012 (US\$)	Q1	Q2	Q3	Q4
Highest Price	1.30	1.19	1.16	1.30
Lowest Price	1.15	1.08	1.07	1.10
Closing Price	1.17	1.08	1.11	1.27

Intellectual Property, Franchises and Patents

Wataniya Mobile owns the concession rights to provide the 3G services; however Israeli occupation authorities are objecting to the release of the required radio spectrum necessary to providing the required frequencies. 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 **Anta Birawi | 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 2013 preliminary financial statements to the Company's Board of Directors for approval; with no disparity with the audited 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 and 31- 4-I: 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.

Disclosure Regulation - Article 24: With respect to the properties and equipment, their location, size and the characteristics of each major category, they are as follows:

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	Headquarter and showrooms	Information systems
Office equipment	Headquarter and showrooms	Office supplies and accessories
Furniture and fixtures	Headquarter and showrooms	Furniture & fixtures at headquarter and showrooms
Leasehold improvements	Headquarter and showrooms	Civil, electrical & mechanical works
Others	Headquarter 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 - Article 31-2: Financial transactions made during 2013 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 2013 to the U.S. Dollar according to the New Israeli Shekel against the U.S. Dollar exchange rate of 3.485. 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 2013 audited financial statements.
- B- Sources of capital have been referred to in note 10 and note 12 to the year 2013 audited financial statements, and projected changes in capital structure have been noted under the title Change of Control.

The background of the slide features a collage of financial data visualizations. At the top, a bar chart with red bars shows values for Myanmar, Laos, Cambodia, Vietnam, and China, with a y-axis ranging from 0 to 15,000. Below this, a 3D bar chart displays values in dollars, ranging from \$200,000 to \$350,000. At the bottom, a grey bar chart shows a series of bars of varying heights. A silver and black pen is positioned diagonally across the right side of the slide, pointing towards the bottom right.

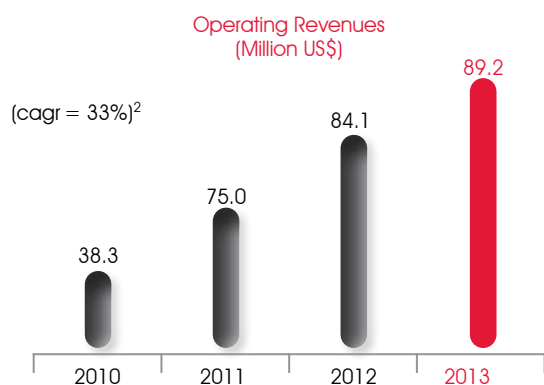
Financial Performance

- Financial Indicators
- Financial Statements
- Glossary of Terms



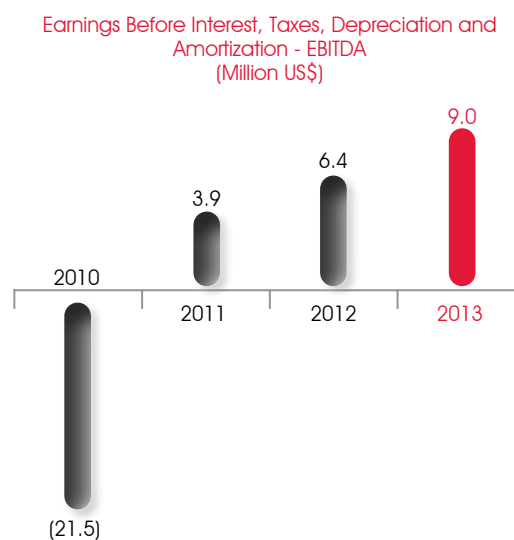
Financial Indicators

During 2013 Wataniya Mobile has progressed with achievements; the Company increased the number of subscribers to 638 thousand at the end of 2013 and thus its market share up to 29%¹. The increase was mainly driven by the marketing and sales strategies aiming to attract and maintain subscribers, subsequently impacting the earnings results, where revenues increased by 6%, reaching US\$89.2 million at the end of 2013, compared to US\$84.1 million at the end of 2012.



Furthermore, subject to the increase in the proportion of pre-paid subscribers of the total subscribers in addition to the impact of economy, the average revenue per subscriber (ARPU) decreased to US\$9.6 at the end of 2013 from US\$10.4 at the end of 2012, a decline of 8%.

Despite the ARPU decrease, the Company's Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) increased by 41%, reaching US\$9.0 million at the end of 2013, compared to US\$6.4 million at the end of 2012. This increase resulted from an improvement in the Company's operating performance where gross profit increased by US\$4.9 million at the end of 2013 over the same period of 2012.



¹ Variable estimated based on The West Bank's market only, as the Company has not until date operated in Gaza, and excluding the illegal competition by Israeli operators.

² Compound Annual Growth Rate.

The Company's Earnings Before Interest and Taxes (EBIT) also increased by 8%, reaching US\$(16.4) million in 2013, compared to US\$(17.9) million in 2012. This came as a result of the increase in the gross profit.

Finally, the Company's net loss is reduced to US\$(21.3) million at the end of 2013, compared to US\$(23.8) million at the end of 2012, an improvement by 11%.

Furthermore, the Company continued to enhance its capabilities and quality of services through investing in telecommunication systems and infrastructure. Capital expenditures in 2013 amounted to US\$13.4 million, of which US\$2.4 million related to Gaza. On the Gaza front, Wataniya Mobile has successfully completed entering the telecom equipment into the strip and completed designing the Network to guarantee full coverage and adequate services.

Wataniya Palestine Mobile Telecommunication

Public Shareholding Company

Financial Statements

December 31, 2013



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Independent auditors' report to the shareholders of Wataniya Palestine Mobile Telecommunication - Public Shareholding Company

We have audited the accompanying financial statements of Wataniya Palestine Mobile Telecommunication - Public Shareholding Company (the Company), which comprise the statement of financial position as of December 31, 2013 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2013 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

February 2, 2014

Wataniya Palestine Mobile Telecommunication
Public Shareholding Company**STATEMENT OF FINANCIAL POSITION**

As of December 31, 2013

	Notes	2013 U.S. \$	2012 U.S. \$
Assets			
Non-current assets			
Property and equipment, net	3	44,819,600	54,429,592
Projects in progress	5	24,735,263	19,576,928
Advances to contractors		4,274,340	657,615
Intangible assets	4	148,450,379	155,433,618
		<u>222,279,582</u>	<u>230,097,753</u>
Current assets			
Prepayments and other current assets	6	1,485,443	5,784,193
Inventory	7	787,351	1,309,778
Accounts receivable	8	12,436,854	11,857,100
Cash on hand and at banks	9	42,772,802	44,599,394
		<u>57,482,450</u>	<u>63,550,465</u>
Total Assets		<u>279,762,032</u>	<u>293,648,218</u>
Equity and liabilities			
Equity			
Paid-in share capital	10	258,000,000	258,000,000
Share premium		11,610,000	11,610,000
Accumulated losses		(178,244,001)	(156,919,119)
Net equity		<u>91,365,999</u>	<u>112,690,881</u>
Non-current liabilities			
Provision for employees' indemnity	11	6,005,810	3,813,957
Interest-bearing loans and borrowings	12	69,472,097	73,367,443
Other non-current liability	4	54,346,654	54,346,654
		<u>129,824,561</u>	<u>131,528,054</u>
Current liabilities			
Current portion of interest-bearing loans and borrowings	12	15,750,000	12,000,000
Accounts payable		7,738,771	7,523,560
Due to related parties	13	266,768	163,089
Deferred revenues		5,970,146	4,039,283
Other current liabilities	14	18,988,215	16,577,799
Accrued project cost		9,857,572	9,125,552
		<u>58,571,472</u>	<u>49,429,283</u>
Total liabilities		<u>188,396,033</u>	<u>180,957,337</u>
Total Equity and Liabilities		<u>279,762,032</u>	<u>293,648,218</u>

The attached notes 1 to 24 form part of these financial statements

Wataniya Palestine Mobile Telecommunication
Public Shareholding Company

INCOME STATEMENT

For the year ended December 31, 2013

	Notes	2013 U.S. \$	2012 U.S. \$
Revenue		89,214,709	84,120,379
Cost of services		(49,231,752)	(49,069,822)
		<u>39,982,957</u>	<u>35,050,557</u>
Finance revenues		625,615	294,291
Currency exchange (loss) gain		(85,869)	243,461
General and administrative expenses	15	(24,527,533)	(21,226,619)
Marketing expenses	17	(5,550,733)	(5,828,293)
Depreciation and amortization	3,4	(25,480,640)	(24,323,166)
Finance costs	16	(5,226,572)	(6,231,700)
Provision for doubtful accounts	8	(1,062,107)	(1,804,721)
Loss for the year		<u>(21,324,882)</u>	<u>(23,826,190)</u>
Basic and diluted earnings per share	18	<u>(0.08)</u>	<u>(0.09)</u>

The attached notes 1 to 24 form part of these financial statements

Wataniya Palestine Mobile Telecommunication
Public Shareholding Company

STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31, 2013

	<u>2013</u>	<u>2012</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Loss for the year	(21,324,882)	(23,826,190)
Other comprehensive income for the year	<u>-</u>	<u>-</u>
Total loss and comprehensive income for the year	<u>(21,324,882)</u>	<u>(23,826,190)</u>

The attached notes 1 to 24 form part of these financial statements

Wataniya Palestine Mobile Telecommunication
Public Shareholding Company

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2013

	Paid-in share capital	Share Premium	Accumulated losses	Net Equity
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance at January 1, 2013	258,000,000	11,610,000	(156,919,119)	112,690,881
Total loss and comprehensive income for the year	-	-	(21,324,882)	(21,324,882)
Balance at December 31, 2013	258,000,000	11,610,000	(178,244,001)	91,365,999
Balance at January 1, 2012	258,000,000	11,610,000	(133,092,929)	136,517,071
Total loss and comprehensive income for the year	-	-	(23,826,190)	(23,826,190)
Balance at December 31, 2012	258,000,000	11,610,000	(156,919,119)	112,690,881

The attached notes 1 to 24 form part of these financial statements

Wataniya Palestine Mobile Telecommunication
Public Shareholding Company

STATEMENT OF CASH FLOWS

For the year ended December 31, 2013

	Note	2013 U.S. \$	2012 U.S. \$
Operating activities			
Loss for the year		(21,324,882)	(23,826,190)
Adjustments for:			
Depreciation		14,037,060	13,418,739
Provision for employees' indemnity		2,476,676	2,056,207
Provision for doubtful accounts		1,062,107	1,804,721
Loss on disposal of property and equipment and intangibles		91,883	45,611
Finance revenues		(625,615)	(294,291)
Finance costs		5,226,572	6,231,700
Amortization		11,443,580	10,904,427
Non-cash items		214,777	129,177
		12,602,158	10,470,101
Working capital changes:			
Prepayments and other current assets		4,036,726	2,564,579
Inventory		522,427	411,498
Accounts receivable		(1,823,211)	(6,588,696)
Accounts payable		492,152	1,611,853
Deferred revenue		1,930,863	1,282,154
Other current liabilities		3,043,518	3,586,524
Employees' indemnity paid		(333,167)	(120,103)
Net cash flows from operating activities		20,471,466	13,217,910
Investing activities			
Purchase of property and equipment		(1,087,691)	(1,096,311)
Purchase of Intangible assets		(1,675,136)	(905,543)
Proceeds from disposal of property and equipment		30,166	49,492
Increase in projects in progress		(10,672,946)	(15,141,624)
Advances to contractors		(3,616,725)	1,004,415
Interest received		625,615	294,291
Net cash flows used in investing activities		(16,396,717)	(15,795,280)
Financing activities			
Repayment of syndicated loan		-	(69,212,000)
Syndicated loan drawdown		-	87,000,000
Syndicated loan transaction costs paid		(1,327,139)	(5,203,107)
Interest paid		(4,677,881)	(4,299,169)
Due to related parties		103,679	(56,186)
Restricted cash		(449,338)	9,480,558
Net cash flows (used in) from financing activities		(6,350,679)	17,710,096
(Decrease) increase in cash and cash equivalents		(2,275,930)	15,132,726
Cash and cash equivalents, Beginning of year		44,599,394	29,466,668
Cash and cash equivalents, End of year	9	42,323,464	44,599,394

The attached notes 1 to 24 form part of these financial statements

Wataniya Palestine Mobile Telecommunication
Public Shareholding Company

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

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. \$ one par value each. During 2008, the Company's authorized and paid-in share capital was increased to 170,000,000 shares with U.S. \$ one 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. \$ one par value each. The existing shareholders (WIL and PIF) subscribed for 49,300,000 shares through capitalizing 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.

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, 2013 were authorized for issue in accordance with the Board of Directors resolution on February 2, 2014.

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 convention.

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 new and amended IFRS's and IAS's effective January 1, 2013. Adoption of these standards and interpretations did not have any effect on the results of operations or financial position of the Company.

IAS 1 - Financial Statement Presentation - Presentation of Items of Other Comprehensive Income

IFRS 7 Financial instruments: Disclosures - offsetting financial assets and financial liabilities (amendments)

IFRS 13 - Fair Value Measurement

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

IFRS 9 Financial Instruments: Classification and Measurement

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.

Providing for doubtful debts

The company provides services to a 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.

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	8
Network infrastructure	8
Computers	3-5
Office equipment	2-5
Furniture and fixtures	4
Leasehold improvements	5

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.

Expenditure 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 expenditure is capitalized only when it increases future economic benefits of the related item of property and equipment. All other expenditures are recognized in the income statement as the expense is incurred.

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.

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.

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 income statement. 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 income statement;
- 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.

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 income statement 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 income statement 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 income statement in the expense category consistent with the function of the intangible asset.

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 income statement.

3. Property and equipment

2013	Cost	Network equipment		Network infrastructure		Computers		Office equipment		Furniture and fixtures		Leasehold improvements		Others		Total	
		U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
At January 1, 2013		51,740,063	21,252,628	12,645,988	1,346,905	1,160,247	5,424,678	31,878	93,602,387								
Additions		1,078,248	504,758	1,601,621	310,741	646,033	406,888	828	4,549,117								
Disposals		(18,379)	(158,940)	(12,755)	(74,953)	(6,209)	(31,387)	(396)	(303,019)								
At December 31, 2013		52,799,932	21,598,446	14,234,854	1,582,693	1,800,071	5,800,179	32,310	97,848,485								
Accumulated depreciation																	
At January 1, 2013		17,904,770	7,570,296	9,286,989	692,597	602,202	3,087,823	28,118	39,172,795								
Depreciation charge for the year		6,838,895	2,711,789	2,733,514	362,325	274,400	1,114,317	1,820	14,037,060								
Disposals		(7,469)	(78,808)	(6,616)	(56,982)	(5,726)	(25,303)	(66)	(180,970)								
At December 31, 2013		24,736,196	10,203,277	12,013,887	997,940	870,876	4,176,837	29,872	53,028,885								
Net carrying amount																	
At December 31, 2013		28,063,736	11,395,169	2,220,967	584,753	929,195	1,623,342	2,438	44,819,600								

2012 Cost	Network equipment	Network infrastructure	Computers	Office equipment	Furniture and fixtures	Leasehold improvements	Others	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
At January 1, 2012	48,176,769	20,480,027	11,892,062	967,325	699,824	4,744,542	29,437	86,989,986
Additions	3,593,105	790,059	753,926	459,373	463,721	694,866	2,441	6,757,491
Disposals	(29,811)	(17,458)	-	(79,793)	(3,298)	(14,730)	-	(145,090)
At December 31, 2012	51,740,063	21,252,628	12,645,988	1,346,905	1,160,247	5,424,678	31,878	93,602,387
Accumulated depreciation								
At January 1, 2012	11,527,665	4,961,375	6,326,704	470,775	403,292	2,092,788	21,444	25,804,043
Depreciation charge for the year	6,385,105	2,611,179	2,960,285	255,292	200,930	999,274	6,674	13,418,739
Disposals	(8,000)	(2,258)	-	(33,470)	(2,020)	(4,239)	-	(49,987)
At December 31, 2012	17,904,770	7,570,296	9,286,989	692,597	602,202	3,087,823	28,118	39,172,795
Net carrying amount								
At December 31, 2012	33,835,293	13,682,332	3,358,999	654,308	558,045	2,336,855	3,760	54,429,592

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 Company estimates that the remaining amount of U.S. \$72,400,000 will be paid in 2014, being the date on which the Company expects to reach the subscribers milestone. 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.

The movement on intangible assets is as follows:

	License U.S. \$	Software U.S. \$	Total U.S. \$
Cost			
At January 1, 2013	184,871,337	7,484,071	192,355,408
Additions during the year	-	4,460,341	4,460,341
At December 31, 2013	<u>184,871,337</u>	<u>11,944,412</u>	<u>196,815,749</u>
Accumulated Amortization			
At January 1, 2013	32,854,452	4,067,338	36,921,790
Amortization for the year	9,158,812	2,284,768	11,443,580
At December 31, 2013	<u>42,013,264</u>	<u>6,352,106</u>	<u>48,365,370</u>
Net carrying amount			
At December 31, 2013	<u>142,858,073</u>	<u>5,592,306</u>	<u>148,450,379</u>
At December 31, 2012	<u>152,016,885</u>	<u>3,416,733</u>	<u>155,433,618</u>

5. Projects in progress

	2013 U.S. \$	2012 U.S. \$
Network	17,437,173	17,365,978
Renovations	438,924	359,642
Network infrastructure	175,476	352,236
Billing system	5,300,728	418,465
Capitalized interest cost	809,865	84,979
Data center expansion phase	295,430	76,722
Sites electricity	25,463	20,474
Others	252,204	898,432
	<u>24,735,263</u>	<u>19,576,928</u>

The movement on projects in progress is as follows:

	2013 U.S. \$	2012 U.S. \$
Beginning balance	19,576,928	4,605,319
Additions	11,404,966	21,282,583
Transferred to property and equipment and intangible assets	<u>(6,246,631)</u>	<u>(6,310,974)</u>
	<u>24,735,263</u>	<u>19,576,928</u>

The estimated cost to complete the above projects as of December 31, 2013 is U.S. \$ 13,387,503.

6. Prepayments and other current assets

	2013	2012
	U.S. \$	U.S. \$
VAT receivables	-	4,516,532
Prepaid sites' rent	656,067	648,269
Prepaid warranty	386,931	188,158
Prepaid software license	23,092	135,501
Prepaid rent expense	84,292	103,802
Due from employees	70,873	23,301
Other	264,188	168,630
	<u>1,485,443</u>	<u>5,784,193</u>

7. Inventory

	2013	2012
	U.S. \$	U.S. \$
Handsets	215,452	675,914
Sim cards	114,321	287,517
Accessories	303,756	210,849
Scratch cards	153,822	135,498
	<u>787,351</u>	<u>1,309,778</u>

8. Accounts receivable

	2013	2012
	U.S. \$	U.S. \$
Receivables from subscribers	10,913,706	9,981,953
Interconnection partners	4,297,680	4,474,654
Roaming partners and other receivables	3,951,303	2,620,847
	19,162,689	17,077,454
Allowance for doubtful accounts	(6,725,835)	(5,220,354)
	<u>12,436,854</u>	<u>11,857,100</u>

Following is a summary of the movement on the provision for doubtful accounts during the year:

	2013	2012
	U.S. \$	U.S. \$
Balance at January 1	5,220,354	3,287,846
Provision for the year	1,062,107	1,804,721
Foreign currency difference	443,374	127,787
Balance at December 31	<u>6,725,835</u>	<u>5,220,354</u>

As at December 31, 2013, 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. \$
2013	5,819,900	1,177,426	370,870	179,326	991,908	3,897,424	12,436,854
2012	5,624,639	1,352,739	858,670	461,945	1,157,877	2,401,230	11,857,100

The Company expects to recover all unimpaired receivables.

9. Cash and cash equivalents

	2013	2012
	U.S. \$	U.S. \$
Cash on hand	59,128	155,913
Cash at banks and short term deposits	42,713,674	44,443,481
	<u>42,772,802</u>	<u>44,599,394</u>

As of December 31, 2013, the Company has eleven short term deposits amounting to U.S. \$ 38,235,979 (2012: U.S. \$ 33,351,976) at local banks with an average interest rate of 1.66% (2012: 1.63%).

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following as at December 31, 2013 and 2012:

	2013	2012
	U.S. \$	U.S. \$
Cash on hand	59,128	155,913
Cash at banks and short term deposits	42,713,674	44,443,481
	42,772,802	44,599,394
Restricted cash	(449,338)	-
	<u>42,323,464</u>	<u>44,599,394</u>

10. Paid-in share capital

	2013	2012
	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
	<u>258,000,000</u>	<u>258,000,000</u>

11. Provision for employees' indemnity

	Employees' indemnity	Provident Fund	Total
	U.S. \$	U.S. \$	U.S. \$
2013			
Balance, beginning of year	2,857,668	956,289	3,813,957
Additions	1,756,605	997,012	2,753,617
Payments during the year	(246,474)	(86,693)	(333,167)
Currency exchange	(16,515)	(212,082)	(228,597)
	<u>4,351,284</u>	<u>1,654,526</u>	<u>6,005,810</u>
2012			
Balance, beginning of year	1,876,463	-	1,876,463
Additions	1,102,229	953,978	2,056,207
Payments during the year	(120,103)	-	(120,103)
Currency exchange	(921)	2,311	1,390
	<u>2,857,668</u>	<u>956,289</u>	<u>3,813,957</u>

12. Interest-bearing loans and borrowings

	2013	2012
	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)	613,874	440,976
Accrued interest (PIF)	462,653	332,222
	<u>6,076,527</u>	<u>5,773,198</u>
Third parties' loans		
Local banks' loans **	51,000,000	51,000,000
IFC loan**	36,000,000	36,000,000
	<u>87,000,000</u>	<u>87,000,000</u>
Less: transaction costs directly attributable to third parties' loans***	<u>(7,854,430)</u>	<u>(7,405,755)</u>
	<u>85,222,097</u>	<u>85,367,443</u>
Non-current portion	69,472,097	73,367,443
Current portion	<u>15,750,000</u>	<u>12,000,000</u>
	<u>85,222,097</u>	<u>85,367,443</u>

- * On January 14, 2009, the Company entered into a loan agreement with its shareholders for a total amount of U.S. \$ 31,055,314. The loan bears annual interest rate of LIBOR plus 5.85%. The loan and the interest are repayable in full on December 31, 2014. On June 22, 2010, the Company entered into a new loan agreement with its shareholders for a total amount of U.S. \$ 30,000,000. The new 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 of LIBOR plus 5.85%. The loan and the interest of the subordinated portion are repayable in full on the later of December 31, 2014 or six months after the final maturity of all or any senior loans which the Company has or will obtain, whereas 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. The Company received two payments on this loan amounting to U.S. \$ 20,000,000 in June and September 2010, of which U.S. \$ 5,000,000 relates to the unsubordinated portion and the remaining relates to the subordinated portion.

During October 2010, an amount of U.S.\$ 49,300,000 of the Company's shareholders loans and related accrued interest was capitalized.

- ** On January 19, 2009, the Company signed syndicated loan agreements with various lenders for a total amount of U.S. \$ 85,000,000. The loans bear annual interest rate ranging from LIBOR plus 5.31% to 6.34% and are repayable in semiannual installments commencing January 15, 2011 and ending January 15, 2016. All the Company's assets are mortgaged as collaterals for these loans.

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 3 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. 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% on the non-utilized portion of the loan as commitment fees.

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, 2013. The loan bears annual interest rate of 3 months LIBOR plus 5.25%. On December 23, 2013 the company extended the repayment date till December 9, 2014.

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

	U.S. \$
Matures during 2014	<u>15,750,000</u>
	<u>15,750,000</u>
Matures during 2015	9,375,000
2016	15,000,000
2017	18,750,000
2018	18,750,000
2019	<u>9,375,000</u>
	<u>71,250,000</u>
	<u>87,000,000</u>

*** 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.

13. Due to related parties

	2013	2012
	U.S. \$	U.S. \$
Ooredoo Group LLC *	<u>266,768</u>	<u>163,089</u>
	<u>266,768</u>	<u>163,089</u>

* Ooredoo Group LLC is an affiliate company of the group.

14. Other current liabilities

	2013	2012
	U.S. \$	U.S. \$
Accrued license fees*	4,504,423	7,126,498
Bonus	2,039,274	1,804,664
Accrued sales commission	1,912,450	1,648,562
Accrued interconnection and roaming cost	2,391,224	1,577,360
Marketing costs	648,983	455,153
Employees vacations	471,268	418,343
Due to VAT	371,647	-
Payroll tax	250,844	224,847
Accrued interest and commitment fees	268,269	224,350
Accrued transaction costs attributable to		
Issuance of shares	20,721	32,231
Other	<u>6,109,112</u>	<u>3,065,791</u>
	<u>18,988,215</u>	<u>16,577,799</u>

* This item represents the license fee payable to Palestine National Authority at 7% of the Company's annual gross service revenues.

15. General and administrative expenses

	2013	2012
	U.S. \$	U.S. \$
Salaries and related expenses	15,225,642	13,016,168
Rent	1,833,641	1,511,662
System support	2,244,270	1,804,113
Accommodation, travel and transportation	904,311	1,141,731
Warehousing and logistics	626,000	604,000
Water, electricity and fuel	419,913	407,461
Professional and consulting fees	772,881	476,511
Software license expense	230,370	257,852
Insurance	308,270	256,063
Security services	181,092	131,714
Telephone, fax and mail	111,639	152,125
Maintenance	100,348	106,510
Subscription fees	95,222	101,532
Bank charges	58,680	66,344
Stationery and supplies	22,506	37,791
Other	1,392,748	1,155,042
	<u>24,527,533</u>	<u>21,226,619</u>

16. Finance costs

	2013	2012
	U.S. \$	U.S. \$
Interest on loans and borrowings	4,348,108	3,916,250
Amortization of transaction costs	878,464	2,315,450
	<u>5,226,572</u>	<u>6,231,700</u>

17. Marketing expenses

	2013	2012
	U.S. \$	U.S. \$
Media advertisements	2,443,375	2,702,219
Designs and exhibitions	183,624	188,003
Sponsorships	1,068,323	659,658
Promotions	638,063	770,402
Research	447,050	351,473
Other marketing expenses	770,298	1,156,538
	<u>5,550,733</u>	<u>5,828,293</u>

18. Basic and Diluted Earnings Per Share

	2013	2012
	U.S. \$	U.S. \$
Loss for the year (U.S. \$)	<u>(21,324,882)</u>	<u>(23,826,190)</u>
Weighted average number of shares	<u>258,000,000</u>	<u>258,000,000</u>
Basic and diluted loss per share (U.S. \$)	<u>(0.08)</u>	<u>(0.09)</u>

19. 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:

	2013	2012
	U.S. \$	U.S. \$
Contracts and purchase orders	12,938,076	242,231
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.

The Company entered into an agreement to lease the office building on January 27, 2007. During 2012 the company renewed the contract for additional 5 years for a total amount of U.S. \$ 2,633,046 with an option to renew the contract.

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

	U.S. \$
Within one year	419,274
After one year but not more than five years	1,806,710
	2,225,984

20. 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	2013	2012
		U.S. \$	U.S. \$
Interest-bearing loans and borrowings (note 12)	Shareholder	5,000,000	5,000,000
Due to related parties (note 13)	Shareholder	266,768	163,089
Accounts receivable	Shareholder	6,273	2,659
Accrued interest	Shareholder	1,076,527	773,198

Transactions with related parties included in the income statement were as follows:

	2013	2012
	U.S. \$	U.S. \$
Finance costs	303,329	305,380
Key management personnel compensation	973,089	782,301
Revenue from shareholders	10,589	36,709

21. Fair value of financial instruments

Set out below the details of the financial instruments, other than cash and cash equivalents, held by the company as of December 31, 2013:

	Carrying Value	Fair Value
	U.S. \$	U.S. \$
Financial assets		
Accounts receivable	12,436,854	12,436,854
Other current assets	335,061	335,061
	12,771,915	12,771,915
Financial liabilities		
Interest-bearing loans and borrowings	85,222,097	85,222,097
Other non-current liability	54,346,654	54,346,654
Accounts payable	7,738,771	7,738,771
Due to related parties	266,768	266,768
Other current liabilities	18,988,215	18,988,215
Accrued project cost	9,857,572	9,857,572
	176,420,077	176,420,077

Financial instruments comprise of financial assets and financial liabilities.

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

22. 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 income statement to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the income statement 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, 2013. There is no direct impact on the Company's equity.

	Increase/ decrease in basis points	Effect on income statement for the year U.S. \$
2013		
U.S. \$	+15	(68,864)
U.S. \$	-10	45,910
2012		
U.S. \$	+15	(87,972)
U.S. \$	-10	58,648

Foreign currency risk

The table below indicates the Company's foreign currency exposure, as a result of its monetary assets and liabilities. 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 income statement.

	Increase/ decrease in ILS rate to U.S. \$	Effect on Income statement for the year U.S. \$
2013		
U.S. \$	+5%	2,858
U.S. \$	-5%	(2,858)
2012		
U.S. \$	+5%	414,713
U.S. \$	-5%	(414,713)

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 8).

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 31 December 2013, based on contractual payment dates and current market interest rates.

	Less than 3 months U.S. \$	3 to 12 months U.S. \$	1- 5 years U.S. \$	Over 5 years U.S. \$	Total U.S. \$
31 December 2013					
Interest-bearing loans and borrowings	1,224,015	19,348,315	76,442,458	9,436,441	106,451,229
Accounts payable	7,738,771	-	-	-	7,738,771
Due to related parties	-	266,768	-	-	266,768
Other noncurrent liabilities	-	-	54,346,654	-	54,346,654
Total liabilities	8,962,786	19,615,083	130,789,112	9,436,441	168,803,422

	Less than 3 months U.S. \$	3 to 12 months U.S. \$	1- 5 years U.S. \$	Over 5 years U.S. \$	Total U.S. \$
31 December 2012					
Interest-bearing loans and borrowings	1,162,650	15,487,950	87,026,473	9,872,625	113,549,698
Accounts payable	7,523,560	-	-	-	7,523,560
Due to related parties	-	163,089	-	-	163,089
Other noncurrent liabilities	-	-	54,346,654	-	54,346,654
Total liabilities	8,686,210	15,651,039	141,373,127	9,872,625	175,583,001

23. 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 31 December 2013 and the year ended 31 December 2012. Capital comprises paid-in share capital, share premium and accumulated losses, and is measured at U.S.\$ 91,365,999 as at 31 December 2013 (2012: U.S.\$ 112,690,881).

24. 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.

Glossary of Terms

GSM (Global System for Mobile Telecommunications)

A digital system for telephone telecommunications used by more than two billion users in 212 countries around the world. The GSM system transfers data into digital form, compresses them and sends them across a telecommunication conduit in parallel with two other circuits carrying the user data, with each circuit occupying its own time scope.

2G (Second Generation)

2G is the acronym referring to the mobile information technology belonging to the second generation. This technology encrypts voice into a digital form to become less prone to interference or duplication.

3G (Third Generation)

3G is the acronym identifying a new generation in the mobile telecommunications system that was applied after the release of the second generation (2G). This generation provides enhanced services, such as multimedia and video. The main technologies in the 3G scope include the UMTS and CDMA2000 systems.

GPRS (General Packet Radio Service)

GPRS is a radio data service for the directed bundle, available for 2G users of mobile telecommunication GSM systems. GPRS provides data ranging between 56 and 114 kilobits per second.

SMS (Short Messages Service)

SMS is a telecommunication protocol that permits the exchange of short text messages among mobile telecommunication systems.

MMS (Multimedia Messages Service)

An acronym for messaging systems that permit sending messages containing multimedia components (images, voice, video and enhanced text). MMS services are basically applied in mobile networks in addition to other messaging systems such as SMS and Mobile Instant Messaging, as well as mobile emailing service.

GSMA (GSM Association)

GSMA is an association of mobile operators and related companies devoted to supporting the standardizing, deployment and promotion of the GSM mobile telephone system. The GSM Association was formed in 1995.

WAP (Wireless Application Protocol)

WAP is an acronym which refers to the international standard for applications using mobile communications. WAP provides the potential for accessing the internet through a mobile telephone device.

ARPU (Average Revenue per User)


ARPU is an acronym which refers to the revenue from one user of a mobile phone or a pager or other similar device for a specific period of time, normally one month.

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization)

EBITDA is an acronym which refers to the Company's operations profits before deducting interest, taxes, depreciation and amortization.

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