

Achievements promising a bright tomorrow



FIRST ANNUAL REPORT  
2011



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## Members of the Board of Directors



**Dr. Mohammad Mustafa**

Chairman of the Board of Directors  
Representative of Palestine Investment Fund



**Dr. Nasser Marafih**

Vice Chairman of the Board of Directors  
Representative of Wataniya International



**H.E. Mohammad Bin Issa Al-Mohannadi**

Member  
Representative of Wataniya International



**Mr. Michael Hancock**

Member  
Representative of Wataniya International



**Dr. Durgham Maraee**

Member

Representative of Palestine Investment Fund



**Mr. Amer Sunna**

Member

Representative of Wataniya International



**Mr. Faisal Shawwa**

Member

Representative of Palestine Investment Fund





“With great optimism, please allow me to assure you that Wataniya Mobile will continue to pursue remaining up-to-date with various technological developments in the telecommunications sector, and will not spare any effort in providing the most advanced technologies and applications for Palestine in this field.”

## Message from the Chairman of the Board of Directors

Dear ladies and gentlemen,

I am pleased to report that our last year was a successful year and that our company is now well positioned in the market. Here it is today, two and a half years since its launch, sharing with you its pride in gaining confidence in its field and sharing that pride with more than 410 of its dedicated employees, its distributors, contractors and suppliers, who work day and night, in efforts of providing high quality telecommunications services that contribute to the development of the telecommunications sector in Palestine. Wataniya Mobile has strongly and evidently proven that its services provide an alternative to the Palestinian consumer in this field.

Despite the enormous challenges it confronted, as is normally the case with economic projects of this size, Wataniya Mobile was able to enter the mobile telecommunications market in Palestine successfully and was able to overcome the obstacles it had faced primarily as result of the political situation. Furthermore, Wataniya Mobile achieved several accomplishments at various levels, namely reaching a subscriber base of 465,000 by the end of 2011.

The tremendous cooperation offered by the Palestinian Ministry of Telecommunications and Information Technology has yielded a positive impact, not only in terms of boosting development in the telecommunications sector but also in terms of the creation of a healthy competitive environment that manifested itself in the quality of services and in the prices presented to our citizens. Since the launch of its services, Wataniya Mobile implemented a pioneering strategy, adopting a set of mechanisms aiming to increasing the Company's market share by capitalizing on its competitive edge and providing its services to clients in a creative and efficient manner. Wataniya Mobile was also keen on utilizing an advanced and modern telecommunications network and additionally establishing booster stations which comply with environmental and regulatory requirements.

Wataniya Mobile's success in maintaining high quality services, and its keenness to remain up to date with the latest technological developments in the telecommunications field, and its addressing the needs of the Palestinian market in this sector, contributed to Wataniya Mobile's increasing market share that reached 24% of the mobile telecommunications market in the West Bank by the end of 2011.

Ladies and gentlemen,

Wataniya Mobile has succeeded in attracting Arab investments into the Palestinian market, and by doing so, has emphasized and highlighted the presence of promising investment opportunities in Palestine. Wataniya Mobile is jointly owned by the Palestine Investment Fund and Qtel Group whose ultimate parent company is Wataniya International, in addition to the thousands of shareholders including individuals and corporations. This has enriched the Company's performance as it benefited from these pioneering international experiences in the field of telecommunications.

Among the positive results Wataniya Mobile has achieved during 2011 was the success of the initial public offering of the company, where the IPO was oversubscribed by 155%, and the company was successfully listed on the Palestine Exchange at the beginning of 2011. Wataniya Mobile was additionally selected in the end of 2011 to enter "Al-Quds" Index during 2012; which is comprised of shares of leading companies in Palestine. Moreover, Wataniya Mobile has decided to begin preparations in efforts of launching its services in Gaza during 2012, should circumstances permit an effective and strong launch as that which Wataniya Mobile achieved in its penetration of the market in the West Bank. This especially holds true as Wataniya Mobile is presently the largest company listed on the Palestine Exchange in terms of capital.





The tremendous success of the initial public offering of Wataniya Mobile shares reflects investors confidence in the Company, inside and outside Palestine alike. The presence of the Palestine Investment Fund, an institution with extensive experience in the field of economic development, as well as Qtel Group's involvement with the company as major shareholders, has increased the level of investor confidence in the company and contributed exceptional quality of service Wataniya Mobile has managed to provide to Palestinian citizens.

As an institution that believes in Corporate Social Responsibility and realizes its obligations towards society, Wataniya Mobile strives to contribute to the development and advancement of the different social sectors. Wataniya Mobile continues to believe in initiating and participating in social events aimed at establishing a strong society by supporting key impactful sectors including education, health, youth, sports and many others.

Ladies and gentlemen,

Our future outlook emanates from our confidence in Wataniya Mobile as the leading company in developing the telecommunications sector in the Palestinian market. There remains a great deal of contribution this company can provide, especially in light of the continuous technological advancements that the telecommunications sector worldwide experiences. With great optimism, please allow me to assure you that Wataniya Mobile will continue to pursue remaining up-to-date with various technological developments in the telecommunications sector, and will not spare any effort in providing the most advanced technologies and applications for Palestine in this field. Wataniya Mobile will be, first and foremost, providing high quality services to its clients as a priority and reinforcing competition in services and prices.

**Respectfully,**  
**Dr. Mohammad Mustafa**



**Promising Launch and Wide spread Deployment...**



**December 2011**  
**465 thousand subscribers**



**June 2011**  
**417 thousand subscribers**



**December 2010**  
**354 thousand subscribers**



**June 2010**  
**244 thousand subscribers**



**December 2009**  
**111 thousand subscribers**





“Here we are, crossing the threshold of 2012 with a will stronger than ever to fulfill our plans. What has become a reality has proved that we aptly deserve the confidence of our investors. This will only add to our persistence and confidence in our steps towards assuming the leading role in the Palestinian mobile telecommunications future at the highest international levels.”

## Message from the Chief Executive Officer

*"We lead innovation, to surpass our subscribers' expectations. We plan to achieve our goals and those of our society. We live by our values and principles, to participate in a brighter image of our society, to remain the best choice in the mobile telecommunications services in Palestine."*

Dear shareholders,

On behalf of myself and the Wataniya Mobile family, represented by the Board of Directors, the executive management, and staff, I am pleased to present to you our first Annual Report. We present a summary of the persistence undertaken to launch the company towards the end of 2009, and in listing it at the beginning of 2011 as a public shareholding company on the Palestine Exchange. Our results, of breaking the market monopoly and providing the most advanced services at the most appropriate rates, testify to our successive accomplishments and outstanding performance. Furthermore, our unique creative services, research based campaigns, and follow-up on our subscribers' opinions, all have added new dimensions to competition. The entry of Wataniya Mobile into the telecommunications Palestinian market, supported with the most advanced international technology and state-of-the-art network and coverage, has contributed to spurring healthy competition -a subscriber- driven competition.

The transparency of services and the clarity of campaigns we exhibited have emphasized our pioneering abilities in serving our subscribers. This has paid back in subscribers' confidence, as evident from the increase in our market share in the West Bank to 24% at the end of 2011. During 2011, we provided services that were launched for the first time in Palestine, such as the "twitter mail" service, and the "Wataniya Tap" service, allowing subscribers to be connected to various social networks.

The positive indicators of our performance come as a result of a growth strategy that assimilates the needs of our Palestinian society, and our commitment to face the challenges. Within less than two and a half years, we managed to increase our subscriber base to nearly 465 thousand at the end of 2011. Our services were met with wide acceptance in the Palestinian market which enabled us to realize a positive EBITDA amounting to US\$3.9 Million in 2011, compared to a loss of US\$(21.5) Million in 2010. This in turn reduced the Company's net loss to US\$(26.2) Million in 2011, compared to a net loss of US\$(56.3) Million in 2010.

Wataniya Mobile is part of Qtel Group, through Wataniya International, in addition to being one of Palestine Investment Fund's strategic investment projects. Through this partnership, our Company stands on a solid foundation of shareholders with proven commercial track-record and an extensive experience in both the local and international markets, which in turn, gives Wataniya Mobile the ability to attain efficiency and effectiveness.

We are a company that is worthy of our society's confidence. Wataniya Mobile stood out, during last year, as a result of its social initiatives, which contributed to offering real value to our Palestinian community. These initiatives emanate from our conviction that our growth is not restricted to our operational activities, but extends to sharing with our people throughout. At a time when we are required to excel at the highest levels of efficiency, our human resources were not limited to our staff, but extended to other qualified candidates and university graduates who aspired to join the Wataniya Mobile family, considering it as the best place for creativity and development.

Respectable investors,

Here we are, crossing the threshold of 2012 with a will stronger than ever to fulfill our plans. What has become a reality has proved that we aptly deserve the confidence of our investors. This will only add to our persistence towards assuming the leading role in the Palestinian mobile telecommunications future at the highest international levels. We are confident that our transparency and governance, as well as our care for the interests of our investors, are among the foundations of our success. We make every attempt to maximize returns on our investments and to make our investors proud of our achievements, as testified by our growing market share.

We are fully aware of the responsibility we are entrusted with, and hereby pledge to fulfill to all those who trusted and supported us. Our compass points to excellence, with a Palestinian flavor full of hope. With a management that strives to excel, a wise board of directors that provides solid advice, and a dedicated staff, we shall conquer any obstacle. We shall work hard to make our performance compatible with the aspirations of our shareholders.

In conclusion, we extend our sincere gratitude and appreciation to everyone who contributed to harnessing all potentials to improve Wataniya Mobile, and make it a shining star in the Palestinian economy, and a model of values and principles. We hereby emphasize our commitment and renewed confidence to remain a national pillar of excellence and prosperity.

**Respectfully,**  
**Dr. Bassam Hannoun**







# Our Vision

To be the subscriber's first choice in the field of mobile telecommunications in Palestine, and to continue providing the best services and rate plans suitable for each subscriber.

## Our Message

To live by our values to achieve our vision.

## Our Values

### Customer Service

We focus on surpassing our subscribers' expectations, as we recognize the importance of the relationship between the subscriber's satisfaction and the Company's success.

### Culture of Outstanding Performance

In order to excel, we believe in the culture of outstanding performance and continuous learning in an environment where individual and group achievements are encouraged and appreciated, and in a climate which gives way to everyone to stand out, change and create.

### Respect

We deal with a spirit of respect, affection and dignity. We value multiculturalism and differences of ideas.

### Integrity and Transparency

We strive to earn the confidence of our subscribers, shareholders, employees and society at large, through our commitment to the highest levels of ethics, truthfulness, integrity and transparency.

### Responsibility and Accountability

We are on observing accountability and responsibility. We respect our commitment and keep our promises.

### Social Responsibility

With our deep conviction in our responsibility towards our society, we seek to contribute to its economic, cultural and social prosperity and well-being.





# Members of the Executive Management



**Dr. Bassam Hannoun**  
Chief Executive Officer



**Mr. Fadi Abdellatif**  
Finance Director



**Dr. Samer Fares**  
General Counsel



**Mr. Motasem Attli**  
Marketing and Business  
Development Director



**Mr. Omar Al-Sahili**  
Sales Director



**Mrs. Nuha Al-Masri**  
Human Resources Director



**Mr. Zakaria Abu-Kafia**  
Customer Care Director



**Mr. Amjad Al-Osaily**  
Network Director



**Mr. Haitham Abu Shaaban**  
Gaza Operations Director



## December

"My New Number" Service  
"Hebron Old City" Plan

## November

"Eidak Eidain" Campaign  
"You're the Winner  
with Wataniya Mobile"  
Promotion

## September

"Credit Hours for  
Tawjihi" Campaign

## August

Ramadan Campaign  
"International Credit Transfer"  
Service  
Eid Promotion - Recharge your  
Balance

## July

"Majmoaty" Rate plan (Government,  
Health, Education)  
"We Contribute to Your Future"  
Tawjihi Campaign  
"Fursan Winners" Campaign  
"The more you receive the more you  
get" Campaign  
SMS Competition Campaign  
"Danden" Promotion

## June

"A'kefak" Sale  
Campaign  
"Umrah" Campaign  
"Know your Rate plan"  
Service  
"Number Availability"  
Service  
"TAP" Service  
"WAP" Service

## May

"Bonus on First  
Recharge" Promotion  
"Tullab" Rate plan  
"Fursan" Rate Plan

## April

"Prepaid Bundle" Sales  
Promotion

## March

"The more you receive the  
more you get" Campaign  
"Missed Call Notification -  
MCN" Service  
"Mother's Day" Promotion  
"Narrowing Distances"  
Campaign  
"Twitter SMS" Service  
"Call Me Back" Service

## January

"Sawa Extension"  
Campaign  
"A'Kefak" Rate plan

## February

"What You See Is What  
You Get" Corporate  
Branding Campaign  
"With A'kefak, you  
are a winner" Sales  
Activity

Our Portfolio of Services in 2017

Accomplishments  
Significant  
Achievements  
Products  
Best Prices  
Advanced  
New Services  
Sponsorships  
Ongoing  
Competitions  
Attractive  
Offers  
Modernization  
New Programs  
Campaigns  
Significant  
Achievements  
Accomplishments

Accomplishments  
Significant  
Achievements  
Products  
Best Prices  
Advanced  
New Services  
Sponsorships  
Ongoing  
Competitions  
Attractive  
Offers  
Modernization  
New Programs  
Campaigns  
Significant  
Achievements  
Accomplishments

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New Services  
Sponsorships  
Ongoing  
Competitions  
Attractive  
Offers  
Modernization  
New Programs  
Campaigns  
Significant  
Achievements  
Accomplishments

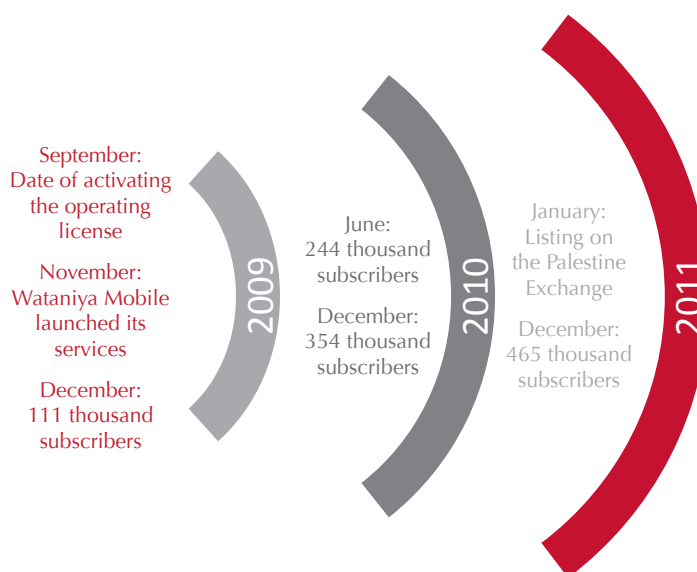
Accomplishments  
Significant  
Achievements  
Products  
Best Prices  
Advanced  
New Services  
Sponsorships  
Ongoing  
Competitions  
Attractive  
Offers  
Modernization  
New Programs  
Campaigns  
Significant  
Achievements  
Accomplishments

“We lead innovation  
to surpass our  
subscribers’  
expectations”

## Wataniya Mobile in Brief ...

### The Past, the Present and the Future

Wataniya Mobile is the second operator providing mobile telecommunications services in the Palestinian market. It obtained the service-provision license in 2007 after winning an international tender for the amount of US\$354 million. After overcoming all technical and legal obstacles, Wataniya Mobile launched its commercial services on November 1, 2009 in the West Bank. Wataniya Mobile’s license comprises installing and operating a GSM mobile telecommunications network and a third generation 3G network, providing voice and data telecommunications services in the West Bank and the Gaza Strip, in addition to providing international telecommunications services from its own international gateway. After being granted the second generation 2G frequency in 2009, Wataniya Mobile commenced providing commercial mobile telecommunication services in the West Bank.



### Landmark Events Up To 2011 ...

After its launch at the end of 2009 and the activation of all its commercial activities in the West Bank. With a network covering 96% of the Palestinian population, and serving nearly 465 thousand subscribers by the end of 2011, Wataniya Mobile progressed noticeably during 2010 and 2011, proving its competitive capability in the Palestinian market. Its most prominent achievements in 2011 included the provision of specialized rate plans and services that satisfy the needs of different market segments, designed creatively to accompany the most recent developments in the mobile telecommunications industry. In addition, Wataniya Mobile was listed at the beginning of 2011 on the Palestine Exchange as a public shareholding company, following an initial public offering, in a step aimed at enhancing direct investment in the Palestinian telecommunications market. 15% of the Company’s shares were offered for public underwriting, resulting in oversubscription by 155% of the amount offered.

## Competitive Position and Market Share ...

Being the second mobile operator in the Palestinian market, Wataniya Mobile succeeded in increasing its market share in the West Bank to 24% at the end of 2011, earning 48% of the net increase in West Bank subscribers in 2011. The following table shows the main indicators in the development of the competitive position:

Variable	2009	2010	2011	CAGR **
Market Penetration rate*	49%	67%	74%	23%
Wataniya Mobile Market Share	9%	21%	24%	61%
Wataniya Mobile Subscribers	110,835	353,582	464,964	105%

\* According to Company Statistics

\*\*CAGR is Compound Annual Growth Rate

The above performance indicators came as a result of our success in acquiring and maintaining an outstanding customer base of individuals as well as public and private corporations in the market. Wataniya Mobile achieved this for it enjoys the following competitive characteristics:

- Wataniya Mobile enjoys a high-quality network with modern and advanced technologies. This is evident in the quality and clarity of calls, especially during peak times.
- Wataniya Mobile provides a wide range of the most advanced value added services, some of which were presented in the Palestinian telecommunications market for the first time, such as “Wataniya TAP” and “International Credit Transfer” as well as many others, all at the best prices.
- Wataniya Mobile presents its products and services to the Palestinian market with full clarity and transparency, in accordance with its vision, message and values.
- Wataniya Mobile is characterized by its outstanding shareholders, represented in Qtel Group and Palestine Investment Fund.
- Wataniya Mobile is distinguished for its customer contact center, which includes a qualified team enjoying a high level of training, working around the clock.
- Wataniya Mobile enjoys an extensive distribution network capable of satisfying subscribers’ needs in time and place.
- Wataniya Mobile enjoys a qualified staff with long and specialized experience.

Increasing the market share in light of the competitive situation is not the only challenge facing Wataniya Mobile. There are also political challenges dictated by the political situation and the constraints it poses. Wataniya Mobile, however, insists on tackling all challenges to smoothly provide its services, foremost of which is the Israeli control of most of the important facilities in the telecommunications field, including frequencies, importing telecommunications equipment, installing equipment in “area C”, the international gateway and the Numbring Plan. The success of Wataniya Mobile in mobilizing as much local and international support as possible to obtain the frequencies necessary to commence work, is the largest indication of the Company’s persistence to overcome all obstacles, in order to provide the best services to the Palestinian consumer. On the other hand, the Company is presently working with all competent parties in order to obtain the third generation frequencies (3G), which will allow the company to provide new services, and upgrade the Palestinian telecommunications market to a new level. The Company is also working with the Ministry of Telecommunications and Information Technology to implement Mobile Number Portability (MNP), which will lead to increasing the ability to compete in the telecommunications market, and therefore improving its structure.

“ We plan to  
achieve our goals  
and those of our  
society ”

## Main Present and Future Trends

Since its start, Wataniya Mobile's priority was to satisfy the needs of its subscribers through presenting the best rate plans and services with excellence. This is embodied in its vision, mission and values, which motivate Wataniya Mobile to exert the maximum level of efforts in the hope that it will become the subscriber's first choice in the field of mobile telecommunications in Palestine. Aiming to maintain its subscriber base and increase their loyalty, Wataniya Mobile has endeavored to provide a variety of services and rate plans based on specialized market research and studies, which enable Wataniya Mobile to remain abreast of the Palestinian market's requirements and the subscribers' expectations, as well as their numerous interests. This was evident in the Company's success in developing its customer services and enhancing its subscribers' experiences.

Wataniya Mobile's present approaches include focusing on the youth sector, which constitutes the largest share of the population. As for the future, the most prominent approach is Wataniya Mobile's plan to launch its services in the Gaza Strip, which in turn further fulfills the needs of the Palestinian citizens, and provides them with the best services throughout the Palestinian territories.

Wataniya Mobile has succeeded in concluding agreements and developing strategic relations with a number of local and foreign mobile and landline telecommunications companies, in order to enable the Company to increase its quality levels. Nevertheless, the Company is constantly seeking to reach new agreements with other companies operating in the field of telecommunications to secure best offers to its subscribers. Through these agreements, Wataniya Mobile succeeded in reducing the influence of other telecommunications companies in the Palestinian market, such as offering competitive rates for calls to neighboring countries, which sometimes are equivalent to local tariff rates.

Wataniya Mobile will work, during 2012, to launch new campaigns and products, with high quality, creative, and varied advantages that will enhance the level of satisfaction of current subscribers and attract new ones, in a manner that would enhance the growth levels. In order to achieve that, the Company has continued to steer and implement its strategic plans, by controlling expenses and developing performance effectiveness. The Company also strives to invest in its infrastructure and operating systems by expanding the base stations and developing their optimum geographical distribution to promote the quality of services. This is in addition to focusing on investment in information systems to keep up with the international developments in telecommunications sector, providing quality products and services, and enhancing the Company's competitive role.





Wataniya Mobile strives to increase its prevalence by increasing its market share in the mobile telecommunications market in Palestine. Since launching its commercial services in the West Bank in late 2009, Wataniya Mobile has strived to uphold and build on this momentum through attempting to reach the other part of the nation in the Gaza Strip.

Based on this, 2012 will witness, God willing, the start of providing Wataniya Mobile services in the Gaza Strip. The Company intends, therefore, to utilize its accomplishments over the past couple of years since the launch of its services in the West Bank, and its practical experience, in addition to lessons learnt over the years, to crown its launch in the Gaza Strip in a professional and exquisite manner. In 2011, preparations were underway to prepare a solid foundation for a strong and outstanding launch in the Gaza Strip, whereby all operating and business plans, as well as financial investment schemes necessary for the launch of operations in Gaza, were set in a manner that will enhance the Company's competitive role and make its services available at the highest quality standards. Moreover, in coordination with the relevant authorities to complete legal and regulatory procedures, stage one of launching Wataniya Mobile services in the Gaza Strip has embarked.



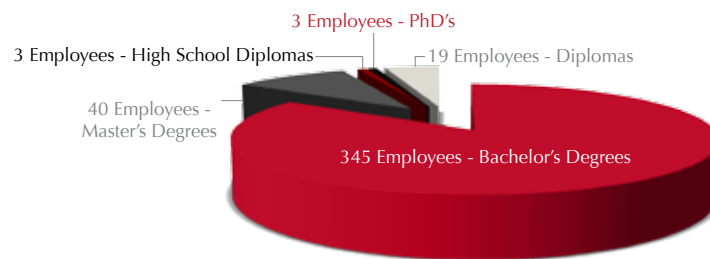
“We believe that  
our employees  
are one of the  
most important  
foundations of our  
success”

## Wataniya Mobile Family

As of December 31, 2011, Wataniya Mobile has in its employment 410 people working in its various sections and departments. The Company's headquarters is located in Al-Bireh in the Sateh Marhaba neighborhood with a total of 335 employees working at the headquarters.

Wataniya Mobile provides a package of benefits to its employees, including health and life insurance, mobile phone privileges, provident fund membership, fixed currency exchange, etc. These are some of the many privileges that the Wataniya Mobile staff are proud of and that are designed on the basis of “payment against performance,” which is a concept that holds a positive effect on motivating the employees' feeling of belonging, as well as encouraging their expressions of creativity to attain total growth of the Company.

Wataniya Mobile has prepared for its success by employing outstanding and professional staff of highly qualified young people, who can be classified according to their academic degrees as follows:



Wataniya Mobile believes that its employees make up one of the most important foundations of its success. The human element in the Company requires continuous professional development, as well as the building of relations and skills in order to maintain excellence, each in their respective professional field, so that the Company maintains its competitive forefront position. All developmental activities are planned in Wataniya Mobile on the basis of the individual's developmental requirements, as well as in keeping with work requirements and identifying the best methods for job education.

Training programs are set up according to a training plan, in order to assure compatibility with the Company's philosophy. These programs are also prepared in accordance with modern training principles by reliable trainers, and in areas that guarantee acquiring optimum benefit compared to the cost of training.

As for the Company's recruiting policy, Wataniya Mobile provides equal employment opportunities, whereby all current employees and applicants from outside the Company are given equal opportunity when applying for jobs, training or promotion, regardless of their social status, origin, religion, gender, age, nationality or special needs. Applicants may access the Company through its website: [www.wataniya.ps](http://www.wataniya.ps)

Based on its conviction that its employees are among its most important resources that it strives to maintain and develop, Wataniya Mobile has sought to strengthen ties among its employees outside the sphere of official work, due to the value and the positive effects this has on the general work atmosphere. Hence, a social committee was established, composed of a number of employees from various departments, to organize social, sports, cultural, and recreational activities. On the ground, the Social Committee became a landmark in professional life, distinguishing Wataniya Mobile with its family of employees, the values and diversity of its employees, coloring the Company's culture and its success stories. In 2011, the Social Committee undertook a number of activities, including sports tournaments, recreational trips and competitions. Work is underway on programs to develop talents and interests.



**Distinguished by  
our family**



“Our growth is not restricted to our operational activities, but extends to sharing with our people throughout”

## Social Responsibility

### We are an integral part of you ...

Emanating from our belief in our role towards our people, and continue to commit to our Palestinian society through supporting a number of sports, cultural, educational and artistic activities, which were attended by tens of thousands of citizens. This falls within the framework of upholding and fulfillment of our social responsibility.



Wataniya Mobile paid its attention to all categories within society, starting with children, who assume an important position within the Company's vision and approaches. Wataniya Mobile gives full attention to supporting children in all possible ways, to land them a brighter future. It sponsored an open day for the SOS Children's Village in Bethlehem, including a number of activities and recreational games, and sponsored the Children's Marathon, which aimed at involving them in non-conventional activities designed for their entertainment. Moreover, Wataniya Mobile contemplates establishing a children's park in Palestine.

Wataniya Mobile launched a discount campaign in support of the steadfastness and resilience of the residents of the old city in Hebron, with the aim of mitigating the effects of the complex political conditions imposed on them. To achieve this, the Company reduced the cost of calling from inside the old city of Hebron for residents and visitors, as a sign of solidarity with the city unique situation.

Among the cultural activities sponsored by Wataniya Mobile was the festival of "Jifna Days". More than 15 thousand citizens attended the festival over a period of three days, in addition to a number of official figures. The event aimed at supporting Palestinian farmers within the framework of supporting local products.

Wataniya Mobile also sponsored Palestine International Festival, which was held in the city of Ramallah with the participation of Arab and Palestinian artists. The festival, which presented a variety of arts and cultural activities, was attended by 12 thousand visitors.





Our booth at ExpoTech 2011



A delegation from Wataniya Mobile and the CEO visit to the old city of Hebron



Sponsorship of an open day at SOS Children Village



Sponsorship of "Hilal Al Quds" football team



Giving away water and dates during Ramadan



Children recreational day



Participation at "Jifna Days" festival

You are our focus

Our commitment to our  
Palestinian society continues...

In addition, Wataniya Mobile sponsored a number of sports activities, most prominent of which was the Palestinian football league of 2011, held in 6 Palestinian cities in the West Bank, with the participation of 16 international teams, as well as some local teams. The games were watched by more than 30 thousand people. The Company also sponsored both “Hilal Al Quds” team and “Thaqafi Toulkarm” team in the major football league for 2011/2012, which aims at developing the youth and sports category, in order to achieve a brighter future through refining youth skills and developing their capacities.

Wataniya Mobile also sponsored the Information Technology Exhibition 2011 at Birzeit University, in which 15 information technology companies participated. The Company also participated in the Palestinian Information and Telecommunication Exhibition (Expotech) where Dr. Salam Fayyad, the Palestinian Prime Minister, inaugurated the Wataniya Mobile stand.

### Contributions and Grants

Emanating from the principle of social responsibility, which was embodied in events and activities provided in 2011, contributions and sponsorships provided by the Company amounted to US\$290,777 spent on developing various social sectors, hoping to participate in establishing a robust society drawing its future with the generosity of our present.

### Caring for your safety ...

In addition to the above, we have concentrated our interest and care, since the first day of operation, on using an advanced modern telecommunications network in compliance with the internationally accepted environmental and organizational conditions. Our stations and towers were engineered by Ericsson.

Given the prevalence of reservations in many societies about the soundness and safety of telecommunications systems and their effect on human health, we fully understand this concern and work continuously to communicate with people and relevant government agencies in this field, especially the Palestinian Ministry of Telecommunications and Information Technology and the Environment Quality Authority, with the aim of promoting the necessary awareness about the safety of this system. Neutral international studies, most of which came as a result of long research, have been observed and implemented, including World Health Organization's research that was approved and implemented in most European and Asian countries, as well as the Middle East. Exerting additional efforts in these initiatives is the best indication of our care for the safety of the environment and the Palestinian people, and an expression of our assertion on the safety of the system used, because we take the health and safety of our Palestinian people very seriously.



# Our Shareholders



**Wataniya International** 48.45%



صندوق الاستثمار الفلسطيني  
PALESTINE INVESTMENT FUND

**36.55%**

**Public Shares** 15%

**As of December 31, 2011**

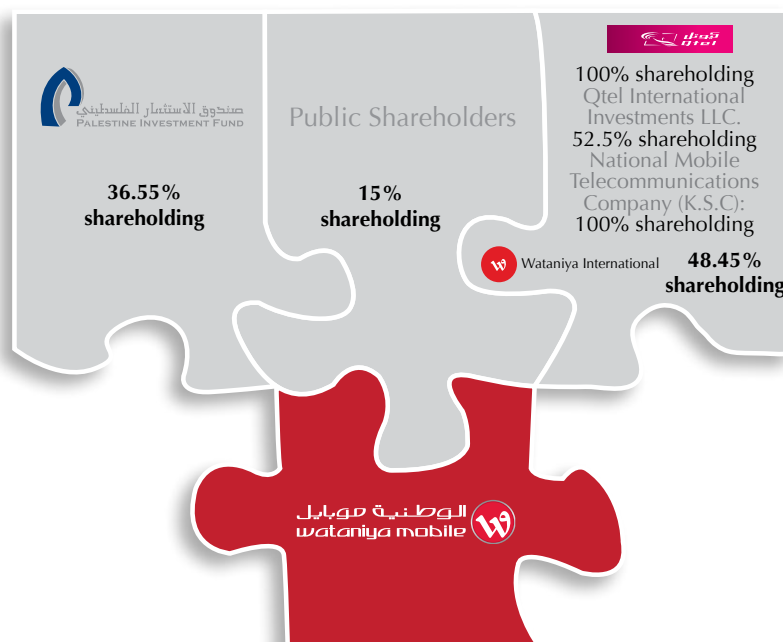


“We are confident that our transparency and governance, as well as our care for the interests of our investors, are among the foundations of our success”

## Wataniya Mobile 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 Qtel), and Palestine Investment Fund. 15% of Wataniya Mobile shares were presented for a public offering according to a primary underwriting, after which the ownership of Wataniya International - Free Zone became equivalent to 48.45%, and that of Palestine Investment Fund equivalent to 36.55%, while 15% is publicly owned. The following figure shows the Company's structure as of December 31, 2011. The number of Wataniya Mobile shareholders reached 12,579 shareholders.



Qtel Group is considered one of the pioneering international companies in the telecommunications market. It is listed at the Qatar Exchange and offers a wide range of services in the field of wireless and fixed telecommunications in the Middle East and Southeast Asia. This gave Wataniya Mobile the opportunity to gain international experience from other Qtel Group companies, operating in 15 other markets, including those that are in a similar competitive situation to that of Wataniya Mobile. The number of subscribers with Qtel Group was, as of December 31, 2011, about 82 million in 16 countries where Qtel runs telecommunications operations.

As indicated above, Qtel 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 at the Kuwait Stock Exchange. Wataniya Mobile also benefits from Qtel Group's strategic relations with suppliers, sellers and financing banks in managing its operations to guarantee a Palestinian performance at international standards.

Palestine Investment Fund is a national Palestinian establishment that manages Palestinian funds and maintains them as a national and strategic reserve. By contributing to the development and sustainability of the Palestinian economy, and by launching strategic investment programs with local and international partners from both public and private sectors, the Fund aims at playing a leading role in establishing an independent Palestinian state. This will contribute to the creation of 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 at the time were 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 ratios.

On **October 14, 2010**, Wataniya Mobile increased its capital from US\$170 million to US\$219.3 million, maintaining the same ownership ratios, 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 transferred from a private limited shareholding company to a public limited shareholding company, in preparation 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, shareholders distribution became as follows:

Shareholder	Ownership Ratio
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. Furthermore, and according to the listing agreement with the Palestine Exchange, the Company should raise the public share from 15% to 25% at the minimum. 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 ratios in the Company will become as follows:

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

INVEST

YES

YES

Wataniya Mobile Shares .... Performance and Activity  
Since January 9, 2011

# Wataniya Mobile Shares ... Performance and Activity

According to the initial public offering, Wataniya Mobile was listed at the Palestine Exchange on January 9, 2011, where the Company's shares are traded.

Shareholders owning 5% or more as of December 31, 2011\*

Shareholder	Number of Shares Owned	Ratio of Shares Owned
Wataniya International - FZ LLC	125,001,000	48.45%
Palestine Investment Fund	94,298,995	36.55%

\* Note that as of December 31, 2011, there were no shareholders owning more than 5% within the free trading shareholder (the public).

Summary of Wataniya Mobile Shares Activity during the First Year of Listing (2011)

Trading in 2011*	Value	Rank in the Palestine Exchange
Number of Shares Traded	13,544,306	3
Value of Shares Traded (US\$)	17,529,223	5
Number of Deals Concluded	4,588	4
Number of trading sessions	241	4
Company Market Capitalization as of December 31, 2011 (US\$)	332,820,000	3
Number of Shareholders as of December 31, 2011	12,579	3
Highest Trading Price (US\$)	1.44	-
Lowest Trading Price (US\$)	1.10	-
Closing Price 2011 (US\$)	1.29	-


\* Trading activity of Company shares from January 9, 2011 to December 31, 2011


Highest and Lowest Wataniya Mobile Share Prices per quarter in 2011(US\$)

2011	Q1	Q2	Q3	Q4
Highest Price	1.44	1.30	1.25	1.31
Lowest Price	1.24	1.17	1.16	1.10
Closing Price	1.25	1.17	1.22	1.29

## Contact Information - Investor Relations

Shareholders can contact us through the following:

 +970 (0) 2 241 5000

 +970 (0) 2 242 3044

 ir@wataniya.ps

 www.wataniya.ps

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





**New Rate plans**



**With Numerous  
Advantages**

**And The Best  
Prices ...**





Diverse Rate plans tailored to satisfy your needs



“Our rate plans were designed to suit the various needs of individuals and corporations in the Palestinian market”

## Pioneering Products and Services

Wataniya Mobile has been keen during 2011 to offer suitable products and services for each subscriber segment, through the provision of basic mobile services and value added services that were designed to satisfy the needs of individuals and institutions alike in the Palestinian market. The year 2011 comprised a range of rate plans and services for the prepaid and postpaid categories as follows:

### Prepaid Rate Plans

During 2011, the Company delivered four new plans in the Palestinian market that satisfy a variety of needs. These are:

#### كيفك “A'kefak” Rate Plan

This plan was launched in January 2011, comprising a number of additional advantages, each for a specific category of subscribers, thus allowing each subscriber to select any of these services according to his/her needs:

- Friends and Family (Sawa) Service: A subscriber can select 10 numbers to call at a preferred tariff of only 9 Agoras per minute or per SMS, day and night.
- International Favorite Numbers: A subscriber may select up to three international numbers to call at a preferred tariff, and a discount reaching 60%.
- SMS Bundle: Subscribers will enjoy a preferred tariff for SMS price.
- MMS Bundle: Subscribers will enjoy a preferred tariff for MMS price.
- Internet GPRS Bundle: Subscribers who are interested in internet services can subscribe to this service and enjoy it for lower prices per MB.





### "Tullab" Rate Plan

This rate plan was designed to suit university, college and high school students between the ages of 16 and 24 years. The rate plan provides the following services that fulfill students' needs:

- Favorite Numbers: A subscriber may choose up to 10 numbers to call or send SMS at a reduced price of 10 Agoras per minute or SMS, day or night without any monthly fees.
- International Favorite Numbers: A subscriber may choose up to three international numbers to call at a reduced tariff.



### "Fursan Al-Watan" Rate Plan

This rate plan was presented to the Security Units' staff to fulfill their requirements at the lowest cost in the Palestinian market, as follows:

- Closed User Group Service: All staff of a Security Unit may communicate at a rate of only 8 Agoras per minute.
- Favorite Numbers Service: A subscriber may choose up to three numbers to call or send SMS at a cost of 9 Agoras per minute or SMS.
- The cost of calling Wataniya Mobile network and other Palestinian communication networks is reduced to 41 Agoras per minute.



### "Majmoaty" Rate Plan

This rate plan was designed to provide optimum telecom solutions and discounted rates to employees at sectors like education, health and government civil sectors. It provides a number of services, including:

- Closed User Group Service for the unit, whereby a subscriber can enjoy the closed telecommunication service within the organization at a low rate of 15 Agoras per minute.
- Closed User Group Service within the sector, whereby a subscriber can enjoy the closed telecommunication service within the sector at a low rate of 25 Agoras per minute.
- Favorite Numbers Service: A subscriber to this rate plan may choose one number to call and send text messages at the reduced rate of 15 Agoras per minute or SMS.



## Postpaid Rate Plans

Under postpaid rate plans, Wataniya Mobile presented a number of offers to individuals and companies, including:

### “Mazaya” Rate plan for Individuals

Mazaya provides different packages of inclusive minutes that satisfy the needs of individuals who prefer to pay on a monthly basis:

- Various packages of inclusive minutes.
- Favorite Numbers Service: Subscribers may choose up to 3 “national super numbers” to call at for only 15 Agoras per minute and SMS.
- Favorite International Numbers Service: Subscribers may choose up to 3 international numbers to call at for a reduced tariff of 85 Agoras per minute only.
- Select a handset at a special discount or pay its value in installments over 12 or 24 months.

### “Corporate” Rate Plans

Wataniya Mobile offers the best rate plans and solutions designed specially according to the needs of each institution or company, these contain:

- Standard calling minutes on all Palestinian networks
- Control of budget and use of company or institution lines.
- Closed User Group service to call the company or institution staff.
- Price reduction on a variety of handsets.
- Services and solutions for different companies, such as the Group SMS service, data line, and others.





## Showrooms and Points of Sale

As part of the Company's policy and strategy in extending its services to all people in the Palestinian market, Wataniya Mobile sought to create an extensive network of distributors, agents and points of sale to guarantee the provision of services anytime and everywhere. Hence, the Company has provided the following distribution channels:

- Wataniya Mobile Showrooms: Wataniya Mobile owns 6 showrooms distributed over the main cities in the West Bank, providing various mobile services to customers.
- Distributors: Two new companies were contracted to distribute Wataniya Mobile products and services to all agents and points of sale throughout the West Bank.



- Exclusive Agents Network: Wataniya Mobile has contracted 62 exclusive agents to distribute the prepaid rate plans, in addition to providing a number of other services and facilities.



- Points of Sale Network: The number of telecom points of sale in 2011 reached more than 600 locations and more than 5000 FMCG points of sale, providing subscriptions and recharge cards to Wataniya Mobile subscribers.



Ceremony honoring the authorized dealers and points of sale

**Narrowing Distances...**



## Roaming and International Calling

Wataniya Mobile services are not restricted to subscribers in the Palestinian market. The Company has extended its network through international roaming partners to cover more than 90% of areas to which Palestinians travel. Wataniya Mobile provided international roaming services in about one hundred countries through agreements with more than 140 international roaming partners around the world. Furthermore, Wataniya Mobile offers postpaid subscribers the international roaming service, for the first time in Palestine, in many countries where Palestinians could not normally roam, such as Lebanon, Syria, Yemen, Libya and Iran. The price structure presented by Wataniya Mobile, in a clear and transparent way, brings an outstanding value to its roaming subscriber base.

The success of Wataniya Mobile in presenting its services in a manner that assimilates the needs of its subscribers was accompanied by an increase in the average growth of its subscriber base, which in turn led to enabling the Company to overcome the usual seasonal and accidental factors as they emerge. Most of the Company's services are permanent and non-seasonal, with the exception of some value added services related to providing an information content that is concerned with a specific season.



## Research and Development

Wataniya Mobile has always sought to maintain the success stories it has achieved so far, and to build on and develop them. Hence, the Company is determined to offer a number of specialized rate plans and services to fulfill the various needs of its subscribers, relying on specialized market studies it carries out to analyze market requirements, and survey subscriber opinions regarding the services provided by the Company. In addition, Wataniya Mobile has concentrated on developing its rate plans and services through examining the most recent developments in the region as related to the telecommunications sector, through building strategic relations with various parties, among which are:

- Developing services through Qtel Group, due to its widespread capacities in the field of telecommunications.
- Strategic partnership with the largest companies that provide value added services.
- Strategic partnerships with companies that provide business solutions for integrated services.

### Cost of Research and Development

The cost of research and development, including market studies, market opinion surveys and other analyses carried out by Wataniya Mobile during 2011, has amounted to US\$75,870. It is expected that the Company will continue its studies and research during 2012 in order to be able to remain fully knowledgeable of the market requirements and subscriber expectations to monitor the Company performance, within the framework of concerted efforts to achieve the highest levels of subscriber satisfaction.





Part of our media coverage during 2011



## وزير الاتصالات وتكنولوجيا المعلومات يزور شركة "الوطنية موبايل"



تحت إشراف وزير الاتصالات وتكنولوجيا المعلومات، تم إطلاق شركة "الوطنية موبايل" في العاصمة بغداد. حضر حفل الإطلاق الوزير يزرع السيد، رئيس الشركة المهندس محمد علي، وعدد من المسؤولين في الشركة. تم خلال الحفل توقيع اتفاقية شراكة بين الشركة والوزارة، تهدف إلى تطوير خدمات الاتصالات وتكنولوجيا المعلومات في العراق.

## الوطنية موبايل تدخل مؤشر القدس لعام 2012



تمتلك شركة "الوطنية موبايل" مكانة متميزة في سوق الاتصالات وتكنولوجيا المعلومات في العراق. تم إدراج الشركة في مؤشر القدس لعام 2012، مما يعكس ثقة المستثمرين في أداء الشركة وقدرتها على المنافسة في السوق.

## الوطنية موبايل تطلق حملة خاصة بشهر رمضان المبارك، أجواء بالخير نحيبها

في شهر رمضان المبارك، أطلقت شركة "الوطنية موبايل" حملة خاصة بأجواء الخير ونحيبها. تهدف الحملة إلى دعم الأعمال الخيرية وتقديم خدمات مميزة للعملاء خلال الشهر الكريم. تشمل الحملة عروضاً خاصة على خدمات الاتصالات وتكنولوجيا المعلومات.

## الوطنية موبايل تغلق نتائج أداؤها للنصف الأول من العام الجاري... من العام الجاري يارتفع في كافة المؤشرات

أعلنت شركة "الوطنية موبايل" عن نتائج أداؤها للنصف الأول من العام الجاري. أظهرت النتائج تحسناً ملحوظاً في كافة المؤشرات، مما يعكس نجاح الشركة في تحقيق أهدافها الاستراتيجية. تم تحقيق نمو في الإيرادات وتحسين الأداء التشغيلي.



## الوطنية موبايل توقع اتفاقية رعاية لنادي هلال القدس وثقافي طولكرم

توقعت شركة "الوطنية موبايل" توقيع اتفاقية رعاية لنادي هلال القدس واثقافي طولكرم. تهدف الاتفاقية إلى دعم الرياضة والثقافة في العراق وتعزيز مكانة الشركة كراعٍ رئيسة للأنشطة الرياضية والثقافية.



في إطار دعمه للشباب والرياضة، وقع وزير الاتصالات وتكنولوجيا المعلومات، يزرع السيد، اتفاقية رعاية مع نادي هلال القدس واثقافي طولكرم. تهدف الاتفاقية إلى تطوير البنية التحتية للنادي وتحسين مستوى اللاعبين.



## الوطنية موبايل بالتعاون مع المؤسسات الريادية في الخليل تعلن عن أسعار خاصة لدعم بلدة الخليل القديمة

في إطار دعمه للمؤسسات الريادية والتنمية الاقتصادية، أعلنت شركة "الوطنية موبايل" عن أسعار خاصة لدعم بلدة الخليل القديمة. تهدف الأسعار إلى تشجيع الاستثمار في المنطقة وتطوير البنية التحتية.



## الوطنية موبايل تطلق حملة جديدة خاصة بتقريجي الثانوية العامة

في إطار دعمه للتعليم، أطلقت شركة "الوطنية موبايل" حملة جديدة خاصة بتقريجي الثانوية العامة. تهدف الحملة إلى توفير خدمات اتصالات وتكنولوجيا معلومات مميزة للطلاب والمدرسين.



 A growth in  
revenues amounting  
to US\$75 Million at  
the end of 2011 

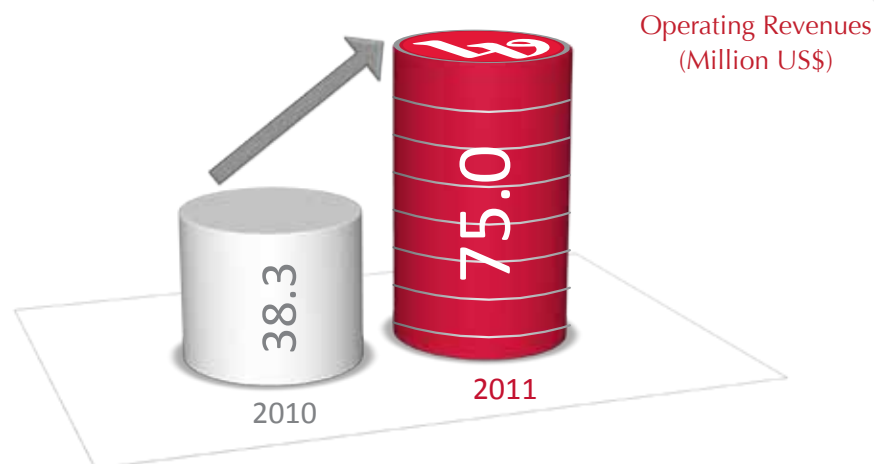
## Operating Results and Financial Performance Indicators

After less than two and a half years of operation, Wataniya Mobile market share in the West Bank increased to 24% at the end of 2011, from 21% at the end of 2010, an increase of 16%. The increase was mainly driven by the advanced marketing strategies implemented by the Company to attract and maintain subscribers. The Company has worked, since its start in November of 2009, on offering various products and services that are appropriate for all segments, including employees in the public and private sectors, university students and others. It has provided outstanding solutions that increased subscriber benefits and satisfaction. Furthermore, Wataniya Mobile succeeded in 2011 in producing outstanding services that were introduced into the Palestinian market for the first time, such as “Wataniya TAP” which enables the subscriber to use Facebook and Messenger on a mobile phone, easily and from one account. “Wataniya WAP” service also enables the subscriber to download games and tunes, screen backgrounds and cartoons, in addition to a number of exceptional services such as receiving international balance.

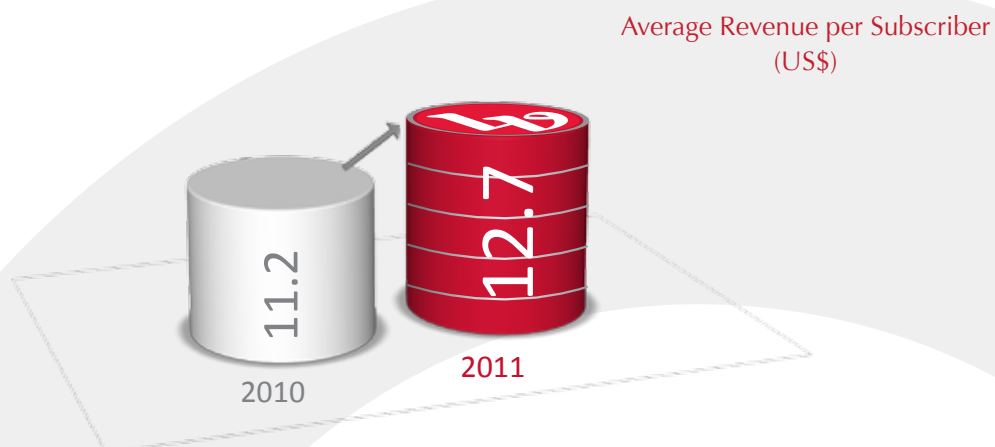
Utilizing this effective method, the Company succeeded in increasing the number of its subscribers to about 465 thousand at the end of 2011, an increase of 32% over 2010, when the number of subscribers was nearly 354 thousand, and achieving an increase rate of 320% over 2009, when the number of subscribers was about 111 thousand.

This noticeable increase in the subscriber base was accompanied by achieving high earnings results, where the Company achieved an increase in revenues by 96%, reaching US\$75.0 million at the end of 2011, compared to US\$38.3 million at the end of 2010.

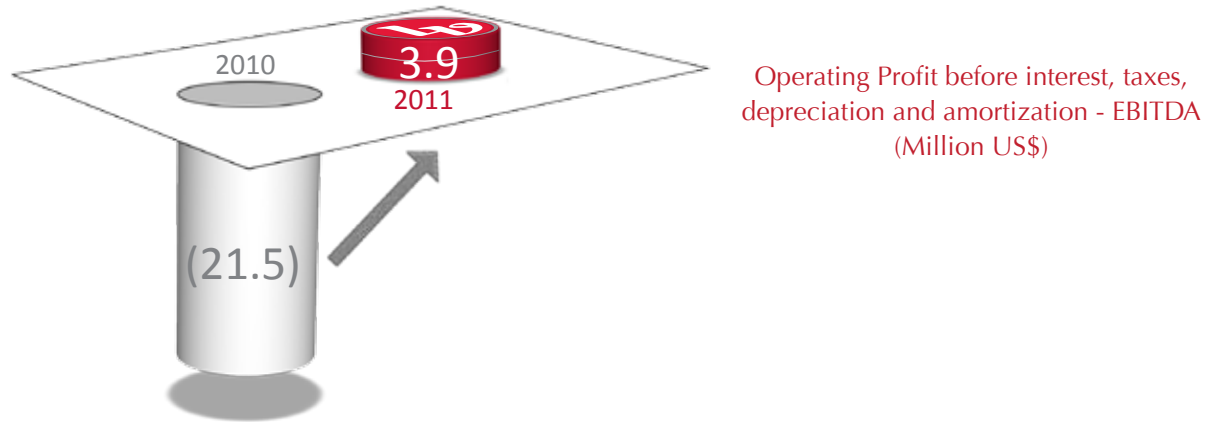
The increase in revenues is a result of offering many new rate plans and services during 2011 that satisfied the requirements and needs of its subscribers.



Furthermore, the average revenue per subscriber (ARPU) increased from US\$11.20 at the end of 2010 to US\$12.70 at the end of 2011, a growth rate amounting to 14%.



As a result, the Company's operating profit before interest, taxes, depreciation and amortization (EBITDA) increased by 118%, reaching US\$3.9 Million at the end of 2011, compared with losses amounting to US\$(21.5) Million at the end of 2010. This increase resulted from a noticeable improvement in the Company's operating performance and implementing the an expense control strategy. Gross profit increased by US\$27.7 Million at the end of 2011 over the same period of 2010.



The Company's operating losses before interest and taxes also decreased by 59%, reaching US\$(18.8) Million in 2011, compared to US\$(46.3) Million in 2010. This came as a result of the noticeable increase in the gross profit.

Finally, the Company's net loss amounted to US\$(26.2) Million at the end of 2011, compared to US\$(56.2) Million at the end of 2010, an improvement by 53%.

Alongside the growth rates achieved, the Company worked on enhancing its abilities and quality of services through investing in its infrastructure and systems to service mobile telecommunication. Capital expenditures in 2011 amounted to US\$12.7 Million, and the total capital investments, excluding the license fees, since the Company started its operations, reached about US\$92 Million, most of which were spent on developing base station and information systems.

The network coverage was expanded to include most rural areas and inter city routes, thus Wataniya Mobile coverage became available with high quality in more than 96% of residential areas in the West Bank. The network's capacity was also improved, and is presently capable of accommodating one million subscribers. The quality of service was also increased substantially, with the voice quality and clarity reaching very high standards, with rare occurrences of dropped calls. Wataniya Mobile network has become the best performer in Palestine. As for the Gaza Strip, technical teams are presently designing the network to guarantee full coverage and outstanding services as is the case in the West Bank.

The Company also achieved a noticeable success in its investment in human resources, attracting the best qualified local staff. The Company also provided quality training programs for developing the performance standard of its staff and improving their administrative capacities. In addition to specialized training programs, including operating and information systems, customer service and others.

**We have built our administrative system on the basis  
of credibility and transparency**



“We are fully aware of the responsibility we were entrusted with, and we hereby pledge to fulfill to all those who trusted and supported us”

## Governance

### Oversight and Management

#### Brief Biographies of the Members of the Board of Directors

Dr. Mohammad Mustafa, Chairman of the Board of Directors - Representative of the Palestine Investment Fund Company

Dr. Mohammad Mustafa joined the Board of Directors of Wataniya Mobile in January 2007. He is presently the Chairman of the Board of Directors of the Palestine Investment Fund Company and its Chief Executive Officer. Dr. Mustafa has a long history working for the World Bank in more than one country and various sectors. Dr. Mustafa occupies a number of positions as chairman and member in the boards of directors of the Amaar Real Estate Group, Khazanah Asset Management Company, and the Palestine Electric Company. Dr. Mustafa holds a Master's and a PhD degree in Management and Economics from the George Washington University in the United States, and a Bachelor's degree in Engineering from the University of Baghdad.

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

Dr. Marafih joined the Board of Directors of Wataniya Mobile in January 2007. He is the Chief Executive Officer of Qtel Group, and a member of the Board of Directors of Wataniya International - Free Zone LLC. He is also a member in a number of boards of directors of other affiliated and sister companies in Qtel 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.

H.E. Mr. Mohammad Bin Issa Al-Mohannadi, Member - Representative of Wataniya International

H.E. Mr. Mohammad Bin Issa Al-Mohannadi joined the Board of Directors of Wataniya Mobile in November 2011, and the Board of Directors of Qtel Group in July 2000. H.E. Al-Mohannadi is a member in boards of directors of a number of Qatari companies, and has occupied a number of prominent positions, including Financial Director in the Qatari Amiri Court, and a Minister of State. His Excellency's wide experience in the field of government and international relations contributes to the decision-making process in the Board of Directors of Qtel Group.



### 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 Qtel Group, after becoming the General Counsel of Qtel 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 Qtel, 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. Amer Sunna, Member - Representative of Wataniya International

Mr. Amer Sunna joined the Board of Directors of Wataniya Mobile in January 2011. Amer joined the Qtel family as CEO of the Wi-Tribe Company in Jordan in August 2010. 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 organizations. Prior to joining Wi-tribe, Mr. Amer was the CEO of three specialized 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 Jordan. He previously held various local and regional positions within Emirates Telecommunication Corporation (Etisalat) and has played a vital role in shaping the telecommunications sector within his home country of Jordan. Mr. Sunna holds a B.Sc. in Electrical Engineering from Jordan University.

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

Dr. Durgham Maraee joined the Board of Directors of Wataniya Mobile in January 2011. Dr. Maraee is the Chief Investment Officer at Palestine Investment Fund (PIF). In this role, Dr. Maraee oversees PIF Investment portfolio and the development and implementation of PIF's ambitious investment program. He is also responsible for identifying, developing and executing new strategic investment initiatives that aim to spur economic growth in Palestine through the establishment of viable business enterprises, while achieving excellent returns to PIF. Prior to joining PIF, Dr. Maraee worked as a consultant at the Boston Consulting Group (BCG). At BCG, Dr. Maraee focused on providing strategy and management advice to leading American and multinational corporations in the financial, media, hospitality and consumer goods industries. Dr. Maraee holds Master's and Doctorate degrees from Harvard University in International Law.

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

## Brief Biographies of the Members of the Executive Management

### Dr. Bassam Hannoun, CEO - Joined Wataniya Mobile in June 2010

Dr. Bassam Hannoun assumed his present position as CEO of Wataniya Mobile in June 2010. Dr. Hannoun has over 20 years of experience in the field of wireless and fixed telecommunications. Dr. Hannoun occupied a number of upper management positions since 2002, and has a number of important accomplishments that are acknowledged at the level of major companies. Dr. Hannoun's international experience extends to a number of telecommunications technologies in Europe, Africa and the Middle East. Before joining Wataniya Mobile, Dr. Hannoun contributed to launching the Wi-Max "Wi-Tribe" in Jordan; a company affiliated with Qtel Group. Dr. Hannoun has a PhD and a Master's degree in Telecommunications Engineering, and a second Master's degree in Business Administration, with a specialization in Strategic Marketing. All his degrees are from the University of Wales in Britain. He also has a Bachelor's degree in Electrical Engineering, with a sub-specialization in telecommunications from the University of Yarmouk in Jordan.

### Mr. Fadi Abdellatif, Finance Director - Joined Wataniya Mobile in March 2007

Mr. Fadi Abdellatif assumed his present position as Finance Director in April 2011. Mr. Abdellatif has over 13 years of varied experience in management, auditing, accounting, information systems and consulting in various sectors, including telecommunications. Mr. Abdellatif joined Wataniya Mobile at an early stage in 2007 after working for companies like Andersen, ATS and Hulul. Mr. Abdellatif has a Master's degree in Business Administration and is a Certified Public Accountant from the United States.

### Dr. Samer Fares, General Counsel - Joined Wataniya Mobile in August 2007

Dr. Samer Fares started his present position as General Counsel of the Company in January 2010. Dr. Fares has over 15 years of experience in the legal field. He had worked earlier as a lawyer and a General Manager for the Institute of Law at Birzeit University. In addition, Dr. Fares worked as an advisor to the Palestinian Ministry of Telecommunications and Information Technology, and international organization such as the World Bank and the European Commission in projects to develop the telecommunications sector in Palestine. Dr. Fares holds a PhD from Ghent University in Belgium, a Master's Degree in Commercial Law from Birzeit University in Palestine, and a Bachelor's Degree from Amman National University.

### Mr. Motasem Attili, Marketing and Business Development Director - Joined Wataniya Mobile in April 2010

Mr. Motasem Attili assumed his present position as Marketing and Business Development Director in April 2011. Mr. Attili has an extensive experience of over 16 years in the field of telecommunications. Mr. Attili worked for Wataniya Mobile as a consultant, and with Paltel, Trak-Link and DuraComm where he occupied high managerial positions. When joining Wataniya Mobile, Mr. Attili was initially responsible for planning and implementing interconnect roaming agreements as well as wholesale business with other companies. Mr. Attili holds a Master's degree in Telecommunications and Electrical Engineering from the University of Jordan.

### Mr. Omar Al-Sahili, Sales Director - Joined Wataniya Mobile in February 2010

Mr. Omar Al-Sahili assumed his present position as Sales Director in November 2010. Mr. Al-Sahili has over 16 years of experience in the field of developing commercial work, and in the information technology and telecommunications field. Mr. Al-Sahili had worked for DAI, PEC DAR (Palestinian Economic Council for Development and Construction) and the Institute of Law at Birzeit University in Palestine. At Wataniya Mobile, Mr. Al-Sahili successfully designed and led the first step to improve the status of the Company. Mr. Al-Sahili holds a Master's Degree in Engineering Sciences and a Bachelor's Degree in Electrical Engineering. Both degrees are from the University of Toledo, Ohio in the United States.

#### Mrs. Nuha Al-Masri, Human Resources Director- Joined Wataniya Mobile in May 2007

Mrs. Nuha Al-Masri assumed her present position as Human Resources Director in January 2010. She has 11 years of experience in the field of Human Resources management, having worked at Birzeit University and its Continuing Education Center in Palestine, where she succeeded in upgrading the Personnel Office to a Human Resources Department. Mrs. Al-Masri spearheaded the efforts made to establish an integrated Human Resources Department in Wataniya Mobile. Mrs. Al-Masri has a Master's Degree from Maastricht University in Holland, and a Bachelor's Degree from Birzeit University. Both degrees are in Business Administration.

#### Mr. Zakaria Abu-Kafia, Customer Care Director - Joined Wataniya Mobile in September 2010

Mr. Zakaria Abu Kafia assumed his position as Customer Care Director in January 2011. He has over 12 years of experience in customer services in the telecommunications, where he worked with VTel-ETISALUA, HULUL and the Paltel Group, as well as other companies. Mr. Abu Kafia led the efforts exerted in Wataniya Mobile to develop the main performance indicators for customer services, in addition to creating new methods to develop and improve the experience of Wataniya Mobile customers. Mr. Abu Kafia holds a Bachelor's degree in Economic Sciences from Al-Najah University in Palestine.

#### Mr. Amjad Al-Osaily, Network Director - Joined Wataniya Mobile in June 2007

Mr. Amjad Al-Osaily assumed his present position as the Network Director in January 2010. He has over 12 years of experience in the field of network management and operation, having worked for Ericsson International as part of its services to "Mobily", in addition to working for other companies in the field of telecommunications. Mr. Al-Osaily led the efforts in establishing and operating Wataniya Mobile network despite the challenges that accompanied the Company launch. In addition, Mr. Al-Osaily presently works on projects to upgrade and expand Wataniya Mobile network and developing it in the West Bank and the Gaza Strip. Mr. Al-Osaily has a Bachelor's Degree in Electronics and Telecommunications Engineering from the Private Applied Sciences University in Jordan.

#### Mr. Haitham Abu Shaaban, Gaza Operations Director - Joined Wataniya Mobile in June 2011

Mr. Haitham Abu Shaaban assumed his present position as Gaza Operations Director in June 2011. Mr. Abu Shaaban enjoys over 15 years of experience in the field of project management, entrepreneurship, business development and strategic marketing management. Mr. Abu Shaaban has outstanding achievements with large local and international companies in the field of developmental 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 California State University in the United States.

“We assure you of  
our commitment,  
and renew our  
confidence  
to remain a  
national support,  
founded in  
excellence and  
prosperity”

## About the Board of Directors and the Executive Management

According to the second operator agreement, and 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 that, the shareholding agreement between Wataniya International - Free Zone and Palestine Investment Fund stipulated that the former will obtain a majority in the Board of Directors, whereby the Board, composed of 7 members will have 4 members as representatives of Wataniya International - Free Zone and 3 members representing Palestine Investment Fund.
- The Shareholding Agreement also identifies the mechanisms for appointing the Chief Executive Officer, the Finance Director, the Board's Secretary and the Operations Director. Approvals of Wataniya International - Free Zone and Palestine Investment Fund must be obtained for these positions. The rest of the executive management members, however, may be appointed by a simple majority for the Company's Board of Directors' members.
- The Executive Management's authorities shall be specified by the Board of Directors in such a way that these authorities are connected to running the Company business affairs and administrative and internal affairs each according to the specialization of their department.

## Board of Directors' Responsibilities

The duties of the Board of Directors are numerous, and are governed by the Companies Law and the Company's internal bylaws. The duties of the Board of Directors, which mainly constitute of protecting shareholders' rights and organizing the companies' governance, are fulfilled through approving and ratifying the internal policies which regulate the Company's executive management and their 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 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 adopted and approved a number of internal policies, such as:

- **Policy of Authorities**, which specifies the persons authorized to sign on all Company decisions and commitments, and decision-making mechanisms therein.

- **Company Management Policy**, which governs the relations between the Board of Directors and the Executive Management. It stipulates 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-studied manner.
- **Human Resources Policy**, which deals with the Executive Management's duties towards employees and employee protection mechanisms, including 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 business, whether upon the request of shareholders or through the Company's General Assembly.

## Second: Identifying General Goals

The Board of Directors identifies the Company's general goals, and the CEO discusses them with the Executive Management, who, in turn, identify their respective department's goals in a manner that supports and is compatible with the general Company goals, noting that the responsibility of each member of the Executive Management is to distribute the goals of his/her department staff.

The CEO supervises monitoring members of the executive management to assure that the fulfillment of Company goals is progressing in the right direction. Each of the Executive Management members oversees the fulfillment of his respective department staff of their own goals that support the overall Company goals.

## Third: Board of Directors' Meetings

The Board of Directors held six meetings during 2011, during which it discussed and approved a number of important issues related to the Company 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

Committee	Date Formed
Executive Committee	March 20, 2011
Audit Committee	March 20, 2011



## 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 by the Company's Board of Directors. In addition to the above, the CEO 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 management decisions and discusses the Company's general issues. This committee is considered an effective tool to achieve continuous communication and coordination 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 assuring that commercial activities are transferred promptly to the market. The team discusses urgent commercial activities and takes decisions regarding them. This team also serves another purpose in that it achieves an optimum level of harmony between business managers and their teams in the departments involved in commercial affairs. It also communicates with all Company departments through referring issues, based on their importance to the Executive Committee.

There are also some committees with specific authorities that were formed based on decisions by the Company's Board of Directors. These include:

- **Human Resources Committee:** This committee is composed by the CEO, the Finance Director, and the Human Resources Director. This committee is concerned with all decisions related to recruiting, specifying salaries and benefits, and promotions for employees at all job levels in the Company, with the exception of the salaries and benefits of the members of the 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 material value of the contract and procured goods.
- **Bank Accounts and Investment Committee:** This committee is concerned with managing Company banks accounts, investment of Company resources and obtaining financing if the need arises.

## Board of Directors' Members and Executive Management Contracts

Executive management contracts are permanent contracts similar to those of other employees, and comply with the Palestinian Labor Law, with the exception of the CEO, who is seconded from Qtel Group.

## Compensations

### **Board of Directors' Compensations**

According to the Company policy, members of the Board of Directors do not receive any compensations or rewards until the Company achieves a positive income. Hence, members of the Board of Directors of Wataniya Mobile did not receive any compensations or rewards during 2011. Wataniya Mobile, however, covers all travel expenses of the Board members to attend meetings of the Board of Directors, which amounted in total to US\$22,076 during 2011.

### **Executive Management Compensations**

Total salaries and wages of members of the Executive Management team amounted to US\$2,008,910. They include the salaries and wages of current Executive Management members and those whose contracts ended during 2011, noting that there are no indirect remunerations such as guarantees or loans.

# Legal Disclosures

## Standards through which Wataniya Mobile Guarantees the Legality of Disclosure and Compliance with its Deadlines

As a public shareholding company, listed on the Palestine Exchange, Wataniya Mobile is committed to legal texts that guarantee continuous communication with investors, in accordance with disclosure principles, in addition to the values by which Wataniya Mobile, 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.

## Laws and decisions issued by the Palestinian government or any other foreign government that had material effect on Wataniya Mobile operations

The Palestinian Ministry of Telecommunications and Information Technology issued in August 2009 a law for the establishment of an independent regulatory authority to regulate the Palestinian telecommunications sector. The law, however, has not been implemented yet for reasons related to forming the authority's board of directors. The law aims at granting the authority the power to regulate the telecommunications marketplace in Palestine, and guarantee the provision of high-quality telecommunications services to users at acceptable conditions and rates. It also aims at encouraging investment in this sector, and therefore encouraging competition, while guaranteeing high levels of fairness and transparency among competitors. The Ministry also issued in 2011 "competition instructions" for the purpose of protecting competition from abuse by any licensee of a dominant position in the telecommunications market, identifying behaviors and practices considered as anti-competitive, in addition to indicating measures taken by the Ministry for merger and acquisition operations and strategic partnerships among companies, so that such activities do not result into any situation that could impose threat to or lessen competition.

## Legal procedures and cases brought against Wataniya Mobile

There is one case involving the Company being a party in a juristic case number 441/2011 before the Court of First Instance in Ramallah, the subject of which is a financial claim for the amount of US\$911,816, raised against the Company by a building owner, resulting from a dispute over a building rental in the city of Al-Bireh.

### Issues referred to voting by shareholders during 2011

The founding General Assembly held a meeting on January 31, 2011, in which it was voted to approve the establishment expenses disbursed by the founding group, the election of the first board of directors composed of 7 members, the election of the external auditor for the financial year 2011, and the final declaration of the Company's establishment. The members voted for in the Board of Directors were:

Member's Name	Position	Representing
Dr. Mohammad Mustafa	Chairman of the Board	Palestine Investment Fund
Dr. Nasser Marafih	Vice Chairman of the Board	Wataniya International - FZ LLC
Sheikh Mohammad Bin Saheem Al Thani*	Member	Wataniya International - FZ LLC
Mr. Michael Hancock	Member	Wataniya International - FZ LLC
Mr. Amer Sunna	Member	Wataniya International - FZ LLC
Dr. Durgham Maraee	Member	Palestine Investment Fund
Mr. Faisal Al-Shawwa	Member	Palestine Investment Fund

\* Sheikh Mohammad Bin Saheem Al Thani resigned on November 16, 2011 as a representative of Wataniya International.

### External Auditors

Wataniya Mobile deals with Ernst and Young Company as external auditors. They audited Wataniya Mobile accounts for the year 2011.

### External Legal Counsel

Wataniya Mobile deals with Amr, Zahaykah and Partners as external legal counsel for the Company.

### Blood and marriage relationships among members of the Board of Directors and members of the Executive Management

There are no blood or marriage relationships among members of the Board of Directors and the Executive Management team. None of them has a business relationship with the Company.





# **Wataniya Palestine Mobile Telecommunication Public Shareholding Company**

**Financial Statements  
As of December 31, 2011**



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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, 2011 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 determines 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, 2011 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

January 23, 2012



# Wataniya Palestine Mobile Telecommunication Public Shareholding Company

## STATEMENT OF FINANCIAL POSITION

As of December 31, 2011

	Notes	2011 U.S. \$	2010 U.S. \$
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment, net	3	61,185,943	65,351,488
Projects in progress	5	4,605,319	2,011,967
Advances to contractors		1,662,030	1,530,225
Intangible assets	4	164,782,708	173,558,772
Restricted cash	6	9,480,558	-
		<u>241,716,558</u>	<u>242,452,452</u>
<b>Current assets</b>			
Prepayments and other current assets	7	8,348,772	9,634,712
Inventory	8	1,721,276	1,040,355
Accounts receivable	9	7,200,912	6,486,577
Cash on hand and at banks	10	29,466,668	92,192,012
		<u>46,737,628</u>	<u>109,353,656</u>
<b>Total Assets</b>		<u><u>288,454,186</u></u>	<u><u>351,806,108</u></u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Paid-in share capital	11	258,000,000	258,000,000
Share premium		11,610,000	11,610,000
Accumulated losses		<u>(133,092,929)</u>	<u>(106,913,676)</u>
<b>Net equity</b>		<u>136,517,071</u>	<u>162,696,324</u>
<b>Non-current liabilities</b>			
Provision for employees' indemnity	12	1,876,463	1,390,075
Interestbearing loans and borrowings	13	54,373,720	68,854,305
Other non-current liability	4	54,346,654	54,346,654
		<u>110,596,837</u>	<u>124,591,034</u>
<b>Current liabilities</b>			
Current portion of interest-bearing loans and borrowings	13	15,788,000	15,788,000
Accounts payable		5,840,932	7,029,586
Due to related parties	14	219,275	2,713,531
Deferred revenues		2,757,129	2,557,062
Accrued expenses	15	13,679,574	13,540,640
IPO oversubscription payables	16	70,775	22,274,369
Accrued project cost		2,984,593	615,562
		<u>41,340,278</u>	<u>64,518,750</u>
<b>Total liabilities</b>		<u>151,937,115</u>	<u>189,109,784</u>
<b>Total Equity and Liabilities</b>		<u><u>288,454,186</u></u>	<u><u>351,806,108</u></u>

The attached notes 1 to 27 form part of these financial statements

# Wataniya Palestine Mobile Telecommunication Public Shareholding Company

## INCOME STATEMENT

For the year ended December 31, 2011

	Notes	2011 U.S. \$	2010 U.S. \$
Revenue		74,999,017	38,312,788
Cost of services		<u>(45,211,069)</u>	<u>(36,206,442)</u>
		<u>29,787,948</u>	<u>2,106,346</u>
Finance revenues		333,918	95,335
Currency exchange (loss) gain		(1,651,635)	685,742
General and administrative expenses	17	(17,035,088)	(19,103,361)
Marketing expenses	19	(5,657,830)	(4,565,401)
Depreciation and amortization	3,4	(22,751,479)	(24,757,616)
Finance costs	18	(5,855,406)	(10,550,120)
Provision for doubtful accounts	9	(3,289,388)	(147,312)
Loss on disposal of property and equipment		<u>(60,293)</u>	<u>(13,148)</u>
<b>Loss for the year</b>		<u><u>(26,179,253)</u></u>	<u><u>(56,249,535)</u></u>
Basic and diluted earnings per share	20	<u><u>(0.10)</u></u>	<u><u>(0.31)</u></u>

Wataniya Palestine Mobile Telecommunication  
Public Shareholding Company

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**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended December 31, 2011

	<b>2011</b> <b>U.S. \$</b>	<b>2010</b> <b>U.S. \$</b>
<b>Loss for the year</b>	(26,179,253)	(56,249,535)
Other comprehensive income for the year	-	-
<b>Total loss and comprehensive income for the year</b>	<u>(26,179,253)</u>	<u>(56,249,535)</u>

The attached notes 1 to 27 form part of these financial statements



# Wataniya Palestine Mobile Telecommunication Public Shareholding Company

## STATEMENT OF CASH FLOWS

For the year ended December 31, 2011

	2011 U.S. \$	2010 U.S. \$
<b>Operating activities</b>		
Loss for the year	(26,179,253)	(56,249,535)
Adjustments for:		
Depreciation	12,299,559	11,426,622
Provision for employees' indemnity	781,329	784,739
Provision for doubtful accounts	3,289,388	151,578
Loss on disposal of property and equipment and intangibles	60,293	13,148
Finance revenues	(333,918)	(95,335)
Finance costs	5,855,406	10,550,120
Amortization	10,451,920	13,330,994
	6,224,724	(20,087,669)
Working capital changes:		
Prepayments and other current assets	1,285,940	(341,263)
Inventory	(680,921)	(154,333)
Accounts receivable	(4,003,723)	(6,364,750)
Accounts payable	(1,188,654)	(16,442,572)
Deferred revenue	200,067	1,673,998
Accrued expenses	581,991	8,617,656
Employees' indemnity paid	(294,941)	(50,873)
Net cash flows from (used in) operating activities	2,124,483	(33,149,806)
<b>Investing activities</b>		
Purchase of property and equipment	(1,432,452)	(2,034,343)
Purchase of Intangibles	(584,667)	(798,764)
Proceeds from disposal of property and equipment	252,769	8,014
Increase in projects in progress	(8,330,134)	(11,340,978)
Advances to contractors	(131,805)	(767,050)
Interest received	333,918	95,335
Net cash flows used in investing activities	(9,892,371)	(14,837,786)
<b>Financing activities</b>		
Paid-in share capital	-	38,700,000
Share premium	-	11,610,000
IPO oversubscription payables	(22,203,594)	22,274,369
Transaction costs attributable to issuance of shares	-	(4,059,139)
Shareholders' loans	-	20,000,000
Repayment of syndicated loan	(15,788,000)	40,514,375
Syndicated loan transaction costs paid	(109,411)	(1,279,141)
Interest paid	(4,881,637)	(3,703,365)
Due to related parties	(2,494,256)	973,480
Restricted cash	(9,480,558)	-
Net cash flows (used in) from financing activities	(54,957,456)	125,030,579
<b>(Decrease) increase in cash and cash equivalents</b>	(62,725,344)	77,042,987
Cash and cash equivalents, Beginning of year	92,192,012	15,149,025
<b>Cash and cash equivalents, End of year</b>	29,466,668	92,192,012

The attached notes 1 to 27 form part of these financial statements



Wataniya Palestine Mobile Telecommunication  
Public Shareholding Company

**STATEMENT OF CHANGES IN EQUITY**

For the year ended December 31, 2011

	Paid-in share capital	Share Premium	Accumulated losses	Net Equity
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Balance at January 1, 2011	258,000,000	11,610,000	(106,913,676)	162,696,324
Total loss and comprehensive income for the year	-	-	(26,179,253)	(26,179,253)
<b>Balance at December 31, 2011</b>	<u>258,000,000</u>	<u>11,610,000</u>	<u>(133,092,929)</u>	<u>136,517,071</u>
Balance at January 1, 2010	170,000,000	-	(46,605,002)	123,394,998
Total loss and comprehensive income for the year	-	-	(56,249,535)	(56,249,535)
Issue of share capital	88,000,000	11,610,000	-	99,610,000
Transaction costs	-	-	(4,059,139)	(4,059,139)
<b>Balance at December 31, 2010</b>	<u>258,000,000</u>	<u>11,610,000</u>	<u>(106,913,676)</u>	<u>162,696,324</u>

The attached notes 1 to 27 form part of these financial statements

# Wataniya Palestine Mobile Telecommunication Public Shareholding Company

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## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

### 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, 2011 were authorized for issue in accordance with the Board of Directors resolution on January 23, 2012.

### 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 IFRIC Interpretations effective January 1, 2011. Adoption of these standards and interpretations did not have any effect on the results of operations or financial position of the Company.

IAS 24 Related Party Disclosures (Amended).

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)

IFRIC 14 Prepayments of minimum funding requirements (Amendment)

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

- IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements
- IFRS 9 Financial Instruments: Classification and Measurement
- IFRS 13 Fair Value Measurement
- IAS 1 Financial Statement Presentation: Presentation of items of Other Comprehensive Income

### **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.

### **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.

### **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.

### **Provision for employees' indemnity**

Provision for employees' indemnity (end of service benefit) is calculated in accordance with the Labor Law prevailing in Palestine and the Company's human resource policies. The entitlement is based upon the employees' last salary and length of service. The expected costs of these benefits are accrued over the estimated period of employment.

### **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 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



	Network equipment U.S. \$	Network infrastructure U.S. \$	Computers U.S. \$	Office equipment U.S. \$	Furniture and fixtures U.S. \$	Leasehold improvements U.S. \$	Others U.S. \$	Total U.S. \$
<b>2011</b>								
<b>Cost</b>								
At January 1, 2011	42,197,575	19,715,323	11,209,982	670,557	645,763	4,445,614	29,108	78,913,922
Additions	5,998,779	1,021,100	698,035	297,828	86,751	342,669	329	8,445,491
Disposals	(19,585)	(256,396)	(15,955)	(1,060)	(32,690)	(43,741)	-	(369,427)
At December 31, 2011	<b>48,176,769</b>	<b>20,480,027</b>	<b>11,892,062</b>	<b>967,325</b>	<b>699,824</b>	<b>4,744,542</b>	<b>29,437</b>	<b>86,989,986</b>
<b>Accumulated depreciation</b>								
At January 1, 2011	5,859,026	2,510,030	3,508,215	246,094	270,597	1,156,460	12,012	13,562,434
Depreciation charge for the year	5,672,626	2,462,703	2,829,227	225,357	156,433	943,781	9,432	12,299,559
Disposals	(3,987)	(11,358)	(10,738)	(676)	(23,738)	(7,453)	-	(57,950)
At December 31, 2011	<b>11,527,665</b>	<b>4,961,375</b>	<b>6,326,704</b>	<b>470,775</b>	<b>403,292</b>	<b>2,092,788</b>	<b>21,444</b>	<b>25,804,043</b>
Net carrying amount								
At December 31, 2011	<b>36,649,104</b>	<b>15,518,652</b>	<b>5,565,358</b>	<b>496,550</b>	<b>296,532</b>	<b>2,651,754</b>	<b>7,993</b>	<b>61,185,943</b>

	Network equipment U.S. \$	Network infrastructure U.S. \$	Computers U.S. \$	Office equipment U.S. \$	Furniture and fixtures U.S. \$	Leasehold improvements U.S. \$	Others U.S. \$	Total U.S. \$
<b>2010</b>								
<u>Cost</u>								
At January 1, 2010	38,571,884	14,159,408	10,513,044	491,587	608,368	3,722,054	23,359	68,089,704
Additions	3,625,691	5,555,915	699,808	179,129	53,034	737,422	5,749	10,856,748
Disposals	-	-	(2,870)	(159)	(15,639)	(13,862)	-	(32,530)
At December 31, 2010	<u>42,197,575</u>	<u>19,715,323</u>	<u>11,209,982</u>	<u>670,557</u>	<u>645,763</u>	<u>4,445,614</u>	<u>29,108</u>	<u>78,913,922</u>
<u>Accumulated depreciation</u>								
At January 1, 2010	623,341	152,352	827,564	83,961	137,306	319,446	3,210	2,147,180
Depreciation charge for the year	5,235,685	2,357,678	2,683,521	162,186	141,569	837,181	8,802	11,426,622
Disposals	-	-	(2,870)	(53)	(8,278)	(167)	-	(11,368)
At December 31, 2010	<u>5,859,026</u>	<u>2,510,030</u>	<u>3,508,215</u>	<u>246,094</u>	<u>270,597</u>	<u>1,156,460</u>	<u>12,012</u>	<u>13,562,434</u>
Net carrying amount								
At December 31, 2010	<u>36,338,549</u>	<u>17,205,293</u>	<u>7,701,767</u>	<u>424,463</u>	<u>375,166</u>	<u>3,289,154</u>	<u>17,096</u>	<u>65,351,488</u>

#### 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 the 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 the 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 the West Bank and Gaza as stated in the license agreement.

The Company's license includes the West Bank and Gaza. The MTIT notified the Company that it can start operations in the 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 the 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 the 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:

	<b>License</b>	<b>Software</b>	<b>Total</b>
	<b>U.S. \$</b>	<b>U.S. \$</b>	<b>U.S. \$</b>
<b><u>Cost</u></b>			
At January 1, 2011	184,871,337	4,260,803	189,132,140
Additions	-	1,677,441	1,677,441
Disposals	-	(9,510)	(9,510)
At December 31, 2011	<u>184,871,337</u>	<u>5,928,734</u>	<u>190,800,071</u>
<b><u>Accumulated Amortization</u></b>			
At January 1, 2011	14,511,736	1,061,632	15,573,368
Amortization for the year	9,158,811	1,293,109	10,451,920
Disposals	-	(7,925)	(7,925)
At December 31, 2011	<u>23,670,547</u>	<u>2,346,816</u>	<u>26,017,363</u>
Net carrying amount			
At December 31, 2011	<u>161,200,790</u>	<u>3,581,918</u>	<u>164,782,708</u>
At December 31, 2010	<u>170,359,601</u>	<u>3,199,171</u>	<u>173,558,772</u>

The change in amortization base and stopping the interest calculation on the deferred liability resulted in a decrease in the Company's loss by U.S. \$ 3,274,953 and U.S. \$4,510,734, respectively.

## 5. Projects in progress

	<b>2011</b>	<b>2010</b>
	<b>U.S. \$</b>	<b>U.S. \$</b>
Network	3,669,402	1,043,270
Renovations	160,139	-
Network infrastructure	139,188	232,138
Generators	133,974	-
Billing system	261,329	352,358
Capitalized interest cost	51,362	81,174
Sites electricity	9,878	9,142
Consolidated fault and service management	-	107,800
Others	<u>180,047</u>	<u>186,085</u>
	<u>4,605,319</u>	<u>2,011,967</u>

The movement on projects in progress is as follows:

	<b>2011</b>	<b>2010</b>
	<b>U.S. \$</b>	<b>U.S. \$</b>
Beginning balance	2,011,967	7,945,219
Additions	10,699,165	3,666,106
Transferred to property and equipment	<u>(8,105,813)</u>	<u>(9,599,358)</u>
	<u>4,605,319</u>	<u>2,011,967</u>

The estimated cost to complete the above projects as of December 31, 2011 is U.S.\$ 2,300,927.

## 6. Restricted cash

This account represents the cash restricted to the benefit of Standard bank in relation with the syndicated loan with an average interest rate of 0.7%.

## 7. Prepayments and other current assets

	<b>2011</b>	<b>2010</b>
	<b>U.S. \$</b>	<b>U.S. \$</b>
VAT receivables	7,367,572	8,305,977
Prepaid sites' rent	612,029	548,277
Prepaid warranty	148,168	323,790
Prepaid software license	113,085	95,203
Prepaid rent expense	48,636	46,885
Due from employees	24,994	28,526
Other	<u>34,288</u>	<u>286,054</u>
	<u>8,348,772</u>	<u>9,634,712</u>

## 8. Inventory

	<b>2011</b>	<b>2010</b>
	<b>U.S. \$</b>	<b>U.S. \$</b>
Handsets	549,075	521,922
Sim cards	504,160	335,445
Accessories	441,439	58,195
Scratch cards	<u>226,602</u>	<u>124,793</u>
	<u>1,721,276</u>	<u>1,040,355</u>

## 9. Accounts receivable

	2011 U.S. \$	2010 U.S. \$
Receivables from subscribers	6,678,944	3,444,737
Interconnect partners	2,904,360	2,682,260
Roaming partners and other receivables	905,454	511,158
	10,488,758	6,638,155
Allowance for doubtful accounts	(3,287,846)	(151,578)
	<u>7,200,912</u>	<u>6,486,577</u>

As at 31 December 2011, trade receivables of U.S. \$ 3,287,846 were impaired and fully provided for. Following is a summary of the movement on the provision for doubtful accounts during the year:

	2011 U.S. \$	2010 U.S. \$
Balance at January 1	151,578	-
Provision for the year	3,289,388	147,312
Foreign currency difference	(153,120)	4,266
Balance at December 31	<u>3,287,846</u>	<u>151,578</u>

As at December 31, 2011, 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. \$
2011	3,501,487	1,291,010	643,597	615,505	589,050	560,263	7,200,912
2010	-	2,862,143	2,902,812	258,789	355,971	106,862	6,486,577

The Company expects to recover all unimpaired receivables.

## 10. Cash and cash equivalents

	2011 U.S. \$	2010 U.S. \$
Cash on hand	58,047	42,656
Cash at banks and short term deposits	29,408,621	92,149,356
	<u>29,466,668</u>	<u>92,192,012</u>

As of December 31, 2011, the Company has six short term deposits amounting to U.S.\$ 27,738,574 (2010: U.S \$ 69,333,706) at local banks with an average interest rate of 1.54% (2010: 0.53%).

## 11. Paid-in share capital

	2011	2010
	U.S. \$	U.S. \$
Wataniya International FZ – LLC (WIL)	125,001,000	125,001,000
Palestine Investment Fund, PLC (PIF)	94,299,000	94,299,000
Public shareholders	38,700,000	38,700,000
	<u>258,000,000</u>	<u>258,000,000</u>

## 12. Provision for employees' indemnity

	2011	2010
	U.S. \$	U.S. \$
Balance, beginning of year	1,390,075	656,209
Additions	781,329	784,739
Payments during the year	(294,941)	(50,873)
	<u>1,876,463</u>	<u>1,390,075</u>

## 13. Interestbearing loans and borrowings

	2011	2010
	U.S. \$	U.S. \$
<b>Shareholders' loans</b>		
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)	266,910	93,147
Accrued interest (PIF)	200,908	69,581
	<u>5,467,818</u>	<u>5,162,728</u>

### Third parties' loans

Local banks' loans **	26,994,000	33,000,000
IFC loan**	24,540,000	30,000,000
Ericsson loan**	17,178,000	21,000,000
ECA loan**	500,000	1,000,000
	<u>69,212,000</u>	<u>85,000,000</u>
Less: transaction costs directly attributable to third parties' loans***	(4,518,098)	(5,520,423)
	<u>70,161,720</u>	<u>84,642,305</u>
Non-current portion	54,373,720	68,854,305
Current portion	15,788,000	15,788,000
	<u>70,161,720</u>	<u>84,642,305</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 semi annual installments commencing January 15, 2011 and ending January 15, 2016. All the Company's assets are mortgaged as collaterals for these loans. Accrued interest as of December 31, 2011 amounted to U.S. \$ 870,982 (2010: U.S \$ 1,074,813).

Following is the third parties' loans principal maturities:

	U.S. \$
<b>Matures during 2012</b>	15,788,000
2013	15,288,000
2014	15,288,000
2015	15,288,000
2016	7,560,000
	<u>69,212,000</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.

#### 14. Due to related parties

	2011 U.S. \$	2010 U.S. \$
Qatar Telecommunications (QTEL)*	219,275	2,336,802
Wataniya International FZ – LLC (WIL)	-	347,449
Palestine Investment Fund, PLC (PIF)	-	29,280
	<u>219,275</u>	<u>2,713,531</u>

\* Qatar Telecommunications Company (QTEL) is the Parent Company of Wataniya International FZ – LLC.



## 15 - Accrued expenses

	2011	2010
	U.S. \$	U.S. \$
Bonus	2,083,116	2,126,311
Accrued salaries	14,899	239,654
Payroll tax	201,249	171,278
Marketing costs	626,124	1,005,230
Employees vacations	345,026	300,929
Accrued interconnect cost	2,384,312	-
Accrued lease line expense	27,990	151,850
Accrued interest and commitment fees	870,982	1,314,038
Accrued license fees*	3,731,344	1,866,610
Accrued transaction costs attributable to Issuance of shares	42,214	3,133,965
Accrued sales commission	1,124,934	680,354
Other	2,227,384	2,550,421
	<u>13,679,574</u>	<u>13,540,640</u>

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

## 16. IPO oversubscription payables

This item represents the remaining balance as at December 31, 2011 of the oversubscription in relation to the initial public offering (IPO) that took place during the period from November 7, 2010 to December 2, 2010. This remaining amount will be refunded to the Company's shareholders during 2012.

## 17. General and administrative expenses

	2011	2010
	U.S. \$	U.S. \$
Salaries and related expenses	10,562,016	11,780,284
Rent	1,198,664	1,257,310
System support	1,181,999	1,545,010
Accommodation, travel and transportation	1,029,221	1,128,980
Warehousing and logistics	746,936	743,261
Water, electricity and fuel	416,108	591,489
Professional and consulting fees	362,414	732,577
Software license expense	222,379	229,450
Insurance	148,611	89,346
Security services	138,153	137,611
Telephone, fax and mail	136,196	162,584
Maintenance	120,542	129,856
Bank charges	39,064	73,151
Stationery and supplies	29,703	35,990
Other	703,082	466,462
	<u>17,035,088</u>	<u>19,103,361</u>

## 18. Finance costs

	2011	2010
	U.S. \$	U.S. \$
Interest on loans and borrowings	4,743,669	5,358,085
Interest on other non-current liability	-	4,165,038
Amortization of transaction costs	1,111,737	1,026,997
	<u>5,855,406</u>	<u>10,550,120</u>

## 19. Marketing expenses

	2011	2010
	U.S. \$	U.S. \$
Media advertisements	3,499,854	2,267,411
Designs and exhibitions	207,411	338,846
Sponsorships	162,288	554,534
Promotions	50,578	358,102
Research	518,288	148,392
Other marketing expenses	1,219,411	898,116
	<u>5,657,830</u>	<u>4,565,401</u>

## 20. Basic and Diluted Earnings Per Share

	2011	2010
Loss for the year (U.S. \$)	<u>(26,179,253)</u>	<u>(56,249,535)</u>
Weighted average number of shares	<u>258,000,000</u>	<u>182,124,384</u>
Basic and diluted loss per share (U.S. \$)	<u>(0.10)</u>	<u>(0.31)</u>

## 21. 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:

	2011	2010
	U.S. \$	U.S. \$
Contracts and purchase orders	<u>226,277</u>	<u>1,436,063</u>
License*	<u>159,653,346</u>	<u>141,600,000</u>

- \* 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. The lease has a life of five years for a total amount of U.S. \$ 1,923,145 with an option to renew

included in the contract.

Future minimum rentals payable under non-cancellable operating lease as at December 31 are as follows:

	<b>2011</b>	<b>2010</b>
	<b>U.S. \$</b>	<b>U.S. \$</b>
Within one year	-	383,695
*After one year but not more than five years	-	32,052
	-	415,747

\* All rent payments related to year 2012 were paid in advance during 2011.

## 22. 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:

		<b>2011</b>	<b>2010</b>
	<b>Nature of relationship</b>	<b>U.S. \$</b>	<b>U.S. \$</b>
Interestbearing loans and borrowings (note 13)	Shareholder	5,000,000	5,000,000
Due to related parties (note 14)	Shareholder	219,275	2,713,531
Accounts receivable	Shareholder	7,368	10,239
Accrued interest	Shareholder	467,818	162,728

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

	<b>2011</b>	<b>2010</b>
	<b>U.S. \$</b>	<b>U.S. \$</b>
Finance cost	305,089	1,729,032
Key management personnel compensation	396,712	1,017,282
Revenue from shareholders	39,157	62,933

### 23. Fair value of financial instruments

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash on hand and cash at banks, cash restricted at bank, accounts receivable and some other current assets. Financial liabilities consist of accounts payable, interestbearing loans, other non-current liability, due to related parties, and some other current liabilities.

The fair values of financial instruments are not materially different from their carrying values.

### 24. Risk management

#### Interest rate risk

The Company is exposed to interest rate risk on its interest-bearing assets and liabilities (Interest bearing loan and borrowings and short term bank deposits). 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, 2011. There is no direct impact on the Company's equity.

	Increase/decrease in basis points	Effect on income statement for the year U.S. \$
<b><u>2011</u></b>		
U.S. \$	+15	(69,710)
U.S. \$	-10	46,473
<b><u>2010</u></b>		
U.S. \$	+15	(22,963)
U.S. \$	-10	15,309

### 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. \$
<b>2011</b>		
U.S. \$	+5%	451,738
U.S. \$	-5%	(451,738)
<b>2010</b>		
U.S. \$	+5%	643,019
U.S. \$	5%	(643,019)

### Credit risk

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

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

With respect to credit risk arising from the other financial assets, including cash and cash equivalents, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

### Liquidity risk

The Company limits its liquidity risk by securing bank loans and funding from shareholders.

The table below summarizes the maturities of the Company's undiscounted financial liabilities at 31 December 2011, based on contractual payment dates and current market interest rates.

	Less than 3 months	3 to 12 months	1- 5 years	Over 5 years	Total
<b>31 December 2011</b>	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Interest-bearing loans and borrowings	8,911,295	9,444,544	59,133,952	-	77,489,791
Accounts payable	5,840,932	-	-	-	5,840,932
Due to related parties	-	219,275	-	-	219,275
Other current liabilities	70,775	-	-	-	70,775
Other noncurrent liabilities	-	-	54,346,654	-	54,346,654

<b>Total liabilities</b>	<u>14,823,002</u>	<u>9,663,819</u>	<u>113,480,606</u>	<u>-</u>	<u>137,967,427</u>
	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1- 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>31 December 2010</b>	<b>U.S. \$</b>	<b>U.S. \$</b>	<b>U.S. \$</b>	<b>U.S. \$</b>	<b>U.S. \$</b>
Interest-bearing loans and borrowings	8,849,205	10,610,503	76,203,133	6,717,928	102,380,769
Accounts payable	7,029,586	-	-	-	7,029,586
Due to related parties	-	2,713,531	-	-	2,713,531
Other current liabilities	22,274,369	-	-	-	22,274,369
Other noncurrent liabilities	-	-	72,400,000	-	72,400,000
<b>Total liabilities</b>	<u>38,153,160</u>	<u>13,324,034</u>	<u>148,603,133</u>	<u>6,717,928</u>	<u>206,798,255</u>

## 25. 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 2011 and the year ended 31 December 2010 except for the capital increase during 2010. Capital comprises paid in capital, share premium and accumulated losses, and is measured at U.S.\$ 136,517,071 as at 31 December 2011 (2010: U.S.\$ 162,696,324).

## 26. 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.

## 27. Comparative figures

The corresponding figures for December 31, 2010 have been reclassified in order to conform to the presentation of the current year. Such reclassification had no effect on the previously reported accumulated losses.



# 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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