الوطنية موبايل

ANNUAL REPORT

2015

ANNUAL REPORT 2015

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2015 Year of Change

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

2015
YEAR OF CHANGE

Our Values, Our Vision

Our Values

Respect All: Embracing modesty and respecting everyone regardless of their position or status.
Engage Others: Contributing to our community and building social partnerships that add long-term and sustainable value.
Make a Difference: Innovation that matters is at the core of everything we do.

Our Vision

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

OUR ACHIEVEMENTS

83.2 Million

Value of operational revenues reached US$ 83.2 million.

Subscribers

Number of subscribers reached more than 700 thousand; an increase of 13% compared to the preceding year.

Operational Profits (EBITDA)

Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to US$ 21.5 million; an increase of 67% compared to the preceding year.

Corporate Social Responsibility

Wataniya Mobile is the sponsor of Palestinian Football.

ECONOMY AND INVESTMENT IN PALESTINE

"In light of the business environment that is subject to military occupation, blockade and restrictions on the free movement of people and goods, the prospects of Palestinian economy nonetheless remain promising. Because of its fair legislative and legal environment, resilient infrastructure and efficient human resources, Palestinian economy is sure to endure, thrive and prosper, and occupy a prominent status in the investment world map."

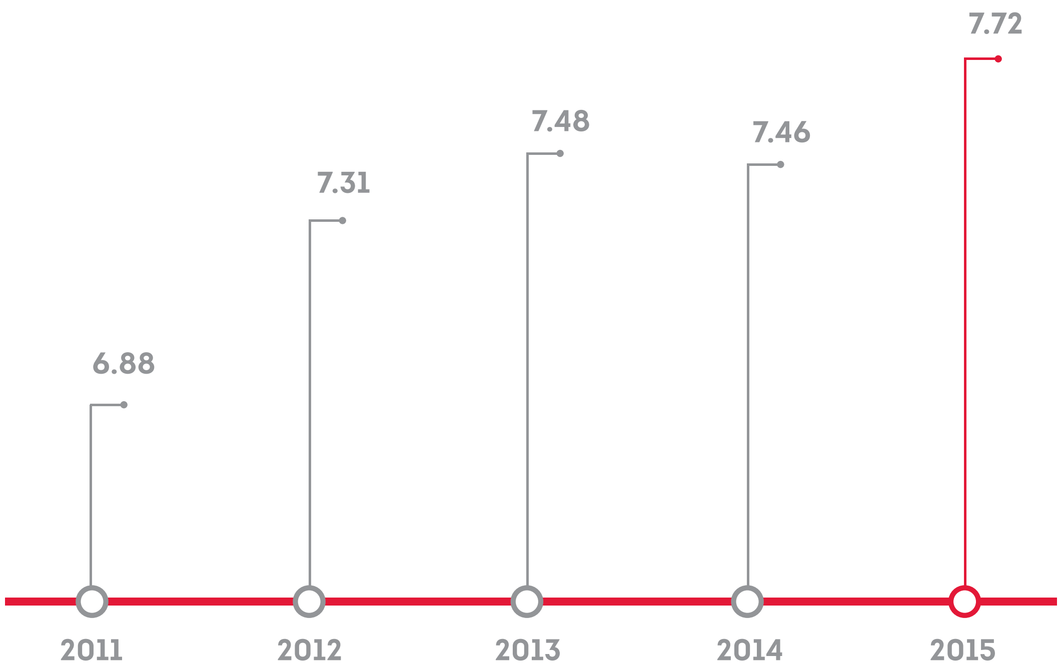
Economic Climate

As per data published by the Palestinian Central Bureau of Statistics (PCBS), Palestinian economy has recovered and returned to normal growth path in 2015, in contrast to 2014 that has witnessed a decline in the Real Gross Domestic Product (real GDP).

GDP

Real GDP (2004 is base-year) amounted to US$7.7 billion in 2015 achieving a growth of 3.5% from the preceding year compared to a downturn of 0.2% in 2014. The rise in the GDP is due mainly to a growth of 3.1% in the services sector and 2.1% in the construction sector.

Real GDP in millions (2004 base year)



Source: Palestinian Central Bureau of Statistics

Real GDP per Capita Average

As per the PCBS's estimates, real GDP per capita average in 2015 increased by 0.5% compared to the preceding year amounting to US$1,737.

Unemployment Rate

The overall number of workers in the domestic labor market is expected to rise by 6.1% in 2015 compared to 2014. Unemployment rate is expected to drop to 26.6% in 2015 compared to 27.5% in 2014.

Palestinian Economic Performance Forecast in 2016

According to forecast by the PCBS, Palestinian economic performance will continue to grow in 2016. Real GDP is expected to rise by 3.8% and per capita income by 0.9%. PCBS's estimates unemployment rate in Palestine to a drop to 25% in 2016.

INVESTMENT ATMOSPHERE

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

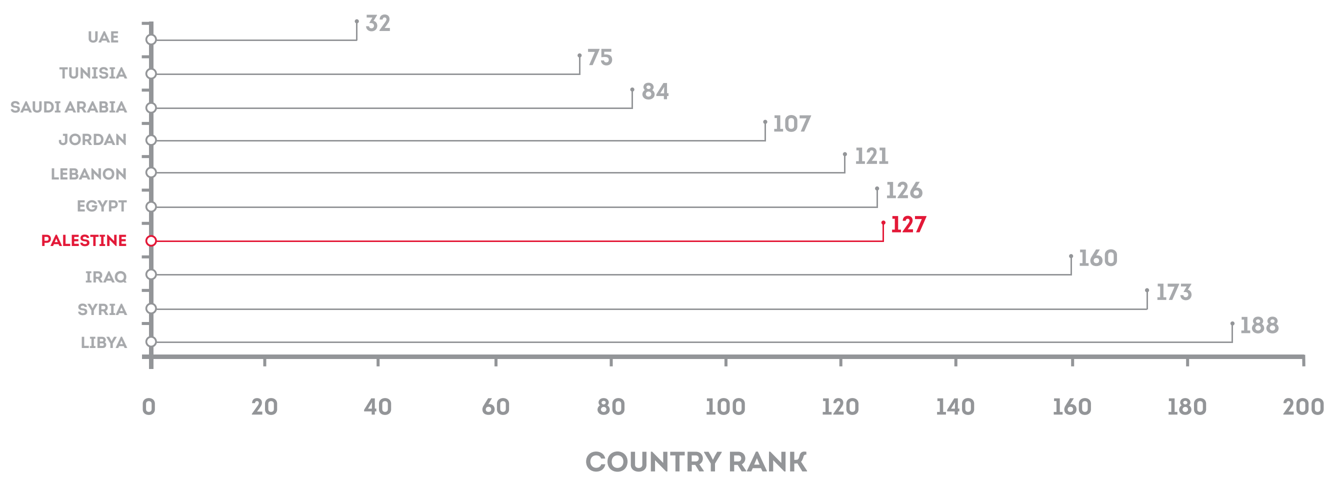
Palestine Exchange (PEX) commenced trading in 1997 and it was the first Arab stock market owned by the private sector. PEX "aims at providing a safe and enabling trading environment characterized by efficiency, fairness and transparency." Under the slogan of 'Palestine of Opportunities,' PEX offers trading of securities and stocks governed by a bundle of modern laws and systems, which guarantee fair, transparent, and efficient market trading that serves investors and protects their interests.
PEX's basic values and principles are represented in good governance, fairness, transparency, efficiency and equal opportunities for all investors. As of 31 December 2015, the number of PEX brokerage member firms reached 8, while listed companies totaled 49 in five main areas: banks and financial services, insurance, investment, industry, and services.
The PEX operates under the supervision of the Capital Market Authority (PCMA), pursuant to and is governed by the Securities Law No. 12 of 2004 and Capital Market Authority Law No. 13 of 2004.

PCMA was established under a resolution by the Council of Ministers in 2005 with an aim to maintain the stability and growth of the Palestinian capital market through organizational control and oversight over non-banking financial institutions. PCMA is the legislator responsible for supervising the financial securities sector, insurance, financial leasing, and mortgage finance sectors, in addition to non-banking financial institutions.

Established in 1994, the Palestinian Ministry of Telecommunications and Information Technology (MTIT) is responsible for the organization and management of the telecommunications sector in Palestine, drawing up necessary policies for the development of the telecommunications sector, the assessment of the performance of licensed parties including price and quality control of the services they provide, and the organization of postal services as well as of mobile and fixed telecommunications. Furthermore, MTIT is responsible for opening the communications market before new licensed operators and the organization of internet services and other matters related to telecommunications and IT in Palestine.

Regardless of the decline in Palestinian economic indicators, the investment environment in Palestine, as per the Doing Business Indicator in the World Bank's Report in terms of ease of doing business, is ranked 127 in 2015. Despite the current political conditions, Palestine ranks fourth in terms of protecting investors, with its neighboring countries, Lebanon, Syria, Jordan and Egypt according to the same report. Further corroborates the foreign investment appetite in Palestine is the fact that foreign investments account for 37% of all listed Palestinian stocks and 43% of their market value as of 31 December 2015.

Protecting Investors Rank - 2015



CHAIRMAN'S MESSAGE

Dear valued shareholders,

"Despite the challenges encountered by the Palestinian private sector and the burdens of economic and political uncertainty, Wataniya Mobile weathered through to uplift its operational and financial performance, and succeeded in innovating a unique style of its own to cope with the different developments in the Palestinian private sector in general and the Palestinian telecommunications market in particular."

As one of the largest private sector companies in Palestine, Wataniya Mobile has made exceptional strides toward growth and stability, opening new windows of work opportunities and furthering economic development. Furthermore, in terms of capital, Wataniya Mobile is one of the largest foreign investments in Palestine.

The launching of Wataniya Mobile services in the West Bank by the end of 2009 has liberated the telecommunications market from the monopoly it has been under for over ten years. However, mobile telecommunications services are still under monopoly in the Gaza Strip and Wataniya Mobile is making all possible efforts to break up the monopoly and provide subscribers with additional network options that meet their needs and fulfill their demands.

Wataniya Mobile operates in a market that is economically and politically challenging. On the political level, 2015 has witnessed tremendous changes. The first six months of the year were relatively calm in contrast to the last six months during which popular resistance against the Israeli military occupation and its oppressive measures broke out, creating an atmosphere of fear, disquiet and uncertainty. Consequently, economy and economic development have been adversely affected.

Despite the turbulent political and economic conditions, Wataniya Mobile is exploring innovative practices and procedures to overcome obstacles and safeguard the Company's trademark in the Palestinian market. Furthermore, Wataniya Mobile has become a key contributor to sustainable Palestinian social development. Today, the Company is one of the main sponsors of sports activities in Palestine on the local and regional levels.

By the end of 2015 Wataniya Mobile had many distinguished achievements. In addition to the increase in the number of subscribers to over 701 thousand, the Company's earnings before interest, taxes, depreciation and amortization (EBITDA) rose by 67% amounting to US$21.5 million. Moreover, Wataniya Mobile net loss was reduced to US$5.1 million at the end of 2015 compared to US$16.5 million in 2014.

The positive financial indicators of the preceding year point to a new and efficient business approach. They also reveal the Company's determination to grow, advance and make positive sustainable change.

Dear Shareholders,

Your Company, Wataniya Mobile, is looking forward to provide its services and products in the Gaza Strip market and achieve more successes. We have been patiently waiting for this moment which will mark a significant junction in the history of the Company.

Likewise, your Company is harnessing efforts to embark on a new experience of great significance that will induce a strategic difference in the Palestinian market. For that purpose, Wataniya Mobile will launch 3G service for the first time in the Palestinian market. It merits mention though that the Company has the 3G license but the Israeli occupying authorities refuse to release the required radio spectrum necessary to provide the required 3G frequencies and launch the 3G services in the Palestinian market. But this remains our rightful project that we will never relinquish. We hope, however, that 2017 will witness the launching of our services in the Gaza Strip including 3G services.

The new technology introduced in the domestic market will unquestionably contribute to the development of the Palestinian labor market. Wataniya Mobile will launch its value-added services and products in partnership with Ooredoo Group, with its wide experience and abundant resources in the telecommunications industry.

Finally, on behalf of Wataniya Mobile management I would like to extend a hearty thank you to the Executive Management for its loyal management of the Company. I would like also to extend gratitude to our dedicated staff who have been a key factor in the successes of Wataniya Mobile and the realization of its goals. Special thanks go as well to our partners and shareholders for their unwavering trust in Wataniya Mobile.

Through you we would like to voice our pride in our partners and shareholders. We would also like to thank them for their trust in Wataniya Mobile.

Mohammed Abu Ramadan
Chairman

CEO's MESSAGE

Dear valued shareholders,

"2015 marked a monumental year in the history of Wataniya Mobile. The Company progressed with achievements we are proud of and we will continue at a steady pace to make more achievements that will leave an indelible imprint in the telecommunications and information technology sector in Palestine."

Dear shareholders,

I am pleased to share with you the outcomes of our operations last year. Wataniya Mobile has witnessed a quantum leap on both its operational and commercial levels by virtue of employing a marketing strategy that keeps our subscribers and their needs at the core. We have also undertaken a number of initiatives to increase our efficiency and effectiveness with the view of minimizing variables that fall outside the scope of our control. Wataniya Mobile ended the year 2015 with many successes that have strengthened our belief in the Company and augmented the determination and perseveration of our staff.

Today we stand on the threshold of ambitious achievements, resolved to devote our efforts to a promising future. Wataniya Mobile will spare no effort to launch 3G services in the West Bank and provide network services in the Gaza Strip.

Our Achievements in the Preceding Year

We all know the enormity of the challenges and difficulties facing our Palestinian economy in general and Wataniya Mobile in particular. However, a review of the success stories achieved by Wataniya Mobile demonstrates that we are moving in the right direction.

By the end of 2015 our subscribers' base reached more than 701 thousand with a 13% increase from 2014, bringing our revenues to US$83.2 million. In addition, rationalizing expenses and the rise in revenues have led to a considerable rise in operational earnings before interest, taxes, depreciation and amortization (EBITDA) to surge to US$21.5 million in 2015. Finally, the Company's net loss was reduced to US$5.1 million in 2015 compared to US$16.5 million in 2014.

Reference must be made here to the adverse effect of the depreciation of the shekel against US dollar exchange rate, without which revenues and operational profits surge to US$89.0 million and US$24.6 million respectively, and net loss becomes further reduced to US$2.0 million, a real improvement by 88% compared to the preceding year.

On the other hand, this year we were granted a five-year exemption from the annual license fees (7% of annual revenues) by a decision from the Council of Ministers, starting in 2014. The exemption was an immediate step that aimed to reduce the impact of repeated delays on Wataniya Mobile in obtaining the privileges appropriated to it in the license especially 3G services and the provision of network services in the Gaza Strip. Furthermore, we managed to extend the term of the license up to 20 years which will reflect directly on our financial statements through the decrease of the annual amortization value of the license.

Corporate Social Responsibility ... Coherent Social Fabric

In line with our social responsibility policy, Wataniya Mobile as a private sector Company continued its sponsorship of sports in Palestine in 2015. The Company sponsored Wataniya Mobile Football Tournament and Wataniya Mobile Premier League Championship as well as other major sports activities. The Company was instrumental in driving the private sector to spotlight sports in general and football in particular and support Palestinian youth locally and internationally.

Equally, Wataniya Mobile is embracing the values of commitment, respect and innovative participation to make a difference; hence our sponsorship was not limited to a specific social segment. Furthermore, the Company assiduously seeks to continue its support to cultural activities throughout the years. We are also proud of our partnership with the Ministry of Higher Education and the organization of several activities mainly the Free Activities Program in Government Schools, which promotes the culture of extracurricular education.

Year 2016: New Era and Sustainable Growth

We still have obstacles to surmount and a huge burden of accumulated losses to overcome.

In the Gaza Strip we are striving to launch a new market and break the monopoly over the telecommunications market that has been going on for over 17 years. But we believe that Wataniya Mobile will use its utmost momentum in 2016 to bring down all stumbling blocks and liberate itself from all obstacles and barriers.

We have the impression that at the beginning of 2016 Wataniya Mobile has embarked on a new era. According to recent indicators, the Palestinian telecommunications market will enter the world of the internet through officially acquiring the 3G frequencies. We hope that the Israeli authorities will release the required radio spectrum to be able to launch the 3G services in the West Bank. This is a crucial step that we will never relinquish. We hope as well that Wataniya Mobile will be able to provide network services in the Gaza Strip after over 9 years of blockade and denial of access to the strip. Notwithstanding the unexpected changes that might take place and which might impede our operations in the Gaza strip market, we are doing our best to overcome all obstacles and hopefully we will be able to launch 3G services in the strip.

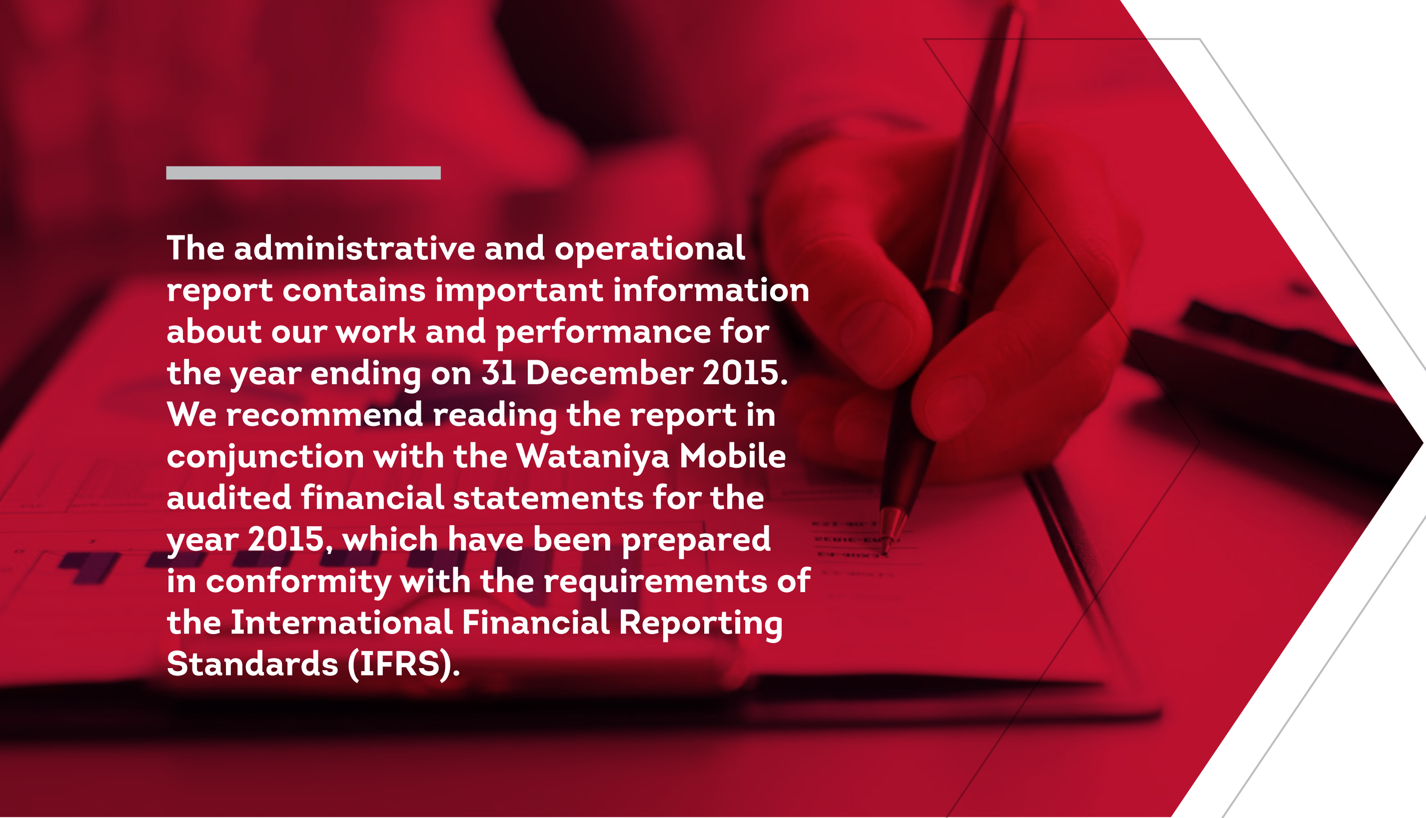
Our vision for 2016 is based on the successes of 2015 as well as on the internal operational initiatives carried out by our staff. We believe that through the enhanced skills and qualifications of our staff, Wataniya Mobile will be able to bring to you greater successes and achievements.

Finally, on behalf of Wataniya Mobile I would like to extend our deepest gratitude and appreciation to all our shareholders, subscribers and partners for the trust they have vested in us.

Dr Durgham Maraee

CEO

ADMINISTRATIVE AND OPERATIONAL REPORT



The administrative and operational report contains important information about our work and performance for the year ending on 31 December 2015. We recommend reading the report in conjunction with the Wataniya Mobile audited financial statements for the year 2015, which have been prepared in conformity with the requirements of the International Financial Reporting Standards (IFRS).

MARKET AND COMPETITION

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

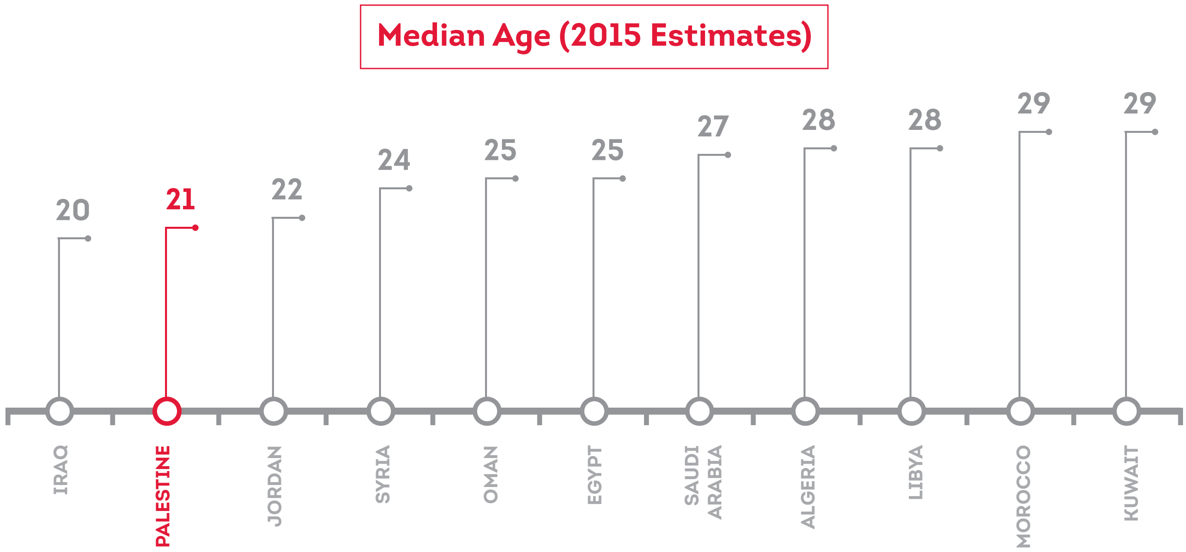
MARKET SUMMARY

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

COMPETITION AND SIGNIFICANT MARKET POWER

Competition has an increasing significance in the eyes of the telecommunications regulators, namely the Palestinian Ministry of Telecommunications and Information Technology (the MTIT). Thanks to competition the scope of services rendered is expanded, rates reduced and innovation encouraged. Considering the nature of subscribers, and based on the classification of the Palestinian economy by the World Bank as 'lower middle income,' it is expected for the demand on services to be immensely price elastic, for individual subscribers at least, as clearly manifested in the double-SIM phenomenon - where a subscriber possesses more than one mobile SIM card provided by different operators, the purpose of which is to save on spending- thereby dividing the monthly spending among operators.
This high price elasticity of demand not only gives rise to genuine competition, but also eliminates any significant market power by which any operator in the market can raise prices while maintaining an equal level of demand.
The Palestinian telecommunications sector is characterized by its youth subscribers, who seek the most up-to-date advancement of information technology associated with the

latest international trends. This fact is further corroborated by statistics that the median age among the Palestinians is 22.7 years in the West Bank and 18.4 in the Gaza Strip by the end of 2015, according to the World Fact Book, which is at the lower end when compared to other Middle East countries.



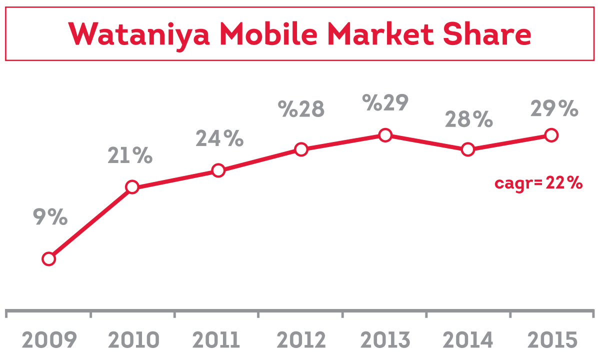
Source: World Fact Book

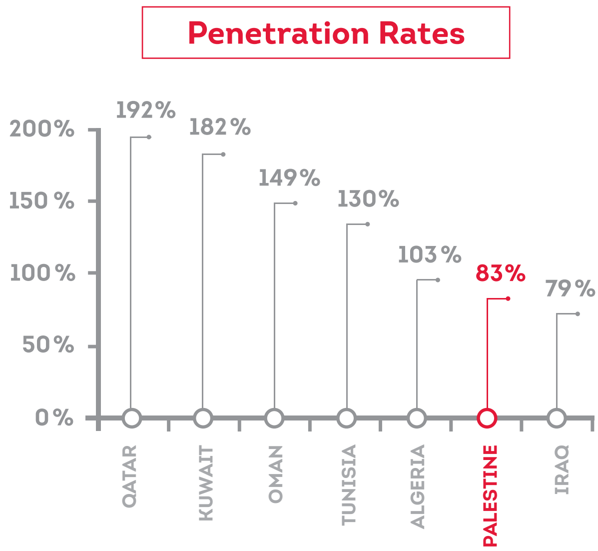
Amid these conditions, and in harmony with its strategy to remain the top choice among subscribers, Wataniya Mobile has achieved noticeable progress over the recent years: it succeeded in increasing its market share by cumulative compound annual growth rate of 22% to reach 29% by the end of 2015. This variable was estimated based on the West Bank's market only, as the Company has not until date operated in Gaza, and excluding the illegal competition by Israeli operators. These achievements are attributed to the successful sales and market strategies adopted to attract and retain subscribers. It is also ascribed to its wide-spreading operations over an extensive distribution network, efficiently capable of meeting subscribers' needs, in terms of time and place. Needless to mention the 24/7 Wataniya Mobile's customer service center. All the aforementioned operates in harmony with the applied international standards thanks to Wataniya Mobile's partnership with Ooredoo Group and Palestine Investment Fund, being the major shareholders.

In this way, Wataniya Mobile has proved its competitiveness within the Palestinian telecommunications market; especially that its network is now reaching 97% of the Palestinian population in the West Bank, and its services are availed by more than 701 thousand subscribers, by the end of 2015.

PROSPECTS OF PALESTINIAN TELECOMMUNICATIONS MARKET

The Palestinian telecommunications market is deemed to be lucrative, and the living proof to this fact is the low penetration rates, compared to Arab and other neighboring markets: the penetration rate came to 83% by the end of 2014.





Source: Ooredoo Group except for Palestine

OUR STRATEGY

Focus on Growth & Revenues

- To compete in a new pattern, closer to our subscriber's way of life, by introducing customized services in harmony with local geography and subscribers' behaviors.
- To focus on growth and increase revenues at unprecedented rates, while rationalizing overheads.
- To develop distinguished plans to retain our customers.
- To develop the telecommunications Network as a platform for offering profitable diverse products and services.
- To penetrate Gaza market.
- To launch 3G services.

Differentiated Proposition

- To continue reinforcing and expanding the telecommunications Network to guarantee its advancement.
- To enhance our extensive sales and distribution networks, both directly and indirectly.
- To outclass through excellent quality services.
- To promote the Company's contributions to sustainable development by focusing efforts on social responsibilities, economic input, and environment conservation.

Leverage (Ooredoo) Group's Efficiencies

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

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

STRENGTHS

In offering telecommunications services, Wataniya Mobile is characterized by its resilient administrative and operational structure, efficient staff and incentivizing policies, strong shareholders support and advanced network.

Resilient Administrative and Operational Structure

Regardless of the vicissitudes of the political and economic climate as well as those in the Palestinian telecommunications market due to fierce competition, Wataniya Mobile introduced a range of innovative and efficient solutions by virtue of its administrative and operational resilience. Throughout 2015, the Company has developed an adaptable organizational structure and operational processes that enable it to cope with the latest developments in the market and satisfy the demands and desires of subscribers. In an era that is characterized by rapid technological developments and change, Wataniya Mobile's marketing strategy allows for the provision of varied services and competitive tariffs.

Efficient Staff and Incentivizing Policies

Wataniya Mobile's staff members are carefully selected from among skilled and qualified personnel, and therefore they demonstrate certain qualities, expertise and proficiency in the field of telecommunications. The total years of our management experiences run up to over 100 years. The Company has laid down solid human resources policies, sound enough to provide a safe and healthy work environment and guarantee staff members' rights the moment they are recruited. These policies also aim at providing further training and qualification to the staff to help them achieve high performance levels and provide quality services to our valued customers.

Strong Shareholders Support

Wataniya Mobile is largely benefiting from the strong support as well as local and international expertise of key shareholders: Ooredoo Group and Palestine Investment Fund (PIF). The Company is also availing itself of the strategic relationships Ooredoo Group has with suppliers and lending institutions. Furthermore, Ooredoo Group boosts Wataniya Mobile's capacity to design value-added products and services, enhances the Company's technical knowledge and provides necessary time, expertise and resources. The Company is also benefiting from PIF's knowledge and expertise in operating several main companies in Palestine as well as PIF's wide communication circle in the West bank and the Gaza Strip.

Advanced Network

Wataniya Mobile operates the most updated and modern telecommunications network in Palestine established by Ericsson in line with distinctive specifications pertinent to the Palestinian market. Hence, Wataniya Mobile has been able to expand its subscribers' base.

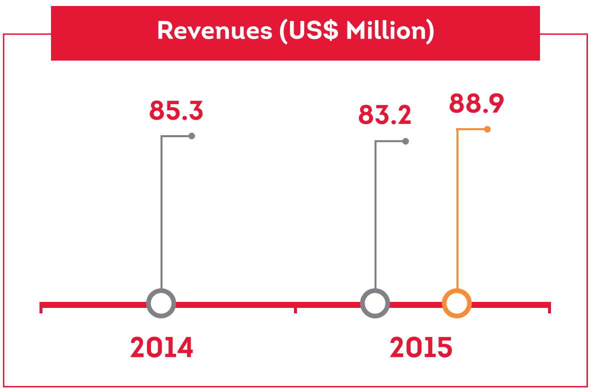
FINANCIAL HIGHLIGHTS

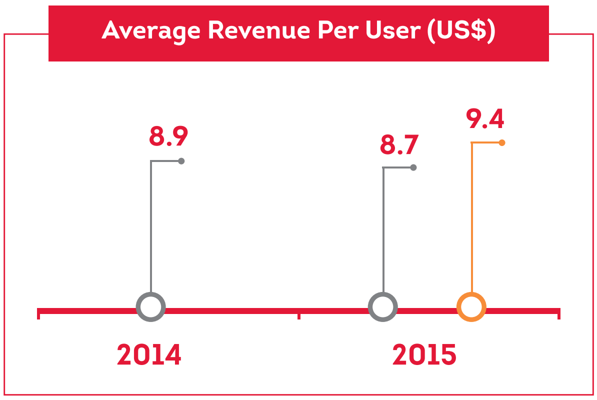
"2015 marked a turning point in running Wataniya Mobile's operations. The Company managed to overcome challenges and succeeded in maintaining targeted growth rates."

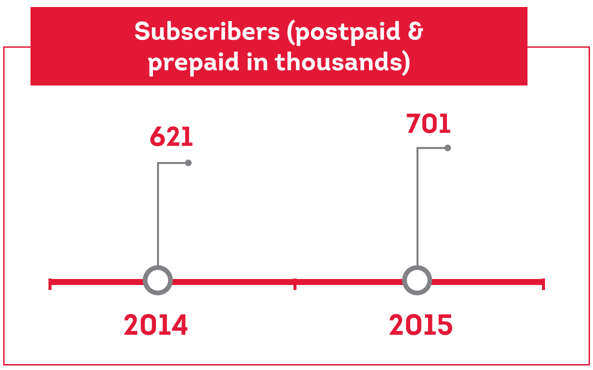
In 2015 the global telecommunications sector was affected by countless changes most notably the Over-the-Top (OTT) voice and messaging applications, which has become the most widely used means of communication and business administration. Hence, the proliferation of smart phones and internet services facilitated the delivery of OTT services to subscribers. On the other hand, the Palestinian telecommunications sector was impacted by the poor political conditions that have had critical repercussions on the performance of Palestinian economy especially during the second half of 2015.

In addition, the financial results of Wataniya Mobile were adversely affected due to the depreciation of 9% in the shekel-dollar exchange rate in 2015 compared to the same period in 2014.

Notwithstanding the challenges and difficulties, last year marked a turning point in Wataniya Mobile operations and commercial services. The Company succeeded in overcoming all obstacles and maintaining the targeted growth rate for that period by virtue of a smart and efficient marketing strategy that depends on satisfying the needs and aspirations of subscribers. Through the provision of state-of-the-art technology and quality services, Wataniya Mobile achieved remarkable success on the level of the Palestinian market. In fact, the Company managed to boost subscribers' trust in the services and offers it provides resulting in a surge of our subscribers base to reach more than 701 thousand by the end of 2015, an increase of 13% compared to the end of 2014. In addition, revenues rose to US$83.2 million by the end of 2015 which, excluding the negative exchange rate impact, revenue stood at US$88.9 million at the





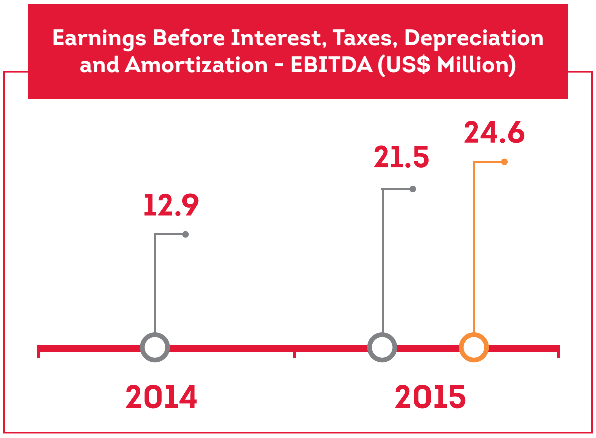


- Reported figures.
- Figures are adjusted to exclude ILS to USD exchange rate impact and according to Company's estimates.

end of 2015; a real increase of 4% over last year.

The monthly average revenue per user reached to US$8.7 in 2015 compared to US$8.9 in 2014 despite the negative exchange rate impact, which if neutralized the monthly average per user goes up to US$9.4.

In spite of the continuous depreciation in the exchange rate and as a result of the growth in Wataniya Mobile subscribers' base and rationalizing of expenditures, the Company's earnings before interest, taxes, depreciation and amortization (EBITDA) reached US$21.5 million in 2015, and excluding the negative exchange rate impact, EBITDA rises to US$24.6 million by the end of 2015, a real increase of 91% in lieu of a nominal increase of 67%.
Wataniya Mobile's net loss reached US$(5.1) million at the end of 2015, and by excluding the negative exchange rate impact the net loss will reaches US$(2.0) million compared to US$(16.5) million for the same period in the preceding year, a real increase of 88% at the end of the preceding year in lieu of a nominal increase of 69%. The improvement in the net loss can be imputed to the improvement in the Company's operational performance and the increase in the number of subscribers and the rise in revenues. Moreover, Wataniya Mobile has benefited from a temporary exemption from paying a license fee payable to the Palestine National Authority at 7% of the Company's annual gross service revenues, as well as a free five-year extension of its license causing a drop in the amortization expenditure.



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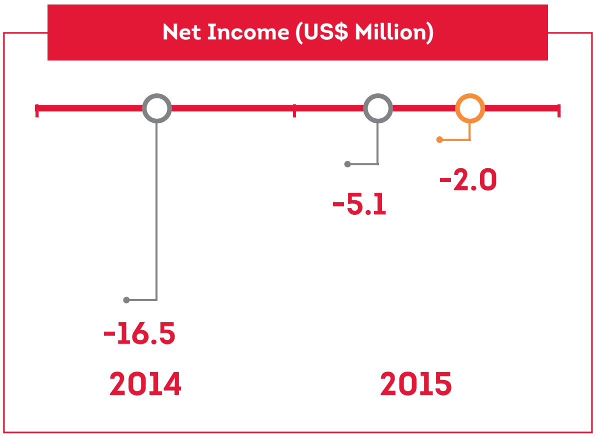

- Reported figures.
- Figures are adjusted to exclude ILS to USD exchange rate impact and according to Company's estimates.

OUR STAFF, OUR VALUABLE ASSET

"At Wataniya Mobile we give top strategic priority to our human capital. We focus on attracting, developing and involving our employees to ensure the sustainability of our human resources. Needless to say that Wataniya Mobile human resources strategy is in consonance with the Company's operational strategy."

We firmly believe that our employees are the linchpin of our operations, our real wealth and chief incentive for the achievement of success. Wataniya Mobile's staff members are carefully selected from among skilled and qualified personnel, and therefore they demonstrate certain qualities, expertise and proficiency. The Company incorporates a performance-based incentive system, where incentives are directly linked to employees' performance and in line with the 'management by objectives' system. We create competitive precepts in order to provide our employees with practical opportunities that will create balance between staff cadre and their tasks.

Wataniya Mobile developed policies and programs to safeguard the rights of its staff and upgrade their skills aiming to increase productivity and create a healthy and safe work environment. Until 31 December 2015 the Company had 419 employees including 7 in the Gaza strip and 256 in the Headquarters.

Qualifications	No. of employees
PhD	2
Masters Degree	38
Bachelor Degree	346
Diploma	30
Secondary School	3

"This year has been a year of success for Wataniya Mobile on the human resources level. Tremendous efforts have been made to develop a new strategy that places the welfare of the Company's staff on top of its priority list. For this purpose the Company's management has promoted positive change in all its departments and sections including changes in recruitment, incentives, allowances, benefits, training, professional development and internal communications."

PROGRAMS AND SERVICES

During 2015 Wataniya Mobile has been keen on providing several promotional offers and developing programs and services that satisfy the needs and demands of all prepaid and post-paid subscribers. The Company launched campaigns with recharge rewards and granted balances, SIMs and free packages of valuable services and products to prepaid subscribers. Furthermore, the Company launched special programs and offers and gave special discounts to post-paid payment subscribers.

Research and Product Development

Being aware that in-depth knowledge of subscribers' needs is a key factor in the Company's strategic decisions and offered rate plans, Wataniya Mobile has dedicated its resources to research and development. Hence, the Company spares no effort analyzing and assessing subscribers' calling trends and needs, with the aim of developing products and services to live up to, if not exceed, their expectations. Wataniya Mobile has laid down a detailed policy defining the tools of development of both operations and products, in line with the industry's international standards that allow the Company to compare its performance with that of its local, regional and international counterparts.
In addition, the Company has dedicated time and effort to research and development through keeping abreast of the latest developments in the area of telecommunications and the internet. Building strategic relationships with different parties and partners has been key aspect of Wataniya Mobile development policy.

In the course of 2015, Wataniya Mobile carried out a number of expertise market researches and professional specialized development studies. The total funds expended on research and development, including market studies and subscribers surveys, amounted to US$116,000. Wataniya Mobile has in the pipeline for the next year a number of researches and studies to continue to touch the pulse of the market and its developments, with the aim to maintain high quality services and customer satisfaction.

Main Distribution Methods and Sales Channels

In line with its strategy to provide its services to all citizens and residents within the Palestinian market, Wataniya Mobile deemed it necessary to establish an extensive network of distributors, agents and points of sale in order to guarantee that the Company's services and products are widely and easily available to subscribers. Wataniya Mobile has established the following distribution channels:
Wataniya Mobile Showrooms: Wataniya Mobile has 6 showrooms strategically distributed across the main cities in the West Bank, in order to provide the Company's valued customers with quality service and make all its products/services at their fingertips.
Distributors: Wataniya Mobile entered into contractual agreements with 3 of the leading distribution companies in the Palestinian market, through which Wataniya Mobile's rate plans and services are dealt out to all agents, FMCGs, and points of sale.
Authorized Agents Network: Wataniya Mobile entered into contracts with 86 authorized agents representing 112 outlets to distribute SIM cards for pre-paid rate plans. Wataniya Mobile's authorized agents also provide a number of other services and facilities.
Points of Sale Network: In 2015, the number of points of sale reached 1000 locations, where subscription, charging cards, and e-recharging facility are available to customers.

Wataniya Mobile is dedicated to having a presence in every village and town within the Palestinian territories. The Company is also keen on enabling all the Palestinian citizens to avail of all Wataniya Mobile's services and products. For these reasons, Wataniya Mobile opened a number of authorized outlets in coordination with its agents at selected locations in The West Bank. This is the first of its kind model in which Wataniya Mobile not only cements partnership with its agents but also provides additional services to subscribers.


الوطنية موبايل
wataniya mobile

SUSTAINABLE DEVELOPMENT

OUR COMMUNITY
WE ACT TO KEEP IT PROSPEROUS

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

Each year Wataniya Mobile, as an integral part of the Palestinian community, enhances its visibility through participating in many social activities. This year the Company organized and sponsored a number of sports, educational, cultural, and scientific activities. Special attention is given to children and youth activities.

Wataniya mobile has a responsible vision for the Palestinian community. As part of its corporate social responsibility, the Company has developed a sustainable development strategy for 2015, the year that has witnessed a surge in the Company's sponsorships of various sports activities and championships. At the same time, however, Wataniya Mobile continued to support and sponsor cultural events and establish partnerships with several civil society institutions and Palestinian universities.

WATANIYA MOBILE:
SPONSOR OF PALESTINIAN FOOTBALL

In a press conference Ooredoo and Wataniya Mobile, member of Ooredoo Group, have announced that they will be the lead sponsors of Palestine's two top divisions, the Premier League and the Gaza Strip League with the value of US$1.5 million, in partnership with the Palestine Football Association. Wataniya Mobile's decision to sponsor and support football activities in Palestine is based on the Company's strong belief in the necessity to contribute to the development of sports and youth in Palestine. In addition, the Company is seeking to establish a long-term partnership with the Palestine Football Association and Palestinian football clubs from all divisions.

Wataniya Mobile sponsorship of Palestinian football and other sports activities stems from the Company's strong dedication to corporate social responsibility that gives priority to the youth and sports activities. The Company seeks to ensure a bright future for Palestinian youth by way of refining their skills and developing their capabilities. Sponsorship of Palestinian football is the largest for Wataniya Mobile and the largest in Palestine.

OUR MAIN SPORTS SPONSORSHIPS IN 2015:

- **Wataniya Mobile Professional Football Championship:** For the first time in its history, Wataniya Mobile sponsored the Palestinian Professional Football Championship which will continue until mid-2016. The 12 main football teams in Palestine are taking part in the tournament.
- **Wataniya Mobile Sponsors First League Football Championship in Gaza:** Despite the Israeli restrictions on Wataniya Mobile's access to the Gaza Strip, the Company resolved to support and sponsor the first league football championship with the participation of 12 football clubs.
- **Sponsorship of Super Cup Football Match:** Before launching Wataniya Mobile Professional Football Championship, the super match between the winning team of the Professional Football Championship for the preceding year and the winning team in the last Palestine Cup Championship took place. The winning team received the trophy of the Super Cup Football Match. The match was a unique sponsorship experience for Wataniya Mobile.
- **Asia Football Cup under 16 Championship (AFC U-16):** Wataniya Mobile sponsored AFC U-16 hosted in Palestine with the participation of the national teams of Yemen, Uzbekistan, Maldives Islands and Palestine. The national team of Palestine won 3 points in the last


الوطنية موبايل
الوطنية موبايل

round for Group 1. Wataniya Mobile had the honor to organize Group 1 matches in Palestine.

- **Asian Football Cup Championship under 19 (AFC U-19):** Wataniya Mobile also sponsored Group 3 matches in the AFC U-19 with the participation of the national teams of the United Arab Emirates, India, Afghanistan and Palestine. Group 3 matches took place in Palestine and Wataniya Mobile was honored to sponsor them.
- **Sponsorship of Palestine Olympic Team**: Wataniya Mobile and Ooredoo Group sponsored the Palestine Olympic Team in West Asian Football Championship that took place in Qatar. In addition, Ooredoo Group received at its main headquarters in Doha the Palestine Olympic team and the accompanying delegation from the Palestine Football Association.
- **Sponsorship of Abu Ammar Final Match**: Wataniya mobile sponsored the final football match for Abu Ammar Cup which was won by Al-Thahiriyye Youth Club in Hebron district.

Other Activities

- **Sponsorship of Palestine Second Shopping Festival:** Based on Wataniya Mobile interest in student development, the Company sponsored the Palestine Second Shopping Festival organized by the student Senate at An-Najah University in Nablus.
- **Sponsorship Palestinian youth leadership competition**: Wataniya Mobile in partnership with Bethlehem- Bath Linux sponsored the Palestine Pioneering Youth Competition with the view of supporting innovative business ideas. The competition aimed at assisting young Palestinians to market their ideas and create job opportunities for them. Maysa Al-Shaer, Manager of Loz Enterprise, won the prize. (Loz Enterprise is a project that produces greeting and tourism cards that reflect the Palestinian popular culture and disseminates Arabic language using modern techniques).
- **Free Activities Program in Government schools**: Based on the strategic partnership with the Ministry of Education, Wataniya Mobile sponsored the Free Activities Program in Government schools with the view of encouraging extracurricular education among Palestinian pupils.
- **Support for New University Students:** Based on its belief in the importance of the student segment in the Palestinian society as the building blocks of the Palestinian nation, Wataniya Mobile sponsored for the third consecutive year the reception of new students at Birzeit University for the first semester of 2015-2016 academic year. For four days Wataniya Mobile staff in cooperation with the Students Dean Office at Birzeit University welcomed the new students from all faculties and departments, offering them souvenirs from the Company and presenting to them the main rate plans Wataniya Mobile provides young people with.

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> ***“Our Palestinian culture is part and parcel of our doctrine and national identity. In our activities we merge the fragrance of the past with the zeal of our young people to shed light on our Arab Palestinian culture and firmly establish our cultural heritage.”***

Sponsorships and Donations

Wataniya Mobile continues to fulfil its duty towards the Palestinian community, and therefore the Company spares no effort in instilling the spirit of cooperation and giving among the future generations. In line with this firm conviction, Wataniya Mobile’s total spending on its social responsibility programs, including sponsorships and donations, amounted to US$1,015,656 over the course of 2015.

Social Responsibility Policy

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

OUR ECONOMY: WE HELP BUILD

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

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

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

Liberalising the Palestinian Telecom Market

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

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

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

In order to encourage competiveness in the Palestinian market, and due to the existence of more than one company that provides cellular services, the Ministry of Finance (MoF) issued

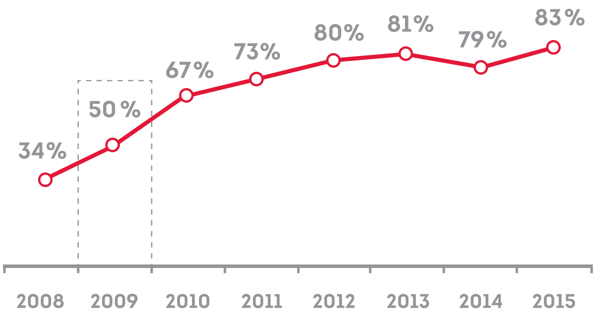
Creating Job Opportunities

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

By the end of 2015, Wataniya Mobile estimated creating more than 2,588 direct and indirect job opportunities within the West Bank Market. And until the date hereof, the number of indirect jobs created by Wataniya Mobile has reached to more than 2,169. This entails sources of income and support to Palestinian families; and contributes directly to the improvement of citizens' living standard. The Company estimates to create 500 direct and indirect jobs in Gaza Strip upon launch.

a resolution obligating related parties to bid for companies that provide cellular services in line with ceilings provided for in the law when procuring telecommunication services. Likewise, the Council of Ministers issued a decision in 2015 commissioning the MoF to take necessary action to launch a central standardized invitation to bid for government authorities and security organs at the beginning of 2016.
Wataniya Mobile introduced dozens of rate plans and services into the Palestinian market. By the end of 2015, Wataniya Mobile's customers have exceeded 701 thousand subscribers.
The following chart shows clearly how the advent of Wataniya Mobile impacted the growth of mobile penetration rate, from 34% by the end of 2008 to 49% by the end of 2009; equally, the decline in interconnect rates for mobile and fixed impacted the market end user prices.

Penetration rate development in the West Bank



Reinforcing Business Partnerships

In its purchases Wataniya Mobile adopts a strategy that enhances long-term strategic partnerships with domestic companies. The Company relies on and prefers domestic products in support of our national economy. Emphasizing reciprocal benefit, Wataniya Mobile also seeks to develop partnerships with small and medium companies that constitute the bedrock of Palestinian economy.

Government Revenues

In addition to the above, Wataniya Mobile's operations contribute directly to the increase of revenues into the Palestinian Authority's Treasury, namely the license fees, 7% of annual revenues, in addition to taxes, including income tax and Value Added Tax. Wataniya Mobile's contribution extends indirectly to reach the government public facilities or other areas as envisaged under the government's plans.

Impact on Palestine Exchange (PEX)

Until date, Wataniya Mobile stands as the top of PEX's listed companies in terms of paid-up capital, with US$258 million, which indirectly constitutes 7% of PEX market capitalization by the end of 2015. The Company also contributed to 91% of trading sessions occurring during 2015, thereby helping PEX to attract foreign investors and cement its foothold in the international investment arena.
As PEX's blue-chip Company, Wataniya Mobile adheres to the principles of transparency and governance, as applicable by the Law, PCMA, and PEX regulations. And as the market's top mover, Wataniya Mobile was selected, for the fifth year in a row, among the heavyweight sample companies affecting the performance of the PEX's Al Quds Index. This also required certain standards to be achieved, namely share's trading liquidity, trading volume, turnover rate, number of trading sessions, and above all the Company's market value.

OUR ENVIRONMENT
WE ACT TO KEEP IT HEALTHY

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

FIRST: ADDRESSING RADIATION IMPACT

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

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

The adoption of scientific methods in the installation procedures and operations contribute directly to the reduction of radio microwave exposure below the standard set under the Guidelines of (ICNIRP). Therefore, the microwave radiation resulting from Wataniya Mobile's transmission stations, as measured, is (0.005 mw/cm^2) which is lower than the internationally acceptable limit of (0.45 mw/cm^2).

SECOND: ADDRESSING EMISSIONS IMPACT

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

- Installing hybrid systems in all transmission stations which have no electricity connections yet. These hybrid systems consist of a diesel generator and energy-saving batteries, which reduce the operational time of each generator by more than 50%, and ultimately are environment-friendly and cut down on fuel consumption. The hybrid systems reduce the emission of smokes and gases harmful to the environment.
- The Network Maintenance Team carries out regular maintenance and precautionary service works to all the generators and cooling machines, whether at the transmission

stations or the Company's premises. These regular checks aim at ensuring the safety and efficiency of the equipment. This per se contributes to power rationalisation, reduction of harmful emissions. In addition, strategies are in place to prevent leakage of fuel, oil, or Freon refrigeration gas into the environment.

THIRD: TREATMENT & RECYCLING OF SOLID WASTE MATERIALS

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

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

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

"Wataniya Mobile Board of Directors performs its tasks with the view of reconciling the interests of shareholders and those of relevant parties including staff, distributors and local community. Among the most important tasks of the Board are raising the level of operational profits performance, empowering the Company's business position, institutionalizing sustainable development and the application of the principles of good governance. The Board manages the helm of the Company's strategy, develops laws and mechanisms, controls and manages performance and identifies risks in order to realize the desired objectives and goals."

In 2010 Wataniya Mobile developed its governance manual in compliance with the terms of the Code of Corporate Governance in Palestine, as issued by the Palestinian Capital Market Authority, in compliance with the criteria required by public shareholding companies and regulating governing corporate governance.

DISCLOSURE

Wataniya Mobile is committed to disclosure in accordance with the laws, regulations and instructions in force since its listing in Palestine Exchange on 9 January 2011. The Palestinian Capital Market Authority and Palestine Exchange have never asked for clarification or disclosure from the Company for vague or incomplete information, or penalized the Company as a result. In order to ensure timely and decent disclosure processes, Wataniya Mobile adopts accurate administrative measures and adheres to the principles of transparency and integrity. Furthermore, the Company regularly updates its website (www.wataniya.ps) and uploads its annual reports, highlighting its compliance with the principles of disclosure, transparency and good governance. The website also provides information on the latest activities of Wataniya Mobile.

BOARD OF DIRECTORS' RESPONSIBILITIES

Governed by the companies Law and the Company's internal bylaws, the duties of the Board of Directors are centered on protecting shareholders' rights and organizing companies' governance. These duties are fulfilled through approving and ratifying the internal policies which regulate the work of the Company's Executive Management and its responsibilities, as well as control over the Executive Management through the Board of Directors' meetings, during which a detailed presentation is made to the Board.

The Board of Directors held six meetings during 2015, the dates and minutes of which were disclosed in accordance with the disclosure system applicable in Palestine. In its meetings, the Board discussed and approved a number of important issues related to the Company's performance and present accomplishments, in addition to approving annual strategic plans and any issues that require the Board's approval.

COMMITTEES FORMED BY THE BOARD OF DIRECTORS

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

The Executive Committee, formed on 10 December 2014, and its members are:
- Mr. Mohammed Abu Ramadan, Chairman
- Mr. Khalid Al Mahmoud, Member
- A new member will be appointed following the resignation of Mr. Amer Al-Sunna
- Mr. Rami Al-Barghouti, Secretary

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

The Audit Committee, formed on 10 December 2014, and its members are:
- Mr. Abdallah Al-Zaman, Chairman
- Mr. Bertrand Alexis, Member
- A new member will be appointed following the resignation of Mr. Emad Qamhieh
- Mr. Mahmoud Othman, Secretary

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

EXECUTIVE MANAGEMENT: DEVELOPING INTERNAL CONTROL AND MONITORING REGULATIONS

Wataniya Mobile executive committee developed an efficient and comprehensive internal control and monitoring system that guarantees the accuracy and transparency of financial disclosures, in line with international standards and best practices. Accordingly;
- A set of financial policies and procedures were put in place as stated in the International Financial Reporting Standards (IFRS) and consistent with the disclosure criteria of Palestine Exchange as well as valid laws and regulations in Palestine.
- An international automated financial system was used to ensure the accuracy of financial statements and compliance with international standards.
- The financial statements and internal control and monitoring regulations are regularly examined by both the external and internal auditors from the Board of Directors' Audit Committee. To ensure independence and good governance, the Audit Committee holds periodical meetings with the auditors and Executive management to review the audit report and verify the accuracy of the financial statements as well as the efficiency of financial control and monitoring regulations in the Company.

Accordingly, and based on the results of regular examination and review, Wataniya Mobile management sees that the internal control and monitoring regulations of the Company are efficient and secure the validity and accuracy of the Company's annual financial statements.

BOARD OF DIRECTORS

MR. MOHAMMED ABU RAMADAN

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

MR. KHALID AL MAHMOUD

Vice Chairman - Representative of Wataniya International

Mr. Khalid Al Mahmoud joined the Board of Directors of Wataniya Mobile in June 2012. Mr. Al Mahmoud serves as Group Chief Officer of Ooredoo Group's Small & Medium companies, which oversees three Ooredoo companies - Wataniya Mobile Palestine, Ooredoo Maldives, and Ooredoo Algeria, and he is also a chairman for Ooredoo Maldives and Ooredoo Algeria. Mr. Al Mahmoud served as Chief Operating Officer of Nawras (an Ooredoo company in Oman) from February 2005 to March 2010, and also held that position from March 2011 to January 2012 in wi-tribe Group, a management company that supported Ooredoo's wi-tribe branded operations. From 1989 to February 2005, Mr. Al Mahmoud held a number of positions with Ooredoo Qatar, including Manager – Marketing and Product Management, General Manager – Data Services (ISP) Business Unit, IT Divisional Manager, and Head of Information Systems – Business Applications.

MR. FAISAL AL-SHAWWA

Member - Representative of Palestine Investment Fund

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

MR. EISA MOHAMMED AL-MOHANNADI

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

MR. ABDULLA AL-ZAMAN

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

MR. BERTRAND ALEXIS

Member - Representative of Wataniya International

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

BRIEF BIOGRAPHIES OF MEMBERS OF EXECUTIVE MANAGEMENT

DR. DURGHAM MARAEE:
CHIEF EXECUTIVE OFFICER

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

MR. FADI ABDELLATIF:
CHIEF FINANCIAL OFFICER

Fadi Abdellatif joined Wataniya Mobile in March 2007, and assumed his current position as the Chief Financial Officer in September 2012. Fadi has over 17 years of diversified experience in management, auditing, accounting, information systems and consulting in various sectors, including telecommunications. In addition, Mr. Abdellatif is a board member at Palestine Information and Communications Technology Incubator (PICTI) and at the Palestinian Information Technology Association of Companies (PITA). Mr. Abdellatif joined Wataniya Mobile at its early stage after serving for a number of leading organisations, namely: Andersen, ATS and Hulul. Mr. Abdellatif holds a Master of Business Administration Degree from University of Haifa. Fadi is also a Certified Public Accountant (CPA) from the United States.

MR. HAITHAM ABU SHAABAN: GAZA OPERATIONS DIRECTOR, ACTING CHIEF COMMERCIAL OFFICER

Haitham Abu Shaaban joined Wataniya Mobile as Gaza Operations Director in June 2011. Mr. Abu Shaaban brought with him over 20 years of experience in project management, entrepreneurship, business development and strategic marketing management. Haitham has an achievement-laden career with reputable domestic and international companies, in the field of development projects, telecommunications, information technology and the private sector in Palestine in General and in the Gaza Strip in particular. Mr. Abu Shaaban has a bachelor's degree in International Business Administration from the California State University, in the United States.

MR. OSAMA QAWASMA: REGULATORY & PUBLIC AFFAIRS DIRECTOR

Osama Qawasma joined Wataniya Mobile in December 2008 and held the office of Regulatory & Public Affairs Director in January 2013. With more than 18 years of experience in the telecommunications sector, Mr. Qawasma is considered as an expert in the regulatory aspects of the industry. Osama has served as a Director General in the Telecommunications Ministry for more than 10 years. He has taken part in numerous international conferences on related issues. Mr. Osama holds the Bachelor of Electronic Engineering Degree, major in Telecommunications, from Stettin University, in Poland.

MR. TAREQ SOUFAN: HUMAN RESOURCES AND ADMINISTRATION DIRECTOR

Mr. Tareq Soufan has joined Wataniya Mobile Palestine in August 2007, he assumed his current position as Human Resources & Administration Director since August 2015. Mr. Soufan has over 13 years of professional experience, including 9 years in Human Resources where he managed different functions in the HR directorate at Wataniya Mobile Palestine. Mr. Soufan holds a Bachelor of Arts degree in Business Administration from An-Najah University in Palestine, and a Master's degree in Business Administration from Indiana University of Pennsylvania in the USA. In addition, Mr. Soufan holds a host of international certificates; most notably are the information systems analysis & Design certificate from McGill University in Canada, the HR Management certificate from Concordia University in Canada and a certificate from the Ooredoo Group Business Leaders Program, conducted by IMD business school in Switzerland in 2015.

MR. ZIAD NIMER: SALES DIRECTOR

Mr. Nimer assumed his present position as Sales director in January 2015. Mr. Nimer has distinctive experience in the development and implementation of sales strategies and operational plans through more than 16 years of experience working in the banking and telecommunications sector. Mr. Nimer held the position of Branches Network Manager in the Arab Bank before joining Wataniya Mobile. In addition, he has effectively contributed to the establishment of Wataniya Mobile's contact center and customer services directorate as head of customer care since the Company's launch. Mr. Nimer has a Bachelor's degree in Accounting from Birzeit University and a Master's degree in Business Administration.

MR. NAIM NAZZAL:
NETWORK DIRECTOR

Having joined Wataniya Mobile in May 2007, Mr. Naim assumed his current position as network director in August 2015. Mr. Nazzal enjoys more than 13 years of experience in the field of telecommunications, frequency management, project management, and business development, at various domestic and international renowned companies. Mr. Nazzal holds a Bachelor's degree in telecommunications engineering from the University of "BirZeit", and a Master's degree in business administration majoring in Entrepreneurship from the same university, in addition to a number of international certifications in multiple areas of planning, operations and managing telecommunications systems.

MR. AHMAD EID:
INFORMATION TECHNOLOGY DIRECTOR

Mr. Ahmed Eid joined Wataniya Mobile in July 2007, and assumed his current position as Information Technology Director since November of 2015. Mr. Eid has over 16 years experience in the field of mobile telecommunications in several sectors including information technology, large-scale projects, marketing, production management and quality management. Mr. Eid holds a Bachelor's degree in computers from the University of Jerusalem.

MR. RAMI BARGHOUTI:
LEGAL COUNSEL

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

SHAREHOLDERS OF WATANIYA MOBILE

Current Ownership

Wataniya Mobile was established as a partnership between Wataniya International - Free Zone (fully owned by the National Mobile Telecommunications Company (NMTC), that is mostly owned by Ooredoo Group, (formerly Qtel), and Palestine Investment Fund. According to a primary underwriting 15% of Wataniya Mobile shares were presented for a public offering, after which the ownership of Wataniya International - Free Zone became equivalent to 48.45% and that of Palestine Investment Fund equivalent to 34.03%, while 17.52% is publicly owned, while retaining the same ownership percentages at the end of 31 December 2015, upon which same date the number of Wataniya Mobile shareholders reached 11,023.

Ooredoo Group is considered to be one of the pioneering international companies in the telecommunications market. It is listed on the Qatar Exchange and offers a wide range of services in the field of mobile and fixed telecommunications in the Middle East and Southeast Asia. This gave Wataniya Mobile the opportunity to gain international experience from other Ooredoo Group companies, operating in 14 other markets, also to benefit from Ooredoo Group's strategic relationships with suppliers, sellers and finance institutions in the management of its operations, guaranteeing Palestinian performance at international levels. The number of subscribers with Ooredoo Group was, as of 30 September 2015, nearly 115 million.

As indicated above, Ooredoo Group holds its interests in Wataniya Mobile through a chain of subsidiary companies, including the National Mobile Telecommunications Company (NMTC), which is a pioneering telecommunications Company listed on the Kuwait Stock Exchange. The Ooredoo Group raised its stake in the National Mobile Telecommunications Company (NMTC) to 92.1% on 7 October, 2012, and (NMTC) owns 48.45% of Wataniya Mobile in Palestine through Wataniya International. The increase in investment by the Ooredoo Group, reflects indirectly on raising its stake in Wataniya Mobile in Palestine.

Palestine Investment Fund (PIF) is a national Palestinian institution that manages Palestinian funds and invests them in a manner that maintains them as a national and strategic reserve. PIF aims at playing a leading role in establishing an independent Palestinian state by contributing to the development of the Palestinian economy to make it strong, sustainable and mainly reliant on its own resources, through launching strategic investment programs with local and international partners from both the public and private sectors. This contributes to creating tens of thousands of job opportunities for Palestinians, raising their living standards and increasing local income sources for the public treasury.

Development of Ownership

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

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

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

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

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

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

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

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

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

Change in Ownership

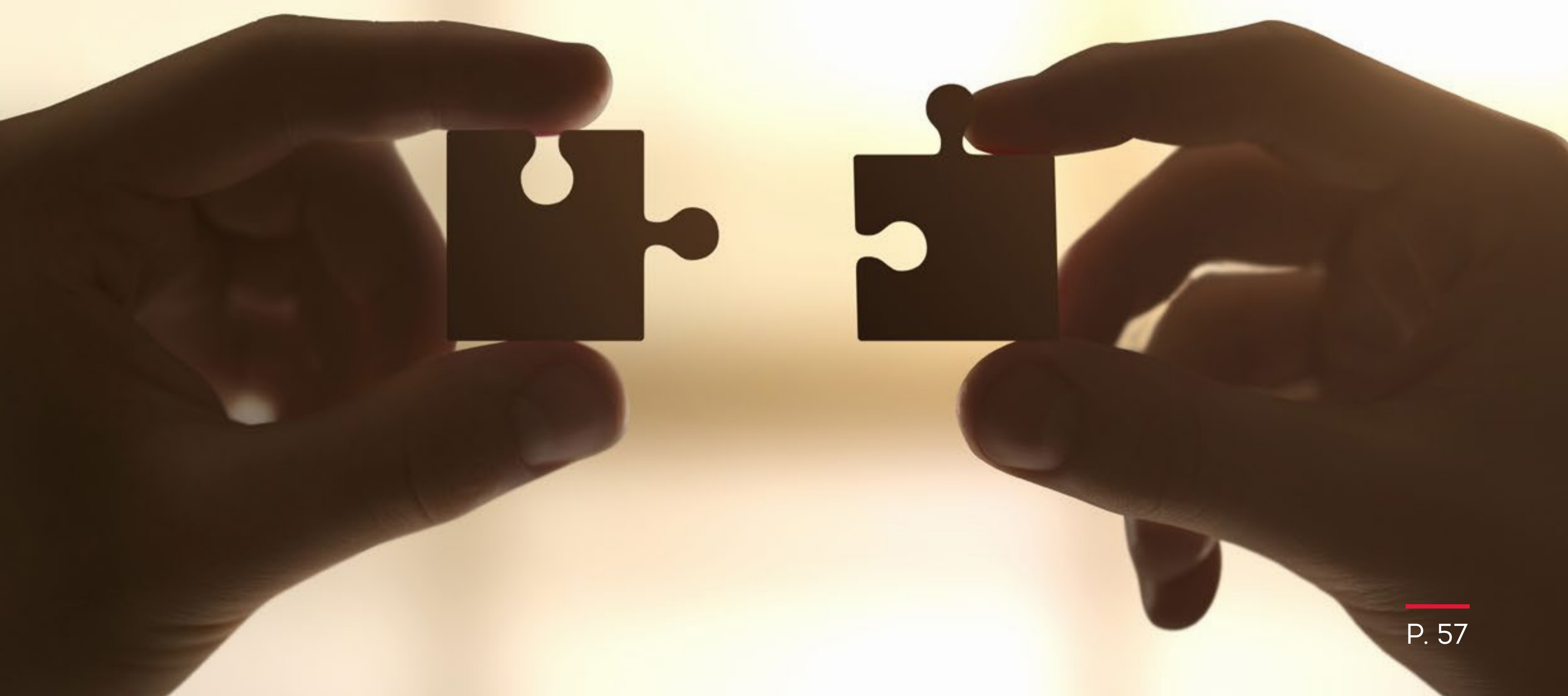
It is noteworthy that according to the license agreement signed between the Company and the Palestinian Ministry of Telecommunications and Information Technology, Wataniya Mobile is required to raise the public share to 30% of the Company's capital. Based on this, the Company plans to offer the second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

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

CONTACT INFORMATION - INVESTOR RELATIONS

Shareholders can contact us through the following:
Tel: +970 (0)56 800 2000
Fax: +970 (0)56 800 2999
Email: ir@wataniya.ps
Website: www.wataniya.ps

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



LEGAL DISCLOSURES

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

Compliance with Legal Disclosures

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

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

- On 16 march 2015, the Ministry of Telecommunications and Information Technology (MTIT), having considered the logistical and financial difficulties encountered by Wataniya Mobile, issued Decision No. (22), concerning the amendment of Article (1), Paragraph (5) on the license granted to the Company. According to the decision, the validity period of the license shall be twenty years as of the date it enters into force.
- In 2015, the council of Ministers issued Decision no. (17/70/06) concerning granting Wataniya Mobile a five-year exemption from the annual license fees (7% of annual revenues) starting in 2014, provided that the Company invests the value of exemption in building an updated network for the provision of 3G and/or 4G services once the required radio spectrum necessary to provide the required 3G services are released.
- On 30 June 2015, MTIT issued Decision No. 61 on termination prices of local calls on the cellular networks. The decision was taken based on other ministerial decisions and articles including the results of the 'Long-Run Incremental Cost (LRIC) Model' that is used to determine the price paid by competitors for interconnection services. According to the decision, the local call terminated at the fixed telecommunications network will be US¢1.6 per minute and US¢2.1 per minute for local calls terminating at cellular networks,

excluding VAT. MTIT stated that the decision will be applicable retroactively starting on 1 June 2015.

- On 10 November 2015, the Council of Minister issued Decision No. (17/76/27), concerning 3G cellular services. The decision commissions the Minister of Telecommunications to oversee the signing of MoUs with regard to 3G cellular services in Palestine.
- On 19 November 2015; an agreement between Palestinian and Israeli authorities to release 3G cellular frequencies in Palestine was reached.
- A letter of guarantee was recieved from the Israeli authorities dated 19 November 2015 allowing Wataniya Mobile to enter the remaining telecom equipment to Gaza Strip as soon as the Company is ready to operate and launch its services in the strip.
- On 14 June 2015, MTIT issued Decision Number (57) concerning telecommunications services using 1700 and 1800 dialing codes. Code 1800 will be used for the free line in local networks and the cost will be collected from the receiving party while the caller incurs no cost. Code 1700 will be allocated to landline calls in local networks and the cost of the call will be collected from the caller. Calling through code 1700 will be priced as a landline call. The same decision stipulates that the MTIT will have the right to intervene or/and amend the costing mechanism. The same decision also gives MTIT the right to amend the selling price if it finds there is an uncompetitive activity.
- Council of Minsters Decision No. (17/76/03) concerning the amendment of the Council of Ministers Decision No. (16/24/03) on the formation of a ministerial committee to review the obligations of MTIT, Wataniya Mobile and the competing cellular operator. In addition to adding the Minister of Education to the membership of the committee, the committee will be commissioned to oversee the negotiation process between Wataniya Mobile Company and the competing cellular operator with regards to the renewal of the operator's license and the tasks undertaken by the committee.

Lawsuits brought against Wataniya Mobile

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

Shareholders' Voting during 2015

An ordinary meeting of the General Assembly was held on 22 April 2015, where voting was held on: approval of the Board of Directors' report for the past financial year 2014, the adoption of the financial statements of the Company for the year 2014, relieving of the members of the Board of Directors for the financial year 2014, and the election of the Company's auditor for the financial year 2015. The voting resulted in approving the first three matters and electing Ernst &Young as the Company's auditor for the financial year 2015.

External Auditors

Wataniya Mobile retains Ernst & Young as External Auditors. The firm audited the financial statements for the year 2015. Their address is PADICO House Building, seventh Floor, Al-Masyoun, Ramallah.

Internal Auditors

The Internal Audit Committee appointed an expert in this matter as the internal auditor and monitors performance.

External Legal Counsel

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

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

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

Major agreements concluded by the Company with related parties

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

Bankruptcy

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

Board of Directors' Remunerations

According to the Company policy, members of the Board of Directors do not receive any bonuses or remunerations until the Company earns a positive income. Hence, members of the Board of Directors of Wataniya Mobile did not receive any bonuses, remunerations, or in-kind benefits during 2015. 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$9,444 during 2015.

Executive Management Remunerations

Total Remunerations of members of the executive management team amounted to US$2,310,062 including those of the current executive management members and those whose contracts ended during 2015, noting that there are no indirect remunerations such as guarantees or loans.

Executive Management Contracts

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

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

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

* As of 31 December 2015, there were no shareholders owning more than 5% within the free trading shareholders (the public).

Summary of Wataniya Mobile Shares trading Activity during 2015

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

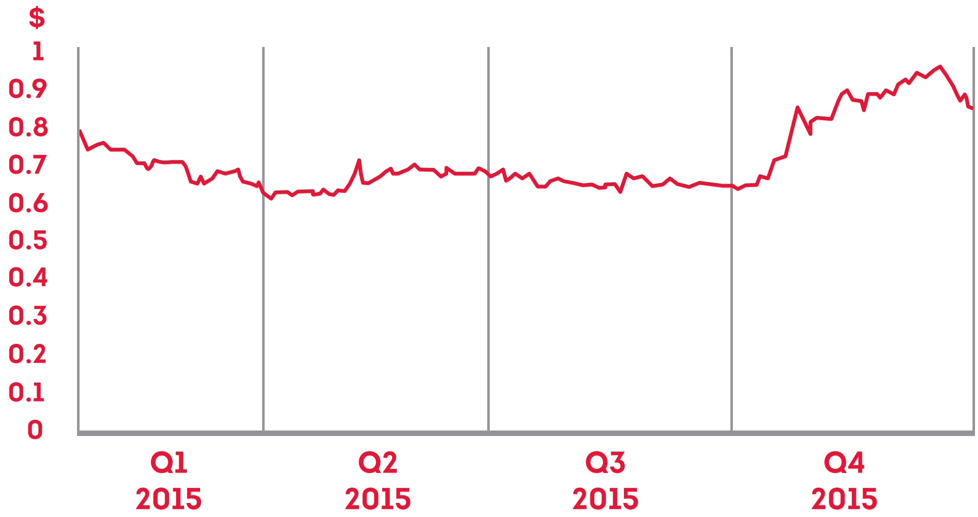
Trade Variable	Value 2015	Ranking on Palestine Exchange 2015
Number of Shares Traded	7,185,512	8
Value of Shares Traded (US$)	5,359,946	8
Number of Deals Concluded	2,533	4
Number of Trading Sessions	225	4
Company Market Capitalization as of yearend (US$)	219,300,000	4
Number of Shareholders	11,023	3

The highest and lowest price for Wataniya Mobile shares per Quarter in 2015 and in 2014:

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

2014 (US$)	Q1	Q2	Q3	Q4
Highest Price	1.04	0.99	0.85	0.86
Lowest Price	0.97	0.80	0.77	0.64
Closing Price	0.97	0.80	0.80	0.85

The following is Wataniya Mobile's stock movement during 2015:



Intellectual Property, Franchises and Patents

Wataniya Mobile owns the concession rights to provide the 3G services; during 2015, the Palestinian government has signed a joint Memorandum of Understanding with the Israeli Authorities to launch 3G services, which will positively impact the financial position of the Company. In addition, Wataniya Mobile also owns a number of trademarks (part of intellectual property) covering the majority of the activities and operations carried out by the Company. It must be noted here that Wataniya Mobile's trademark slogan is الوطنية موبايل

Investment Policy and Risks

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

Other Disclosures:

Disclosure Regulation - Article 18-2: Wataniya Mobile has submitted its 2015 preliminary financial statements to the Company's Board of Directors for approval; however, there are no discrepancies from the audited financial statements.

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

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

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

Disclosure Regulation - Article 21-1:
With respect to Wataniya Mobile's vision on its future business development, the Company is in a constant state of developing its services to suit the needs of its subscribers denoted in the research and development paragraph page 29. The Company places great emphasis on providing its services in the Gaza Strip.

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

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

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

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

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

Disclosure Regulation - Article 30-2: with regards to the Company's earnings per share, the amount is denoted in note number 23 pursuant to the audited financial statements.

Disclosure Regulation - Article 31-2: Financial transactions made during 2015 in currencies other than the U.S. Dollar are converted to the U.S. Dollar according to the exchange rates prevailing on the transaction date. Whereas, monetary assets and liabilities were revaluated at the end of 2015 to the U.S. Dollar according to the New Israeli Shekel against the U.S. Dollar exchange rate of 3.9. The Bank of Palestine is the source of the exchange rates.

Disclosure Regulation - Articles 31-3-A+B:
A- The abundance of working capital, its internal sources, sources of unused cash, and the factors that led to its increase has been referred to in the cash flow statement in the year 2015 audited financial statements.
B- Sources of capital have been referred to in note 11 and note 13 to the year 2015 audited financial statements, and projected changes in capital structure have been noted under the title Change of Control.


FINANCIAL REPORT
الوطنية موبايل

FINANCIAL STATEMENTS

Wataniya Palestine Mobile Telecommunication Public Shareholding Company

Financial Statements
December 31, 2015

Building a better
working world

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90 Years in MENA

**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, 2015 and the statement of profit or loss, statement of other 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.

Management's Responsibility for the Financial Statements

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

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, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young – Middle East
License # 206/2012

Ernst + Young

Maher Abushaaban
License # 155/1998

March 22, 2016
Ramallah – Palestine

STATEMENT OF FINANCIAL POSITION
As of December 31, 2015

	Notes	2015 U.S. $	2014 U.S. $
Assets			
Non-current assets			
Property and equipment	3	32,064,736	36,678,282
Intangible assets	4	141,411,559	146,852,041
Projects in progress	5	30,049,245	26,747,644
		203,525,540	210,277,967
Current assets			
Advances to contractors		6,887,119	12,436,614
Restricted cash	6	4,001,936	3,119,155
Prepayments and other current assets	7	1,603,932	1,658,619
Inventory	8	3,927,813	1,559,457
Accounts receivable	9	8,100,789	9,065,378
Cash on hand and at banks	10	19,153,712	30,063,082
		43,675,301	57,902,305
Total Assets		247,200,841	268,180,272
Equity and liabilities			
Equity			
Paid-in share capital	11	258,000,000	258,000,000
Share premium		11,610,000	11,610,000
Accumulated losses		(199,906,943)	(194,769,608)
Net equity		69,703,057	74,840,392
Non-current liabilities			
Provision for employees' indemnity	12	4,301,824	6,737,119
Interest-bearing loans and borrowings	13	45,743,645	60,403,613
Other non-current liability	4	54,346,654	54,346,654
		104,392,123	121,487,386
Current liabilities			
Current portion of interest-bearing loans and borrowings	13	27,000,000	21,375,000
Accounts payable		11,114,168	10,578,032
Due to related parties	14	156,771	172,505
Deferred revenues		4,580,026	5,035,093
Other current liabilities	15	17,905,265	20,164,812
Accrued project cost	16	12,349,431	14,527,052
		73,105,661	71,852,494
Total liabilities		177,497,784	193,339,880
Total Equity and Liabilities		247,200,841	268,180,272

The attached notes 1 to 29 form part of these financial statements

STATEMENT OF PROFIT OR LOSS
For the year ended December 31, 2015

	Notes	2015 U.S. $	2014 U.S. $
Revenue		83,197,778	85,310,995
Cost of services		(38,594,684)	(47,423,328)
		44,603,094	37,887,667
Finance revenues		386,948	607,695
Other income	18	4,314,515	-
Currency exchange (loss) gain		(860,212)	985,912
General and administrative expenses	19	(23,550,102)	(19,610,290)
Marketing expenses	20	(5,105,059)	(5,226,196)
Depreciation and amortization	3,4	(19,609,273)	(24,395,314)
Finance costs	21	(4,870,605)	(5,166,689)
Impairment losses	22	(446,641)	(1,345,852)
Provision for doubtful accounts	9	-	(262,540)
Loss for the year		(5,137,335)	(16,525,607)
Basic and diluted earnings per share	23	(0.020)	(0.064)

The attached notes 1 to 29 form part of these financial statements

STATEMENT OF OTHER COMPREHENSIVE INCOME
For the year ended December 31, 2015

	2015	2014
	U.S. $	U.S. $
Loss for the year	(5,137,335)	(16,525,607)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	(5,137,335)	(16,525,607)

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2015

	Paid-in share capital	Share premium	Accumulated losses	Net equity
	U.S. $	U.S. $	U.S. $	U.S. $
Balance at January 1, 2015	258,000,000	11,610,000	(194,769,608)	74,840,392
Total comprehensive income for the year	-	-	(5,137,335)	(5,137,335)
Balance at December 31, 2015	258,000,000	11,610,000	(199,906,943)	69,703,057
Balance at January 1, 2014	258,000,000	11,610,000	(178,244,001)	91,365,999
Total comprehensive income for the year	-	-	(16,525,607)	(16,525,607)
Balance at December 31, 2014	258,000,000	11,610,000	(194,769,608)	74,840,392

The attached notes 1 to 29 form part of these financial statements

STATEMENT OF CASH FLOWS
For the year ended December 31, 2015

	Note	2015 U.S. $	2014 U.S. $
Operating activities			
Loss for the year		(5,137,335)	(16,525,607)
Adjustments for:			
Depreciation		10,243,709	13,142,963
Provision for employees' indemnity		1,606,120	1,780,134
Provision for doubtful accounts		-	262,540
Loss (gain) on disposal of property and equipment and intangibles		43,999	(33,546)
Impairment losses		446,641	1,345,852
Finance revenues		(386,948)	(607,695)
Finance costs		4,870,605	5,166,689
Amortization		9,365,564	11,252,351
Other income		(4,314,515)	-
Non-cash items		(305,775)	(26,263)
		16,432,065	15,757,418
Working capital changes:			
Prepayments and other current assets		54,687	(173,176)
Inventory		(2,368,356)	(772,106)
Accounts receivable		983,881	2,361,848
Accounts payable		838,919	1,880,696
Due to related parties		(15,734)	(94,263)
Deferred revenue		(455,067)	(935,053)
Other current liabilities		3,377,249	2,439,073
Employees' indemnity paid		(1,447,685)	(600,086)
Transfer to provident fund		(2,586,737)	-
Net cash flows from operating activities		14,813,222	19,864,351
Investing activities			
Purchase of property and equipment		(628,297)	(650,957)
Purchase of intangible assets		(633,393)	(259,205)
Proceeds from disposal of property and equipment		31,517	136,446
Increase in projects in progress		(14,294,934)	(12,537,149)
Advances to contractors		5,549,495	(8,162,274)
Interest received		363,655	607,695
Net cash flows used in investing activities		(9,611,957)	(20,865,444)
Financing activities			
Repayment of syndicated loan		(9,375,000)	(3,750,000)
Syndicated loan transaction costs paid		(897,987)	(911,120)
Interest paid		(4,954,867)	(3,928,352)
Restricted cash		(882,781)	(2,669,817)
Net cash flows used in financing activities		(16,110,635)	(11,259,289)
Decrease in cash and cash equivalents		(10,909,370)	(12,260,382)
Cash and cash equivalents, Beginning of year		30,063,082	42,323,464
Cash and cash equivalents, End of year	10	19,153,712	30,063,082

The attached notes 1 to 29 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

1. Activities

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

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

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

The Company started its operations on November 1, 2009.

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

The financial statements of the Company as of December 31, 2015 were authorized for issue in accordance with the Board of Directors resolution on March 7, 2016.

2. Summary of significant accounting policies

Basis of preparation

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

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

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

The financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue in the operational existence for the foreseeable future.

Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except that the Company has adopted the following new and amended IFRS's and IAS's effective January 1, 2015:

<u>IAS 24 Related Party Disclosures:</u>
The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

<u>IFRS 13 Fair Value Measurement</u>
The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39.

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

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

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

<u>IFRS 15 Revenue from Contracts with Customers</u>
Amendments to IAS 16 and IAS 38

<u>Amendments to IAS 1 Disclosure Initiative</u>
The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

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

<u>IFRS 16 Leases</u>
During January 2016, the IASB issued IFRS 16 "Leases" which sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 introduced a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted

Significant accounting judgments, estimates and assumptions

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

Interconnection revenues and costs

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

Useful lives of tangible and intangible assets

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

Provision for doubtful debts

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

Revenue recognition

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

Rendering of services

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

Equipment sales

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

Interest income

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

Expenses recognition

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

Income tax

According to the Palestinian Investment Promotion Agency certificate issued on October 27, 2009, the Company was granted the right to benefit from the Palestinian Law for Encouragement of Investment. Accordingly, the Company is granted full exemption from income tax for a period of five years starting from the year in which the Company commenced its operations. In addition, the Company's taxable income will be subject to 50% of the nominal tax rate until December 31, 2030. During 2012, the right for this exemption was deferred for the years 2012 and 2013. Therefore, the exemption is extended until 2016.

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	15
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.

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

Projects in progress

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

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

Inventories

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

Accounts receivable

Accounts receivable are stated at original invoice amount less a provision for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full or part of the amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Impairment and uncollectibility of financial assets

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

- For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the statement of profit or loss;

- For assets carried at cost, impairment is the difference between carrying value and present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less, net of restricted cash.

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Leases

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

Provisions

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

Loans and borrowings

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

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

Borrowing Costs

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

Intangible assets

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

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

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

Foreign currencies

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

3. Property and equipment

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

2014	Network equipment U.S. $	Network infrastructure U.S. $	Computers U.S. $	Office equipment U.S. $	Furniture and fixtures U.S. $	Leasehold improvements U.S. $	Others U.S. $	Total U.S. $
Cost								
At January 1, 2014	52,799,932	21,598,446	14,234,854	1,582,693	1,800,071	5,800,179	32,310	97,848,485
Additions	2,832,508	120,396	2,373,670	321,544	199,160	403,528	1,328	6,252,134
Disposals	(43,844)	(78,813)	(948,264)	(79,524)	(21,858)	(153,506)	-	(1,325,809)
At December 31, 2014	55,588,596	21,640,029	15,660,260	1,824,713	1,977,373	6,050,201	33,638	102,774,810
Accumulated depreciation								
At January 1, 2014	24,736,196	10,203,277	12,013,887	997,940	870,876	4,176,837	29,872	53,028,885
Impairment loss*	1,147,589	-	-	-	-	-	-	1,147,589
Depreciation charge for the year	7,592,138	2,730,227	1,146,994	421,709	320,111	930,163	1,621	13,142,963
Disposals	(12,183)	(46,208)	(930,998)	(72,419)	(20,597)	(140,504)	-	(1,222,909)
At December 31, 2014	33,463,740	12,887,296	12,229,883	1,347,230	1,170,390	4,966,496	31,493	66,096,528
Net carrying amount								
At December 31, 2014	**22,124,856**	**8,752,733**	**3,430,377**	**477,483**	**806,983**	**1,083,705**	**2,145**	**36,678,282**

* This item represents an impairment loss recognized from property and equipment. The loss was recognized as a result of the obsolescence of network equipment parts. The total cost of impaired assets amounted to U.S. $ 1,295,144 and U.S. $ 4,480,387 as of December 31, 2015 and 2014, respectively.

4. Intangible assets

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

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

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

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

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

The Company started amortizing the License on November 1, 2009 being the date on which it commenced its operations. During 2014, the Ministers' Council formed a committee to review the value of the License in light of the losses incurred by the Company. During 2015 and based on committee's recommendations, the MTIT issued a decree which granted the Company an extension of the useful life of the License by additional 5 years. Thus, the Company's management changed the estimated useful life of the License from 15 years to 20 years. This change has resulted in a decrease in the amortization expense for the year by U.S. $ 3,116,657.

The movement on intangible assets is as follows:

	License	Software	Total
	U.S. $	U.S. $	U.S. $
Cost			
At January 1, 2015	184,871,337	21,598,425	206,469,762
Additions during the year	-	4,007,913	4,007,913
At December 31, 2015	184,871,337	25,606,338	210,477,675
Accumulated Amortization			
At January 1, 2015	51,172,074	8,445,647	59,617,721
Amortization for the year	6,042,153	3,323,411	9,365,564
Impairment loss	-	82,831	82,831
At December 31, 2015	57,214,227	11,851,889	69,066,116
Net carrying amount			
At December 31, 2015	127,657,110	13,754,449	141,411,559
At December 31, 2014	133,699,263	13,152,778	146,852,041

5. Projects in progress

	2015	2014
	U.S. $	U.S. $
Network equipment	20,621,746	22,771,066
Billing system	3,869,629	1,728,605
Capitalized interest cost	2,124,272	1,452,298
IT systems	1,166,423	-
Network infrastructure	1,044,503	216,583
Renovations	551,960	131,911
Data center expansion phase	190,001	333,035
Sites electricity	43,398	1,763
Others	437,313	112,383
	30,049,245	26,747,644

The movement on projects in progress is as follows:

	2015	2014
	U.S. $	U.S. $
Beginning balance	26,747,644	24,735,263
Additions	12,117,313	17,206,629
Transferred to property and equipment and intangible assets	(8,815,712)	(14,995,985)
Impairment loss	-	(198,263)
Ending Balance	30,049,245	26,747,644

The estimated cost to complete the above projects as of December 31, 2015 is U.S. $ 8,853,047.

6. Restricted cash

This balance represents as of December 31, 2015 an amount of U.S. $3,927,141 restricted in relation to the syndicated loan agreement (Note 13) and an amount of U.S. $ 74,795 in relation to a letter of credit granted from local banks to the Company.

7. Prepayments and other current assets

	2015	2014
	U.S. $	U.S. $
Prepaid sites' rent	716,156	635,002
Prepaid warranty	580,271	381,517
Due from employees	55,548	58,396
Prepaid rent expense	41,906	93,060
Prepaid advertisement	13,206	144,096
Prepaid insurance	-	200,021
Other	196,845	146,527
	1,603,932	1,658,619

8. Inventory

	2015	2014
	U.S. $	U.S. $
Spare parts	2,361,083	-
Handsets	670,980	651,430
SIM cards	644,537	107,219
Scratch cards	131,446	165,337
Accessories	119,767	635,471
	3,927,813	1,559,457

9. Accounts receivable

	2015	2014
	U.S. $	U.S. $
Receivables from subscribers	10,476,056	8,416,979
Interconnection partners	3,489,347	5,301,637
Roaming partners and other receivables	380,674	1,588,049
	14,346,077	15,306,665
Allowance for doubtful accounts	(6,245,288)	(6,241,287)
	8,100,789	9,065,378

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

	2015	2014
	U.S. $	U.S. $
Beginning Balance	6,241,287	6,725,835
Provision for the year	-	262,540
Foreign currency difference	4,001	(747,088)
Ending Balance	6,245,288	6,241,287

As at December 31, 2015, the aging analysis of the unimpaired trade receivables is as follows:

		Past due but not impaired					
	Not due	1-30 days	31-60 days	61-90 days	91-120 days	More than 120 days	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
2015	6,365,166	1,132,326	408,785	89,775	74,812	29,925	8,100,789
2014	1,984,137	774,995	557,919	577,722	420,145	4,750,460	9,065,378

The Company expects to recover all unimpaired receivables.

10. Cash on hand and at banks

	2015 U.S. $	2014 U.S. $
Cash on hand	58,031	49,083
Cash at banks and short term deposits	19,095,681	30,013,999
	19,153,712	30,063,082

As of December 31, 2015, the Company has ten short term deposits amounting to U.S. $ 17,654,848 (2014: U.S. $ 25,296,398) at local banks with an average interest rate of 2.44% (2014: 1.98%).

11. Paid-in share capital

	2015 U.S. $	2014 U.S. $
Wataniya International FZ – LLC (WIL)	125,001,000	125,001,000
Palestine Investment Fund, PLC (PIF)	87,794,885	87,794,885
Public shareholders	45,204,115	45,204,115
	258,000,000	258,000,000

12. Provision for employees' indemnity

	Employees' indemnity U.S. $	Provident fund U.S. $	Total U.S. $
2015			
Balance, beginning of year	4,422,145	2,314,974	6,737,119
Additions	921,749	987,154	1,908,903
Payments during the year	(893,995)	(553,690)	(1,447,685)
Transfer to provident fund*	-	(2,586,737)	(2,586,737)
Currency exchange	(203,399)	(106,377)	(309,776)
Balance, end of year	4,246,500	55,324	4,301,824
2014			
Balance, beginning of year	4,351,284	1,654,526	6,005,810
Additions	1,153,750	950,996	2,104,746
Payments during the year	(460,537)	(139,549)	(600,086)
Currency exchange	(622,352)	(150,999)	(773,351)
Balance, end of year	4,422,145	2,314,974	6,737,119

* During the year 2015, the Company employees elected the provident fund committee to manage and invest their contributions. Thus, the Company transferred the balance to the provident fund committee account which is separately administered.

13. Interest-bearing loans and borrowings

	2015	2014
	U.S. $	U.S. $
Shareholders' loans		
Wataniya International FZ – LLC (WIL)*	2,850,000	2,850,000
Palestine Investment Fund, PLC (PIF)*	2,150,000	2,150,000
Accrued interest (WIL)	958,284	785,557
Accrued interest (PIF)	722,472	592,169
	6,680,756	6,377,726
Third parties' loans		
Local banks' loans **	44,175,000	49,050,000
IFC loan**	29,700,000	34,200,000
	73,875,000	83,250,000
Less: transaction costs directly attributable to third parties' loans***	(7,812,111)	(7,849,113)
	72,743,645	81,778,613
Non-current portion	45,743,645	60,403,613
Current portion	27,000,000	21,375,000
	72,743,645	81,778,613

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

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

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

On December 9, 2012, the Company signed an agreement with a local bank to finance the network equipment purchased for Gaza with a total amount of U.S. $ 12,000,000; the Company will repay this amount upon commencement of the second phase of the syndicated loan but not after December 9, 2013. The loan bears annual interest rate of 3 months LIBOR plus 5.25%. On December 9, 2015, the Company extended the repayment date till December 9, 2016.

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

	U.S. $
Matures during 2016	27,000,000
	27,000,000
Matures during 2017	18,750,000
2018	18,750,000
2019	9,375,000
	46,875,000
	73,875,000

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

14. Due to related parties

	2015	2014
	U.S. $	U.S. $
Ooredoo Group LLC	156,771	172,505
	156,771	172,505

15. Other current liabilities

	2015	2014
	U.S. $	U.S. $
Accrued interconnection and roaming cost	3,308,644	3,398,144
Accrued bonus	2,784,820	1,070,421
Accrued license fees*	1,183,475	6,068,938
Accrued sales commission	1,021,418	2,454,348
Accrued payroll	962,594	346,038
Marketing costs	738,316	880,951
Due to VAT	638,234	533,666
Employees vacations provision	365,467	400,129
Accrued interest and commitment fees	274,513	922,802
Accrued transaction costs attributable to issuance of shares	23,195	23,351
Other	6,604,589	4,066,024
	17,905,265	20,164,812

* This item represents the license fee payable to Palestine National Authority at 7% of the Company's annual gross service revenues. During the year 2015, the Company received a resolution from The Council of Ministers stating that the Company will be exempted from the royalty fees for five years starting from the year 2014. Therefore, the accrual balance for the year 2014 amounting to U.S. $ 4,314,515 was reclassified to other income (Note18).

16. Accrued project cost

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

17. Income Tax

According to the Palestinian Investment Promotion Agency certificate issued on October 27, 2009, the Company was granted the right to benefit from the Palestinian Law for Encouragement of Investment. Accordingly, the Company is granted full exemption from income tax for a period of five years starting from the year in which the Company commenced its operations. In addition, the Company's taxable income will be subject to 50% of the nominal tax rate until December 31, 2030. During 2012, the right for this exemption was deferred for the years 2012 and 2013. Therefore, the exemption is extended until 2016.

18. Other income

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

19. General and administrative expenses

	2015	2014
	U.S. $	U.S. $
Salaries and related expenses	13,603,119	11,673,567
System support	2,494,565	1,719,179
Rent	1,688,140	1,752,718
Professional and consulting fees	1,353,796	476,037
Accommodation, travel and transportation	643,117	716,156
Water, electricity and fuel	409,220	476,171
Warehousing and logistics	408,000	608,000
Insurance	374,562	378,974
Software license expense	162,664	180,164
Security services	155,898	158,300
Subscription fees	139,297	166,249
Maintenance	131,239	114,972
Telephone, fax and mail	83,405	85,791
Bank charges	75,995	65,201
Stationery and supplies	16,665	14,155
Other	1,810,420	1,024,656
	23,550,102	19,610,290

20. Marketing expenses

	2015	2014
	U.S. $	U.S. $
Media advertisements	2,313,427	2,431,864
Promotions	1,024,280	759,654
Sponsorships	1,015,656	1,014,917
Research	116,317	182,352
Designs and exhibitions	108,200	168,651
Other marketing expenses	527,179	668,758
	5,105,059	5,226,196

21. Finance costs

	2015	2014
	U.S. $	U.S. $
Interest on loans and borrowings	3,935,616	4,250,252
Amortization of transaction costs	934,989	916,437
	4,870,605	5,166,689

22. Impairment losses

	2015	2014
	U.S. $	U.S. $
Impairment loss on property and equipment (Note 3)	363,810	1,147,589
Impairment loss on intangible assets (Note 4)	82,831	-
Impairment loss on project in progress (Note 5)	-	198,263
	446,641	1,345,852

23. Basic and Diluted Earnings Per Share

	2015	2014
Loss for the year (U.S. $)	(5,137,335)	(16,525,607)
Weighted average number of shares (Share)	258,000,000	258,000,000
Basic and diluted loss per share (U.S. $)	(0.020)	(0.064)

24. 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:

	2015	2014
	U.S. $	U.S. $
Contracts and purchase orders	14,263,911	14,515,377
License*	159,653,346	159,653,346

* As disclosed in (Note 4) to the financial statements, the Company entered into a license agreement with MTIT for a total price of U.S. $ 354,000,000. The unpaid portion of the license cost, net of the related non-current liability, of U.S. $159,653,346 represents the unrecognized liability in the financial statements resulting from MTIT not fulfilling its obligations in relation with granting the Company access to Gaza and 3G frequencies. In addition, the Company's management changed the estimated useful life of the License from 15 years to 20 years. This change has resulted in a decrease in the amortization expense for the year by U.S. $ 3,116,657 (Note 4).

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

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

	U.S. $
Within one year	444,808
After one year but not more than five years	37,158
	481,966

25. Related party transactions

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

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

	Nature of relationship	2015 U.S. $	2014 U.S. $
Interest-bearing loans and borrowings (note 13)	Shareholder	5,000,000	5,000,000
Accrued interest	Shareholder	1,680,756	1,377,726
Due to related parties (note 14)	Shareholder	156,771	172,505
Accrued key management personnel compensation	Key management	1,238,037	226,484

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

	2015 U.S. $	2014 U.S. $
Finance costs	303,030	301,199
Key management personnel compensation	1,071,686	135,110
Revenue from shareholders	6,252	16,367

26. Fair value of financial instruments

Financial instruments comprise of financial assets and financial liabilities.

	Carrying Value U.S. $	Fair Value U.S. $
Financial assets		
Accounts receivable	8,100,789	8,100,789
Other current assets	252,393	252,393
	8,353,182	8,353,182
Financial liabilities		
Interest-bearing loans and borrowings	72,743,645	72,743,645
Other non-current liability	54,346,654	54,346,654
Accounts payable	11,114,168	11,114,168
Due to related parties	156,771	156,771
Other current liabilities	17,905,265	17,905,265
Accrued project cost	12,349,431	12,349,431
	168,615,934	168,615,934

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

27. Risk management

Interest rate risk

The Company is exposed to interest rate risk on its interest-bearing assets and liabilities (short term bank deposits and Interest bearing loan and borrowings). The following table demonstrates the sensitivity of the statement of profit or loss to reasonably possible changes in interest rates, with all other variables held constant.
The sensitivity of the statement of profit or loss is the effect of the assumed changes in interest rates on the Company's profit for one year, based on the floating rate financial assets and financial liabilities held at December 31, 2015. There is no direct impact on the Company's equity.

	Increase/ decrease in basis points	Effect on statement of profit or loss for the year
	%	U.S. $
2015		
U.S. $	+15	(85,940)
U.S. $	-10	57,293
2014		
U.S. $	+15	(84,487)
U.S. $	-10	56,325

Foreign currency risk

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

	Increase/ decrease in ILS rate to U.S. $	Effect on Statement of profit or loss for the year
	%	U.S. $
2015		
U.S. $	+5%	85,746
U.S. $	-5%	(85,746)
2014		
U.S. $	+5%	(153,666)
U.S. $	-5%	153,666

Credit risk

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

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

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

Liquidity risk

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

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

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

December 31, 2014	Less than 3 months U.S. $	3 to 12 months U.S. $	1- 5 years U.S. $	Total U.S. $
Interest-bearing loans and borrowings	2,789,709	22,559,414	65,417,645	90,766,768
Accounts payable	10,578,032	-	-	10,578,032
Due to related parties	-	172,505	-	172,505
Other current liabilities	-	20,164,812	-	20,164,812
Other noncurrent liabilities	-	-	54,346,654	54,346,654
Total liabilities	13,367,741	42,896,731	119,764,299	176,028,771

28. Capital Management

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

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the year ended December 31, 2015 and the year ended December 31, 2014. Capital comprises paid-in share capital, share premium and accumulated losses, and is measured at U.S.$ 69,703,057 as at December 31, 2015 (2014: U.S.$ 74,840,392).

29. 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.

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