Wataniya Palestine Mobile
Telecommunication
Public Shareholding Company
Unaudited Interim Condensed
Financial Statements
September 30, 2011

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Report on review of Interim Condensed Financial Statements to the Board of Directors of Wataniya Palestine Mobile Telecommunication - Public Shareholding Company

Introduction

We have reviewed the accompanying interim condensed financial statements of Wataniya Palestine Mobile Telecommunication - Public Shareholding Company (the Company) as at September 30, 2011, comprising of the interim statement of financial position as at September 30, 2011 and the related interim statements of income, comprehensive income, changes in equity and cash flows for the nine-month period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst + Young

October 31, 2011

INTERIM STATEMENT OF FINANCIAL POSITION
September 30, 2011

	Notes	September 30, 2011 Unaudited U.S. $	December 31, 2010 Audited U.S. $
Assets			
Non-current assets			
Property and equipment, net		64,034,554	68,550,659
Projects in progress	3	5,396,303	2,011,967
Advances to contractors		1,573,180	1,530,225
Intangible assets	4	161,059,827	170,359,601
Cash restricted at banks		9,578,884	-
		241,642,748	242,452,452
Current assets			
Prepayments and other current assets		8,622,967	9,634,712
Inventory		1,223,317	1,040,355
Accounts receivable		8,488,818	6,486,577
Cash on hand and at banks	5	32,005,242	92,192,012
		50,340,344	109,353,656
Total Assets		291,983,092	351,806,108
Equity and liabilities			
Equity			
Paid-in share capital		258,000,000	258,000,000
Share premium		11,610,000	11,610,000
Accumulated losses		(131,888,610)	(106,913,676)
Net equity		137,721,390	162,696,324
Non-current liabilities			
Provision for employees' indemnity		1,673,920	1,390,075
Interest-bearing loans and borrowings	6	54,015,838	68,854,305
Other non-current liability	4	57,686,343	54,346,654
		113,376,101	124,591,034
Current liabilities			
Current portion of interest-bearing loans and borrowings	6	15,788,000	15,788,000
Accounts payable		5,662,128	7,029,586
Due to related parties		172,625	2,713,531
Deferred revenues		2,547,483	2,557,062
Accrued expenses		13,679,534	13,540,640
IPO oversubscription payables		85,140	22,274,369
Accrued project cost		2,950,691	615,562
		40,885,601	64,518,750
Total liabilities		154,261,702	189,109,784
Total Equity and Liabilities		291,983,092	351,806,108

INTERIM STATEMENT OF INCOME
For the three-month and nine-month periods ended September 30, 2011

		Three Months Ended September 30		Nine Months Ended September 30	
		2011	2010	2011	2010
		Unaudited		Unaudited	
	Notes	U.S. $	U.S. $	U.S. $	U.S. $
Revenue		19,828,550	11,547,976	55,150,782	24,702,793
Cost of service		(11,699,382)	(10,407,570)	(33,249,481)	(25,738,864)
		8,129,168	1,140,406	21,901,301	(1,036,071)
Finance revenue		94,193	22,571	255,726	55,201
Currency exchange (loss) gain		(1,677,543)	417,106	(1,157,033)	287,769
General and administrative expenses		(4,439,936)	(4,521,312)	(13,047,763)	(13,637,743)
Marketing expenses		(1,156,143)	(786,881)	(4,293,664)	(3,001,789)
Depreciation and amortization		(6,539,194)	(6,286,786)	(19,201,547)	(18,464,497)
Finance costs	7	(2,565,296)	(3,142,628)	(7,774,509)	(7,659,608)
Provision for doubtful accounts		(1,043,248)	(45,303)	(1,643,040)	(79,606)
Loss from disposal of property and equipment		(12,019)	(5,250)	(14,405)	(11,988)
Loss for the period		(9,210,018)	(13,208,077)	(24,974,934)	(43,548,332)
Basic and diluted earnings per share	8	(0.04)	(0.08)	(0.10)	(0.26)

INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the three-month and nine-month periods ended September 30, 2011

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
	Unaudited		Unaudited	
	U.S. $	U.S. $	U.S. $	U.S. $
Loss for the period	(9,210,018)	(13,208,077)	(24,974,934)	(43,548,332)
Other comprehensive income for the period	-	-	-	-
Total loss and comprehensive income for the period	(9,210,018)	(13,208,077)	(24,974,934)	(43,548,332)

INTERIM STATEMENT OF CHANGES IN EQUITY
For the nine-month period ended September 30, 2011

	Paid-in share capital	Share premium	Accumulated losses	Net equity
	U.S. $	U.S. $	U.S. $	U.S. $
Balance at January 1, 2011	258,000,000	11,610,000	(106,913,676)	162,696,324
Total loss and comprehensive income for the period	-	-	(24,974,934)	(24,974,934)
Balance at September 30, 2011 (Unaudited)	258,000,000	11,610,000	(131,888,610)	137,721,390
Balance at January 1, 2010	170,000,000	-	(46,605,002)	123,394,998
Total loss and comprehensive income for the period	-	-	(43,548,332)	(43,548,332)
Balance at September 30, 2010 (Unaudited)	170,000,000	-	(90,153,334)	79,846,666

INTERIM STATEMENT OF CASH FLOWS
For the nine-month period ended September 30, 2011

	Nine Months Ended September 30	
	2011	2010
	Unaudited	Unaudited
Operating activities	U.S. $	U.S. $
Loss for the period	(24,974,934)	(43,548,332)
Adjustments for:		
Depreciation	9,901,773	9,164,723
Provision for employees' indemnity	579,635	633,879
Provision for doubtful accounts	1,643,040	79,606
Loss from disposal of property and equipment	14,405	11,988
Finance revenue	(255,726)	(55,201)
Finance costs	7,774,509	7,659,608
License amortization	9,299,774	9,299,774
	3,982,476	(16,753,955)
Working capital changes:		
Prepayments and other current assets	1,011,745	(3,494,511)
Inventory	(182,962)	90,923
Accounts receivable	(3,645,281)	(4,394,279)
Accounts payable	(1,367,458)	(17,880,853)
Deferred revenues	(9,579)	1,319,463
Accrued expenses	584,535	5,454,628
Employees' indemnity paid	(295,790)	(47,202)
Net cash flows from (used in) operating activities	77,686	(35,705,786)
Investing activities		
Purchase of property and equipment	(1,671,757)	(1,574,893)
Proceeds from sale of property and equipment	249,628	-
Increase in projects in progress	(5,027,151)	(11,090,148)
Advances to contractors	(42,955)	(942,741)
Interest received	255,726	55,201
Net cash flows used in investing activities	(6,236,509)	(13,552,581)
Financing activities		
Shareholders' loan	-	20,000,000
Syndicated loan	(15,788,000)	40,514,375
Syndicated loan transaction cost paid	(109,412)	(1,264,456)
Interest paid	(3,821,516)	(2,358,881)
Due to related parties	(2,540,906)	764,989
IPO oversubscription paid	(22,189,229)	-
Change in cash restricted at bank	(9,578,884)	-
Net cash flows (used in) from financing activities	(54,027,947)	57,656,027
(Decrease) increase in cash and cash equivalents	(60,186,770)	8,397,660
Cash and cash equivalents, beginning of period	92,192,012	15,149,025
Cash and cash equivalents, end of period	32,005,242	23,546,685

1. Activities

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

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

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

The Company started its operations on November 1, 2009.

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

The interim condensed financial statements of the Company were authorized for issuance by the Board of Directors on October 31, 2011.

2. Summary of significant accounting policies

Basis of preparation

The interim condensed financial statements of the Company have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with Company's annual financial statements as of December 31, 2010. The results for the period ended September 30, 2011 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2011.

The interim condensed financial statements have been presented in United States Dollar, which is the functional currency of the company.

Changes in accounting policies

The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2010, except that the Company has adopted the following new and amended IFRS and IFRIC Interpretations effective January 1, 2011. Adoption of these standards and interpretations did not have any effect on the results of operations or financial position of the Company.

IAS 24 Related Party Disclosures (Amended).
IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)
IFRIC 14 Prepayments of a Minimum Funding Requirements (Amendment)
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

3. Projects in progress

The movement on projects in progress is as follows:

	September 30, 2011	December 31, 2010
	Unaudited	Audited
	U.S. $	U.S. $
Beginning balance	2,011,967	7,945,219
Additions	7,362,280	3,666,106
Transferred to property and equipment	(3,977,944)	(9,599,358)
	5,396,303	2,011,967

4. Intangible assets

The movement on intangible assets is as follows:

	September 30, 2011	December 31, 2010
	Unaudited	Audited
	U.S. $	U.S. $
License	184,871,337	184,871,337
Accumulated amortization	(23,811,510)	(14,511,736)
	161,059,827	170,359,601

The movement on license accumulated amortization is as follows:

	September 30, 2011	December 31, 2010
	Unaudited	Audited
	U.S. $	U.S. $
Beginning balance	(14,511,736)	(2,077,972)
Amortization for the period/year	(9,299,774)	(12,433,764)
	(23,811,510)	(14,511,736)

The company started amortizing the License on November 1, 2009 being the date on which it commenced its operations.

The outstanding license liability of U.S. $ 57,686,343 as of September 30, 2011 represents the deferred portion of the license cost amounting U.S. $ 44,871,337 and the cumulative interest expense recorded of U.S. $ 12,815,006.

5. Cash on hand and at banks

	September 30, 2011	December 31, 2010
	Unaudited	Audited
	U.S. $	U.S. $
Cash on hand	36,738	42,656
Cash at banks and short term deposits	31,968,504	92,149,356
	32,005,242	92,192,012

As of September 30, 2011, the Company has five short term deposits amounting to U.S. $ 30,370,034 (2010: U.S. $ 69,333,706) at local banks with an annual interest rate of 1.1% (2010: 0.53%).

6. Interest-bearing loans and borrowings

	September 30, 2011	December 31, 2010
	Unaudited	Audited
	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)	223,438	93,147
Accrued interest (PIF)	168,113	69,581
	5,391,551	5,162,728
Third parties loans		
Local banks' loans *	26,994,000	33,000,000
IFC loan*	24,540,000	30,000,000
Ericsson loan*	17,178,000	21,000,000
ECA loan*	500,000	1,000,000
	69,212,000	85,000,000
Less: transaction costs directly attributable to third parties' loans	(4,799,713)	(5,520,423)
	69,803,838	84,642,305
Non-current portion	54,015,838	68,854,305
Current portion	15,788,000	15,788,000
	69,803,838	84,642,305

* On January 19, 2009, the Company signed syndicated loan agreements with various lenders for a total amount of U.S. $ 85,000,000. The loans bear annual interest rate ranging from Libor plus 5.31% to 6.34% and are repayable in semi annual installments commencing January 15, 2011 and ending January 15, 2016. All the Company's assets are mortgaged as collaterals for these loans. Accrued interest as of September 30, 2011 amounted to U.S. $ 868,397 (2010: U.S $ 1,074,813).

7. Finance cost

	September 30, 2011 Unaudited U.S. $	September 30, 2010 Unaudited U.S. $
Interest on other non-current liability	3,339,689	3,083,740
Interest on loans and borrowings	3,604,698	3,834,009
Amortization of transaction costs	830,122	741,859
	7,774,509	7,659,608

8. Basic and Diluted Earnings Per Share

	September 30, 2011 Unaudited	September 30, 2010 Unaudited
Loss for the period (U.S. $)	(24,974,934)	(43,548,332)
Weighted average number of shares for subscribed capital during the period (Shares)	258,000,000	170,000,000
Basic and diluted earnings per share (U.S. $)	(0.10)	(0.26)

9. Commitments and contingencies

As of the interim condensed 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:

	September 30, 2011 Unaudited U.S. $	December 31, 2010 Audited U.S. $
Contracts and purchase orders	2,964,557	1,436,063
License*	141,600,000	141,600,000

* The Company entered into a license agreement with MTIT for a total price of U.S. $ 354,000,000. The portion of the license price of U.S. $ 141,600,000 relating to Gaza was not recognized in the interim condensed financial statements as the Company was not granted access to launch services in Gaza.

The Company entered into an agreement to lease the office building on January 27, 2007. The lease has a life of five years with an option to renew the contract.

Future minimum rentals payable under operating lease are as follows:

	September 30, 2011 Unaudited U.S. $	December 31, 2010 Audited U.S. $
Within one year	199,284	383,695
After one year but not more than five years	-	32,052
	199,284	415,747

10. 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 interim statement of financial position were as follows:

	Nature of Relationship	September 30, 2011	December 31, 2010
		Unaudited	Audited
		U.S. $	U.S. $
Interest-bearing loans and borrowings	Shareholders	5,000,000	5,000,000
Due to related parties	Shareholders	172,625	2,713,531
Accounts receivable	Shareholders	6,892	10,239
Accrued interest	Shareholders	391,551	162,728

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

	September 30, 2011	September 30, 2010
	Unaudited	Unaudited
	U.S. $	U.S. $
Finance cost	228,823	1,584,044
Key management personnel compensation	297,712	808,810
Revenue from shareholders	33,554	51,504