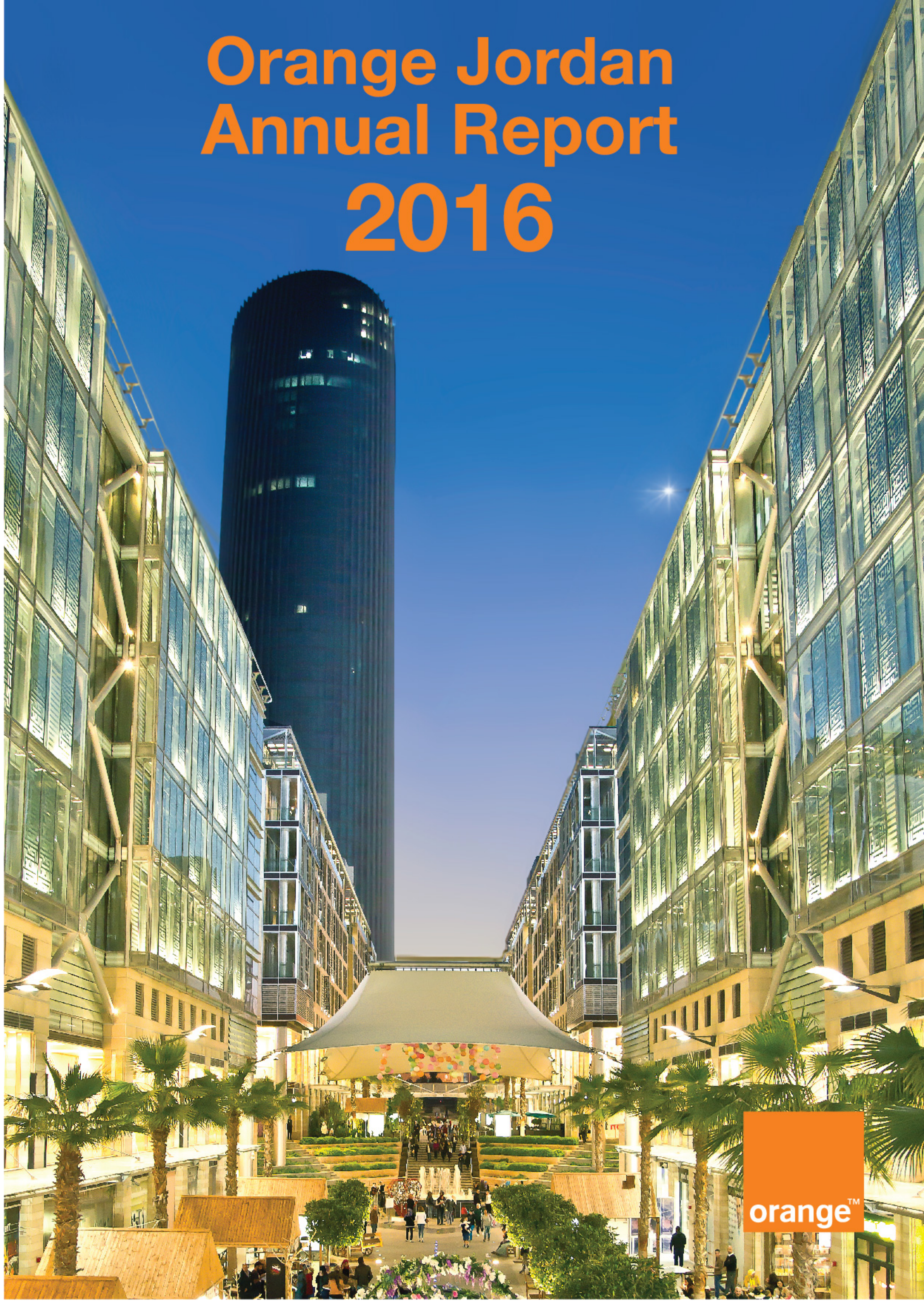
Orange Jordan Annual Report 2016



Cover photo
The new location for Orange Jordan Headquarters

P.O.box: 1689, Amman 11118 Jordan, Tel: +96264606666, Fax: +96264606111, www.orange.jo OrangeJordan OrangeJO Orange-Jo

“Today, Jordan’s gateway has become a conduit for innovation. Seventy-five percent of the Arabic content of the internet flows from Jordan’s tech sector. ICT exports have flourished. Once-small companies have scaled up, taken global positions and spun off new enterprises. These achievements are to the credit of a young, bilingual and globally-aware work force. They, too, are a gateway, to a future without limit.”

Remarks by His Majesty King Abdullah II
Opening the World Economic Forum on the Middle East and North Africa
Dead Sea, Jordan 22 May, 2015

A letter from the Chairman

Dear Shareholders,

As we bid yet another year farewell and welcome a new one that will be filled with even greater success, I greet you all. I am both honored and humbled to be able to directly connect with you through Orange Jordan's 2016 annual report on behalf of the Board of Directors and share with you some of the proudest milestones and achievements that have firmly positioned us as the leading telecommunications service and internet provider in the Kingdom.

Despite prevalent challenges in 2016, including increased taxes and competition, we rose above by seeking out multiple new revenue streams, reducing costs without compromising quality or productivity. This strengthened our continuous efforts to provide an entirely more return driven environment for our shareholders.

We are working towards meeting many vital objectives of the five key drivers of our Essentials 2020 strategy, which carries with it a spirit of change and transformative progress and is behind every step we take to improve Orange Jordan to serve our customers, shareholders, employees, and the local community. We have given our customers a truly unmatched experience, as we not only listen and respond to them, but also preemptively meet their needs, getting ever closer to them in the process.

This methodology underlies our determination and optimism for the future, as we continue providing our customers with all that is essential to them. Due to the management's efforts on all levels, our CEO won the "Customer Experience Champion of the Year" Award for 2016 and your company received the "Best Customer Experience Management Culture Transformation Program" Award at the CEM in Telecoms Middle East event held in Dubai earlier in 2016.

Supported by the global expertise and know-how of Orange Group, we achieved numerous milestones in connecting Jordanians and opening the digital future to them, beginning with the full refurbishment of our 2G, 3G, and 4G networks. We also launched a new era of fast connections through the deployment of Next-Generation Networks (NGNs), which include Fiber-To-The-Home (FTTH). Additionally, we launched Jordan's first IP point of presence (PoP), enhancing the Kingdom's role as a regional ICT hub and as a proponent of further spreading the internet culture. We also opened the first Smart Store in Jordan.

As always, we believe that Jordanians deserve the best. As such, our efforts towards sustainable development throughout the years have focused on elevating the socioeconomic standing of members of the local community, confronting critical areas, such as poverty, education, and entrepreneurship.

Of course, our most indispensable asset is our own human capital. That is why we streamlined our focus on our internal work environment and on our employees, allowing our values of integration and openness to fully manifest. As a result, your company was named a Top Employer of the Middle East for 2016 by the Top Employers Institute.

At Orange Jordan we are proud to be the leader in carrying the flag behind His Majesty King Abdullah II in translating his vision to digitize the Kingdom's economy, a vision that never fails to inspire and motivate us every day.

I would like to offer my appreciation to Her Excellency Majd Shweikeh, the Minister of Information and Communications Technology for her efforts that are closely aligned with His Majesty's vision. Additionally, I would like to thank His Excellency Dr. Ghazi Jbour, Chief Commissioner of the TRC, for his courage, knowledge, and wisdom widely evident in his plans to empower the sector, and a major proof point therein was his drive for reaching a fair settlement between Orange and the government of the Hashemite Kingdom of Jordan. This settlement has since strengthened the country's reputation as having a fertile ecosystem for those seeking to invest in its ICT scene and has contributed to its image as a rational actor when it comes to legal disputes. The financial savings to Orange Jordan that resulted from the settlement are substantial at the very least.

In closing, I would like to express my deepest appreciation of the ongoing coherence of all members of the Board of Directors, and show my gratitude to the devoted confidence, support, and loyalty of the General Assembly. Also, I thank our entire Orange Jordan team spread across the Kingdom, spearheaded by the visionary leadership of our CEO Jérôme Hénique, and especially his Deputy Chief Officers for their wise vision. Thank you to all our loyal customers whose constant and growing trust empowers us to go above and beyond, and to Orange Group for its continuous support and patronage.

2016 has greatly strengthened our conviction in our ability to succeed in confronting challenges. We optimistically await the prosperity that lies ahead.

Sincerely,
Dr. Shabib Ammari
Chairman of the Board of Directors

A letter from the CEO

Dear Shareholders,

It is with great pleasure that I address you all through the 2016 edition of the Orange Jordan annual report, which lays out a summary of our achievements and milestones reached together over the last year.

The industry in 2016 was characterized by staunch competition and a number of other pressing challenges, very similar to 2015 and the years before. At the same time, however, the environment of the industry started to improve after a decrease in electricity prices, even if slight, and for Orange Jordan specifically, the settlement on the licensing case with the government set new benchmarks and allowed some extra freedom for telecommunications operators to grow.

With the overwhelming support of the enhanced industry environment and with the resolute efforts of all members of the Orange family, I am proud to state that 2016 was the tipping point for Orange Jordan in terms of both finances and operations; our revenues went up 1.8% from 2015, testament to our diligent efforts taken toward improving our company for our valued stakeholders, setting up a fertile scenario for even more growth in the upcoming year.

In 2016, we also witnessed growth in our earnings before interest, tax, depreciation, and amortization (EBITDA) with an increase of 0.7% from 2015, as a result of the improvement of our top line and of our ambitious cost reduction program, Explore 2020.

Giving all of us at Orange a focused mindset and vision of the steps necessary to reach success, Essentials 2020, launched in 2015, has inspired and motivated us through its five key drivers to transform on all levels, providing our now more than 4.6 million subscribers with all that is essential to them and dramatically enhancing and enriching their experience with us as customers.

Fulfilling our commitment to offering richer connectivity options, we effectively introduced a new era of connectivity solutions with Next-Generation Networks (NGNs) in the form of Fiber-To-The-Home (FTTH) and Fiber-To-The-Business (FTTB), which provide individual and enterprise customers with ultra-high-speed internet, connecting Jordanians to the future with the fastest internet available through the most advanced infrastructure. With the foundation of NGNs, we strengthened our cloud and IoT services, and launched the Kingdom's first IP point of presence (PoP) to provide wholesale customers, regional operators, and Internet Service Providers (ISPs) with unmatched, cost-efficient connections to a top-tier operator. Ensuring the longevity and continued success of our mobile networks, we also completed the refurbishment of our 2G and 3G networks and were able to achieve an impressive 95% 4G/LTE coverage of the populated areas of the Kingdom, offering our customers the best mobile broadband speed and coverage in the Kingdom.

Last year, we made great strides in our goal to reinvent our relationship with our customers, presenting simpler and richer offers to provide them with solutions to facilitate their daily lives and keep them connected to their loved ones, especially through the new Orange Lines that were introduced last year, replacing the old ones. Additionally, we inaugurated the country's first smart store, giving customers a revitalized and revolutionary new, hands-on shopping experience, providing them with interactive opportunities alongside truly unparalleled service.

Launching our "Tikram" rewards program throughout the year, we regularly presented our loyal subscribers with a variety of ever-increasing benefits as a way to show our gratitude to them for their trust in us. Our efforts in this regard, when coupled with our promise to "listen and respond" to the evolving needs of our customers, won us "Customer Experience Champion of the Year" and "Best Customer Experience Management Culture Transformation Program" at the CEM in Telecoms Middle East event in Dubai last year.

We also worked meticulously to accompany the transformation of our enterprise customers, offering them the same, unmatched services and solutions that we offer to our individual customers. By establishing and recommitting to long-standing, strategic relationships with key organizations and institutions around the country, we have become a trusted partner of many public and private entities.

Reflecting a dedicated promise to elevating industry benchmarks as an employer, we were committed to enhance our inner environment to become more attractive, not only within the industry but also in the Kingdom, by working relentlessly throughout the year to build a people-oriented and digital employer model, carrying out internal campaigns such as "Sehtak Biddenya" to improve the lives of our most important asset, our employees, beyond work. Also, we planned and announced the move of our headquarters to the Boulevard in Abdali, where the entire layout of our company will be adapted to fit our values of openness and integration in the most technologically superior district of Amman, which closely mirrors that of Orange Jordan. Our unwavering commitment to bettering the experience of our employees resulted in us being named a Top Employer of the Middle East for the year 2016, awarded by the Top Employers Institute.

At the same time, we reached towards a more sustainable future for all of us by diversifying our operations and effectively capitalizing on our assets, launching a solar energy project with separate locations across the Kingdom that will generate a substantial amount of renewable electricity for collective operational use.

Understanding our position as an influential corporate citizen of the local community, we focused much of our attention on corporate social responsibility (CSR) and corporate entrepreneurship responsibility (CER) initiatives and activities, our largest and perhaps most successful of them being Business Innovation Growth (BIG), which was launched at the end of 2015 as a growth-mode startup accelerator program in line with His Majesty King Abdullah II's vision to transform the Kingdom into a regional hub for ICT.

To close, my utmost gratitude goes out to the tireless efforts of the Board of Directors, headed by our esteemed Chairman, Dr. Shabib Ammari, whose passion for Orange Jordan has been a crucial driver of our continued success. As always, the continued trust of all of our shareholders in us is a vital part of our ongoing success story. Finally, I would like to thank our affiliates, partners, and every member of the Orange Jordan team, whose dedication to our cause cannot go unrecognized. 2016 was indeed a year filled with strategic progress and aspirational fulfillment, and we at Orange Jordan look forward to sharing yet another year of innovation, achievements, and prosperity with you all.

Sincerely,
Jérôme Hénique
CEO

2016 Board of Directors of Jordan Telecom Group – Orange Jordan

H.E. Dr. Shabib Ammari
Chairman of the Board of Directors

Mr. Michel Monzani
Vice-Chairman of the Board of Directors

H.E. Dr. Mohammad Abu Hammour
Member of the Board of Directors

Mr. Jean Marc Vignolles
Member of the Board of Directors

Brigadier General Engineer Ali Alassaf
Member of the Board of Directors

Dr. Samer Ibrahim Al Mofleh
Member of the Board of Directors

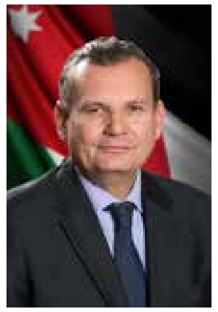
Mrs. Maï de La Rochefordière
Member of the Board of Directors

Legal Advisor: Thaer Najdawi
Auditors: Ernst & Young

2016 Executive Committee of Jordan Telecom Group – Orange Jordan

Mr. Jérôme Hénique
Chief Executive Officer

Mr. Raslan Deiranieh
Deputy Chief Executive Officer
Chief Financial Officer



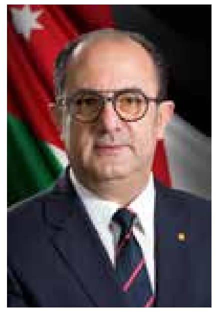
Mr. Patrice Lozé
Deputy Chief Executive Officer
Chief Consumer Officer

Mr. Sami Smeirat
Chief Enterprise Officer

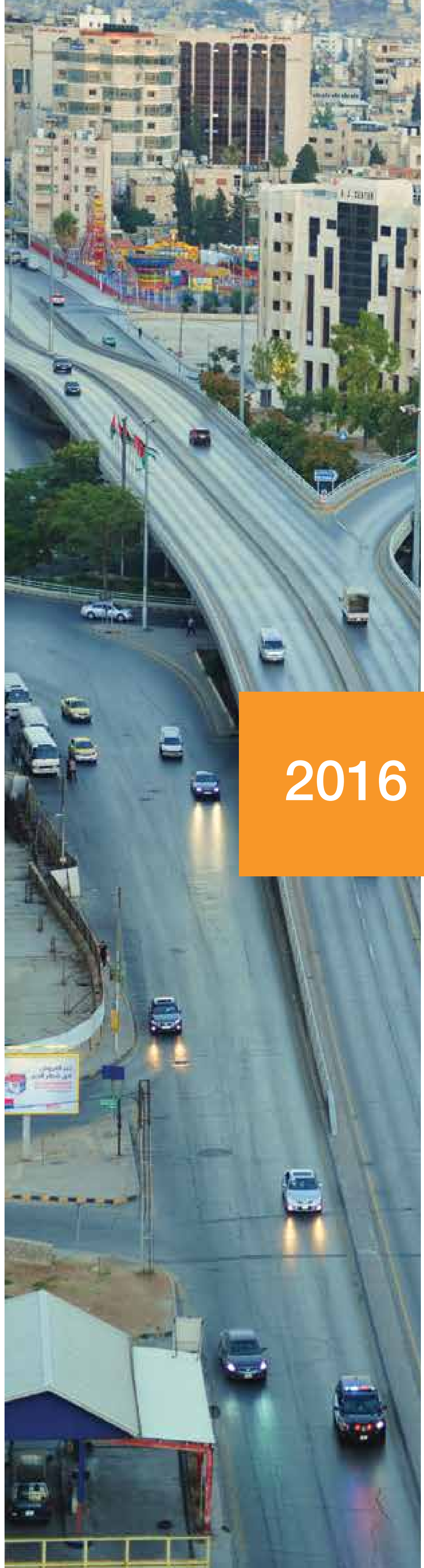
Mr. Waleed Al Doulat
Chief Wholesale Officer
Chief Information Technology and Networks Officer

Dr. Ibrahim Harb
Chief Legal, Regulatory and Sourcing Officer

Mr. Tamouh Khauli
Chief Security Officer



Dr. Edward Zreik
Chief Human Resources Officer



2016 Financial Report

Jordan Telecom Group has faced many challenges during the year 2016 represented by heavy tax burden, Mobile phone applications (OTTs), high competition in the telecom market, in addition to the increase in electricity tariff for the telecom industry. The outcome of the above challenges has an estimated value of around JD 30 million (before tax) on the group's results for 2016. Despite these challenges Jordan Telecom Group has affirmed and enhanced its presence in the Jordanian telecom markets during 2016 by following its strategy under the heading "Essentials 2020" which has a main objective; to provide an unmatched customer experience.

Following this strategy Jordan Telecom Group has completed the replacement of the old mobile network, currently our customers are experiencing a much better quality of service and coverage for all our services being provided through 2G, 3G and 4G. This provides the Group the opportunity to launch a bunch of unique new offers with unlimited off-net and Internet bundles, unlimited calls with competitive prices.

Complementing Jordan Telecom Group plans with providing the best services for our customers, Jordan Telecom Group has introduced "Orange Fiber" service. This will enable our customers to get a new experience of internet with a high speed and wide range of internet service.

The group has managed to maintain a strong financial performance in 2016 alongside its position at the forefront of the Jordanian telecom market, as well as affirming its promise to provide customers with the best service which reflects positively our shareholders' value.

It gives us a great pleasure to present 2016's consolidated annual financial highlights of Jordan Telecom Group.

Presented below is a summary of the consolidated results for 2016 against 2015.

Consolidated Income Statement

(MJD)	2016	2015	Change %
Revenues	**344.1**	**337.8**	**1.8%**
Operating expenses			
Cost of services	(167.3)	(158.8)	5.3%
Administration expenses	(25.4)	(22.0)	15.9%
Selling and distribution expenses	(43.2)	(45.2)	(4.5)%
Government revenue share	(5.9)	(6.9)	(14.6)%
Business support fees	(3.3)	(3.3)	-
Brand fees	(3.9)	(3.8)	1.1%
Total operating expenses	**(248.9)**	**(239.9)**	**3.7%**
Other income	5.5	2.0	172.0%
Profit from operations (EBITDA)	**100.7**	**100.0**	**0.7%**
EBITDA margin	**29.3%**	**29.6%**	
Depreciation, amortization and impairment	(76.7)	(77.4)	(0.8)%
Net foreign exchange differences, finance costs and finance income	1.1	2.7	(59.1)%
Profit before income tax	**25.0**	**25.3**	**(1.0)%**
Income tax expense	(6.9)	(9.2)	(24.3)%
Profit for the year from continuing operations	**18.1**	**16.1**	**12.2%**
Total comprehensive income for the year	**18.1**	**16.1**	**12.2%**
Attribute to: Equity holders of parent	18.1	16.1	12.2%
Profit margin	5.3%	4.8%	
Earnings per share	0.088	0.064	36.8%
Weighted average number of shares (million shares)	205.1	250	(17.9)%

Calculated variance may differ from the financials due to the rounding factor

Consolidated Balance Sheet

(MJD)	2016	2015	Change%
Assets			
Total Current Assets	162.9	218.6	(25.5)%
Property, plant and equipment	206.8	197.5	4.7%
Other non-current assets	254.5	161.5	57.6%
Total non-current assets	461.3	358.9	28.5%
Total assets	**624.2**	**577.5**	**8.1%**
Liabilities and equity			
Total current liabilities	266.2	245.2	8.6%
Total non-current liabilities	89.8	3.7	2310%
Total Equity	268.2	328.6	(18.4)%
Total liabilities and equity	**624.2**	**577.5**	**8.1%**

Calculated variance may differ from the financials due to the rounding factor

Cash Flow Statement

(MJD)	2016	2015	Change%
Net cash from operating activities	89.9	99.6	(9.8)%
Net cash used in investing activities	(85.3)	(136.8)	(37.7)%
Net cash used in financing activities	(79.4)	(42.4)	87.1%
Net decrease in cash and cash equivalent	(74.8)	(79.6)	(6.1%)
Cash and cash equivalents as of 31 December	**35.9**	**110.7**	**(67.6)%**

Calculated variance may differ from the financials due to the rounding factor

Financial Ratio Analysis

	2016	2015	Change%
Profitability ratios			
Return on Total Assets	3.0%	2.8%	8.9%
Return on Total Equity	6.1%	4.7%	28.5%
Liquidity ratios			
Current Ratio	0.61	0.89	(31.4)%
Cash Ratio	0.25	0.45	(45.3)%
Leverage ratios			
Debt- Equity Ratio	132.7%	75.7%	75.3%
Interest – Bearing Debt ratio*	1.2%	1.2%	3.8%
Debt ratio	57.0%	43.1%	32.3%
Assets Coverage ratio	0.39	0.70	(44.4)%
Assets management ratio			
Assets Turnover ratio	0.57	0.58	(1.2)%
Fixed Assets Turnover ratio	1.70	1.75	(2.5)%
Capital Turnover ratio	1.15	0.99	16.6%
Growth ratios			
Dividends per share (JD)	0.088	0.064	36.8%
Dividends payout ratio	99.6%	99.3%	0.2%
Dividends yield ratio	3.8%	1.8%	108.5%
Valuation ratios			
Book value per share	1.31	1.31	(0.5)%
Market to book value ratio	1.77	2.67	(33.8)%
Price – Earnings ratio	26.2	54.5	(51.9)%

* Total Debt (Total Debt + Total Equity)

Revenues

Group's consolidated revenues increased by 1.8% achieving JD 344.1 million in 2016 compared with JD 337.8 million in 2015 mainly due to Wholesale segment revenues (transit calls) and Mobile revenue.

Operating expenses

The term Operating Expenses (OPEX) means the cost of services, administration expenses, selling and distribution expenses, government revenue share, business support fees and brand fees.

The Group OPEX witnessed an increase by 3.7% to reach JD 248.9 million in 2016 against JD 239.9 million in 2015. This increase came mainly due to higher transit calls cost, cost of advertising for new offers and higher energy cost.

Cost of services increased by 5.3% reaching JD 167.3 million in 2016 compared with JD 158.8 million in 2015 as a result of higher wholesale segment revenues (transit calls).

Selling and distribution expenses decreased by 4.5% to reach JD 43.2 million in 2016 compared to JD 45.2 million in 2015 mainly due to lower selling commissions.

Government revenue share equals 10% of net revenue that Orange mobile is required to pay to the Telecommunications Regulatory Commission pursuant to the Mobile License Agreement. Government revenue share reached JD 5.9 million in 2016, decrease by 14.6% from 2015.

Business support fees represent what the Group is required to pay to Orange Group pursuant to the business support agreement. Business support fees of the Group reached JD 3.3 million in 2016, the same amount as in 2015.

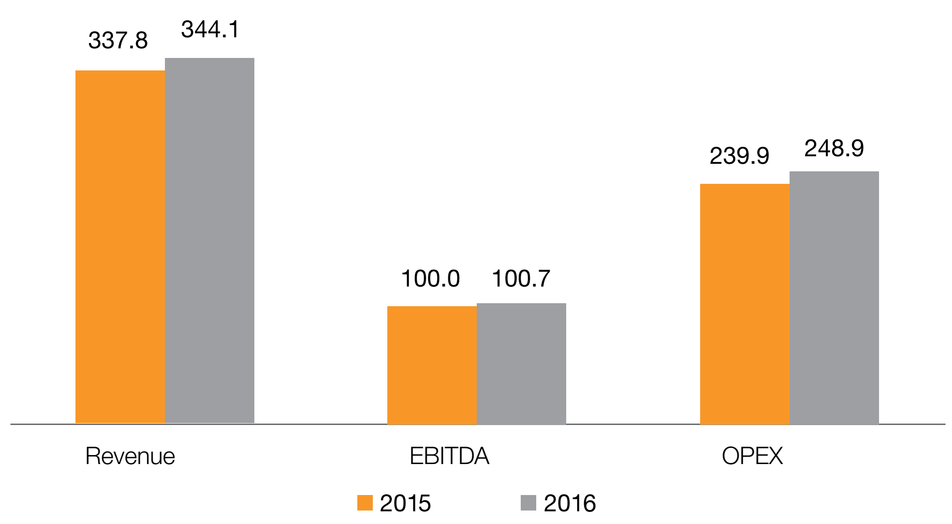
Brand fees represent 1.6% of operating revenues that Jordan Telecom Group is required to pay to Orange Group for using the Orange Brand in all Jordan Telecom Group subsidiaries. It was around JD 3.9 million in 2016 compared to JD 3.8 million in 2015.

EBITDA

Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) consist of sales of services less operating expenses and other income.

Group EBITDA showed an increase by 0.7% to reach JD 100.7 million in 2016 compared with JD 100 million in 2015. This increase is mainly linked to the higher revenue and lower selling commissions.

EBITDA margin for the Group decreased to reach 29.3% at year end 2016, from 29.6 % last year.



Depreciation, amortization and impairment
Depreciation, amortization & impairment expenses decreased by 0.8% to reach JD 76.7 million in 2016 compared to JD 77.4 in 2015.

Net foreign exchange differences
Net foreign exchange differences resulting from Group's transactions in foreign currencies and translation of monetary assets and liabilities. For the year 2016, gain of JD 0.9 million compared to JD 0.4 million in 2015.

Finance costs
Finance costs consist of the interests and other charges, which is paid on the Group's financial indebtedness. Finance costs increased in 2016 to reach JD 1 million compared to JD 0.04 million in 2015.

Finance revenues
Finance revenues consists of revenues earned on cash deposits in various currencies. Finance revenues decreased by 47% reaching JD 1.2 million in 2016 from JD 2.3 million in 2015.

Other income
Other income consists of gains and losses on dispositions of fixed assets and other miscellaneous income. Other income reached JD 5.5 million in 2016 opposed to JD 2 million in 2015.

Income tax
In 2016 the Group reported JD 6.9 million as income tax compared with JD 9.2 million in 2015.

Profit for the year
Jordan Telecom Group generated JD 18.1 million as net profit after tax for the year 2016, with an increase of 12.2% compared to JD 16.1 million in 2015. This rise came in spite of implementation the Group's plan to replace the old mobile network with an impairment cost of JD 16 million up to December 2016. In addition to higher amortization resulting from 2G and 4G Spectrum licenses compared to last year.

Liquidity and capital resources
The primary source of liquidity is net cash from Operating Activities. For 2016, our net cash from operating activities decreased by 9.8% to reach JD 89.9 million as compared to JD 99.6 million for 2015.

Net cash used in Investing Activities reached JD 85.3 million in 2016 from JD 136.8 million in 2015, due to the acquisition of additional frequencies for 3G spectrum license with cost of JD 25.2 million in 2016 compared to acquiring frequencies for 4G spectrum license with a cost of JD 71.4 million in 2015.

Net cash used in Financing Activities reached JD 79.4 million in 2016 compared to JD 42.4 million in 2015, as the Orange fixed has decreased its capital by JD 62.5 million in 2016.

Free cash flow in 2016 reached JD 34.4 million compared to JD 30.0 million in 2015, with an increase of 14.4%.

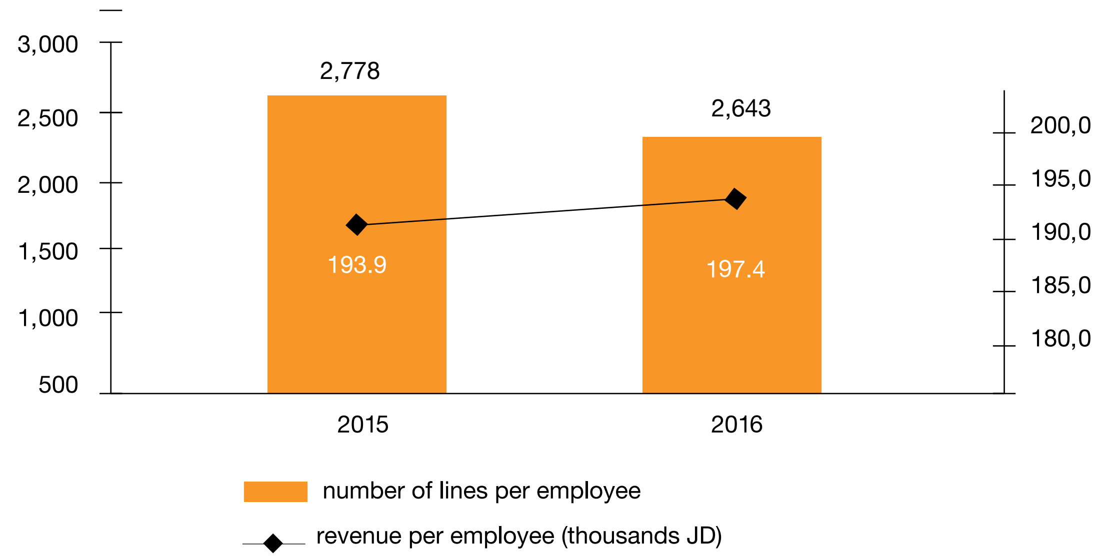
Cash and cash equivalent
Cash and cash equivalent witnessed a decrease of 67.6% from JD 110.7 million in 2015 to JD 35.9 million in 2016.

Capital expenditures
CAPEX (including JD 25.2 million for additional frequncics for 3G spectrum license) Jordan telecom group reached JD 91.5 million at the end of 2016 compared with JD 141.4 million in 2015 (including JD 71.4 million for acquiring frequencies for 4G spectrum license).

Group subscribers
Jordan Telecom Group subscribers showed a decrease by 4.8% to reach 4,606 (K lines) in 2016 compared to 4,840 (K lines) in 2015 due to applying more strict documentation for mobile lines and disconnecting the ones that are not properly documented.

Human resources
Jordan Telecom Group's number of employees increased slightly by 0.1% from 1742 in 2015 to 1743 in year 2016. Total number of temporary employees reached 115 in 2016 compared with 139 in year 2015.

Staff efficiency
The Group's efficiency indicators posted JD 197.4 thousand revenue per employee in 2016 over JD 193.9 thousand in 2015. The number of lines per employee decreased to reach 2,643 lines in 2016 showing a decrease of 4.9% against 2015 where it reached 2,778 lines.



Segment analysis:

Presented below are the revenues for each business segment of the Group:
- Orange fixed and Orange internet
- Orange mobile.

(MJD)	2016	2015	Change %
Revenues			
Orange Fixed & Orange Internet	248.7	246.7	0.8%
Mobile communication	150.8	147.8	2.0%
Intercompany	55.4	56.7	(2.3)%
Total Revenues	**344.1**	**337.8**	**1.8%**

Orange Fixed and Orange Internet

Orange fixed service is the Group's largest business segment. After the opening of the market to competition, Jordan Telecom Group still holds a good market share, with competition on international traffic to and out of Jordan.

Orange internet is the leading internet service provider in Jordan. In 2001, the Group acquired Global One Communications (Jordan) Ltd. The Data communication segment entered into a Brand License Agreement with Orange internet Interactive, Orange internet provides various services such as Corporate internet leased lines, Fixed Internet service for residential and corporate, web-hosting and mail-hosting solutions, internet roaming through dial-up and wireless internet (Wi-Fi) connectivity.
Orange internet has introduced "Orange Fiber" service in 2016.

Revenues

Orange fixed and internet revenue increased by 0.8% in 2016 mainly due to Wholesale segment revenues (transit calls).

Mobile communication

The Group's mobile communication segment consists of the mobile communication products and services offered by Orange mobile, which was registered in September 1999 with an aim to build a new, highly advanced, mobile communication network to serve the Kingdom. Orange mobile began commercial operations in September 2000 as the second provider of mobile services in Jordan. The competition emerged with the entrance of other mobile operators resulting in renewed and intense price competition.
In 2010, Orange mobile was the first to get 3G spectrum license in Jordan Mobile market.
In 2014, Orange mobile renewed the "2G"/ 900 MHz spectrum license and was the first to launch 4G services within a range of 900 MHz in Jordan in several hot spots areas.
In 2015, Orange mobile acquired the 4G spectrum license within a range of 1800 MHz and rolled-out 4G services kingdom wide with a wide variety of special offers.
In 2016, Orange mobile acquired additional frequencies for 3G spectrum license.

Revenues

Orange mobile had an increase in its revenues by 2.0% compared to 2015. This increase came mainly due to higher Mobile Data service revenue.

Disclosure Report for the Year 2016 under the Directive of the Security Commission

1. The services rendered by Jordan Telecom Group – Orange

- Fixed telephone service Fiber
- Mobile Services (voice + data)
- Internet services (ADSL, FTTH)
- Wholesale services
- Services dedicated to enterprises (B2B) (managed network services and other advanced services such as Data Center, Cloud or Machine to Machine services).

Company's locations and number of employees of each location:
Headquarter offices, Jabal Amman, 1st Circle, City Center Building, P.O. Box 1689, Amman 11118 Jordan.

Governorate	No. of locations	No. of employees
Headquarters	1	510
Amman	67	738
Ajloun	12	6
Irbid	59	106
Jerash	14	9
Al-Mafraq	41	16
Al-Balq'a	22	16
Madaba	10	11
Al-Zarqa	19	48
Al-Aqaba	13	26
Al-Karak	35	35
Ma'an	24	16
Al-Tafilah	12	9
Total	329	1546

The amount of capital investment in 2016 for Jordan Telecom was (JD 26,477,013) and for Jordan Telecom Group (JD 178,046,428)

2. Subsidiaries

All Subsidiaries Headquarter offices, Jabal Amman 1st Circle, City Center Building, P.O. Box 1689 Amman 11118 Jordan

Name of the subsidiary	Nature of business	Capital JD	Equity %	No. of emp.
Petra Jordanian Mobile Telecommunications Co. Ltd. (Orange Mobile)	GSM operator	70,000,000	100%	289
Jordan Data Communications Co. Ltd. (Orange Internet)	ISP	750,000	100%	23
Dimension Company for Digital Development of Data Ltd. (E-dimension)	Development of Renewable Energy Projects	220,000	100%*	-**

The percentage of ownership for Dimension Company for Digital Development of Data Ltd. (e-dimension) is 51% for Jordan Telecommunications Company and 49% for Petra Jordanian Mobile Telecommunications Co.
** e-dimensions' employees became a part of Jordan Telecommunications company's staff.

3. a. Members of the Board of Directors

H.E. Dr. Shabib Ammari
Chairman of the Board of Directors

Dr. Shabib Ammari is the Chairman of the Board of Directors of Jordan Telecom Group - Orange Jordan since January 2000 till now, representing the Government of Jordan at the beginning. Dr. Ammari was repeatedly elected as the Chairman of the Board of Directors representing France Telecom Group (now Orange) in the year 2006.
A Royal Decree included the appointment of His Excellency Dr. Shabib Ammari as a member of the Senate (25/10/2013 – 25/10/2016). During that period he was Chairman of the board of Orange Jordan.
A Royal Decree included Dr. Shabib Ammari as Minister of Industry and Trade in His Majesty's Government of H.E. Dr. Fayez Tarawneh from 2/5/2012 to 7/10/2012. Dr. Ammari rejoined the Board of Directors on 24/10/2012 and was elected as the Chairman of the Board of Directors on that date and till now.
Dr. Ammari is a Deputy Chairman of the Board of Trustees at the Royal Scientific Society (H.R.H. Prince Al-Hassan Bin Talal Chair), and was a Member of the Privatization Council, The Economic Dialogue Committee, the Board of Trustees of King Hussein Bin Talal University and the Board of Directors of the Arab Jordan Investment Bank.
Dr. Ammari holds a Ph.D. in Economics (1980) from the University of Southern California (USA), where he worked as a Senior Lecturer along with Calif. State .Univ. – Long Beach until (1985) after which he returned to Jordan and worked in the private sector in the capacity of a General Manager.

Mr. Michel Monzani
Vice-Chairman of the Board of Directors

Mr. Michel Monzani is a member of the Board of Directors of the Jordan Telecom Group – Orange Jordan, and is also a Senior Vice President within Orange Middle East and Africa Division, leading the Middle East and North Africa operations.
Mr. Monzani has held the position of Chairman of the Board of Directors from May 2012 to October 2012, and was elected Vice-Chairman of the Board of Directors in April 2014.
Mr. Monzani was formerly the Senior Vice President in charge of Poland at France Telecom – Orange. Prior to that, he was appointed Head of the Strategy Department within the International Division with a world-wide responsibility for the Corporate Development of France Telecom Group.
In 2002, Mr. Monzani was seconded to Poland to assist Orange Poland management in restructuring the domestic consumer Sales Network. Previously, he held the position of Senior Vice-President in charge of the Sales and Services Division for the French territory.
Mr. Monzani was appointed Senior Vice President in charge of France Consumer Division in 1996.
In 1991, he served as the Regional Director of France Telecom-Orange, covering the North of France. Earlier, he held various responsibilities in the fields of IT, and consumer and business sales. He is also a Board Member of various telecommunications companies.
Mr. Monzani graduated from HEC School of Management, Paris. He is a Chevalier de l'Ordre National du Merite.

H.E. Dr. Mohammad Abu Hammour
Member of the Board of Directors

H.E. Dr. Mohammad Abu Hammour is a member of the Board of Directors of Jordan Telecom Group - Orange Jordan. He has held this position since 2012. He previously served as Minister of Industry and Trade in 2003, as Minister of Finance (2003-2005) and was reappointed as Minister of Finance (2009-2011).
H.E. Dr. Abu Hammour represented many banks, companies and institutions in their respective boards of directors. Before that, he occupied the position of Secretary General of the Ministry of Finance (2000-2003), consultant to the Ministry of Finance (1998-2000), lecturer at the University of Jordan (1998-1999) and in the Central Bank of Jordan (1987-1998). H.E. Dr. Abu Hammour was decorated as the best Finance Minister in the Middle East for the years 2004 and 2010.
H.E. Dr. Abu Hammour holds a Ph.D. Degree in Economics from the University of Surrey/UK (1997), in addition to a Master's Degree in Economics from the University of Jordan (1989) and a Bachelor's Degree in Economics from the Al-Yarmouk University (1984).

Mr. Jean Marc Vignolles
Member of the Board of Directors

Mr. Jean Marc Vignolles is a member of the Board of Directors of Orange Jordan, as well as the Chief Operating Officer (COO) and Deputy General Manager of Orange Middle East and Africa (OMEA) since March 2016 with responsibility over the marketing and distribution, network, customer experience and transformation domains.
From 2007 to 2015, Mr. Vignolles was the Chief Executive Officer of Orange Spain, which, under his leadership and following the acquisition of Jazztel which he managed, grew to number two position on the Spanish market. Prior to that, he was the CEO (2004-2007) and COO (2001-2004) of Orange Poland mobile operation as well as member of the Management Board of Telekomunikacja Polska (2005-2007).
Beginning in 1983, Mr. Vignolles worked at France Telecom, occupying various key, upper-level positions, including Vice President for Central and Eastern Europe in the International Development Division (1994-2000), Key Account Manager in the France Telecom Key Account Division (1990-1994), and Head of Department in the IT Division (1983-1999).
Mr. Vignolles received his Agrégation d'anglais certification in 1977 and graduated from Institut d'Etudes Politiques (Paris) in 1976 and from Ecole Normale Supérieure in 1973.

Brigadier General Engineer Ali Alassaf
Member of the Board of Directors

Mr. Alassaf is the Director General of Special Communications Commission (SCC) / Jordan Armed Forces.
Mr. Alassaf joined the SCC in 1984, where he held several positions in the SCC including the head of the technical supply branch, head of maintenance branch and head of engineering branch. In 2010, he assumed the position of Director General of the SCC.
During his current position he managed several vital security projects such as the Jordan Borders Security, Encryption Project of vital communication channels.
He attended a number of advanced training courses (USA

and Europe) in fields related to cyber security and advanced communications.

Mr. Alassaf received the bachelor's degree in electrical engineering from University of Engineering & Technology UET LAHORE – PAKISTAN.

Dr. Samer Ibrahim Al-Mofleh
Member of the Board of Directors

Dr. Samer Al-Mofleh has served as a Member of the Board of Directors of Jordan Telecom Group – Orange Jordan since April 2013, and has been an Advisor for Strategic Planning to the Director General of the Social Security Corporation since April 2011, in addition to being a lecturer for graduate students at Talal Abu-Ghazaleh College of Business for Postgraduate Studies, German Jordanian University since 2010.

Dr. Al-Mofleh worked as an Economic Expert at The Prime Ministry of Jordan / Prime Minister's Office (2010 - 2011) and an Economic Expert at The Jordan Investment Board (2008 - 2010), and worked as a part-time expert with the World Bank Group on some projects in the region, in addition to working as a lecturer at the School of Management and Logistics Sciences at the German Jordanian University.

Dr. Al-Mofleh holds a Ph.D. Degree in Engineering from the University of Bristol (2008), in addition to a MSc Degree in Engineering Business Management from Coventry University (2004), and a BSc Degree in Computer Engineering from Applied Science University (2002). Dr. Al-Mofleh also holds some professional certifications and has a number of research publications related to e-government and e-services development in the Kingdom.

Mrs. Maï de La Rochefordière
Member of the Board of Directors

Since 2012, Mrs. Maï de La Rochefordière has been the Head of Subsidiaries & Project Financing of the Orange Group. In this role, she manages a team of financing experts in charge of high stake files and is also Board Member of a number of subsidiaries and holdings in various geographies (including Europe and Middle East).

In 2010, she was named Finance Director of Orange Health Line of Business.

From 2007 to 2010, she managed relationships with investors and financial analysts at the Group Financial Communication.

Prior to that, Mrs. Maï de La Rochefordière was a Finance Manager and Senior VP Subsidiaries Financing and held different Board Member positions. She actively supported the growth of numerous telecom operators in Europe, the Middle East, Africa and Asia by assessing and implementing the most adequate financing structure, and negotiating complex financing debt and equity agreements.

Mrs. Maï de La Rochefordière began her career in 1996 as a Financial Controller at France Telecom Mobile Services. Afterwards, in 1998, she became a Business Plan Manager at France Telecom Mobile International where she designed the business plans of numerous mobile telecom operators and participated to the acquisition and development of green field licenses.

Mrs. Maï, is a graduate of Ecole Supérieure des Sciences Commerciales d'Angers.

3. b. Top Management (Executives):

The management is in charge of managing the day to day work of Orange Jordan and its subsidiaries.

Mr. Jérôme Hénique
Chief Executive Officer of Orange Jordan

Mr. Jérôme Hénique has over 20 years of experience in the ICT field, during which he worked in a diverse array of markets that span France, Spain, Senegal, and Jordan, cultivating an extensive experience in the management of international teams, consumer behavior, strategic planning, and corporate communications.

Prior to joining Orange Jordan as CEO in September 2015, he worked as Deputy CEO of SONATEL Group — an Orange subsidiary based in Dakar covering four countries in West Africa — between 2010 and 2015, where he also served as chairman and a member of several of the Group's boards. His insightful leadership, solid marketing, and background in customer centricity contributed to SONATEL's booming sales record over the past four years and helped propel the operator's rapid growth. Before joining SONATEL, Mr. Hénique served as Group Chief Marketing Officer at Orange between 2009 and 2010, leading the international marketing team in Paris, London, and New York and becoming a member of the Orange Executives Network. He also acted as Chief Marketing Officer of the Consumer Market at Orange France between 2006 and 2009, where he led the operator's marketing operations and successfully consolidated broadband market share in France. Mr. Hénique also worked as Chief Marketing Officer of Wanadoo Spain from 2000 until 2003, managing the company's nationwide marketing operations, and as Chief Marketing Officer of Wanadoo Group from 2003 to 2006.

Mr. Hénique has an MBA in Management of Network Business from ENSPTT in Paris and a BA in Economics, Marketing, and Finance from the Paris Institute of Political Studies.

Mr. Raslan Deiranieh
Deputy Chief Executive Officer
Chief Financial Officer

Mr. Raslan Deiranieh is the Deputy Chief Executive Officer and the Chief Financial Officer of Jordan Telecom Group – Orange Jordan. He joined Jordan Telecom in 1998 as a Manager of the Treasury Department. Before that, Mr. Deiranieh served as head of the Foreign Investment Section at the Central Bank of Jordan.

Mr. Deiranieh is currently a Board Member in Jordan Dubai Islamic Bank, a Board Member of JAMA (Jordan Association of Management Accountants), and the Chairman of e-dimension Company for Digital Development of Data Ltd.

He was previously a Board Member of Jordan Data Communication Co. and the Chairman of Light Speed Company based in Bahrain.

He has previously represented the Social Security Corporation on the Board of Directors of Jordan Press Foundation (Al-Rai Newspaper) and Jordan Steel Company.

Mr. Deiranieh holds a Bachelor's degree in Accounting and Computer Science with honors from Al-Yarmouk University (1985) as well as the award of Scientific Excellence from the same university and the Distinguished Graduates award. Mr. Deiranieh holds a Master's degree in Accounting from the University of Jordan, and has a certificate of Orange Finance and Controlling from the European School of Management ESCP.

Mr. Patrice Lozé
Deputy Chief Executive Officer
Chief Consumer Officer

Patrice Lozé is the Deputy Chief Executive Officer of Orange Jordan — a position he has held since March 2014.

Mr. Lozé has a long and varied history with France Telecom Group (FTG) that extends well over 15 years, during which he held a variety of positions that have garnered him an extensive experience in the arena of telecommunications.

Prior to joining Orange Jordan, Mr. Loze worked as FTG's Head of Commercial Activities in France for over seven years, overseeing the company's various operations within the country.

He has a degree in Law from Université Paris X Nanterre, a degree from School of Management (Ecole des Cadres) and a CEDEP certification from INSEAD

Mr. Sami Smeirat
Chief Enterprise Officer

Mr. Smeirat has held the position of CEO of Jordan Data Communication Company Ltd. since 2007, in addition to his position as the Chief Enterprise Officer that provides services of telecommunications solutions (mobile, internet and fixed) for the public and private sectors in the Jordanian market. In 2003, he was the Chief Executive Officer of Wanadoo until it was re-branded to Orange Internet.

He also led the exclusive partnership with Equant as their distributor in Jordan, and the re-branding of Global One to Wanadoo. Prior to that, he was the co-founder of Cyberia Jordan in 2001, in which he worked as the deputy CEO and Chief Commercial Officer; he also worked as the Corporate Sales Manager at Global One since 1996, before managing Consumer and Corporate Sales since 1999; and Teaching and Research Assistant at the University of Jordan for two years.

Mr. Smeirat holds a B.Sc. in Electrical Engineering from the University of Jordan and a Master's Degree in Communications Engineering as well as a MBA in Business Administration from NYIT.

Mr. Waleed Al Doulat
Chief Wholesale Officer
Chief Information Technology and Networks Officer

Mr. Waleed Al Doulat has held the position of Chief Wholesale Officer of Jordan Telecom Group - Orange Jordan since 2010, from July 2016, Mr. Al-Doulat has been assigned the role of Chief Information Technology & Networks Officer, in addition to his current position Chief Wholesale Officer.

In 1992, he joined the Jordan Telecom Group as an Operation and Maintenance Transmission Engineer where he worked his way up to his current position.

Mr. Al-Doulat received his B.Sc. degree in Electrical Engineering/ Telecommunications from the Jordan University of Science and Technology (JUST) in 1989. Following his graduation he worked at the same University as a Teaching Assistant until the end of 1991.

Dr. Ibrahim Harb
Chief Legal, Regulatory and Sourcing Officer

Dr. Ibrahim Harb has held the position of the Chief Legal, Regulatory and Sourcing Officer of Orange Jordan since September 2014.

Prior to that, Dr. Harb was the Chief Legal and Regulatory officer of Orange Jordan (2010 - 2014), and the Legal and Regulatory Director of Orange Jordan (2005 - 2010).

Before that, he had held in 2004 the position of Acting Human Resources Officer at Jordan Telecom, and was the Training Manager and the Training Center Manager (1999 - 2004) at Jordan Telecom.

Dr. Ibrahim holds a Ph.D in Communications Engineering.

Tamouh Khauli
Chief Security Officer

With over thirty five (35) years of distinguished and internationally-recognized experience in Technology, Networks, communication, cyber defense, and converged Information Security & Resiliency, Mr. Khauli heads Orange Jordan Networks and Information Security with the zeal and profound resourcefulness of an NGCSO (Next Generation Chief Security Officer), where his area of expertise also includes Security R&D, Innovations, Business Continuity & Crisis Management, Protection of Personal Data, Cyber defense and Forensic Investigation, Cyber Intelligence and Counter Intelligence, Physical Security and Evacuation & Emergency Response.

After returning from the USA in 2001, where he coroneted his achievements with several years working at the USDOD (United States Department of Defense) Defensive Information Warfare Program with concentration on the development of "Military Grade Encryption", and as Senior Vice President for Operations at Novell, Mr. Khauli joined Orange Jordan as Chief Executive Officer for e-dimension, the technical arm & technology incubator of Jordan Telecom Group.

Mr. Khauli led Orange Jordan converged and integrated technologies innovations, before heading the Security Operations in 2009.

During his career, Mr. Khauli led several research teams from various foremost companies and universities, including MIT (Massachusetts Institute of Technology).

His research included telecommunication network infrastructure, communication platform security, cryptography and encryption technologies, IP Multimedia Subsystems, cyber hacking protection, forensics techniques, and other related fields. Mr. Khauli represented The Hashemite Kingdom of Jordan at the Computerized Networks Defense Symposium II. He was awarded several medals of excellence in international conferences and technical workshops where he attended as Keynote Speaker. In addition to his Master's Degree from New York University - USA and B.Sc. in Business Administration and Computer Science from Oxford University - UK, Mr. Khauli was certified by Novell as Certified Network Engineer in 1990, and in 1994 he received his Microsoft CNE certification, where he combined it with a third certification from Lucent USA as Technical- Platforms Advanced Security Engineer.

Dr. Edward Zreik
Chief Human Resources Officer
Dr. Edward Zreik was born in 1961. He holds a PhD in Human Resources Management, a certification in Research in Management Science and a Masters Degree in Organization Management.
In June 2014, Dr. Edward Zreik started with Orange Jordan as Chief Human Resources Officer. He was formerly the HR Director at KOREK Telecom under Orange Management where he designed and implemented the “Foundations” of the HR department.
During his 27+ years of experience, Dr. Edward Zreik occupied many HR managerial positions with Orange Group and with other international groups covering the telecom and the distribution businesses

4. The names of shareholders who own 5% or more of the capital as of the 31st of December 2015 and 2016:

Shareholders	No. of shares 31/12/2015	Shareholding % (2015)	No. of shares 31/12/2016	Shareholding % (2016)
Joint Investment Telecommunications Co.	127,499,999	51%	95,624,999	51%
Social Security Corporation	72,200,000	28.88%	54,150,000	28.88%
Noor Telecommunications Holding Company Limited	25,000,000	10%	18,750,000	10%
Total	224,699,999	89.88%	168,524,999	89.88%

*In 2016 the company reduced the capital from J.D (250) million to become J.D (187.5) million.

5. The competitive situation of the company:
After the exclusive rights termination on the 1st of January 2005, the TRC issued individual and class licenses for fixed line services to several companies. Additionally, the mobile telecommunication service has affected the company’s market share in the local market.

The Company’s share of the total domestic market:

Orange Fixed services	>90%
Orange Mobile services	30-35%
Orange Internet services	around 50%

6. The degree of dependence on specific resources:
The Jordan Telecom Group purchased more than 10% of the total purchases from:
Huawei International Co. Limited (16%).

7. The privileges enjoyed by the company:
Jordan Telecom does not enjoy any privileges and does not hold any patent. On the other hand, Jordan Telecom has the right to use the brand name of “Orange”.

8. The decisions of the Government:
There are no decisions issued by the Government or international organizations or others, which have material effect on the Group’s business, products or competitive ability. Pursuant to the license issued to it, the Group complies with international quality standards and is certified with the ISO 9001:2008 standards (Quality Management Systems).

9.a the organizational structure of Jordan Telecom Group

9. b. Number of employees and type of qualifications:

Qualification	Jordan Telecom (Orange Fixed)	Petra Jordanian Mobile Tel. Co. (Orange Mobile)	Jordan Data Communication Co. (Orange Internet)
Doctorate (PHD)	2	-	-
Master's	68	19	3
High Diploma	5	1	-
BA	876	240	16
Diploma	304	17	-
Tawjihi	81	9	1
Below Tawjihi	210	3	3
Total	1546	289	23

9. c. Training programs during 2016

No.	Description	Number of trainees
1	Financial Courses	25
2	Management Courses	516
3	Marketing & Sales Courses	2154
4	Quality Courses	19
5	Technical Courses	870
6	Computers Courses	106
7	Language Courses	143

10. The risks to which Jordan Telecom Group is exposed:

Jordan Telecom Group faces risks of competition from mobile telecommunications and other telecom companies who serve fixed line services.

11. The achievements realized by the company:

The achievements were mentioned in Jordan Telecom Group results.

12. The operations of infrequent nature during 2016:

There is no financial impact for non-recurring transactions that occurred during the fiscal year, which are unrelated to the core activities of the company, except for the 25% capital reduction that occurred in 2016.

13. The time series of profits, distributed dividends, shareholders' equity and shares prices issued by the company for five years:

,	2012	2013	2014	2015	2016
Profits in (JD)	83,096,208	51,490,517	42,033,069	16,105,838	18,074,087
Distributed dividends (JD)	82,500,000	52,500,000	42,000,000	16,000,000	*18,000,000
Dividends %	33%	21%	16.8%	6.4%	9.6%
Shareholders equity in (JD)	396,010,430	365,000,947	354,534,016	328,639,854	268,213,941
Share prices (JD)	5.30	4.10	3.51	3.51	2.31

* Proposed dividend in 2016

14. The analysis of the financial position of Jordan Telecom Group:

The financial analysis was included in the consolidated financial and statistical highlights.

15. Future outlook

This part is mentioned in "The future vision of the Group".

16. The remuneration of the external auditor of the company and its subsidiaries during 2016:

The Company	Auditing remuneration (JD)
Jordan Telecommunications Co. (Orange Fixed)	38,610
Petra Jordanian Mobile Telecommunication Co. Ltd. (Orange Mobile)	38,610
Jordan Data Communication Co. Ltd. (Orange Internet)	5,085
Dimension Company for Digital Development of Data Ltd. (e-Dimension)	360

17. The shares owned by the members of the Board of Directors and top management:

No shares are owned by any of the members of the board of directors except for H.E. Dr. Shabib Ammari – Chairman who owned (1) share. No shares are owned by top management members and their relatives or by any company controlled by them.

18. The remunerations and rewards in 2016 for the members of the Board of Directors were JD 216,442 and for the top management members were JD 1,381,936

19. Donations and grants:

No.	Donations to	Amount (JD)
1	The General Trade Union of Workers in Public Services & Free Occupations	88,100
2	Zarka Municipaitly	20,000
3	Donations for several charities	14,500
4	Tkiyet Um Ali	7,500
5	Zarka Governorate	4,869
Total		134,969

20. The contracts concluded by the company with subsidiary, sister and affiliated companies:

There is a management agreement between Orange Jordan and Orange Group. Also a number of agreements signed between the company and its subsidiaries in the daily normal conduct of business.

21. The company’s key contributions in the areas of environmental preservation and community service:

Orange Jordan Achievements 2016

Corporate Social Responsibility

In line with its role as an international company with a local spirit, Orange Jordan is committed to continuing its corporate social responsibility strategy, inspired by one of the key pillars of its five-year corporate strategy Essentials 2020.

Throughout 2016, we continued to elevate our commitment to society across all sectors, by forming strategic partnerships with civil society organizations, in addition to offering quality products and services. This was with an aim to develop the community through benefits and added value, not only for our beneficiaries, but also to lead to socioeconomic growth which falls in line with the priorities of our shareholders. This dedication embodies our commitment to opening the horizons of the new digital age, through our innovative services that are integrated into daily life.

Social Solidarity and Charity

• Continuing to support campaigns by the Jordanian Hashemite Fund for Human Development (JOHUD), including the National Goodwill Campaign, by providing winter relief supplies across the Kingdom to contribute to the wellbeing of underprivileged families in the community, in addition to a free medical campaign, which was carried out in a number of villages.
• Hosting a daily iftar tent for orphans during the holy month of Ramadan across various locations in the Kingdom in partnership with the local charity NGO, IBDAA. This enabled Orange Jordan and IBDAA to spread happiness and create social solidarity, which is in line with the values of the holy month.
• Hosting 1,000 orphans at a special Iftar during the holy month of Ramadan.
• Honoring resident mothers at the King Hussein Medical Center on Mother’s Day, as part of Orange Jordan’s keenness to support the women and health sectors to highlight their prominent role in society.
• Recommitting to continued social work with Tkiyet Um Ali (TUA) by renewing our agreement with the NGO, distributing charity parcels to underprivileged families across the Kingdom and participating in “Mawa’ed Al-Rahman” during Ramadan, where CEO Jérôme Hénique and a number of top-level management members served Iftar meals to those in attendance. The longstanding partnership between Orange Jordan and TUA comes in line with the mutual goals of creating brighter futures for unprivileged communities in the Kingdom and improving the general wellbeing of its citizens.

Education and Youth

• Reinforcing our commitment to the Generations for Peace (GFP) program by renewing our partnership and providing telecommunication products and services to GFP-supported schools, and giving students of GFP’s Jordan Schools Program the opportunity to watch the FIFA U-17 Women’s World Cup, as well as continuously supporting a number of other key activities organized by the program for youth development and the harmonization of society.
• Sponsoring 15 underprivileged university students through our continuous partnership with the Jordanian Hashemite Fund for Human Development (JOHUD), bringing the total number of scholarships offered since the beginning of the program in 2001 to over 200.
• Continuing scholarships for five talented students at Princess Sumaya University for Technology (PSUT), and inaugurating an Orange free Wi-Fi green area for students at the university.
• Reaffirming our partnership with Yarmouk University, which started in 2015, where we continue to support the Orange Yarmouk Innovation Lab (OYIL) to develop the skills of engineering students. Orange Jordan awarded certificates of expertise to students who successfully completed the training program and selected students for the next wave of the program.
• Honoring the winning Jordanian team of the Universal Concept of Mental Arithmetic System (UCMAS) global competition, rewarding them with tablets to continue developing their talent and improving their skills for a brighter future, as well as sponsoring a number of them to participate in the competition, reaffirming our efforts to support young, talented Jordanians.

• Sponsoring the 7th Annual International Conference on Information and Communication Systems (ICICS) held at Jordan University for Science and Technology (JUST), which contributes to the ongoing dissemination of knowledge among experts in all areas of technology, by which we establish ourselves as a leader in the technology and science fields, in addition to assisting other experts and professionals in their pursuit of future advances.
• Sponsoring the Jordan Model United Nations (JoMUN) conference with a variety of telecommunications services, maintaining our shared commitment to enhancing global political awareness and communication skills for the Kingdom’s youth to contribute to the creation of their future successes.

Environment

• Unveiling our solar energy project which will generate our electricity needs through the use of renewable energy produced by a series of five solar farms located throughout the Kingdom. Through this project, Orange Jordan will generate the same amount of energy it currently uses, resulting in a substantial decrease in CO2 emissions that are emitted by traditional energy sources and cut down the company’s total annual electricity bill.

Tourism

• Launching a photography competition in collaboration with Samsung Jordan, Zohrab Photography, and the Jordan Tourism Board (JTB) to showcase Jordan’s natural beauty, contributing to its cultural preservation and acting as a catalyst for tourism in the Kingdom.
• Sponsoring the Regional Conference on Investing in Tourism for an Inclusive Future, where we provided free high-speed Wi-Fi and free international calls for all participants to facilitate the conference’s proceedings.
• Sponsoring the first Jordan Shopping Festival and supporting the tourism sector in the Kingdom, while contributing to establishing Jordan as a regional and international tourist destination.

Corporate Entrepreneurship Responsibility (CER)

• Concluding the first season of Business Innovation Growth (BIG) with an event that served as a closing ceremony in celebration of all participating startups. The event also served to inaugurate BIG Season 2.
• Entering into an exclusive partnership with Play 3arabi, which is a startup that participated in seasons one and two of BIG, whereby Orange Jordan will continue supporting its game “Arab Racing” that is currently available on the Play Store and App Store.
• Giving the opportunity to BIG startups to participate in and exhibit their products at the Special Operations Forces Exhibition and Conference (SOFEX).
• Sponsoring two BIG startups, Play 3arabi and Masmoo3 that participated in BIG entrepreneurship program, to attend the Viva Technology Startup Connect conference in Paris that brought together tens of thousands of high-level entrepreneurs, executives, and investors to discuss the effects of technology on business and society.
• Hosting the Seedstars Amman annual pitching competition at BIG, which is part of the Swiss group Seedstars that has a global startup competition, in line with our continuous commitment to stimulate emerging startups and entrepreneurship.
• Launching BIG Season 3 with six new startups joining the program and expanding the service offerings of BIG to provide a customized growth plan to each startup, as well as a mentorship program, PR support, and social media exposure and engagement.
• Sponsoring BIG startups to participate in the RiseUp Summit in Cairo, the leading entrepreneurship event in the Middle East and North Africa.
• Sponsoring the participation of BIG startups at the Global Science and Technology Forum, which was held under the patronage of His Royal Highness Crown Prince Al-Hussein bin Abdullah II and organized by the Information and Communications Technology Association of Jordan (int@j) in cooperation with the Global Science and Technology Forum – GSTF, Singapore.

• Hosting the "Techfugees" open forum that was organized by Technology Salon, a subsidiary of UNICEF, as part of our commitment to accelerating entrepreneurial projects through BIG.
• Sponsoring the Jordan Engineers Association's "Women Engineers and Entrepreneurship" conference, supporting women entrepreneurs to drive socioeconomic development within the Kingdom, offering our expertise and services along the way to inspire their growth.

Corporate Sponsorships
• Sponsoring the first Women on the Front Lines (WOFL) conference that was held in Amman, as part of our dedication to empowering women by supporting leadership, change and sustainability in their respective fields.
• Sponsoring and participating in French Week at the Abdali Boulevard by showcasing advanced devices and technologically superior concepts to bring people together, strengthen local ties, and also connect Jordanians to the rest of the world.
• Entering into a strategic partnership with the 2016 MENA ICT Forum organized by int@j to contribute to facilitating digital transformation in the Kingdom.
• Organizing breast cancer awareness sessions at the King Hussein Cancer Center.
• Partnering with Jordan Air Ambulance Company (JAAC) to contribute to health services by transporting critical cases across the Kingdom.
• Sponsoring the 2016 Special Operations Forces Exhibition and Conference (SOFEX) by providing telecommunication and internet services, facilitating all activities.
• Sponsoring the Arab Regional ISPs & DSPs Association (ARISPA) meeting in the Kingdom, which aimed to enhance internet usage in the Arab world in light of the ongoing technological revolution.

Technology and Innovation
• Participating in the "Transforming Societies and Enabling Digital Economies for Smart Nations" forum, which showed an outstanding level of the technological paradigm covering Jordan and the Middle East and shed light on the significance of cloud computing, Internet of Things (IoT), and big data, enabling digital economies and transforming societies into smart nations.
• Sponsoring the "Arab Advisors Group's Technology Convergence" conference to shed light on the new shape of business in the era of hyper connectivity.
• Sponsoring the Kingdom's first meeting of the Global Commission on Internet Governance (GCIG), in order to position Jordan as the region's most prominent proponent of global internet accessibility and to promote positive growth in the Kingdom's economy.

New Offers and Services
Keeping our customers connected to all that is essential to them, we renewed and modified our portfolio of offers and services to comprehensively cover the ever-evolving needs of our subscribers.

• Introducing the new Orange lines into the market at the beginning of 2016, with the best value for money, that were created based on the concept of "Listening and Responding" to the needs of our customers, with revolutionary first-to-market "Always-on Data" and "Data Carry-Over" features, which later on in July were followed by the "Unlimited Calls" offer across all local networks in the Kingdom. Not stopping there, we took it to another level, making unlimited calls available to Wataniya Mobile Palestine as well, facilitating connections with the families, friends and businesses of our customers in Palestine. Acknowledging customers who prefer our postpaid offers, we dedicated even greater value for money, not to mention international minutes built into the offer, handset subsidies, RJ mileage and pointing system. All of this was offered with free 4G access by Orange Jordan, the preferred internet and telecommunication solutions provider in the Kingdom.

• Introducing six new scratch cards into the market for recharging prepaid cards, and providing our customers with a lower price option while maintaining the great value of our offers. Named "Nos B Nos," these cards split the recharge value equally between voice and internet, using one unique recharge code to simplify the lives of our customers.

• Successfully launching our new "Tikram" customer reward program which is made up of two complementary parts that provide an unmatched customer loyalty experience. The first part is Tikram Points, allowing our customers to collect points on their daily use of their Orange products in one unified account, where these points can be used at Orange shops or at one of more than 55 partner entities. The second part is Tikram Special Offers, which includes monthly discounts and free items provided by our partners for all of our mobile customers, without the need to have accumulated any Tikram points.

• Carrying out a comprehensive campaign on both internal and external levels under the umbrella of Orange Group's partnership with the UEFA EURO 2016, through which we launched the "Play & Win" contest to give an added benefit to customers throughout the tournament's duration. Winners were awarded with fully-paid VIP tickets to watch the final match live in France, in addition to free beIN subscriptions and handsets.

• Launching the new "Visitor Lines" in partnership with the Jordan Tourism Board (JTB), and in cooperation with different organizations in the region, to facilitate the experience of tourists visiting the Kingdom, offering an unmatched mobile plan along with a variety of extra services and benefits specifically catered to them. These new lines capitalized and expanded on the already popular Orange 7, 9, and 11 lines, with features such as "Park your Line," which allows customers to put their line on hold until their next visit to Jordan.

• Orange Jordan, took the opportunity to celebrate Army Day by creating a new offer, under the name "Humat Al Watan 3" line, designed exclusively for members and retirees of the Jordanian Armed Forces - Arab Army and Security Forces, presenting an increased data allowance, new features like "Always-on Data" and "Data Carry-Over," along with many prizes such as 4G devices, free 12-month subscriptions, among others.

• Launching the "Bait Al Aileh" – Army Convergent offer, providing a mixed package of mobile and internet offers that give added benefits and special discounts to the user which is specifically designed for all members and retirees of the Jordanian Armed Forces - Arab Army and Security Forces to demonstrate our appreciation and gratitude for their dedication and service to our country.

• Introducing the "Egypt Offer" to enable Egyptians living in the Kingdom to stay connected with their families and loved ones in both Jordan and Egypt, as part of our resolute goal to connect our customers across all sectors and segments to all that is essential to them, offering an unmatched telecommunication experience.

• Being the strongest provider of fast internet in Jordan, we also continued providing new technologies and innovations by introducing Fiber-To-The-Home (FTTH) and Fiber-To-The-Business (FTTB), which present the highest bandwidth symmetric speed with unlimited download capacities, through which customers can connect numerous devices and enjoy an unmatched experience.

Enterprise Business Unit (EBU)
• As part of our Essentials 2020 strategy, we focused during 2016 on enabling the digital transformation of our enterprise customers and leveraging ICT solutions to support the Jordanian economy.
• We built on our experience acquired in the Abdali district of Amman to provide more Smart City services, with a focus on the service and hospitality sector. Thus, we partnered with Amman Rotana Hotel and signed strategic agreements with Eagle Hills Jordan's W Amman and The Skyline Residences, to provide telecommunication services to ensure enhanced connectivity for their residents and guests.
• Our advanced services also support the retail and logistics sector; in 2016, we ramped up our vehicle tracking and fleet management solutions and renewed our partnership with Carrefour Jordan, providing a comprehensive bundle of telecommunication services to help strengthen its position in the market.
• We developed our services offered to the financial sector, entering into a strategic partnership with Jordan Commercial Bank to provide integrated business and connectivity solutions, in order to link all of the bank's branches and ATMs to the head office, and we significantly developed machine-to-machine connectivity for the leading card payment providers.
• We further partnered with the press, capitalizing on a longstanding partnership with the Jordan Press Foundation's "Al Ra'i" to become its exclusive provider of internet and telecommunications services.
• We increased our support of research and education, by signing an agreement with the Arab States Research and Education Network (ASREN) and the Synchrotron-light for Experimental Science and Applications in the Middle East (SESAME) to provide high-capacity, integrated telecommunication services in the aim of facilitating global research and computational resource sharing.
• In order to serve a broader segment of citizens, we signed a strategic service cooperation agreement with the Jordan Post, through which we provide telecommunications services via the post offices spread around the Kingdom.
• Orange Jordan provided secure solutions during the 2016 parliamentary elections to connect 1,500 poll centers across the Kingdom with the main election operating center at the Independent Election Committee (IEC) through its specialized operation centers for electronic connectivity and through its vast network of 5,000 connected computers.

Customer Experience

As per Essentials 2020, our vision is to provide our customers with an unmatched customer experience and service, we focused our efforts on several initiatives that gave a differentiated experience to our customers.

• Inaugurating the Kingdom's first Smart Store to drastically enhance and revolutionize the customer experience in the way we present our products and services, giving customers a hands-on, interactive experience with each product that we offer.
• Continuing to listen to the "Voice of Customer" through daily and monthly studies, in order to listen and respond to the needs of customers and optimize our operations to better achieve their satisfaction.
• Continuing to emphasize on our customer-centric culture by arranging "Ebsher" events for recognizing and rewarding our employees for their efforts in achieving the highest levels of customer satisfaction. We rewarded our top performers with valuable prizes, trophies, and certificates of achievement.

Our efforts toward giving our customers a truly unmatched experience with us as their daily telecommunications partner won our CEO the "Customer Experience Champion of the Year" Award and our company the "Best Customer Experience Management Culture Transformation Program" Award at the CEM in Telecoms Middle East in Dubai, which recognizes entities in the telecommunications industry who have made great achievements in positively altering the customer experience.

Confirmation

1. The Board of Directors confirms that there are no substantial matters which may affect the continuation of the company in the next fiscal year.
2. The Board of Directors confirms its responsibility for the preparation of the financial statements and the provision of an effective control system in the company.

Chairman of the Board	Vice Chairman	Member of the Board
H.E. Dr. Shabib Ammari	Mr. Michel Monzani	H.E. Dr. Mohammad abu Hammour

Member of the Board	Member of the Board	Member of the Board
Mr. Jane Marc Vignolles	Mr. Ali Alassaf	Dr. Samer Al-Mofleh

Member of the Board
Mrs. Mai Rochefordière

3. We, the undersigned below, confirm the accuracy and completion of the information and statements set out in the report.

Chairman of the Board	Chief Executive Officer	Deputy Chief Executive Officer Chief Financial Officer
H.E. Dr. Shabib Ammari	Mr. Jérôme Hénique	Mr. Raslan Deiranieh

4. The Company confirms that it is in full compliance with material obligatory requirements stated in the corporate guidelines of the listed companies. As to the indicative guidelines, the company does take them into consideration to the extent of compliance with the company's Articles of Association and the companies' laws.

Consolidated Financial Statements 31 December 2016

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Jordan Telecommunications Company
Amman – Jordan

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Jordan Telecommunications Company and its subsidiaries (the Group), which comprise the statement of consolidated financial position as at 31 December 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards, are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Jordan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Revenue recognition – Accuracy and occurrence of subscription and usage-based airtime services

Subscription and usage-based airtime revenue is the largest revenue stream within the business. This revenue originates from wholesale, corporate and retail customers. A significant risk has been identified in respect of both the occurrence and accuracy of airtime subscription and usage-based airtime revenue due to the complexity of systems and the high volume of transactions.

How the key audit matter was addressed

We have tested relevant controls, key automated and manual controls relating to subscription and usage-based airtime revenue across the Group's principal billing systems.

We performed our procedures to ensure the matching of revenue figures generated from the billing and charging systems to the figures posted, and we chose our sample to cover the whole period.

We obtained a representative sample of transactions to ensure proper recognition and recording of revenues.

We have agreed cash receipts for a sample of customers to the invoices.

We evaluated IT general controls and the relevant IT systems related to the following:

- Capture and recording of revenue transactions.
- Authorization of rate changes and the input of this information to the billing system.
- Calculation of amounts billed to customers.

We have reviewed the reconciliation between the general ledger and the billing systems.

We have performed substantive analytical procedures through developing an expectation of revenue based upon usage data and subscription numbers, which are the key drivers of each airtime revenue stream. We have also held meetings with the management to corroborate the key movements and trends in revenue within the year.

We tested the accuracy of revenue by agreeing a sample of revenue transactions back to the customer contracts and published or agreed tariffs.

We performed Journal entry testing that covered the whole year with a representative sample based on the criteria we set for the revenue and cost entries.

Disclosure of revenues is detailed in note 3 to the consolidated financial statements.

Useful economic life and carrying value of property and equipment and intangible assets

The net book value of property and equipment and intangible assets at 31 December 2016 is JOD 456 Million (2015: JOD 354 Million). There are a number of areas where management judgement impacts the carrying value of property and equipment, intangible assets and their respective depreciation/amortization profiles. These include:

- The decision to capitalize or expense costs;
- The annual review of asset useful life including the impact of changes in the Group's strategy; and
- The timeliness of the transfer from assets in the course of construction.

Management judgments shall be assessed as the Group has a significant balance of property and equipment and intangible assets, and it is operating in a highly technological and complex industry.

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How the key audit matter was addressed

We tested the controls in place over property and equipment and intangible assets cycle.

We have evaluated the appropriateness of capitalization policies. In performing these procedures, we assessed the judgements made by management regarding the useful lives of property and equipment and intangible assets.

We tested the material additions during the year and ensured that those additions met the capitalization criteria.

Disclosure for the useful life and the capitalization policy are detailed in notes 2.6, 4 and 5 to the consolidated financial statements.

Impairment of mobile network in Orange Mobile.

During 2015 the Group started the installation of new network equipment. The Group management has estimated the impairment of the replaced network equipment based on the best available information regarding the replaced network equipment and management assumptions regarding the use of the old network equipment until the replacement with the new network as of the date of the consolidated financial statements. We considered management's assumptions related to the determination of residual value of replaced network equipment or plans for future use of replaced network equipment as key audit matter as they may involve management judgements. Management has estimated the total impact of the impairment related to the replaced assets to JD 32.6 million as an impairment loss and included it in these consolidated financial statements for the years 2016 and 2015.

How the key audit matter was addressed

We have obtained the fixed assets register and agreed the net book value for each impaired assets category to its related account on the trial balance.

We have also obtained formal written report from Jordan Telecom Group technical department stating that the amounts included in the impairment are the actual items to be dismantled.

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We assessed management's assumptions applied to the value in use calculations in terms of usability and saleability of the replaced assets. We have reviewed minutes of meetings of executive committees and board of directors, reviewed correspondence with related vendors regarding the usability of the replaced assets and, we obtained from Group's technical department technical opinion that states that those equipment can not be used.

Disclosure for the Impairment is detailed in note 4 to the consolidated financial statements.

The valuation of trade receivables and due from telecom operators

The determination as to whether the trade receivable and due from telecom operators are collectable involves management judgment due to the type of the customers and since the agreements with telecom operators are complex and may be subject to disputes in addition the reconciliation between the telecom operators may extend to several years. Management considers specific factors including the age of the balance, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of counterparties. Management uses this information to determine whether a provision for impairment is required either for a specific transaction or for a customer's balance overall.

We focused on this area since it requires a high level of management judgment and since the completeness of allowance for doubtful accounts receivable and due from telecom operators may have a significant impact on the Group's profit.

How the key audit matter were addressed

We tested the aging of trade receivable and amounts due from telecom operators where no provision was recognized to check that there were no indicators of impairment. This included verifying if payments had been received since the year-end, reviewing historical payment patterns and any correspondence with customers on expected settlement dates.

We selected a sample of the largest trade receivable and due from telecom operator's balances where a provision for impairment of trade receivables and due from telecom operators was recognized and understood the rationale behind management's judgment. In order to evaluate the appropriateness of these judgments we verified whether balances were overdue, the customer's historical payment patterns and whether any post year-end payments had been received up to the date of completing our audit procedures. We also obtained corroborative evidence including correspondence supporting any disputes between the parties involved, attempts by management to recover the amounts outstanding and on the credit status of significant counterparties where available.

In assessing the appropriateness of the overall provision for impairment, we considered the consistency of management's application of policy for recognizing provisions with the prior year.

Disclosure for provision for doubtful trade receivables and amounts due from telecom operators detailed in notes 8 and 9 to the consolidated financial statements.

Other information included in the Group's 2016 annual report.

Other information consists of the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.
Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exist. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonable be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The Group maintains proper books of accounts which are in agreement with the consolidated financial statements.

Ernst & Young / Jordan
ERNST & YOUNG
Amman - Jordan
Mohammad Ibrahim Al-Karaki
Registration No. 882

Amman – Jordan
27 March 2017

JORDAN TELECOMMUNICATIONS COMPANY (JORDAN TELECOM)
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Notes	2016 JD	2015 JD
ASSETS			
Non-current assets			
Property and equipment	4	206,821,776	197,487,728
Intangible assets	5	249,144,857	157,839,589
Deferred tax assets	6	5,340,872	3,617,292
		461,307,505	**358,944,609**
Current assets			
Inventories	7	4,466,836	4,697,474
Trade receivables and other current assets	8	75,060,361	79,085,715
Balances due from telecom operators	9	17,698,179	24,149,776
Cash and short-term deposits	10	65,696,230	110,665,422
		162,921,606	**218,598,387**
TOTAL ASSETS		**624,229,111**	**577,542,996**
EQUITY AND LIABILITIES			
Equity			
Paid in capital	12	187,500,000	250,000,000
Statutory reserve	13	62,500,000	62,500,000
Retained earnings	14	18,213,941	16,139,854
TOTAL EQUITY		**268,213,941**	**328,639,854**
Liabilities			
Non-current liabilities			
Long term liability	11	86,595,425	-
Interest bearing loans	15	2,866,076	3,434,712
Employees' end of service benefits	16	372,850	292,691
		89,834,351	**3,727,403**
Current liabilities			
Trade payables and other current liabilities	17	184,066,479	176,161,011
Balances due to telecom operators	9	51,863,631	68,587,806
Interest bearing loans	15	406,807	426,922
Due to banks	18	29,786,964	-
Employees' end of service benefits	16	56,938	-
		266,180,819	**245,175,739**
TOTAL LIABILITIES		**356,015,170**	**248,903,142**
TOTAL EQUITY AND LIABILITIES		**624,229,111**	**577,542,996**

The attached notes from 1 to 28 form part of these consolidated financial statements

JORDAN TELECOMMUNICATIONS COMPANY (JORDAN TELECOM)
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 JD	2015 JD
Continuing Operations			
Net revenues	3	344,060,958	337,849,034
Cost of services		(167,283,516)	(158,802,068)
Gross profit		**176,777,442**	**179,046,966**
Administrative expenses		(25,446,236)	(21,951,118)
Selling and distribution expenses		(43,155,165)	(45,185,213)
Government revenue share	20	(5,857,633)	(6,860,278)
Business support fees and brand fees	21	(7,116,862)	(7,075,391)
Depreciation of property and equipment	4	(38,746,081)	(41,867,591)
Amortization of intangible assets	5	(22,009,185)	(18,891,941)
Impairment Loss	4	(15,982,432)	(16,621,040)
Operating profit		**18,463,848**	**20,594,394**
Net foreign currency exchange difference		903,459	420,880
Finance costs		(1,015,590)	(41,851)
Finance income		1,209,549	2,301,385
Gain on sale of property and equipment		5,454,556	2,005,285
Profit before income tax		**25,015,822**	**25,280,093**
Income tax expense	6	(6,941,735)	(9,174,255)
Profit for the year		**18,074,087**	**16,105,838**
Add: Other comprehensive income		-	-
Total comprehensive income for the year		**18,074,087**	**16,105,838**
Earnings per share **Basic, profit for the year attributable to ordinary equity holders of the parent diluted, profit for the year attributable to ordinary**	22	**0.088**	**0.064**

The attached notes from 1 to 28 form part of these consolidated financial statements

JORDAN TELECOMMUNICATIONS COMPANY (JORDAN TELECOM)
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Attributable to equity holders of the parent			
	Paid in capital JD	Statutory reserve JD	Retained Earnings JD	Total JD
At 1 January 2016	250,000,000	62,500,000	16,139,854	328,639,854
Dividends paid (Note 14)	-	-	(16,000,000)	(16,000,000)
Capital reduction (Note 12)	(62,500,000)	-	-	(62,500,000)
Total comprehensive income for the year	-	-	18,074,087	18,074,087
At 31 December 2016	**187,500,000**	**62,500,000**	**18,213,941**	**268,213,941**
At 1 January 2015	250,000,000	62,500,000	42,034,016	354,534,016
Dividends paid	-	-	(42,000,000)	(42,000,000)
Total comprehensive income for the year	-	-	16,105,838	16,105,838
At 31 December 2015	**250,000,000**	**62,500,000**	**16,139,854**	**328,639,854**

The attached notes from 1 to 28 form part of these consolidated financial statements

JORDAN TELECOMMUNICATIONS COMPANY (JORDAN TELECOM)
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 JD	2015 JD
Operating activities			
Profit before income tax		25,015,822	25,280,093
Non – cash adjustments to reconcile profit before tax to net cash flows			
Finance costs		1,015,590	41,851
Finance income		(1,209,549)	(2,301,385)
Provision for doubtful accounts	8	600,000	1,392,088
(Reversal of) Provision for slow moving inventories	7	(161,575)	32,028
Depreciation and Impairment of property and equipment	4	54,728,513	58,488,631
Amortization of intangible assets	5	22,009,185	18,891,941
Employees' end of service benefits	16	269,206	228,022
Gain on sale of property and equipment		(5,454,556)	(2,005,285)
Net foreign currency exchange difference		(158,398)	(470,972)
Working capital adjustments:			
Inventories		392,213	(1,357,956)
Trade receivables and other current assets		4,594,543	(2,495,194)
Balances due from telecom operators		6,451,597	(901,095)
Trade payables and other current liabilities		9,473,324	20,475,107
Balances due to telecom operators		(16,724,175)	(1,384,591)
Employees' end of service paid	16	(132,109)	(734,184)
Income tax paid	6	(10,800,484)	(13,546,275)
Net cash flows from operating activities		**89,909,147**	**99,632,824**
Investing activities			
Purchase of property and equipment	4	(64,731,975)	(66,720,321)
Purchase of intangible assets	5	(26,719,028)	(74,655,204)
Proceeds from sale of property and equipment		6,123,970	2,363,655
Finance income received		40,360	2,209,039
Net cash flows used in investing activities		**(85,286,673)**	**(136,802,831)**
Financing activities			
Proceeds from Murabha financing	19	20,000,000	-
Repayment of Murabha financing and interest bearing loan	19	(20,430,353)	(430,844)
Capital reduction payments		(61,843,388)	-
Finance costs paid		(1,015,590)	(41,851)
Dividends paid		(16,089,299)	(41,955,945)
Net cash flows used in financing activities		**(79,378,630)**	**(42,428,640)**
Net decrease in cash and cash equivalents		(74,756,156)	(79,598,647)
Cash and cash equivalents at 1 January		110,665,422	190,264,069
Cash and cash equivalents at 31 December	**18**	**35,909,266**	**110,665,422**

Non-cash item:
Purchase of intangible asset through long term financing agreement with a total amount of JOD 86,595,425 (note11).
The attached notes from 1 to 28 form part of these consolidated financial statements

1. Corporate Information

Jordan Telecom was registered as a public shareholding company on 8 October 1996, and adopted the Orange brand in 2007.

On 10 December 2015, the General Assembly, in its extra ordinary meeting, has approved the reduction of the authorized and paid in capital by 25%, to become 187,500,000 shares at a value of one Jordanian Dinar each. The capital reduction has been approved by the Ministry of Industry and Trade on 6 April 2016 and it was approved by Amman Stock Exchange on 21 April 2016.

Jordan Telecom is owned 51% by The Joint Investments Telecommunications Company (JIT Co.) a fully owned subsidiary of Orange Group (France).

The consolidated financial statements of Jordan Telecommunications Company (Jordan Telecom) - Public Shareholding Company ('the Group') for the year ended 31 December 2016 were authorized for issue in accordance with the Board of Directors' resolution on 2 February 2017.

The principal objectives of the Company and its subsidiaries are described in Note 3.

The head office of the Group is located in City Center, Jabal Amman - Jordan.

2. Basis of Preparation and Significant Accounting Policies

2.1 Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis.

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements are presented in Jordanian Dinars which represents the functional currency of the Group.

2.2 Basis of Consolidation

The consolidated financial statements comprise the financial statements of Jordan Telecom and its wholly owned subsidiaries, which are: Petra Jordanian Mobile Telecommunications Company, Jordan Data Communications Ltd. and 51% from Dimension Company for Digital Development of Data (e-dimension) (the remaining 49% is owned by Petra Jordanian Mobile Telecommunications Company). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

– Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
– Exposure, or rights, to variable returns from its involvement with the investee, and
– The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

– The contractual arrangement with the other vote holders of the investee
– Rights arising from other contractual arrangements
– The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of income from the date the Group gains control until the date the Group ceases to

2. Basis of Preparation and Significant Accounting Policies (countinued)

2.2 Basis of Consolidation (countinued)

control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

– Derecognises the assets (including goodwill) and liabilities of the subsidiary.
– Derecognises the carrying amount of any non-controlling interests.
– Derecognises the cumulative translation differences recorded in equity.
– Recognises the fair value of the consideration received.
– Recognises the fair value of any investment retained.
– Recognises any surplus or deficit in profit or loss.
– Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Investors with significant influence on the Group:

The Joint Investment Telecommunications Company, Jordanian Social Security Corporation and Noor Financial Investment own 51%, 28.9% and 10% of the Company's issued shares, respectively.

2. Basis of Preparation and Significant Accounting Policies (countinued)

2.3 Changes in accounting policies and disclosures

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 31 December 2015 except for the following:

Equity Method in Separate Financial Statements (Amendments to IAS 27 and IFRS 1)

In August 2014, the IASB amended IAS 27 Separate Financial Statements which restore the option for entities, in the separate financial statements, to account for investments in subsidiaries, associates and joint ventures using the equity method as described in IAS 28 Investments in Associates and Joint Ventures. A consequential amendment was also made to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 allows a first-time adopter accounting for investments in the separate financial statements using the equity method, to apply the IFRS 1 exemption for past business combinations to the acquisition of the investment.

IAS 1 Presentation of Financial Statements – Amendments to IAS 1

The amendments to IAS 1 include narrow-focus improvements related to:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income (OCI) arising from equity accounted investments

Investment entities (Amendments to IFRS 10 and IAS 28)

The amendments address the issues arising in practice in the application of the investment entities consolidation exception and clarify that:

- The exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.
- Subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.
- Application of the equity method by a non-investment entity that has an interest in an associate or joint venture that is an investment entity: The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. Presentation of items of other comprehensive income (OCI) arising from equity accounted investments

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.
The implementation of the new amendments did not have impact on the Group's financial position or performance and became effective for annual periods which started from 1 January 2016.

2. Basis of Preparation and Significant Accounting Policies (countinued)

2.4 Standards issued but not effective

IFRS 9 Financial Instruments

During July 2014, the IASB issued IFRS 9 "Financial Instruments" with all the three phases. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement". The Group has implemented the first phase of IFRS 9 as issued during 2009. The date of initial implementation of the first phase of IFRS 9 was 1 January 2011. The new version of IFRS 9 will be implemented at the mandatory date on 1 January 2018, which will have an impact on the recognition and measurement of financial assets.

IFRS 16 Leases

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

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

IFRS 16 Leases (Continued)

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.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers. It applies to all entities that enter into contracts to provide goods or services to their customers, unless the contracts are in the scope of other IFRSs, such as IAS 17 Leases. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers; and SIC-31 Revenue—Barter Transactions Involving Advertising Services. The standard is effective for annual periods beginning on or after 1 January 2018, and early adoption is permitted.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The amendments will be effective for annual periods beginning on or after 1 January 2017, with early application permitted. The application of amendments will result in adding limited amount of disclosure information.

IFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

Entities may apply the amendments prospectively and are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

2. Basis of Preparation and Significant Accounting Policies (countinued)

2.4 Standards issued but not effective (countinued)

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the upcoming new insurance contracts standard (IFRS 17). The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, a temporary exemption from implementing IFRS 9 to annual periods beginning before 1 January 2021 at latest and an overlay approach that allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

Transfers of Investment Property (Amendments to IAS 40)

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

Entities should apply the amendments prospectively and effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the nonmonetary asset or non-monetary liability arising from the advance consideration. Entities may apply the amendments on a fully retrospective or prospective basis. The new interpretation will be effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed.

2.5 Use of Estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Group's accounting policies, management has made various judgements. Those which management has assessed to have the most significant effect on the amounts recognised in the consolidated financial statements have been discussed in the individual notes of the related financial statement line items.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes of the related financial statement line items below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

2. Basis of Preparation and Significant Accounting Policies (countinued)

2.6 Summary of Significant Accounting Polices

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated. When assets are sold or retired, their cost and accumulated

Depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of comprehensive income.

Depreciation is calculated on a straight line basis, the depreciation rates are estimated according to the estimated useful lives of assets as follows:

Buildings	25 years
Telecommunications equipment	5 to 20 years
Other assets	2 to 7 years

The carrying values of property and equipment are reviewed periodically for impairment when events or changes in circumstances that indicates that the assets are recorded at values exceeding their recoverable amounts, consequently, the assets are written down to their recoverable amounts, and impairment is recognised in the consolidated statement of comprehensive income.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair valued at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life on a straight-line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortization period and the amortization method for intangible assets with a finite useful life is reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually, such intangibles are not amortized.

Taxation

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred income tax

Deferred income tax is provided using the liability method on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected

2. Basis of Preparation and Significant Accounting Policies (countinued)

2.6 Summary of Significant Accounting Polices (countinued)

to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Inventories

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

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Accounts receivable

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

Cash and cash equivalents

Cash and cash equivalent in the consolidated statement of financial position comprise cash at banks and at hand and short term deposits with an original maturity of three months or less. If original maturity of deposits exceeds three months, they are classified as short–term investments. For the purpose of the consolidated statement of cash flow, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Interest bearing loans and long-term financing

Loans are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in the consolidated statement of comprehensive income when liabilities are derecognised as well as through the amortisation process.

Employees' end of service benefits

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with the Group's internal policies. The expected costs of these benefits are accrued over the period of employment. Actuarial gains and losses are recognised as income or expense and where material is amortized over the expected average remaining working lives of the employees.

Trade and other payables

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

Provisions

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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2. Basis of Preparation and Significant Accounting Policies (countinued)

2.6 Summary of Significant Accounting Polices (countinued)

Offsetting

Offsetting between financial assets and financial liabilities and presenting the net amount on the consolidated statement of financial position is performed only when there are legally-enforceable rights to offset, the settlement is on a net basis, or the realization of the assets and satisfaction of the liabilities is simultaneous.

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non- current assets and liabilities.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment of financial assets

The Company assesses at each financial position date whether there is any objective evidence that a financial asset or a group of financial assets are impaired. A financial asset or a group of financial assets are considered impaired when there is objective evidence of impairment as a result of one or more events (loss event) that occur after the asset's initial measurement, that will have a direct and reasonably estimated impact on its future cash flows. Permanent impairment indicators could comprise of indications that the borrower or a group of borrowers are facing significant financial difficulties, or neglect, or default in making interest or principal payments, and are likely to be subject to bankruptcy or financial restructuring. Furthermore, permanent impairment indicators exist when observable data indicates the existence of a measurable decrease in estimated cash flows such as changes in the Group's economic conditions due to negligence.

The Group's management does not believe there were any indications of impairments of its financial assets during 2016 and 2015.

Business combinations

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition, irrespective of the extent of any non-controlling interests.

2. Basis of Preparation and Significant Accounting Policies (countinued)

2.6 Summary of Significant Accounting Polices (countinued)

Revenue recognition

Revenues from Group activities are recognised as follows:

Service revenues

Telephone service and Internet access yearly subscription fees are recognised as revenue on a straight-line basis over the service period.

Charges for incoming and outgoing telephone calls are recognised as revenue when the service is rendered.

Revenue- sharing arrangements are recognised gross, or net of content or service provider fees when the provider is responsible for the service rendered and for setting the price to be paid by subscribers.

Equipment sales

Revenues from equipment sales are recognised when the significant risks and rewards of ownership are transferred to the buyer.

When the equipment is sold by a third-party retailer (indirect distribution channel) who purchases it from the Group the related revenue is recognised when the equipment is sold to the end-customer.

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 recognised as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the consolidated statement of financial position date. All differences resulted from the retranslation are taken to the consolidated statement of comprehensive income.

Finance costs

Finance costs are recognised as an expense when incurred. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized.

3. Segment information

The Group's operating business are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services.

The fixed-line voice segment constructs, develops and maintains fixed telecommunication network services.

The Mobile communications segment installs, operates and manages a cellular network in Jordan.

The data services segment provides, furnishes, installs, maintains, engineers and operates communication facilities for the provision of data network and internet access services to its customers and helping companies to be more efficient in the way they do their business on internet.

The Group management monitors the operating results of the operating segment separately for making decisions about performance assessment, segment performance is calculated based on operating profit or loss.

The following tables represent revenues and profit and certain assets and liabilities information of the Group's business segments for the years ended 31 December 2016 and 2015.

3. Segment information (continued)

Year ended 31 December 2016	Fixed-line voice JD	Mobile communications JD	Data services JD	Total JD
Net Revenues				
External customers	148,058,585	142,238,057	53,764,316	344,060,958
Inter-segment revenues	46,787,552	8,551,671	40,319	55,379,542
	194,846,137	**150,789,728**	**53,804,635**	**399,440,500**
Segment results				
Operating profit before depreciation, amortization, impairment, Net foreign currency exchange difference, interest and tax	(1,454,972)	54,488,016	47,623,058	100,656,102
Depreciation, amortization and Impairment loss				(76,737,698)
Net foreign currency exchange difference				903,459
Finance costs				(1,015,590)
Finance income				1,209,549
Profit before income tax				**25,015,822**
Income tax expense				(6,941,735)
Profit and comprehensive income for the year				**18,074,087**
Assets and liabilities				
Segment assets	187,297,953	379,754,785	57,176,373	**624,229,111**
Segment liabilities	148,998,173	194,374,353	12,642,644	**356,015,170**
Other segment information				
Property and equipment	104,135,392	95,266,145	7,420,239	**206,821,776**
Intangible assets	16,160,938	227,967,868	5,016,051	**249,144,857**

3. Segment information (continued)

Year ended 31 December 2015	Fixed-line voice JD	Mobile communications JD	Data services JD	Total JD
Net Revenues				
External customers	144,133,351	140,694,511	53,021,172	337,849,034
Inter-segment revenues	49,518,516	7,155,397	546	56,674,459
	193,651,867	**147,849,908**	**53,021,718**	**394,523,493**
Segment results				
Operating profit before depreciation, amortization, impairment, Net foreign currency exchange difference, interest and tax	117,105	52,239,346	47,623,800	**99,980,251**
Depreciation, amortization and impairment loss				(77,380,572)
Net foreign currency exchange difference				420,880
Finance costs				(41,851)
Finance income				2,301,385
Profit before income tax				**25,280,093**
Income tax expense				(9,174,255)
Profit and comprehensive income for the year				**16,105,838**
Assets and liabilities				
Segment assets	224,616,775	296,458,816	56,467,405	**577,542,996**
Segment liabilities	125,662,090	109,980,988	13,260,064	**248,903,142**
Other segment information				
Property and equipment	96,602,374	95,021,762	5,863,592	**197,487,728**
Intangible assets	16,239,645	135,902,459	5,697,485	**157,839,589**

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4. Property and Equipment

	Land and buildings* JD	Telecommunications equipment JD	Other property and equipment JD	Projects in progress JD	Total JD
2016–					
Cost:					
At 1 January 2016	84,143,823	891,403,348	63,999,243	1,107,746	1,040,654,160
Additions	2,700,555	61,528,012	447,724	55,684	64,731,975
Transferred from projects in progress	-	870,196	-	(870,196)	-
Disposals	(644,123)	(153,381,687)	(495,810)	-	(154,521,620)
At 31 December 2016	**86,200,255**	**800,419,869**	**63,951,157**	**293,234**	**950,864,515**
Depreciation:					
At 1 January 2016	42,196,014	747,586,926	53,383,492	-	843,166,432
Depreciation for the year	1,616,754	36,286,834	842,493	-	38,746,081
Impairment	-	15,982,432	-	-	15,982,432
Disposals	(40,689)	(153,315,707)	(495,810)	-	(153,852,206)
At 31 December 2016	**43,772,079**	**646,540,485**	**53,730,175**	**-**	**744,042,739**
Net book value:					
At 31 December 2016	**42,428,176**	**153,879,384**	**10,220,982**	**293,234**	**206,821,776**

* Included in land and buildings amounts due to the Group for land amounting to JD 3,452,220 that was classified in 2009 to other receivables. This balance represents the cost of land, which was expropriated by Greater Amman Municipality (GAM) and is currently being disposed by the Group based on a court ruling.

4. Property and Equipment (continued)

	Land and buildings JD	Telecommunications equipment JD	Other property and equipment JD	Projects in progress JD	Total JD
2015–					
Cost:					
At 1 January 2015	83,978,353	824,583,073	63,856,628	2,358,994	974,777,048
Additions	479,938	64,681,576	629,988	928,819	66,720,321
Transferred from projects in progress	-	2,180,067	-	(2,180,067)	-
Disposals	(314,468)	(41,368)	(487,373)	-	(843,209)
At 31 December 2015	**84,143,823**	**891,403,348**	**63,999,243**	**1,107,746**	**1,040,654,160**
Depreciation:					
At 1 January 2015	40,659,254	691,567,244	52,936,142	-	785,162,640
Depreciation for the year	1,543,061	39,435,608	888,922	-	41,867,591
Impairment	-	16,621,040	-	-	16,621,040
Disposals	(6,301)	(36,966)	(441,572)	-	(484,839)
At 31 December 2015	**42,196,014**	**747,586,926**	**53,383,492**	**-**	**843,166,432**
Net book value:					
At 31 December 2015	**41,947,809**	**143,816,422**	**10,615,751**	**1,107,746**	**197,487,728**

During 2015, a new vendor has been introduced by the Group, through a tendering process, for the mobile network expansion and 4G equipment. These equipment has been received during 2015 and 2016.

After the completion of the installation of the new assets during 2016. The Group management has provided a full impairment of the replaced assets based on the best available information regarding the usability and saleability of the replaced assets as of the date of the financial statements. Therefore, management recorded JD 32,603,472 over the years 2015 and 2016 as an impairment loss, which represents the Net Book Value of the replaced assets.

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5. Intangible Assets

	FLAG access rights JD	Mobile operating license and frequency rights JD	Other intangibles JD	Total JD
Cost:				
At 1 January 2016	26,538,031	184,484,948	7,707,327	218,730,306
Additions	1,403,812	111,910,641	-	113,314,453
At 31 December 2016	**27,941,843**	**296,395,589**	**7,707,327**	**332,044,759**
Amortization:				
At 1 January 2016	10,298,386	49,032,489	1,559,842	60,890,717
Amortization	1,482,519	19,740,232	786,434	22,009,185
At 31 December 2016	**11,780,905**	**68,772,721**	**2,346,276**	**82,899,902**
Net book value -				
31 December 2016	**16,160,938**	**227,622,868**	**5,361,051**	**249,144,857**
31 December 2015	**16,239,645**	**135,452,459**	**6,147,485**	**157,839,589**

FLAG access rights, mobile operating license and frequency rights and other intangibles are being amortized over their useful economic lives of 5 to 25 years.

During June 2016, Petra Jordanian Mobile Telecommunications Company (Orange Mobile) has acquired additional frequency license (5 + 5 MHz) in 2100 MHz band for 3G services valid for 15 years with a cost of JD 25,150,000.

During February 2015, Petra Jordanian Mobile Telecommunications Company (Orange Mobile) has been granted the frequencies license (10 + 10 MHz) in 1800 MHz band for 4G and beyond services to provide 4G services for period of 15 years with a cost of JD 71,426,000. The service has been launched on 26 May 2015, and consequently, the amortization of the license value has started.

The 900 MHz spectrum license that was obtained by Petra Jordanian Mobile Telecommunications Company (Orange Mobile) on 8 May 1999 for the 2G services and valid for 15 years. Accordingly it expired on 8 May 2014. Therefore, Orange Mobile applied during 2013 for renewal of the license to continue providing the same services, however the Company received a letter from the Telecommunications Regulatory Commission (TRC) in the last week of April 2014 informing the Company that the fees for the renewal and continued usage of the 900 MHz spectrum will be JD 156.4 million due to be settled by the 9th of May 2014. Despite the objections raised, Orange Mobile had to renew its 900MHz spectrum license for a period of 5 years in return of JD 52,437,750.

TRC aforesaid decision was made on the assumption that Orange Mobile is licensed to utilize the spectrum for "Technology Neutrality" as if it is a new acquisition of spectrum, which was not the case since most of the frequency is preoccupied with the existing users of the 2G services, not to mention that the said decision was contrary to Orange Mobile clear request of renewal for 2G services and not "Technology Neutrality".

During October 2016, the Company, along with Orange France, has entered into a settlement agreement with the Government of Jordan, in which the parties have agreed to renew the 900MHz spectrum license for a further period of 10 years, starting from 9 May 2019 for an amount of JD 104,250,000, to be paid in two equal instalments of JD 52,125,000 by 8 May 2019, and the same amount by 8 May 2024.

The Group has calculated the cash price equivalent of the deferred payments at JD 86,595,425 using discounted cash flows method and recognized JD 86,595,425 as intangible assets, against a liability by the same amount as of the date of these financial statements. Furthermore, based on the settlement agreement, the parties have agreed to drop any legal proceedings between them, and the Group will get for a cumulative period of six years a full exemption from the annual spectrum fees for the 900MHz spectrum license. The first year exemption has been recognized in these financial statements by JD 3,840,000.

6. Income Tax

Major components of income tax expense for the years ended 31 December 2016 and 2015:

	2016 JD	2015 JD
Consolidated statement of comprehensive income		
Income tax charge – current year	8,665,315	11,034,119
Deferred tax assets adjustments		
Carry forward losses	(1,802,950)	(3,000,000)
Employees' end of service benefits	23,876	1,140,136
Legal cases provision	55,494	-
Income tax expense reported in the consolidated statement of comprehensive income	**6,941,735**	**9,174,255**

The reconciliation between income tax expense at the statutory income tax rate and income tax expense at the Group's effective income tax rate for the years ended 31 December 2016 and 2015 is as follows:

	2016 JD	2015 JD
Accounting profit before income tax and non-controlling interests	**25,015,822**	**25,280,093**
At statutory income tax rate of 24%	6,003,797	6,067,222
Tax adjustments for:		
Provision for doubtful accounts (note 8)	144,000	334,101
Debts written off (note 8)	(514,169)	(158,039)
Non-deductible expenses and provisions for income		
tax purposes	926,154	1,247,311
Previous years' tax returns differences	(31,706)	(176,204)
Deferred tax assets	413,659	1,859,864
Income tax expense reported in the consolidated statement of comprehensive income at effective income tax rate of 27.7% (2015: 36%)	**6,941,735**	**9,174,255**

6. Income Tax (Continued)

Movement on the income tax payable during the year is as follows:

	2016 JD	2015 JD
At 1 January	14,628,371	17,267,049
Income tax expense for the year	8,665,315	11,034,119
	23,293,686	**28,301,168**
Less: Income tax paid	(10,800,484)	(13,546,275)
Less: Withholding tax on interest income	(63,425)	(126,522)
Transfer to other provisions	(1,569,785)	-
At 31 December (note 17)	**10,859,992**	**14,628,371**

Deferred tax assets at 31 December relate to the following:

	2016 JD	2015 JD
Carried forward losses	4,802,950	3,000,000
Provision for doubtful accounts	192,000	192,000
Legal cases provision	345,922	401,416
Employees' end of service benefits	-	23,876
	5,340,872	**3,617,292**

Income tax assessments have been agreed with the Income Tax Department for all the years up to 31 December 2014, with exception for Jordan Telecom and Jordan Data Communications, no final tax clearance was issued for the year 2011.

7. Inventories

	2016 JD	2015 JD
Materials and supplies*	2,767,381	2,579,030
Handsets and others	3,152,693	3,733,257
Provision for damaged and slow moving inventories	(1,453,238)	(1,614,813)
	4,466,836	**4,697,474**

* The materials and supplies are held for own use and are not for resale.

Movement on the provision for damaged and slow moving inventories is as follows:

	2016 JD	2015 JD
Opening balance	1,614,813	1,582,785
Additions	80,000	250,000
Reversal	(241,575)	(217,972)
	1,453,238	**1,614,813**

8.Trade Receivables and Other Current Assets

	2016 JD	2015 JD
Trade receivables	56,654,455	55,839,390
Unbilled revenue	10,411,594	10,143,232
Amounts due from related parties	6,379,527	6,971,485
	73,445,576	**72,954,107**
Provision for doubtful accounts	(18,895,676)	(20,438,050)
	54,549,900	**52,516,057**
Other current assets	20,510,461	26,569,658
	75,060,361	**79,085,715**

Trade receivables are non-interest bearing. The Group does not obtain collateral over trade receivables except for some distributors' trade receivables where guarantees are obtained.

As at 31 December 2016, trade receivables at nominal value of JD 18,895,676 (2015: JD 20,438,050) were impaired and provided for.

8.Trade Receivables and Other Current Assets (Continued)

Movements on the provision for doubtful accounts were as follows:

	2016 JD	2015 JD
Opening balance	20,438,050	19,704,457
Provision for the year	600,000	1,392,088
Write offs	(2,142,374)	(658,495)
Ending balance	**18,895,676**	**20,438,050**

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

	Neither past due nor impaired	Past due but not impaired				
		1-30 days	31-90 days	91-180 days	>180 days	Total
	JD	JD	JD	JD	JD	JD
2016	8,858,192	12,357,600	7,465,991	6,185,669	19,682,448	**54,549,900**
2015	11,023,605	12,228,374	8,563,235	5,127,049	15,573,794	**52,516,057**

Management determines the doubtful debts on customers' balances and builds up a provision based on this analysis.

Unimpaired receivables are expected to be fully recoverable. The Group has a credit department that continuously monitors the credit status of the Group's customers. Service will be disconnected for customers exceeding certain limits for certain period of time.

9. Balances Due From / To Telecom Operators

The Group has agreements with local and foreign telecom operators, whereby amounts due from and to the same operator are subject to the right of offset. The net balances as of 31 December 2016 and 2015 are as follows:

	2016 JD	2015 JD
Balances due from telecom operators	20,521,403	27,633,328
Amounts due from related parties	1,094,269	433,941
Provision for doubtful accounts	(3,917,493)	(3,917,493)
Balances due from telecom operators	**17,698,179**	**24,149,776**
Balances due to telecom operators	50,238,187	67,429,903
Amounts due to related parties	1,625,444	1,157,903
Balances due to telecom operators	**51,863,631**	**68,587,806**

Balances due from telecom operators are non-interest bearing and not guaranteed.

9. Balances Due From / To Telecom Operators (Continued)

As at 31 December, the ageing analysis of balances due from telecom operators is as follows:

	Neither past due nor impaired	Past due but not impaired				
		1-90 days	91-180 days	181-270 days	>271 days	Total
	JD	JD	JD	JD	JD	JD
2016	11,767,441	2,801,737	288,811	370,223	2,469,967	**17,698,179**
2015	11,799,095	7,256,609	1,736,061	464,479	2,893,532	**24,149,776**

Unimpaired receivables are expected to be fully recoverable.

10. Cash and Short- Term Deposits

Cash and short-term deposits include deposits with commercial banks in Jordan for periods between one day and three months in Jordanian Dinars, Euros, and US Dollars amounting to
JD 65,387,423 as of 31 December 2016 and JD 110,382,447 as of 31 December 2015 with an effective interest rate of 2.25 %, 0% and 0.87%, respectively (2015: JD 2.53 %, Euro 0.33% and USD 0.54%).

11. Long Term Liability

During October 2016, the Group, along with Orange France, has entered into a settlement agreement with the Government of Jordan, in which the parties have agreed drop any legal proceedings between them and to renew the 900MHz spectrum license for a further period of 10 years, starting from 9 May 2019 for an amount of JD 104,250,000, to be paid in two equal instalments of JD 52,125,000 by 8 May 2019, and the same amount by 8 May 2024.

The Group has calculated the cash equivalent of the deferred payments at JOD 86,595,425 using the discounted cash flow method and recognized JD 86,595,425 as intangible assets and against a liability by the same amount as of the date of these financial statements. The discount rate used was 4%, which represents the average borrowing rate for the Group.

The difference between this amount and the total payments will be recognised as interest expense over the period. Future payments under settlement agreement together with the present value of the payments are, as follows:

	2016 JD
Within one year	-
After one year but not more than five years	52,125,000
More than five years	52,125,000
Total minimum payments	**104,250,000**
Less: amounts representing finance charges	(17,654,575)
Present value of liability	**86,595,425**

12. Paid in Capital

Jordan Telecommunications Company (Jordan Telecom) authorized and paid in capital consists of 187,500,000 shares (2015: 250,000,000 shares) with par value of one Jordanian Dinar each.

On 10 December 2015, the General Assembly, in its extra ordinary meeting, has approved the reduction of the authorized and paid in capital by 25%, to become 187,500,000 shares at a value of one Jordanian Dinar each. The capital reduction has been approved by the Ministry of Industry and Trade on 6 April 2016 and it was approved by Amman Stock Exchange on 21 April 2016.

13. Statutory Reserve

As required by the Jordanian Companies' Law, 10% of the net income before tax is transferred to statutory reserve. The Group may resolve to discontinue such annual transfers when the reserve totals 25% of the issued share capital. The Group has elected not to transfer any amount to the statutory reserve starting in 2005. The statutory reserve is not available for distribution to the shareholders.

14. Dividends Paid and Proposed

The Board of Directors will propose to the general assembly in its meeting that will be held during 2017 a cash dividend for 2016 of JD 0.096 per share totaling JD 18,000,000.

During the year, dividends of JD 0.064 per share totaling JD 16,000,000 relating to 2015 were declared and paid.

15. Interest- Bearing Loans

	2016 JD	2015 JD
Current		
French Government Protocol/ Second Loan	293,795	308,322
French Government Protocol/ Third Loan	113,012	118,600
	406,807	**426,922**
Non- current		
French Government Protocol/ Second Loan	2,582,513	3,018,527
French Government Protocol/ Third Loan	283,563	416,185
	2,866,076	**3,434,712**

French Government Protocol /Second Loan

On 23 February 1995 the Government of Jordan, represented by the Ministry of Planning, signed a financial protocol with the Government of the Republic of France to finance several development projects including a FRF 52,000,000 loan to finance the construction and operation of Tla'a Al-Ali Communication Switch Unit. The loan is subject to an annual interest rate of 1% payable on the total amount outstanding from the date of each drawing and shall be paid semi-annually. Principal payments of each withdrawal shall be paid in 40 equal consecutive 6 monthly instalments, the first instalment falling due 126 months after the end of the calendar quarter during which each drawing is made. Drawings commenced on 1 July 1995.

The repayment of this loan started on 31 March 2006.

French Government Protocol /Third Loan
On 24 October 1996 the Government of Jordan represented by the Ministry of Planning signed a financial protocol with the Government of the Republic of France to finance several development projects including a FRF 15,000,000 loan to finance the construction of Al-Ashrafia Communication Switch Unit. The loan is subject to an annual interest rate of 1% payable on the total amount outstanding and shall be paid semi-annually. Principal payments of each withdrawal shall be paid in 30 equal consecutive 6 monthly installments, the first installment falling due 90 months after the end of the calendar quarter during which each drawing is made. Drawings commenced on 1 July 1997.

The repayment of this loan started on 31 March 2005.

16. Employees' End of Service Benefits

In accordance with the Group's by-laws, the Group provides end of service benefits for its employees who have chosen the option to accumulate the end of service benefits starting from 1 January 2012.

The amounts recognised in the consolidated statement of financial position in respect of end of service benefits are as follows:

	2016 JD	2015 JD
Provision at 1 January	292,691	798,853
Expenses recognised in the consolidated statement of comprehensive income	269,206	228,022
End of service benefits paid	(132,109)	(734,184)
Provision at 31 December	**429,788**	**292,691**
Employees' end of service benefits – current	**56,938**	**-**
Employees' end of service benefits – non-current	**372,850**	**292,691**

During May 2011, the Group signed an agreement with the General Trade Union for Public Services and Free Vocations whereby the Group shall provide additional benefits to the employees which include the option for all employees to liquidate their end of service benefit accumulated up to 31 December 2011 during 2012 with an option of either to accumulate the end of service benefits again starting from 1 January 2012 or have the benefit added to their monthly salary.

17. Trade Payables and Other Current Liabilities

	2016 JD	2015 JD
Trade creditors	107,925,911	108,734,368
Accrued expenses	26,451,113	14,556,489
Subscribers' deposits	18,217,569	18,418,355
Income tax payable (note 6)	10,859,992	14,628,371
Deferred revenues	9,327,720	10,040,401
Government revenue share	5,857,633	6,860,278
Amounts due to related parties	3,427,487	1,491,008
Dividends payable	1,342,442	1,431,741
Capital reduction payable to shareholders	656,612	-
	184,066,479	**176,161,011**

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18. Due to banks

This item represents the utilized amount of the credit facilities granted during 2016 to the Group from three Jordanian commercial banks with a ceiling of JD 30 million. Interest rates on the credit facilities granted are between 4.75% to 4.98%. These overdrafts are unsecured and Group's management expect these amounts to be settled within one year.

The cash and cash equivalent at 31 December 2016. In the consolidated statement of cash flows represent the balance of cash and short-term deposits netted by the balance of the overdrafts as of 31 December 2016

	2016 JD	2015 JD
Cash and short-term deposits	65,696,230	110,665,422
Less: Due to Banks	(29,786,964)	-
	35,909,266	**110,665,422**

19. Murabaha financing

On 7 June 2016, Petra Jordanian Mobile Telecommunications Company (Orange Mobile) signed a Murabaha agreement with a local bank in Jordan to finance the acquiring of additional frequency license (5 + 5 MHz) in 2100 MHz band for 3G services by JD 20 million. The profit amount of this Murabaha is JD 256,630. The Group has repaid the financing amount during the year 2016. This Murabaha financing was secured by Jordan Telecommunications Company.

20. Government Revenue Share

In accordance with the agreement signed with the Telecommunications Regulatory Commission (TRC), a percentage of certain telecommunications services revenues is payable to TRC.

21. Business Support Fees and Brand Fees

The Group calculates and pays business support fees to Orange Group, in accordance with the agreement signed between the Group and Orange Group.

During July 2007, the Group entered into a license agreement with Orange Brand Services Limited whereby, Jordan Telecommunications Company, Petra Jordanian Mobile Telecommunications Company and Jordan Data Communications were granted the right to use Orange brand in Jordan in return for royalty fees at 1.6% of the operating revenues. The license agreement is valid for 10 years.

22. Earnings Per Share

	2016 JD	2015 JD
Profit for the year attributable to the equity holders of parent (JD)	18,074,087	16,105,838
Weighted average number of shares during the year	205,136,986	250,000,000
Basic earnings per share	**0.088**	**0.064**

No figure for diluted earnings per share has been calculated as there are no potentially dilutive ordinary shares outstanding.

23. Related Party Disclosures

The consolidated financial statements include the financial statements of Jordan Telecommunications Company and the subsidiaries listed below:

Name	Country of incorporation	Percentage of equity interest		Description of service
		2016	2015	
Petra Jordanian Mobile Telecommunications Company	Jordan	100%	100%	Mobile Communications
Jordan Data Communications Ltd.	Jordan	100%	100%	Data
Dimension Company for Digital Development of Data	Jordan	100%	100%	Content

Related parties are shareholders, senior management of the Group, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the Group's management.

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash.

Balances and transactions with related parties included in the consolidated statements of financial positions and consolidated statement of comprehensive income, respectively, are as follows:

	2016 JD	2015 JD
Consolidated statement of financial position items:		
Government of Jordan and Orange Group and its subsidiaries (shareholder)		
Amounts due from related parties	7,473,796	7,405,426
Amounts due to related parties	5,052,931	2,648,911
Consolidated statement of comprehensive income items:		
Orange Group and its subsidiaries (shareholder)		
Business support fees and brand fees	7,116,862	7,075,391
Operating expenses	4,731,176	6,009,829
Revenues	3,591,099	5,355,420
Government of Jordan		
Government revenue share	5,857,633	6,860,278
Revenues	10,155,404	10,377,864
Key management personnel		
Executives' salaries and bonus	1,381,936	1,377,537
Board of directors remuneration	216,442	216,364

Balances due from and to related parties are disclosed in notes 8, 9 and 17 to these consolidated financial statements.

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24. Commitments and Contingences

Operating lease commitments
The Group has entered into operating leases on land and buildings. These leases have a maximum life of one year and as follows:

	2016 JD	2015 JD
Within one year	7,755,190	7,485,830

Capital commitments
The Group enters into commitments during the ordinary course of business for major capital expenditures, primarily in connection with network expansion projects. Outstanding capital expenditure amounted to JD 26,541,892 as of 31 December 2016 (2015: JD 23,639,512).

Legal claims
The Group is a defendant in a number of lawsuits with a value of JD 20,004,717 as of 31 December 2016 (2015: JD 19,984,717) representing legal actions and claims incident to its ordinary course of business. Related risks have been analyzed as to likelihood of occurrence. Accordingly, a provision of JD 1,684,232 has been made.

Guarantees
The Group has issued letters of guarantee amounting to JD 23,807,626 as of 31 December 2016 (2015: JD 16,034,619) in respect of legal claims and performance bonds.

25. Risk Management

Interest rate risk

The Group is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits, bank overdraft and term loans).

The sensitivity of the consolidated statement of comprehensive income is the effect of the assumed changes in interest rates on the Group's profit for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2016.

The following table demonstrates the sensitivity of the statement of comprehensive income to reasonably possible changes in interest rates, with all other variables held constant.

	Changes in interest rate %	Effect on profit for the year JD
2016		
JD	1	442,958
USD	1	13,952
EUR	1	2,301

	Changes in interest rate %	Effect on profit for the year JD
2015		
JD	1	848,636
USD	1	17,666
EUR	1	140,652

The effect of decrease in interest rate is expected to be equal and opposite to the effect of increases shown.

25. Risk Management (Continued)

Credit risk

The credit risk is the risk that other parties will fail to discharge their obligations to the Group. The Group manages credit risk with its customers by establishing credit limits for customers' balances and also disconnects the service for customers exceeding certain limits for a certain period of time. Also, the diversity of the Group's customer base (residential, corporate, government agencies) limits the credit risk. The Group also has a credit department that continuously monitors the credit status of the Group's customers.

The Group deposits its cash balances with a number of major high rated financial institutions and has a policy of limiting its balances deposited with each institution.

Liquidity risk

The Group limits its liquidity risk by ensuring bank facilities are available. The Group's terms of sales require amounts to be paid within 30 days from the date of sale.

The table below summarises the maturities of the Group's financial liabilities at 31 December 2016 and 2015, based on contractual undiscounted payment.

31 December 2016	Less than 3 months	3 to 12 months	1 to 5 Years	> 5 years	Total
	JD	JD	JD	JD	JD
Trade creditors and amounts due to related parties	56,550,838	30,039,386	18,235,806	450,001	105,276,031
Telecommunications licenses payable	-	-	43,297,713	43,297,712	86,595,425
Balances due to telecom operators	19,981,190	16,204,427	15,678,014	-	51,863,631
Loans	98,772	308,035	1,449,264	1,416,812	3,272,883
Total	**76,630,800**	**46,551,848**	**78,660,797**	**45,164,525**	**247,007,970**

31 December 2015	Less than 3 months	3 to 12 months	1 to 5 Years	> 5 years	Total
	JD	JD	JD	JD	JD
Trade creditors and amounts due to related parties	49,146,948	32,138,488	26,617,440	2,322,500	110,225,376
Balances due to telecom operators	10,631,835	38,665,691	19,093,316	196,964	68,587,806
Loans	103,656	323,266	1,947,846	1,486,866	3,861,634
Total	**59,882,439**	**71,127,445**	**47,658,602**	**4,006,330**	**182,674,816**

Currency risk

Most of the Group's transactions are in Jordanian Dinars and U.S. Dollars. The Jordanian Dinar exchange rate is fixed against the U.S. Dollar (US $ 1.41 for JD 1).

The Group has loans payable in Euros and short term deposits in Euros. Changes in Euro exchange rates may significantly affect the loans values.

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25. Risk Management (Continued)

The table below indicates the effect of a reasonably possible movement in the JD rate against foreign currencies on the consolidated statement of comprehensive income, with all other variables held constant.

	Changes in Euro rate to JD	Effect on profit before tax
	%	JD
2016		
EUR	5	76,461
2015		
EUR	5	510,179

The effect of decrease in Euro rate is expected to be equal and opposite to the increase shown.

26. Fair Values of Financial Instruments

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and short-term deposits, receivables and some other current assets. Financial liabilities consist of term loans, payables and some other current liabilities.

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

27. Capital Management

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

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions.

On 10 December 2015, the General Assembly, in its extra ordinary meeting, has approved the reduction of the authorized and paid in capital by 25%, to become 187,500,000 shares at a value of one Jordanian Dinar each. The capital reduction has been approved by the Ministry of Industry and Trade on 6 April 2016 and it was approved by Amman Stock Exchange on 21 April 2016.

Capital comprises share capital, statutory reserve and retained earnings, and is measured at
JD 268,213,941 as at 31 December 2016 (2015: JD 328,639,854).

28. Comparative Figures

The 2015 figures have been reclassified in order to conform to the presentations in 2016. Such reclassification does not affect previously reported profit or equity.

Future Vision for 2017

Throughout 2016, we made great strides in elevating the level and quality of connectivity solutions that we present to our valued, ever-expanding customer base. From here on, we are committed to staying at the forefront by enabling a digitalized future in Jordan and strengthening our telecommunication services with the latest technological advances, which are then converged to offer a truly comprehensive experience. Inspired by our focused Essentials 2020 five-year corporate strategy, which is considered the key motivator behind everything we do and provide, we will continue to pay greater attention to our cherished customers and go above and beyond in listening and responding to them by proactively meeting their needs.

Looking forward to the ambitious prospects of yet another new year, our focus in 2017 will be on two key aspects: strong investments and innovation. We will continue working to enhance our network across the Kingdom by expanding our coverage, strengthening the quality of the connection we offer to our customers, and introducing the newest technology in the industry and making it available to everyone.

Similarly, we will continue expanding our coverage of fixed, mobile, Fiber-To-The-Home (FTTH), and Fiber-To-The-Business (FTTB) services to emphasize our position as the strongest internet provider in the Kingdom.

We will also keep simplifying and enriching our offers, expanding our portfolio of services to target every segment of the population, in order to build on what we previously started in redefining the customer experience to make it truly unmatched, unique, and digital. We will also increase the number of touch points and shops to reach more advanced levels of service, such as those presented at our Smart Stores.

Regarding our internal work environment, 2017 will carry with it many transformations that serve our objectives, most importantly to be the digital operator that meets our customers' needs and a caring employer for our team of dedicated employees to whom we are committed to offering the best. Moreover, 2017 will see the move to our new headquarters located at the Abdali Boulevard, one of the newest and most beautiful areas in the city, as we realign with our plans to redirect our operations to match our increased productivity and values of innovation, integration, and openness, which will contribute to an improved customer experience.

This year, we will celebrate the tenth year of the new Orange brand, as we reaffirm our commitment to continue working and building on the values of our international brand. In our current position and after everything that we have achieved together over the past decade, we expect even further transformation that will reaffirm the value of the Orange brand.