

**Mobile Telecommunications Company KSC and subsidiaries
Kuwait**

**Interim Condensed Consolidated Financial Statements (Unaudited)
30 September 2006**

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**Mobile Telecommunications Company K.S.C.
Kuwait**

INDEPENDENT AUDITORS' REVIEW REPORT TO THE BOARD OF DIRECTORS

We have reviewed the accompanying interim condensed consolidated balance sheet of Mobile Telecommunications Company K.S.C. (the Parent Company) and its subsidiaries (together called "the Group") as of 30 September 2006 and the related interim condensed consolidated statements of income and cash flows and changes in equity for the nine months period then ended. These interim condensed consolidated financial statements are the responsibility of the Parent Company's management. Our responsibility is to issue a report on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim condensed consolidated financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not presented fairly, in all material respects, in accordance with International Accounting Standard - 34. Furthermore, the interim condensed consolidated financial statements are in agreement with the Parent Company's books and to the best of our knowledge and belief, there were no contraventions during the period of either the Commercial Companies Law of 1960, as amended, or of the Articles of Association, which might have had a material effect on the business of the Group or on its consolidated financial position.



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Kuwait
17 October 2006

Mobile Telecommunications Company KSC and subsidiaries
Kuwait

Interim Condensed Consolidated Balance Sheet as at 30 September 2006 (Unaudited)

	Note	Unaudited 30 September 2006	Audited 31 December 2005	Unaudited 30 September 2005 KD '000
Assets				
Current assets				
Cash and bank balances	5	290,238	91,788	76,807
Short-term deposits		123,598	201,091	18,000
Trade and other receivables		174,360	80,021	93,832
Inventories		14,115	7,025	7,147
Investments – at fair value through profit or loss		18,851	14,566	20,879
		<u>621,162</u>	<u>394,491</u>	<u>216,665</u>
Non current assets				
Deferred tax assets		36,051	6,723	8,404
Investments – available-for-sale		133,253	147,111	138,613
Investment in associates	6	7,612	45,458	33,893
Property and equipment		697,608	426,884	398,402
Projects in progress		265,656	72,969	53,352
Intangible assets	7	1,494,764	942,752	826,337
Other financial assets		5,449	14,908	-
		<u>2,640,393</u>	<u>1,656,805</u>	<u>1,459,001</u>
Total Assets		<u>3,261,555</u>	<u>2,051,296</u>	<u>1,675,666</u>
Liabilities and Equity				
Current liabilities				
Trade and other payables	8	460,169	240,956	238,768
Due to banks		310,962	248,417	737,788
		<u>771,131</u>	<u>489,373</u>	<u>976,556</u>
Non current liabilities				
Due to banks	9	945,731	190,342	161,727
Deferred tax liabilities		9,039	5,879	-
Other non current liabilities		15,130	21,016	18,328
Due to minority interest holders		134,206	131,154	-
		<u>1,104,106</u>	<u>348,391</u>	<u>180,055</u>
Equity				
Attributable to the Parent Company's shareholders				
Share capital	10	126,182	109,723	55,422
Treasury shares	11	(15,576)	(15,576)	(4,028)
Share premium		624,465	624,465	-
Legal reserve		54,862	54,862	49,330
Voluntary reserve		54,862	54,862	44,733
Foreign currency translation reserve		(20,953)	2,352	(1,714)
Investment fair valuation reserve		39,182	55,540	55,452
Retained earnings		418,712	303,521	269,694
		<u>1,281,736</u>	<u>1,189,749</u>	<u>468,889</u>
Minority interest		<u>104,582</u>	<u>23,783</u>	<u>50,166</u>
Total equity		<u>1,386,318</u>	<u>1,213,532</u>	<u>519,055</u>
Total Liabilities and Equity		<u>3,261,555</u>	<u>2,051,296</u>	<u>1,675,666</u>

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

These financial statements have been approved for issue by the Board of Directors on 17 October 2006.

Asa'ad Ahmed Al-Barwan
Chairman

Dr. Saad Hamad Al-Barrak
Managing Director and Deputy Chairman

**Mobile Telecommunications Company KSC and subsidiaries
Kuwait**

Interim Condensed Consolidated Statement of Income – nine months ended 30 September 2006 (Unaudited)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2006	2005	2006	2005
		KD'000		KD'000	
Revenue		347,833	169,507	849,148	396,230
Cost of sales		(54,823)	(28,241)	(130,835)	(62,343)
Gross profit		293,010	141,266	718,313	333,887
Distribution, marketing & operating expenses		(95,796)	(46,128)	(228,092)	(108,717)
General and administrative expenses		(37,366)	(15,256)	(85,219)	(34,278)
Depreciation and amortization		(45,447)	(18,360)	(102,215)	(42,586)
Provision for doubtful debts		(1,618)	(1,432)	(2,996)	(5,047)
Operating profit		112,783	60,090	299,791	143,259
Interest income		6,106	549	12,002	2,600
Investment income	12	1,736	5,865	3,329	15,841
Share of profit of an associate		461	9,397	5,414	16,990
Profit/(loss) on sale of shares in subsidiaries		104	(4)	(183)	10,914
Other income		1,580	490	4,854	2,081
Finance cost		(27,121)	(15,091)	(60,483)	(26,215)
Gain on currency revaluation		398	1,169	1,144	4,217
Board of Directors' remuneration		(7)	(7)	(21)	(21)
Contribution to Kuwait Foundation for Advancement of Sciences		(856)	(478)	(2,279)	(1,401)
National Labour Support Tax		(842)	(772)	(2,400)	(2,247)
Profit for the period before income tax		94,342	61,208	261,168	166,018
Income tax expense		(5,391)	(10,435)	(26,525)	(21,149)
Profit for the period		88,951	50,773	234,643	144,869
Attributable to:					
Shareholders of the Parent Company		83,865	46,490	223,176	136,434
Minority interest		5,086	4,283	11,467	8,435
		88,951	50,773	234,643	144,869
Earnings per share - Fils	13	68	48	180	140

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Mobile Telecommunications Company KSC and subsidiaries

Kuwait

Interim Condensed Consolidated Statement of Changes in Equity – nine months ended 30 September 2006 (Unaudited)

	Equity attributable to the Parent Company's Shareholders							Minority interest	Total equity	
	Share capital	Share premium	Treasury shares	Legal reserve	Voluntary reserve	Foreign currency translation reserve	Investment fair valuation reserve			Retained earnings
Balance at 1 January 2006	109,723	624,465	(15,576)	54,862	54,862	2,352	55,540	303,521	23,783	1,213,532
Net exchange differences	-	-	-	-	-	(23,305)	-	-	(780)	(24,085)
Realised loss on available-for-sale investments	-	-	-	-	-	-	39	-	-	39
Changes in fair value of available-for-sale investments	-	-	-	-	-	-	(16,397)	-	-	(16,397)
Net (expense)/income recognized directly in equity	-	-	-	-	-	(23,305)	(16,358)	-	(780)	(40,443)
Profit for the period	-	-	-	-	-	-	-	223,176	11,467	234,643
Total recognised (expense)/income for the period	-	-	-	-	-	(23,305)	(16,358)	223,176	10,687	194,200
Issue of share capital										
Sale of shares to minority interest	-	-	-	-	-	-	-	-	854	854
Share of put option liability - Zambia	-	-	-	-	-	-	-	-	(2,085)	(2,085)
Business combinations	-	-	-	-	-	-	-	-	74,281	74,281
Issue of bonus shares (2005)	16,459	-	-	-	-	-	-	(16,459)	-	-
Cash dividends (2005)	-	-	-	-	-	-	-	(91,526)	(2,938)	(94,464)
Balance at 30 September 2006	126,182	624,465	(15,576)	54,862	54,862	(20,953)	39,182	418,712	104,582	1,386,318
Balance at 1 January 2005	51,796	-	(4,028)	49,330	44,733	(702)	30,080	218,157	2,006	391,372
Net exchange differences	-	-	-	-	-	(1,012)	-	-	(15)	(1,027)
Realised gain on available-for-sale investments	-	-	-	-	-	-	(3,746)	(73)	-	(3,819)
Changes in fair value of available-for-sale investments	-	-	-	-	-	-	29,118	-	-	29,118
Net (expense)/income recognized directly in equity	-	-	-	-	-	(1,012)	25,372	(73)	(15)	24,272
Profit for the period	-	-	-	-	-	-	-	136,434	8,435	144,869
Total recognised (expense)/income for the period	-	-	-	-	-	(1,012)	25,372	136,361	8,420	169,141
Issue of Share Capital	-	-	-	-	-	-	-	-	1,296	1,296
Business Combinations	-	-	-	-	-	-	-	-	39,207	39,207
Issue of bonus shares (2004)	3,626	-	-	-	-	-	-	(3,626)	-	-
Cash dividends (2004)	-	-	-	-	-	-	-	(81,198)	(763)	(81,961)
Balance at 30 September 2005	55,422	-	(4,028)	49,330	44,733	(1,714)	55,452	269,694	50,166	519,055

The General Assembly meeting held on 29 March 2006 approved distribution of cash dividends of 85 fils per share and bonus shares in the ratio of 15 shares for every 100 shares.

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

**Mobile Telecommunications Company KSC and subsidiaries
Kuwait**

Interim Condensed Consolidated Statement of Cash Flows – nine months ended 30 September 2006 (Unaudited)

	Nine months ended 30 September	
	2006	2005
	<u>KD'000</u>	
Cash flows from operating activities		
Profit for the period before income tax	261,168	166,018
Adjustments for:		
Depreciation and amortization	102,215	42,586
Interest income	(12,002)	(2,600)
Investment income	(3,329)	(15,841)
Share of profit of an associate	(5,414)	(16,990)
Loss/(profit) from sale of subsidiaries	183	(10,914)
Loss/(profit) on disposal of property and equipment	976	(4)
Finance cost	60,483	26,215
Gain on currency revaluation	(1,144)	(4,217)
Operating profit before working capital changes	<u>403,136</u>	<u>184,253</u>
Decrease/(increase) in trade and other receivables	57,316	(5,153)
Increase in inventories	(4,682)	(390)
(Decrease)/increase in trade and other payables	<u>(18,984)</u>	<u>30,276</u>
Cash generated from operations	436,786	208,986
Board of Directors' remuneration paid	(28)	(28)
Paid to Kuwait Foundation for Advancement of Sciences	(1,851)	(1,239)
National Labour Support Tax paid	(2,877)	(2,403)
Income tax expense paid	<u>(15,014)</u>	<u>(10,778)</u>
<i>Net cash from operating activities</i>	<u>417,016</u>	<u>194,538</u>
Cash flows from investing activities		
Purchase of investments	(13,133)	(18,305)
Acquisition of associate	-	(5,024)
Acquisition of subsidiaries (Note 17)	(527,723)	-
Proceeds from sale of investments	781	49,407
Acquisition of Dutch subsidiary	-	(804,465)
Proceeds from sale of subsidiaries	-	14,671
Acquisition of property and equipment	(234,611)	(74,496)
Proceeds from sale of property and equipment	282	-
Acquisition of intangible assets	(42,353)	(13,476)
Interest received	6,399	2,601
Dividend received	5,129	3,553
<i>Net cash used in investing activities</i>	<u>(805,229)</u>	<u>(845,534)</u>
Cash flows from financing activities		
Borrowings from banks	626,668	702,567
Dividends paid to Parent Company's shareholders	(90,298)	(81,955)
Capital Contribution of minority share holders of the Bahraini subsidiary	-	1,296
Dividend paid to minority shareholders of subsidiaries	(2,938)	(768)
Finance cost	<u>(23,675)</u>	<u>(26,303)</u>
<i>Net cash from financing activities</i>	<u>509,757</u>	<u>594,837</u>
Net increase/(decrease) in cash and cash equivalents	121,544	(56,159)
Effect of foreign currency translation	(586)	(376)
Cash and cash equivalents at beginning of period	<u>292,878</u>	<u>151,342</u>
Cash and cash equivalents at end of period (Note 5)	<u>413,836</u>	<u>94,807</u>

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

1. Incorporation and activities

Mobile Telecommunications Company KSC (the Parent Company) is a Kuwaiti shareholding company incorporated in 1983 in accordance with the Law of Commercial Companies of 1960. Its shares are traded on the Kuwait Stock Exchange. The registered office of the Parent Company is at P.O Box 22244, 13083 Safat, State of Kuwait.

The Parent Company and its subsidiaries (the Group) along with associates provide mobile telecommunication services in Kuwait and 19 other countries (31 December 2005 – Kuwait and 18 other countries; 30 September 2005 – Kuwait and 17 countries) under licenses from the Governments of the countries in which they operate; purchase, deliver, install, manage and maintain mobile telephone and paging systems; and invest surplus funds in investment securities.

2. Basis of preparation

These interim condensed consolidated financial statements are prepared in accordance with IAS 34: Interim Financial Reporting. The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2005.

These interim condensed consolidated financial statements do not contain all of the information and notes required for complete financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Results for the interim period are not necessarily indicative of the results that may be expected for the year ending 31 December 2006. For further information, refer to the consolidated financial statements and notes thereto included in the Group's annual report for the year ended 31 December 2005.

3. Business combinations

On 6 February 2006 the Group obtained control of Sudanese Mobile Telephone Company Limited, Sudan (Mobitel) by acquiring an additional 61% of its ordinary shares taking its effective ownership to 100% for a purchase consideration of US\$ 1,332,000,000 (approximately KD 389,477,000).

On 31 May 2006 the Group obtained control of Vee Networks Limited, Nigeria (Vmobile) by acquiring 65% of its ordinary shares for a purchase consideration of US\$ 1,005,252,000 (approximately KD 293,031,000) from the shareholders of Vmobile (the vendors).

The vendors were obliged under the pre-emption right provision of a shareholders agreement to first offer the shares to each other and then to a third party. The third party was offered to use its pre-emptive rights under the above provisions, but it lapsed since they were unable to provide the finance within the 30 days deadline as specified in the shareholders agreement. The third party has filed a suit in Nigerian Courts to uphold its pre-emption status but the Group management believes that it has a meritorious defence.

During the quarter ended 30 September 2006 a number of court decisions have been in the Group's favour but final decision has not been made yet.

Details of these transactions are disclosed in Note 17.

4. Subsidiaries and associates

The initial accounting of the business acquisitions of Mobitel, Sudan and Vee Networks Limited, Nigeria in 2006 were carried out using the provisional values of the identifiable assets, liabilities and contingent liabilities. Provisional values on the date of acquisition were assigned due to the time and effort required to gather information on fair values which will be determined within the first anniversary of the acquisition.

The telecom license of Atheer Telecom Limited, Iraq (Atheer) is valid until 31 December 2006 and may be renewed thereafter. Atheer plans to bid for the new licence but at present there is no certainty regarding the outcome of the bid. Furthermore, Atheer's working capital is in deficit. The financial statements of Atheer has been included in these financial statements on a going concern basis as it expects to retain the licence due to its service capabilities and the commitment of its shareholders to providing financial support.

5. Cash and bank balances

Cash and bank balances include the following cash and cash equivalents:

	<u>Unaudited</u> <u>30 September</u> <u>2006</u>	<u>Audited</u> <u>31 December</u> <u>2005</u>	<u>Unaudited</u> <u>30 September</u> <u>2005</u>
			<u>KD '000</u>
Cash on hand and at banks	290,238	91,788	76,807
Short-term deposits maturing within three months	123,598	201,091	18,000
Cash and cash equivalents	<u>413,836</u>	<u>292,879</u>	<u>94,807</u>

6. Investments in associates

This represents the Group's share of investments in associates accounted for using the equity method.

	<u>Unaudited</u> <u>30 September</u> <u>2006</u>	<u>Audited</u> <u>31 December</u> <u>2005</u>	<u>Unaudited</u> <u>30 September</u> <u>2005</u>
			<u>KD '000</u>
Balance at the beginning of the period/year	45,458	5,362	5,362
On acquisition of subsidiaries	-	39,586	39,586
Capital contribution during the period	450	-	-
Share of profit for the period/year	5,414	25,300	16,990
On transfer of ownership – Celtel Tanzania	-	(4,524)	(4,524)
Transferred to goodwill	(515)	(14,255)	(14,255)
Transferred to investments – available for sale	-	(9,726)	(9,726)
Foreign currency translation adjustment	(259)	3,715	460
Dividend received	(34,161)	-	-
Elimination – Mobitel, Sudan (Note 3)	(8,775)	-	-
Balance at the end of the period/year	<u>7,612</u>	<u>45,458</u>	<u>33,893</u>

Notes to the Interim Condensed Consolidated Financial Statements - 30 September 2006 (Unaudited)

7. Intangible assets

	Goodwill	Licence fees	Brands	Others	Total
	KD'000				
Cost					
As at 31 December 2005	924,790	30,422	17,544	2,411	975,167
Additions	485,462	35,383	-	2,761	523,606
Of subsidiaries acquired	-	71,971	-	-	71,971
Transferred from investment in associate relating to Mobitel, Sudan	515	-	-	-	515
Adjustments to provisional values	(123,214)	-	125,253	-	2,039
Disposals/adjustments	(3,472)	(2,881)	-	(356)	(6,709)
Exchange adjustments	(12,037)	(76)	(168)	(23)	(12,304)
As at 30 September 2006	<u>1,272,044</u>	<u>134,819</u>	<u>142,629</u>	<u>4,793</u>	<u>1,554,285</u>
Accumulated amortization					
As at 31 December 2005	17,953	13,021	-	1,441	32,415
Of subsidiaries acquired	-	24,471	-	-	24,471
Charge for the period	-	4,701	-	540	5,241
On disposals/adjustments	-	(2,209)	-	(307)	(2,516)
Exchange adjustments	(58)	(18)	-	(14)	(90)
As at 30 September 2006	<u>17,895</u>	<u>39,966</u>	<u>-</u>	<u>1,660</u>	<u>59,521</u>
Net book value					
As at 30 September 2006	<u>1,254,149</u>	<u>94,853</u>	<u>142,629</u>	<u>3,133</u>	<u>1,494,764</u>
As at 31 December 2005	<u>906,837</u>	<u>17,401</u>	<u>17,544</u>	<u>970</u>	<u>942,752</u>
As at 30 September 2005	<u>790,437</u>	<u>17,473</u>	<u>-</u>	<u>18,427</u>	<u>826,337</u>

Goodwill represents the excess of cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of acquired subsidiaries.

During the period, the main additions to goodwill arose from the business acquisitions of Mobitel, Sudan and Vmobile, Nigeria (refer Note 3).

8. Trade and other payables

This includes dividend of KD 5,449,000 (31 December 2005 – KD 4,288,000; 30 September 2005 – KD 5,968,063) payable to the shareholders of the Parent Company.

9. Due to banks

On 1 June 2006, Mobile Telecommunications Company International B.V. – MTCI, the wholly owned Dutch subsidiary of the Parent company signed a US\$ 4 billion (equivalent KD 1.16 billion) revolving credit facility agreement with a consortium of foreign banks. This facility is secured by a joint guarantee given by the Parent company and its Jordanian subsidiary, Jordan Mobile Telephone Services Company P.S.C. As of 30 September 2006 MTCI utilised an amount of US\$ 2.42 billion (equivalent KD 701 million) from the total credit facility. The loan is repayable on expiry of five years from the date of drawdown. The effective rate of interest on this facility as of 30 September 2006 was 6.18% per annum.

Financial covenants include the following:

- Consolidated total net borrowings not to exceed 4 times annualised consolidated EBITDA (Earnings before interest, tax, depreciation and amortization); and
- Annualised consolidated EBITDA to annualised consolidated net interest payable to be not less than 3:1.

Notes to the Interim Condensed Consolidated Financial Statements - 30 September 2006 (Unaudited)

10. Share Capital

The authorised, issued and fully paid up share capital as of 30 September 2006 consists of 1,261,819,591 shares of 100 fils each after the bonus share issue during the period. (31 December 2005 – 1,097,234,427 shares of 100 fils each; 30 September 2005 - 554,220,967 shares of 100 fils each).

11. Treasury shares

These shares were acquired based on the authorization granted to the Board of Directors by the shareholders and in accordance with Ministerial Decrees No. 10 of 1987 and No. 11 of 1988. These shares are carried at cost. Reserves equivalent to the cost of treasury shares held are not distributable.

	<u>Unaudited</u> <u>30 September</u> <u>2006</u>	<u>Audited</u> <u>31 December</u> <u>2005</u>	<u>Unaudited</u> <u>30 September</u> <u>2005</u>
Number of shares	23,512,779	20,445,895	11,207,507
Percentage of issued shares	1.86%	1.86%	2.02%
Market value (KD '000)	68,657	71,969	56,038
Cost (KD '000)	15,576	15,576	4,028

12. Investment income

	<u>Three months ended</u> <u>30 September</u> <u>(Unaudited)</u>		<u>Nine months ended</u> <u>30 September</u> <u>(Unaudited)</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	<u>KD'000</u>		<u>KD'000</u>	
Gain/(loss) from investments 'at fair value through profit or loss'	608	2,125	(1,389)	7,223
Realised (loss)/gains from investments 'available-for-sale'	(242)	2,529	151	5,065
Dividend income	1,370	1,211	4,567	3,553
	<u>1,736</u>	<u>5,865</u>	<u>3,329</u>	<u>15,841</u>

**Mobile Telecommunications Company KSC and subsidiaries
Kuwait**

Notes to the Interim Condensed Consolidated Financial Statements - 30 September 2006 (Unaudited)

13. Earnings per share

Basic earnings per share based on the weighted average number of shares outstanding during the period is as follows:

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2006	2005	2006	2005
	KD'000		KD'000	
Net profit for the period attributable to shareholders	83,865	46,490	223,176	136,434
	Shares	Shares	Shares	Shares
Company's issued and paid-up shares	1,261,819,591	995,440,698	1,261,819,591	995,440,698
Less : Weighted average number of treasury shares	(23,512,779)	(19,868,521)	(23,512,779)	(19,868,521)
	<u>1,238,306,812</u>	<u>975,572,177</u>	<u>1,238,306,812</u>	<u>975,572,177</u>
	Fils	Fils	Fils	Fils
Earnings per share	<u>68</u>	<u>48</u>	<u>180</u>	<u>140</u>

Earnings per share from operations reported for the three months and nine months ended 30 September 2005 was 86 fils and 251 fils before retroactive adjustment relating to bonus shares and rights issue.

14. Segmental information

The Parent Company and its subsidiaries operate in a single business segment, telecommunications and related services. Apart from its main operations in Kuwait, the Parent Company also operates through its foreign subsidiaries in Jordan, Bahrain, Lebanon, Sudan and Sub-Saharan Africa. This forms the basis of the geographical segments.

	30 September 2006 (Unaudited)						Total KD '000
	Kuwait	Jordan	Bahrain	Lebanon	Sudan	Sub-Saharan Africa	
Segment revenues	<u>173,191</u>	<u>107,301</u>	<u>22,345</u>	<u>12,699</u>	<u>81,736</u>	<u>451,876</u>	<u>849,148</u>
Net profit	<u>95,742</u>	<u>29,548</u>	<u>2,630</u>	<u>2,294</u>	<u>72,281</u>	<u>20,681</u>	<u>223,176</u>
Segment assets	1,492,665	181,014	39,300	5,572	150,474	2,502,675	4,371,700
Elimination adjustment							(1,110,145)
Consolidated assets							<u>3,261,555</u>
Segment liabilities	210,929	83,784	27,154	3,676	110,123	2,345,269	2,780,935
Elimination adjustment							(905,698)
Consolidated liabilities							<u>1,875,237</u>
Net assets							<u>1,386,318</u>
Capital expenditure incurred during the period	<u>4,554</u>	<u>46,924</u>	<u>2,615</u>	<u>12</u>	<u>19,242</u>	<u>736,279</u>	<u>809,626</u>
Depreciation and amortisation	<u>15,977</u>	<u>15,867</u>	<u>3,039</u>	<u>5</u>	<u>10,930</u>	<u>56,397</u>	<u>102,215</u>

Mobile Telecommunications Company KSC and subsidiaries
Kuwait

Notes to the Interim Condensed Consolidated Financial Statements - 30 September 2006 (Unaudited)

	30 September 2005 (Unaudited)						Total KD '000
	Kuwait	Jordan	Bahrain	Lebanon	Sudan	Sub-Saharan Africa	
Segment revenues	153,284	101,310	13,889	11,949	-	115,798	396,230
Net profit/(loss)	89,288	27,990	(792)	1,753	-	18,195	136,434
Segment assets	651,676	129,975	35,708	5,370	-	1,089,413	1,912,142
Elimination adjustment							(236,476)
Consolidated assets							1,675,666
Segment liabilities	182,788	62,903	34,031	3,786	-	1,024,644	1,308,152
Elimination adjustment							(151,541)
Consolidated liabilities							1,156,611
Net assets							519,055
Capital expenditure incurred during the period	21,626	18,685	1,968	7	-	45,686	87,972
Depreciation and amortisation	14,512	11,725	2,639	-	-	13,710	42,586

15. Related party transactions

The Group has entered into transactions with related parties on terms approved by management.

Transactions with related parties are:

	Unaudited 30 September 2006	Unaudited 30 September 2005	
			KD '000
Revenue	13,083	-	
Distribution, marketing and operating expenses	6,788	-	
Management fee (included in other income)	3,531	1,234	

Balances outstanding with related parties are:

	Unaudited 30 September 2006	Audited 31 December 2005	Unaudited 30 September 2005	
				KD '000
Trade and other receivables	321	2,232	890	
Trade and other payables	35,684	469	83	

Notes to the Interim Condensed Consolidated Financial Statements - 30 September 2006 (Unaudited)

16. Commitments and contingencies

	Unaudited 30 September 2006	Audited 31 December 2005	Unaudited 30 September 2005 KD '000
Capital expenditure	235,147	72,008	13,839
Uncalled share capital of investee companies	980	2,057	2,057
Letters of credit	3,113	8,779	9,615
Letters of guarantee	12,903	274,429	6,457

The Jordan operating subsidiary - Jordan Mobile Telecommunications Services Company JSC, is a defendant in lawsuits and arbitration proceedings amounting to approximately KD 940,000 (31 December 2005 : KD 9,907,000; 30 September 2005 : KD 5,365,000). Legal proceedings have been initiated by and against some of the other subsidiaries in a number of jurisdictions. On the basis of information currently available, and having taken counsel with legal advisers, Group management is of the opinion that the outcome of these proceedings is unlikely to have a material adverse effect on the consolidated financial position or the consolidated operations of the Group.

The Parent Company is contingently liable for a claim filed by the Ministry of Communication (MoC) seeking a fixed payment of KD 1 per month for each prepaid line. In April 2006, the Commercial Civil court issued a verdict in favor of MoC, but the Parent Company has filed an appeal against the verdict. The Parent Company believes that the verdict is currently unenforceable as it has not stipulated either the number of subscribers or the applicable period. The management has considered the above court verdict and has taken all steps necessary to ensure that it will not materially affect the financial statements.

The regulator of a subsidiary has demanded US\$ 36,000,000 (KD 10,425,000) based on a revenue sharing agreement, whose validity has been disputed by the Group's management. Discussions are ongoing with that regulator and the Group's management believes that the outcome will be in its favour.

Under several local license agreements, certain subsidiaries are committed to build local GSM networks reaching specified local coverage at agreed rates.

17. Business combinations

Mobitel, Sudan

The provisional values assigned to the identifiable assets and liabilities of Mobitel, Sudan as at the date of acquisition, which will be reviewed within one year of acquisition on finalisation of the Purchase Price Allocation (PPA), are shown below:

	KD'000
Cash and bank	8,868
Short term deposits	34,183
Trade and other receivables	4,183
Inventories	879
Property, plant and equipment	35,769
Trade and other payables	(16,151)
Post employment benefits	(262)
Provisional value of net assets	<u>67,469</u>
Purchase consideration settled in cash	382,818
Cash and cash equivalents in subsidiary acquired	<u>(70,575)</u>
Cash outflow on acquisition	<u>312,243</u>

Notes to the Interim Condensed Consolidated Financial Statements - 30 September 2006 (Unaudited)

Details of net assets acquired and goodwill are as follows:

	<u>KD'000</u>
Purchase Consideration	
- Cash paid	375,222
- Adjustment for cash dividend	14,255
- Direct cost relating to acquisition	<u>7,596</u>
Total purchase consideration	397,073
Less: Provisional value of net assets acquired	<u>(67,469)</u>
Goodwill arising on acquisition	<u><u>329,604</u></u>

The above goodwill is attributable to Mobitel's profitability and the significant synergies expected to arise from the acquisition.

From the date of acquisition (6 February 2006), Mobitel contributed revenues of KD 135,417,000 and net profit of KD 44,092,000 to the net results of the Group. If the acquisition had taken place on 1 January 2006, the Group revenue and net profits would have been higher by KD 14,775,000 and KD 5,775,000 respectively.

Vee Networks Limited, Nigeria (Vmobile)

The provisional values assigned to the identifiable assets and liabilities of Vmobile as at the date of acquisition, which will be reviewed within one year of acquisition on finalisation of the Purchase Price Allocation (PPA), are shown below:

	<u>KD'000</u>
Cash and bank	51,601
Trade and other receivables	24,838
Deferred tax asset	15,191
Inventories	687
Property, plant and equipment	185,546
Intangible assets	31,003
Trade and other payables	(160,339)
Due to banks	<u>(9,517)</u>
Provisional value of net assets	<u><u>139,010</u></u>
Purchase consideration settled in cash	294,868
Cash and cash equivalents in subsidiary acquired	<u>(79,388)</u>
Cash outflow on acquisition	<u><u>215,480</u></u>

Notes to the Interim Condensed Consolidated Financial Statements - 30 September 2006 (Unaudited)

Details of net assets acquired and goodwill are as follows:

	<u>KD'000</u>
Purchase Consideration	
- Cash paid	292,327
- Direct cost relating to acquisition	<u>2,541</u>
Total purchase consideration	294,868
Less: Provisional value of net assets acquired	<u>(139,010)</u>
Goodwill arising on acquisition	<u>155,858</u>

The above goodwill is attributable to Vmobile's profitability and the significant synergies expected to arise from the acquisition.

From the date of acquisition (31 May 2006), Vmobile contributed revenues of KD 97,181,000 and net profit of KD 3,151,000 to the net results of the Group. If the acquisition had taken place on 1 January 2006, the Group revenue and net profits would have been higher by KD 105,592,000 and KD 10,750,000 respectively.

18. Comparative figures

Certain comparative amounts have been reclassified to conform with current period presentation but with no effect on net profit or equity.